



CONRAD

Industries, Inc.

2023 ANNUAL REPORT

Section I

Conrad Industries, Inc.

Notice of the Annual Meeting and Proxy Statement

CONRAD INDUSTRIES, INC.
1100 Brashear Avenue
Suite 200
Morgan City, Louisiana 70380-0790

July 5, 2024

TO OUR STOCKHOLDERS:

You are cordially invited to attend our 2024 Annual Meeting of Stockholders to be held on Tuesday, August 6, 2024 at 9:00 a.m., local time, at our corporate offices, 1100 Brashear Avenue, Suite 200, Morgan City, Louisiana. A Notice of the Annual Meeting, proxy statement and proxy card are enclosed with this letter.

We encourage you to read the Notice of the Annual Meeting, proxy statement and proxy card so that you may be informed about the business to come before the meeting. Your participation in our business is important, regardless of the number of shares that you hold. To ensure your representation at the meeting, please promptly sign and return the accompanying proxy card in the enclosed postage-paid envelope.

We look forward to seeing you on August 6, 2024.

Sincerely,

/s/ John P. Conrad, Jr.

John P. Conrad, Jr.
Chief Executive Officer

CONRAD INDUSTRIES, INC.
1100 Brashear Avenue
Suite 200
Morgan City, Louisiana 70380-0790

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD AUGUST 6, 2024

To our Stockholders:

When and Where. Our 2024 Annual Meeting of Stockholders will be held on Tuesday, August 6, 2024 at 9:00 a.m., local time, at our corporate offices, 1100 Brashear Avenue, Suite 200, Morgan City, Louisiana.

Record Date. Only stockholders of record at the close of business on June 24, 2024 will be entitled to notice of and to vote at the Annual Meeting.

Purpose of the Meeting. The Annual Meeting has been called for the following purposes:

- To elect two Class II directors, to serve for a three-year term until our 2027 Annual Meeting of Stockholders and until their successors have been duly elected and qualified; and
- To consider and act upon such other business as may properly come before the meeting or any adjournments thereof.

You will find more information on the nominees for director in the proxy statement. You will find further instructions on how to vote beginning on page 2 of the proxy statement.

This proxy statement and our Annual Report to Shareholders for the year ended December 31, 2023 are available at <https://materials.proxyvote.com/208305>. We do not use “cookies” or other software that identifies visitors accessing these materials on the website.

Your Vote Counts! It is important that your shares be represented at the Annual Meeting regardless of whether you plan to attend. This will ensure the presence of a quorum at the meeting. Please complete, sign and date the enclosed proxy card and return it in the envelope provided as promptly as possible, even if you intend to be present at the meeting. You may revoke your proxy at any time before it is voted.

By Order of our Board of Directors,

/s/ Cecil A. Hernandez

Cecil A. Hernandez
Secretary

Morgan City, Louisiana
July 5, 2024

CONRAD INDUSTRIES, INC.
1100 Brashear Avenue
Suite 200
Morgan City, Louisiana 70380-0790

PROXY STATEMENT
FOR
ANNUAL MEETING OF STOCKHOLDERS

To Be Held August 6, 2024

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Our principal executive offices are located at 1100 Brashear Avenue, Suite 200, Morgan City, Louisiana 70380. This proxy statement, and the accompanying Notice of 2024 Annual Meeting of Stockholders and proxy card, are first being mailed to our stockholders on or about July 5, 2024.

VOTING INFORMATION

GENERAL INSTRUCTIONS ON HOW TO VOTE YOUR PROXY

Below are instructions on how to vote, as well as information on your rights as a stockholder as they relate to voting. Some of the instructions will differ depending on how your stock is held. It is important to follow the instructions that apply to your situation.

If your shares are held in “street name,” you should vote your shares in the method directed by your broker or other nominee.

If you plan to attend the meeting and vote in person, your instructions will depend on how your shares are held:

- *Shares registered in your name*—Check the appropriate box on the enclosed proxy card and bring evidence of your stock ownership with you to the meeting. The proxy card and the evidence of your ownership will serve as your authorization to vote in person.
- *Shares registered in the name of your broker or other nominee*—Ask your broker to provide you with a broker’s proxy card in your name (which will allow you to vote your shares in person at the meeting) and bring evidence of your stock ownership from your broker.

Remember that attendance at the meeting will be limited to stockholders as of the record date (or their authorized representatives) with evidence of their share ownership and our guests.

How to Revoke Your Proxy. If your shares are registered in your name, you may revoke your proxy at any time before it is exercised by:

- filing with our Secretary a written notice revoking it;
- executing and returning another proxy bearing a later date; or
- attending the Annual Meeting and so notifying the Secretary of the meeting in writing prior to the voting of the proxy.

If your shares are held in street name, you must contact your broker to revoke your proxy. Written notices to us must be addressed to Cecil A. Hernandez, Secretary, Conrad Industries, Inc., 1100 Brashear Avenue, Suite 200, Morgan City, Louisiana 70380-0790. No revocation by written notice will be effective unless such notice has been received by our Secretary prior to the day of the Annual Meeting or by the Secretary of the meeting at the Annual Meeting.

VOTING RULES

Stockholders Entitled to Vote —The Record Date. The close of business on June 24, 2024 has been fixed as the record date for the determination of stockholders entitled to vote at the Annual Meeting and any postponement(s) or adjournment(s) thereof. As of the record date, we had issued and outstanding 5,017,935 shares of common stock. There are no other classes of our voting securities outstanding.

Quorum Required. A quorum must exist for us to hold the Annual Meeting. For a quorum to exist, we will need the presence, either in person or by proxy, of holders of a majority of our outstanding shares of common stock as of the record date. Abstentions and broker non-votes are counted for purposes of determining whether a quorum is present. Generally, broker non-votes occur when shares held by a broker for a beneficial owner are not voted with respect to a particular proposal because (1) the broker has not received voting instructions from the beneficial owner and (2) the broker lacks discretionary voting power to vote such shares.

Number of Votes. You are entitled to one vote per share of our common stock that you own as of the record date on each matter that is called to a vote at the Annual Meeting.

Voting to Elect Directors. When voting to elect the directors, you have three options:

- Vote for all of the nominees;
- Vote for only one of the nominees; or
- Withhold authority to vote for all of the nominees.

If a quorum is present at the Annual Meeting, the two nominees receiving the greatest number of votes will be elected to serve as directors. Because of this rule, any shares that are not voted or any votes that are withheld will not influence the outcome of the election of directors. Cumulative voting for the election of the directors is not permitted.

Voting on Other Matters. When voting on all other matters, you will have three options, but these options are different from those pertaining to the election of the directors:

- Vote “FOR” a given proposal;
- Vote “AGAINST” a given proposal; or
- ABSTAIN from voting on a given proposal.

Each matter, other than the election of the directors, shall be approved if the votes cast in favor of the matter exceed the votes cast against the matter. An abstention with respect to a particular proposal will be treated as a vote not cast with respect to such proposal. Broker non-votes will not affect the voting results on a proposal because shares held by brokers who withhold authority to vote will be considered absent in the voting tallies on these proposals.

A duly executed proxy confers discretionary authority to the persons named in the proxy authorizing those persons to vote, in their discretion, on any other matters properly presented at the Annual Meeting. Our Board of Directors is not currently aware of any such other matters to be presented at the Annual Meeting.

Voting of Proxies with Unmarked Votes. All proxies that are properly completed, signed and returned prior to the Annual Meeting will be voted. If you return your proxy with no votes marked, your shares will be voted “FOR” the election of the nominees for director.

It is possible for a proxy to indicate that some of the shares represented are not being voted as to certain proposals. This occurs, for example, when a broker is not permitted to vote on a proposal without instructions from the beneficial owner of the stock. In these cases, non-voted (broker non-votes) shares are considered absent for those proposals.

Who Counts the Votes. Votes will be counted by Equiniti Trust Company, LLC, our transfer agent and registrar.

Information about this Solicitation of Proxies. The solicitation of the proxy accompanying this proxy statement is being made by our Board of Directors in connection with our 2024 Annual Meeting of Stockholders. In addition to the solicitation of proxies by use of this proxy statement, our directors, officers and employees may solicit the return of proxies by mail, personal interview, telephone, fax or electronic mail. Our directors, officers and employees will not receive additional compensation for their solicitation efforts, but they will be reimbursed for any out-of-pocket expenses incurred. Brokerage houses and other custodians, nominees and fiduciaries will be requested, in connection with our common stock registered in their names, to forward solicitation materials to beneficial owners of such stock.

All costs of preparing, printing, assembling and mailing the Notice of the 2024 Annual Meeting of Stockholders, this proxy statement, the enclosed proxy card and any additional materials, as well as the cost of forwarding solicitation materials to the beneficial owners of our common stock and all other costs of solicitation, will be borne by us.

PROPOSAL: ELECTION OF DIRECTORS

Our Amended and Restated Certificate of Incorporation divides or “classifies” our Board of Directors into three classes (Classes I, II and III) with respect to the three-year terms for which the directors in each class individually hold office. Each class consists, as nearly as possible, of one-third of the entire Board. Each director is elected to hold office for a term ending on the date of the third annual meeting following the annual meeting at which such director was elected. Conrad Industries’ Board of Directors currently consists of six directors: John P. Conrad, Jr., Cecil A. Hernandez, Michael J. Harris, Ogden U. Thomas, Jr., Daniel T. Conrad, and Larry J. Callais. The current term for the Class II directors will expire at this year’s Annual Meeting. The terms of office of the current Class I and Class III directors will expire at the annual meetings of stockholders to be held in 2026 and 2025, respectively.

Our Board of Directors has nominated and urges you to vote for the election of the two nominees identified below to serve as Class II directors for a three-year term and until their successors are duly elected and have qualified. Each of the nominees listed below is a member of our present Board of Directors. Proxies solicited hereby will be voted for all nominees unless stockholders specify otherwise in their proxies.

If, at the time of or prior to the Annual Meeting, any of the nominees should be unable or decline to serve, the discretionary authority provided in the proxy may be used to vote for a substitute or substitutes designated by our Board of Directors. Our Board of Directors has no reason to believe at this time that any substitute nominee or nominees will be required.

The two nominees for re-election as Class II directors to serve until 2027 and certain additional information with respect to each of them are as follows:

| <u>Name</u> | <u>Age</u> | <u>Position with Conrad Industries</u> | <u>Year First Became a Director</u> |
|----------------------|------------|--|-------------------------------------|
| Michael J. Harris | 75 | Director (Class II) | 1998 |
| Ogden U. Thomas, Jr. | 79 | Director (Class II) | 2004 |

Michael J. Harris has been a director of Conrad Industries since the consummation of the initial public offering in June 1998. From 2005-2014, Mr. Harris was president of Hope Christian Community Foundation, a charitable organization in Memphis, Tennessee, where he currently serves as President Emeritus. Previously, Mr. Harris was a Managing Director of Morgan Keegan & Company, Inc., where he was employed since 1986. Morgan Keegan was the lead managing underwriter of our initial public offering.

Ogden U. Thomas, Jr. has been a director of Conrad Industries since April 2004. Mr. Thomas served on the Board of Directors of Cross Group, Inc., a privately held group of companies servicing the oil and gas, marine services, offshore construction and deepwater services industries until July 2016, and from 2006 to 2011 served as that company’s President and Chief Operating Officer. From 1988 to 2003, Mr. Thomas served as the President of the ENSCO Marine Company Division of ENSCO International, a leading offshore drilling contractor. Prior to that time, Mr. Thomas served in various management positions with Seahorse, Inc., a world-wide operator of offshore supply and anchor handling vessels and a subsidiary of Texas Eastern Corporation, and as President of the Drilling Services Division of Texas Eastern Corporation. He is the father of our Chief Financial Officer, Scott Thomas.

The Board of Directors recommends that stockholders vote “FOR” the election of Mr. Michael J. Harris and Mr. Ogden U. Thomas, Jr. as directors to hold office until the 2027 Annual Meeting of Stockholders and until their successors are elected and qualified. Proxies executed and returned will be so voted unless contrary instructions are indicated thereon.

COMPANY INFORMATION

INFORMATION ABOUT THE CONTINUING DIRECTORS

Information regarding the business experience of Michael J. Harris and Ogden U. Thomas, Jr., who have been nominated for re-election to our Board, is set forth above under the heading “Proposal: Election of Directors.”

| <u>Name</u> | <u>Age</u> | <u>Position with Conrad Industries</u> | <u>Year First Became a Director</u> |
|---------------------|------------|---|---|
| John P. Conrad, Jr. | 81 | Chairman of the Board of Directors, Chief Executive Officer (Class III) | 1998 |
| Daniel T. Conrad | 60 | Director (Class III), and Senior Vice President | 2014 |
| Cecil A. Hernandez | 67 | Director (Class I), President and Secretary | 1998 |
| Larry J. Callais | 74 | Director (Class I) | 2022 |

John P. Conrad, Jr. has been with our company since 1976, serving as Vice President since 1982, and as Co-Chairman of the Board of Conrad Industries, Inc. from March 1998 to January 2014, when he became Chairman of the Board. Mr. Conrad has served as Chief Executive Officer since April 2004. Mr. Conrad served as President from April 2004 until November of 2018. Mr. Conrad founded Johnny’s Propeller Shop, Inc., a marine-related service company, in 1963 and is Chairman of the Board and Chief Executive Officer of this company. In 2000, Mr. Conrad and members of his immediate family founded Summit Management Group, L.L.C., which currently owns, among other investments, all of the outstanding ownership interests in Johnny’s Propeller Shop. Mr. Conrad is currently the Operating Manager of Summit Management Group. He is the father of Daniel Conrad.

Daniel T. Conrad has been a director of Conrad Industries since January 2014. Mr. D. Conrad was appointed to the Board of Directors to fill a vacancy created by the resignation of J. Parker Conrad and to serve as a Class III director. Mr. Conrad joined the company in 1997 and has held numerous positions including Facility Manager, Sales Manager, Business Relations Manager and currently is Senior Vice President of our Conrad Shipyard, Conrad Shipyard Amelia and Conrad Orange subsidiaries. From 1989 to 1996, Mr. Conrad served various positions with Venture Transport, Inc., a specialized carrier in oilfield and energy equipment. Mr. Conrad is the son of John P. Conrad, Jr.

Cecil A. Hernandez has been a director of Conrad Industries since March 1998. Mr. Hernandez joined Conrad Industries in January 1998 and served as Vice President-Finance and Administration and Chief Financial Officer of Conrad Industries from 1998 until 2002. During August 2004, Mr. Hernandez returned to Conrad and served as Chief Operating Officer and interim CFO until February 2005, at which time, he assumed the position of Executive Vice-President and Chief Financial Officer until November 2018. Mr. Hernandez served as Chief Operating Officer from July until October 2018. In November 2018, he became President. From October 2002 to August 2004, Mr. Hernandez served as the President of Summit Management Group, L.L.C., a company formed by John P. Conrad, Jr. and his immediate family. Mr. Hernandez founded Hernandez & Blackwell CPAs in 1983 and served as its Managing Partner until December 1997. Hernandez & Blackwell CPAs merged with Darnall Sikes & Frederick CPAs in 1996. Additionally, Mr. Hernandez provided accounting and consulting services for Conrad Industries as the outside Certified Public Accountant from 1993 until 1997. From 1982 to 1983, Mr. Hernandez served as Assistant Controller for Oceaneering International, a publicly traded diving company. Mr. Hernandez was employed by the international accounting firm Deloitte Haskins & Sells (now Deloitte & Touche LLP) from 1979 to 1982.

Larry J. Callais has been a director of Conrad Industries since November 2022. Mr. Callais served as Chief Executive Officer of M C Bank from 1999 until 2021. He joined the bank in 1977. M C Bank is a Morgan City-based commercial bank with seven locations in south Louisiana. Among his many civic and professional activities, Mr. Callais has served as Chairman of the Board of the St. Mary Parish Foundation, served as Chairman of the Board of Trustees of Teche Regional Medical Center in Morgan City and is a former member of the Board of Directors of the Louisiana Bankers Association. He is a Certified Public Accountant, on inactive status.

DIRECTORS’ MEETINGS AND COMPENSATION

During 2023, our Board of Directors met five times and took certain additional actions by unanimous written consent in lieu of meetings. During this period, each of our directors attended at least 75 percent of the aggregate number of meetings of our Board of Directors and committees of our Board on which they served.

Our directors who are employees do not receive any compensation for service on our Board of Directors or any committee. Our directors are, however, reimbursed for expenses incurred in connection with attending each Board and committee meeting. Directors who are not our employees receive a fee of \$40,800 annually, plus \$1,350 for attendance at each Board of Directors meeting and \$500 for each committee meeting attended.

INDEPENDENT DIRECTORS COMMITTEE

Our Board has established an Independent Directors Committee, which has the functions described in the Independent Directors Committee Charter attached to this proxy statement as Exhibit A. These functions include being directly responsible for the appointment, compensation, retention and oversight of the work of our independent auditors, approving all compensation and benefits provided to, and any employment agreement with, an executive officer of our company, and approving related party transactions involving a director or executive officer. Messrs. Harris (Chairperson), and Callais are the current members of the Independent Directors Committee. All members of the Committee are independent, as independence is defined in the listing standards of The NASDAQ Stock Market. The Independent Directors Committee met one time during 2023.

The Company has an annual incentive plan pursuant to which our executive officers may receive cash bonuses calculated as a percentage of salary, based upon achieving one or more specified performance indicators at threshold, target and stretch levels. With respect to 2023 bonuses under the annual incentive plan that would have been paid during 2024, the Company did not achieve the minimum performance threshold as determined by the Board for 2023, and therefore no bonuses were awarded. No amounts under the annual incentive plan have been awarded to executive officers since 2014. No stock options or other stock-based incentive compensation awards were granted in 2023, and as of July 5, 2024 none are outstanding.

INDEPENDENT DIRECTORS COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

During fiscal year 2023, Michael J. Harris and Larry J. Callais served on the Independent Directors Committee. No member served as an officer or employee of Conrad Industries or any of its subsidiaries prior to or while serving on the Independent Directors Committee. None of our executive officers served during the last fiscal year on the board of directors or on the compensation committee of another entity, one of whose executive officers served on our Board of Directors or on our Independent Directors Committee.

EXECUTIVE COMPENSATION

Executive Officers

The compensation paid or accrued to our principal executive officer and our other two most highly compensated executive officers during the fiscal year(s) during which they served as executive officers is included in our 2023 Annual Report, under the heading "Executive Compensation." The Company's employment agreements with its executive officers expired on May 31, 2022. As of July 5, 2024, the Company and the Committee are in the process of reviewing the Company's executive compensation program and the terms of potential replacement employment agreements.

401(k) Plan

Information pertaining to our 401(k) Plan is included in our 2023 Annual Report, in Note 10 under the heading of "Employee Benefits."

Annual Incentive Plan

We have established an annual incentive plan under which our executive officers and other key employees may be awarded cash bonuses based upon the achievement of certain performance goals. The payment of any bonuses is at the discretion of the Board, which may increase or decrease bonus amounts determined under the plan formulas. The payment of bonuses to executive officers must be approved by the Independent Directors Committee.

For 2023, our executive officers were eligible to receive cash bonuses calculated as a percentage of salary, based upon achieving specified threshold, target and stretch levels. With respect to 2023 bonuses that would have been paid during 2024, the Company did not achieve the minimum performance threshold as determined by the Board for 2023 and therefore no bonuses were awarded.

Agreements with Directors

We have entered into indemnity agreements with all of our directors requiring us to indemnify and advance expenses to them in connection with their service to our Company to the fullest extent permitted by law. The agreements also require us to maintain directors' and officers' liability insurance, unless it is not reasonably available or, in the reasonable business judgment of our directors, there is insufficient benefit to us from the insurance.

TRANSACTIONS WITH CERTAIN AFFILIATES

Information pertaining to transactions with certain affiliates is included in our 2023 Annual Report and Report for the First Quarter of 2024.

STOCK OWNERSHIP BY CONRAD INDUSTRIES' LARGEST STOCKHOLDERS AND MANAGEMENT

The following table presents certain information, as of June 19, 2024, regarding the beneficial ownership of our common stock by:

- each person who is known by us to beneficially own more than five percent of our outstanding shares of common stock;
- each of our directors;
- each of our current executive officers; and
- all of our current directors and executive officers as a group.

Except as described below, each of the persons listed in the table has sole voting and investment power with respect to the shares listed.

| <u>Beneficial Owner</u> | <u>Number of Shares</u> | <u>% of Total Outstanding</u> |
|---|-------------------------|-------------------------------|
| John P. Conrad, Jr. | 991,375 | 19.8% |
| Katherine C. Court ⁽¹⁾ | 521,634 | 10.4% |
| Minerva Group LP | 373,648 | 7.4% |
| Johnny & Mary Lou Conrad Family, LLC ⁽²⁾ | 260,816 | 5.2% |
| Johnny & Mary Lou Conrad 2009 Trust ⁽²⁾ | 255,600 | 5.1% |
| Cecil A. Hernandez | 50,968 | 1.0% |
| Michael J. Harris | 6,670 | * |
| Ogden U. Thomas, Jr. | 2,000 | * |
| Daniel T. Conrad | 1,200 | * |
| Larry J. Callais | - | * |
| Brett T. Wolbrink | - | * |
| Scott A. Thomas | - | * |
| All Directors and Executive Officers as a group (8 persons) | 1,052,213 | 21.0% |

* Less than one percent.

⁽¹⁾ Katherine C. Court is the sister of John P. Conrad, Jr.

⁽²⁾ Edward Leonard and John P. Armato serve as Co-Trustees of the Johnny & Mary Lou Conrad 2009 Trust, which controls the Johnny & Mary Lou Conrad Family, LLC.

INDEPENDENT AUDITORS

The Independent Directors Committee has selected Darnall, Sikes & Frederick, a Corporation of Certified Public Accountants as our independent auditors for fiscal year 2024. Representatives of Darnall, Sikes & Frederick, a Corporation of Certified Public Accountants will be present at the Annual Meeting and will have an opportunity to make a statement, if they desire to do so. They will also be available to respond to appropriate questions from stockholders attending the Annual Meeting.

STOCKHOLDER PROPOSALS AND DIRECTOR NOMINATIONS FOR THE 2024 ANNUAL MEETING

Stockholder Proposals

Under our bylaws, if you wish to bring any matter (other than stockholder nominations of director candidates, the procedures for which are summarized below) before the 2025 Annual Meeting, you must notify our Secretary in writing not less than 60 or more than 90 days prior to the first anniversary of the 2024 Annual Meeting. However, if the date of the 2025 Annual Meeting of Stockholders is changed by more than 30 calendar days from the date contemplated at the time of this proxy statement, the notice must be received by us at least 45 days prior to the date we intend to distribute the proxy statement with respect to such meeting. We plan to hold our 2025 Annual Meeting on August 5, 2025.

Notices regarding each matter must include:

- a brief description of the business to be brought before the Annual Meeting and the reasons for conducting the business at the Annual Meeting;
- the name and address of record of the stockholder proposing the business;
- the class and number of shares of our stock that are beneficially owned by the stockholder; and
- any material interest of the stockholder in such business.

If you do not provide the proper notice by June 7, 2025, or if you provide such notice before May 8, 2025, the chairman of the meeting may exclude the matter and, thus, it will not be acted upon at the meeting. If the chairman does not exclude the matter, the proxies may vote in the manner they believe appropriate. Stockholders should refer to our bylaws for a more complete description of the requirements for stockholder proposals.

Director Nominations

Our Board of Directors is open to suggestions from stockholders on candidates for election to our Board. Any of our stockholders may suggest a nominee by sending the following information to the Board: (1) your name, mailing address and telephone number, (2) the suggested nominee's name, mailing address and telephone number, (3) a statement whether the suggested nominee knows that his or her name is being suggested by you, and whether he or she has consented to being suggested and is willing to serve, (4) the suggested nominee's resume or other description of his or her background and experience and (5) your reasons for suggesting that the individual be considered. The information should be sent to the Board addressed as follows: Chairman, Board of Directors, Conrad Industries, Inc., 1100 Brashear Avenue, Suite 200, Morgan City, Louisiana 70380-0790.

If you do not wish to follow the foregoing procedure but wish instead to nominate one or more persons for election to the Board of Directors at the 2025 Annual Meeting, you must notify our Secretary in writing not less than 60 or more than 90 days prior to the first anniversary of the 2024 Annual Meeting. However, if the date of the 2025 Annual Meeting of Stockholders is changed by more than 30 calendar days from the date contemplated at the time of this proxy statement (August 5, 2025), the notice must be received by us at least 45 days prior to the date we intend to distribute the proxy statement with respect to such meeting. If you do not provide the proper notice by June 7, 2025 or if you provide such notice before May 8, 2025, the chairman of the meeting may disregard your nomination and, thus, your nominee will not be eligible for election as a director. Stockholders should refer to our bylaws for a more complete description of the requirements for director nominations.

POLICIES REGARDING DIRECTOR ATTENDANCE AT ANNUAL MEETINGS AND COMMUNICATIONS WITH DIRECTORS

It is the policy of our Board of Directors that directors are encouraged to attend all meetings of our stockholders. All of our directors attended our 2023 Annual Meeting of Stockholders.

Our Board of Directors has also adopted a process by which stockholders may communicate with our directors. Any stockholder wishing to do so may write to the Board or any of our directors at our corporate offices, 1100 Brashear Avenue, Suite 200, Morgan City, Louisiana 70380-0790, or by writing care of our outside counsel, Ms. Dionne M. Rousseau at the following address: Board of Directors of Conrad Industries, Inc., c/o Ms. Dionne M. Rousseau, Outside Counsel, Jones, Walker LLP, 445 North Boulevard, Suite 800, Baton Rouge, Louisiana 70802. All such stockholder communications will be delivered to our Board's Independent Directors Committee. The Committee will review and consider all written communications from stockholders, and recommend appropriate responses thereto to our Board.

DISCRETIONARY VOTING OF PROXIES ON OTHER MATTERS

Our management does not currently intend to bring any proposals before the 2024 Annual Meeting other than the election of the directors described in this proxy statement. If new proposals requiring a vote of our stockholders are brought before the meeting in a proper manner, the persons named in the accompanying proxy card intend to vote the shares represented by them in accordance with their best judgment.

2023 ANNUAL REPORT; REPORT FOR THE FIRST QUARTER OF 2024

A copy of our Annual Report and the financial statements for the year ended December 31, 2023 accompanies this proxy statement. A report for the first quarter of 2024 is available at www.otcmarkets.com and on the Company's website www.conradindustries.com.

By Order of the Board of Directors

/s/ Cecil A. Hernandez

Cecil A. Hernandez
Secretary

Morgan City, Louisiana
July 5, 2024

CONRAD INDUSTRIES, INC.
INDEPENDENT DIRECTORS COMMITTEE CHARTER

This Independent Directors Committee (the “Committee”) Charter has been adopted by the Board of Directors of Conrad Industries, Inc. (the “Company”).

Composition and Independence

The Committee shall be appointed by the Board and shall consist of a minimum of two directors. All Committee members shall be independent under the rules of the Securities and Exchange Commission and the NASDAQ Stock Market.

One member of the Committee shall be appointed by the Board as chair. The chair shall be responsible for leadership of the Committee, including scheduling and presiding over meetings, preparing agendas, and making regular reports to the Board. The Committee may not designate subcommittees except with the prior approval of the Board.

Responsibilities

The Committee shall have the authority and responsibilities set forth below. The Committee shall report its actions to the Board at its next meeting. Except as otherwise expressly provided by the Board, all actions and recommendations of the Committee must be approved by the Board in order to become effective as acts of the Company:

Audit of Annual Financial Statements

- The Committee shall be directly responsible for the appointment, compensation, retention and oversight of the work of any independent accounting firm engaged for the purpose of preparing or issuing an audit report on the Company’s annual financial statements, and such accounting firm shall report directly to the Committee.
- The Committee shall take appropriate actions to oversee and satisfy itself as to the auditor’s independence.
- The Committee shall review the Company’s audited financial statements and discuss them with management and the independent auditor.
- The Committee shall discuss with management and/or the Company’s counsel any legal matters (including the status of pending litigation) that may have a material impact on the Company’s annual financial statements, and any material reports or inquiries from regulatory or governmental agencies.

Executive Compensation

- The Committee shall approve all compensation and benefits provided to, and any employment agreement with, an executive officer of the Company.

Code of Ethics, Conflicts of Interest and Related Party Transactions

- The Committee shall perform such responsibilities as may be delegated to it pursuant to the Company’s Code of Ethics, including approving conflicts of interest involving any director or executive officer.
- The Committee shall conduct an appropriate review of all related party transactions for potential conflict of interest situations on a regular basis and all such transactions must be approved by the Committee. For this purpose, “related party transaction” shall refer to those transactions required to be disclosed pursuant to SEC Regulation S-K, Item 404.

Stockholder Communication with Directors

- The Company's website and annual shareholder meeting materials will provide that any stockholder may communicate with the Company's directors regarding the Company. Stockholders may communicate with the Company's directors by writing to any director at the Company's principal business address or by writing care of the Company's outside counsel, Ms. Dionne M. Rousseau at the following address: Board of Directors of Conrad Industries, Inc., c/o Ms. Dionne M. Rousseau, Outside Counsel, Jones Walker, LLP, 445 North Boulevard, Suite 800, Baton Rouge, Louisiana 70802. All such stockholder communications shall be delivered to the Independent Directors Committee.

Other

- The Committee shall administer the Company's Policy for Handling Complaints about Accounting Matters.
- The Committee shall maintain free and open communication with the independent auditor and Company management.
- The Committee shall perform such other duties as may be assigned to it from time to time by the Board.

Meetings

The Committee shall meet at least once annually or more frequently as circumstances dictate. At least once each year the Committee shall have separate private meetings with the independent auditor and management.

Meetings may be called by the chair of the Committee, or at the request of a majority of the members of the Committee, the President or Chairman of the Board.

Section II

Conrad Industries, Inc.
2023 ANNUAL REPORT

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FORWARD-LOOKING-STATEMENTS

In this Annual Report and in the normal course of business, we, in an effort to help keep our stockholders and the public informed about our operations, may from time to time issue or make certain statements, either in writing or orally, that are or contain forward looking statements. All statements contained herein, other than statements of historical fact, are forward looking statements. When used in this report, the words “anticipate,” “believe,” “estimate,” “expect,” “project,” and similar expressions are intended to identify forward looking statements. Such statements reflect our current views with respect to future events and are subject to certain risks, uncertainties and assumptions, including risks and uncertainties related to changes in steel prices, other material and labor costs, generally high inflation in the U.S. economy, labor and supply constraints, changes in interest rates, our reliance on cyclical industries, our reliance on principal customers and government contracts, our ability to perform contracts at costs consistent with estimated costs utilized in bidding for the projects, our ability to deliver projects on time, variations in quarterly revenues and earnings resulting from the percentage of completion accounting method, customer financial condition and risk of default, the possible termination of contracts included in our backlog at the option of customers, operating risks, competition for marine vessel contracts, our ability to retain and implement effective succession plans for key management personnel and to continue to attract and retain skilled workers, state and federal regulations, the availability and cost of capital, the wars and violence in Ukraine and Israel and surrounding areas, risk of failure of any bank in which we deposit our funds, potential resurgence of COVID-19 and its variants or the occurrence of

another health crisis, and general industry and economic conditions. Certain of these risks and assumptions, and other risks and assumptions are discussed in more detail in our Annual Report, included under the heading “*Business Overview-Risk Factors*.” Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, believed, estimated or expected. We do not intend to update these forward looking statements. Although we believe that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove correct.

REPORT TO OUR SHAREHOLDERS

Our results for 2023 reflect a continued challenging operating environment, including challenges associated with continued high steel prices, inflationary price increases in other materials and equipment, supply chain disruptions, a tight labor market resulting in difficulties in retaining and hiring direct labor and rising interest rates during 2022 and 2023. Our net losses in 2022 and 2023 primarily related to losses and forward losses on vessel construction contracts and stock vessels that have already been delivered, except for the remaining 6,500-cubic yard capacity dredge and the YRBM project discussed below. These vessel construction contracts had fixed prices set prior to the substantial increases in inflation, and the projects also experienced unanticipated higher labor hours and costs, higher material costs, supply chain disruptions and other unanticipated delays. We believe that jobs we have signed in more recent periods include lessons learned on previous jobs, are not as complex and are better priced.

We experienced a 30.0% increase in repair revenue in 2023 compared to 2022, and repair gross profit was \$5.1 million in 2023 compared to repair gross loss of \$0.6 million in 2022. We are optimistic about opportunities in our repair and conversion segment, as we believe market conditions will continue to improve into 2024.

Although we face substantial uncertainties in our markets, we believe we are well-positioned to take advantage of opportunities when market fundamentals improve, due to our shipyard capacity, our investments in improving our shipyards' capabilities and efficiencies, and our experienced team. Bid activity in early 2024 has been good, inland tank barge utilization has been high, and there is increased government funding available for infrastructure and military projects. We have actively pursued government contracts in an effort to further diversify our new construction portfolio. In March 2022 we were awarded a contract by the U.S. Navy for the design and construction of a Yard, Repair, Berthing and Messing ("YRBM") barge, with options for an additional seven barges. The U.S. Navy exercised options for three additional YRBM barges during 2022 and an option during 2023 for the fifth vessel, bringing the total contracts awarded through year-end 2023 to \$89.4 million. We expect to deliver the first two YRBM barges to the U.S. Navy in the second half of 2024, and four additional YRBM barges during 2025. Due to rapidly rising inflation since the time of our fixed-price bid, we have recorded substantial forward losses on the first five vessels. The U.S. Navy exercised an option for the sixth vessel in March 2024. We are proud to support our service men and women and to be able to provide quality jobs to our workforce.

In June of 2022, one of our major customers exercised the option to construct a second 6,500-cubic yard capacity trailing suction hopper dredge, which is now the largest contract in our company's history. The first 6,500-cubic yard capacity dredge, which was awarded in 2020 and was at that time the largest contract in our history, was delivered in February 2024. Although we have incurred substantial losses on the first dredge and recorded a forward loss on the second dredge in 2023, we are optimistic that lessons learned on the first dredge will improve our performance on the second dredge. We are constructing a hybrid-electric passenger and vehicle ferry for The Trust for Governors Island in New York, with an expected delivery in mid-2024. We announced on August 29, 2023 that we have been awarded a contract by the Puerto Rico Maritime Transit Authority for the construction of four cargo and passenger ferry vessels, and expect to deliver the first ferry in late 2024. Among other contract awards, we have also been awarded two large deck barges, one 286 ft. and one 365 ft., both for a repeat customer, with delivery dates later in 2024. We believe some delayed customer orders will move forward as steel prices stabilize or our customers' business opportunities or fleet replacement needs require the vessels.

We are pleased with successes we have enjoyed in deepening and strengthening our team. Over the past two years we have added key, experienced leaders in New Construction, Government Programs and QHS&E. We have also expanded our engineering team. We believe these new hires, among others, along with our dedicated employees and contractors, will help improve our performance on the more diverse and complex projects we have undertaken in recent years, and will help continue our strong safety record.

For the year 2023, we recognized total revenues of \$239.8 million, net loss of \$27.0 million, loss per diluted share of \$5.39, and EBITDA (earnings before interest, taxes, depreciation and amortization) of -\$31.0 million, compared to 2022, when we recognized total revenues of \$193.9 million, net loss of \$17.4 million, loss per diluted share of \$3.47, and EBITDA of -\$17.3 million. For additional information about our financial condition and results of operations, please refer to "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" in this report.

In February 2023, we were awarded a \$7.49 million judgment in a suit we filed in 2019 against a customer that defaulted on contracts to construct two vessels. The judgment was appealed to the United States Court of Appeals for the Fifth Circuit and on February 23, 2024, the judgment was affirmed. Our financial statements do not include any amounts with respect to the judgment. We expect to collect the judgment, with interest, in 2024.

During 2023, we were awarded new contracts totaling approximately \$215.1 million. As of December 31, 2023 our backlog was \$253.8 million, compared to \$244.1 million at December 31, 2022. During 2023, we worked with 77 different customers engaged in a wide range of business activities including the towing, transportation, dredging, construction, and bunkering industries, and the oil and gas industry in the Gulf of Mexico (the “energy sector”). We also worked with federal, state, and local government agencies, including the U.S. Army Corps of Engineers, U.S. Navy, and Puerto Rico Maritime Transit Authority. We delivered 20 vessel construction projects, which consisted of six 30,000 BBL tank barges, five spud barges, four LPG barges, two multi-purposes dredges, one bank grading barge, one towboat, and one tank barge.

By segment, 86.4% of our total 2023 revenue was generated by new construction, and 13.6% was generated by repair and conversion compared to 87.1% and 12.9% for 2022, respectively. The large majority of 2023 revenue, 63.5%, was derived from commercial customers operating outside of the energy sector, 2.7% was related to energy sector contracts, and 33.8% was government related, compared to 92.2%, 0% and 7.8%, respectively, during 2022. Our backlog as of December 31, 2023 consisted of 26 vessels: five YRBM barges, five ferries, five 30,000 bbl tank barges, three spud barges, three deck barges, two 6,500-cubic-yard capacity trailing suction hopper dredges, two ice class tugs, and one drydock. At December 31, 2023, 45.5% of our vessel construction backlog was from contracts with commercial customers, 0% from the energy sector and 54.5% was from government contracts.

Despite the many challenges we have confronted, we remain optimistic about the long-term prospects of our business. Due to our investments in our shipyards and our focus on building our team, we believe our shipyards are competitive, our product mix is diversified and our team is strong. We believe that our ability to provide products and services to a variety of customers and to respond to demand for new types of vessels is a competitive strength. The infrastructure, government, pressurized barge, offshore wind and other markets are presenting us with exciting opportunities. We believe our existing and potential customers understand and appreciate our commitment to Safety, Quality, Craftsmanship, Integrity and Service. We are intently focused on executing our backlog effectively, obtaining new profitable projects and returning our Company to profitability, in order to benefit our stockholders, employees, customers, suppliers and our community.

Yours truly,

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| <i>/s/ John P. Conrad, Jr.</i> | <i>/s/ Cecil A. Hernandez</i> | <i>/s/ Brett T. Wolbrink</i> | <i>/s/ Scott A. Thomas</i> |
| John P. Conrad, Jr. | Cecil A. Hernandez | Brett T. Wolbrink | Scott A. Thomas |
| Chief Executive Officer and Chairman of the Board | President and Secretary, and member of the Board | Executive Vice President and Chief Operating Officer | Vice President, Chief Financial Officer and Assistant Secretary |

An Important Note About This Report

Conrad Industries, Inc. is not subject to the reporting requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (the “Act”). Accordingly, this Annual Report is not filed with the Securities and Exchange Commission, is not available on the SEC’s EDGAR system, and does not purport to meet the requirements for companies that are subject to the Act’s reporting requirements. The Company does intend in this Annual Report and other reports to provide accurate financial and other information of interest to investors. Information in this Annual Report has not been reviewed or audited by our independent certified public accountants, except for the audited financial statements included in Section II.

This Annual Report and other periodic reports to shareholders are available on the Company’s website, www.ConradIndustries.com, and at www.otcmarkets.com. Interested persons may also request copies directly from the Company; please direct requests and inquiries to Chief Financial Officer, Conrad Industries Inc., P. O. Box 790, Morgan City, LA, 70381, telephone (985) 702-0195.

Business Overview

General

We specialize in the construction, conversion and repair of a wide variety of marine vessels for commercial and governmental customers. These vessels include large and small deck barges, crane barges, spud barges, docking barges, tank barges, flood gates, split-hull dump scows, dredges, drydocks, inland and offshore tug boats, tow boats, multi-purpose tug boats, LPG barges, LNG bunker vessels, lift boats, ferries, and other offshore support vessels. We operate five shipyards: one in Morgan City, Louisiana; three in Amelia, Louisiana; and one in Orange, Texas. Our Company was founded in 1948 and commenced operations at our shipyard in Morgan City. From 1996 through 2003, we acquired and expanded our Conrad Amelia yard, our Conrad Orange yard and our second yard in Amelia, Conrad Deepwater. In 2012 we purchased 50 acres of property adjacent to our Conrad Deepwater yard and built our Conrad Deepwater South yard, which delivered its first vessel in the first quarter of 2014. We have continued to construct significant improvements at our Conrad Deepwater South yard, including a panel line building with an automated welding system which was completed during the third quarter of 2016. During the past 10 years, we have made an aggregate of approximately \$48.7 million of capital expenditures to add capacity and improve the efficiency of our shipyards.

Our business has two segments: new construction and repair and conversion. Our new construction segment accounted for 86.4%, 87.1% and 85.3% of our total revenue for 2023, 2022 and 2021, respectively. Much of our new construction is performed indoors, which we consider to be a significant strategic advantage. Our repair and conversion segment accounted for 13.6%, 12.9% and 14.7% of our total revenue for 2023, 2022 and 2021, respectively. We repair a wide variety of marine vessels. Our conversion projects are included in our repair segment and primarily consist of lengthening the midbodies of vessels, modifying vessels to permit their use for a different type of activity and other modifications to increase the capacity or functionality of a vessel.

We serve a variety of customers and markets, including the Gulf of Mexico oil and gas industry (“energy”), other commercial markets, various local and state governments and the U.S. government. In 2023, 2.7% of total revenue was related to the Gulf of Mexico oil and gas industry, 63.5% was other commercial and 33.8% was government related. We believe that our ability to provide products and services to a variety of customers and to respond to demand for new types of vessels is a competitive strength. The demand for our products and services is dependent upon a number of factors, including the economic condition of our customers and markets, the age and state of repair of the vessels operated by our customers, and the relative cost to construct a new vessel as compared with repairing an older vessel. To remain competitive, we must also be able to respond to changing customer demands for new types of vessels. Refer to “*Management’s Discussion and Analysis of Financial Condition and Results of Operations - Overview*” in this report for additional discussion.

A significant portion of our historical revenues has been derived from customers in the Gulf of Mexico oil and gas industry. When there has been a decline in new construction opportunities in the Gulf of Mexico oil and gas industry, we have been successful in securing work from government sources and other commercial customers. In 2012 and 2013, we saw increases in the commercial market and some increases in the energy market; however, there was a decrease in the government market. The increase in commercial customer demand was driven largely by customers acquiring inland tank barges to transport petroleum products resulting from the use of horizontal drilling in conjunction with hydraulic fracturing, which has expanded the ability of producers to recover natural gas and oil from low-permeability geologic plays, particularly shale plays. Since 2015 and continuing during 2021 through 2023, we experienced a decline in demand for these types of inland tank barges, and a softer energy-related repair market, due to volatile oil prices. Other commercial contracts accounted for approximately 45.5%, 54.5% and 92.8% of our backlog at December 31, 2023, 2022 and 2021, respectively. Government contracts accounted for approximately 54.5%, 45.5% and 7.2% of our backlog at December 31, 2023, 2022 and 2021, respectively. The increase in government contracts is mainly related to the YRBM project. We had no energy contracts in our backlog at December 31, 2023, 2022 and 2021. Other commercial markets include barges and motorized vessels used in a variety of commercial markets that are not related to the offshore oil and gas industry, including the marine construction industry, the petrochemical industry, the commodity grain industry and the ocean shipping industry. Many of these industries utilize barges and motorized vessels to transport products through inland waterways as well as offshore coastal waters and ocean waters. We also construct vessels for the dredging industry, which involves the enhancement or maintenance of the navigability of waterways and the stability of shorelines by removing or replenishing soil, sand or

rock. We are currently constructing ferries to transport both passengers and cargo for both inland and coastal waters, including a low emissions hybrid-electric ferry.

During 2023, we added \$215.1 million of backlog, which consists of projects related to commercial and government contracts. Our backlog was \$253.8 million at December 31, 2023 as compared to \$244.1 million at December 31, 2022. During 2022, we added \$260.5 million to our backlog, which was related to commercial and government contracts.

For 2023, 2022 and 2021, we received approximately 2.7%, 0% and 0%, respectively, of our total revenues from customers in the Gulf of Mexico oil and gas industry, 33.8%, 7.8% and 8.7%, from government customers and 63.5%, 92.2% and 91.3% from other commercial customers.

Because a large percentage of our repair work has historically been derived from the Gulf of Mexico oil and gas industry, conditions in that industry affect our repair segment. In 2013, we experienced our highest revenue in our repair segment in the history of the Company, and it exceeded our previous highest repair segment revenue in 2008 by \$7.4 million. We experienced lower repair gross profits in 2014 due to a significant loss on a large conversion job, and a decrease in demand and customer activity, which we believe was due to the decline in crude oil prices. In 2021 through 2023, the repair market continued to be adversely affected by volatile crude oil prices and depressed Gulf of Mexico activity.

Internal Expansion

Over the last 10 fiscal years, we have spent approximately \$48.7 million on capital expenditures. Major projects have included the purchase of property and building out of our Conrad Deepwater South shipyard, which has included constructing a panel line building equipped with automated welding systems, upgrading existing structures, purchasing equipment, building bulkheading and purchasing a 5,800 square foot modular office building to house our engineering department. Other projects included constructing an extension of our largest drydock and a new 12,400 square foot office building at Conrad Deepwater, and making improvements to our railway launch system at Conrad Orange. We have also invested in additional plant improvements, bulkheading, machinery and equipment.

History

Our company was founded in 1948 by the late J. Parker Conrad (1915-2017), and began operations at our shipyard in Morgan City, Louisiana. In December 1997, we paid approximately \$22.8 million in cash (net of cash acquired) to purchase all of the stock of Orange Shipbuilding Company, Inc., which owns our shipyard in Orange, Texas. The acquisition expanded our new construction capacity and expanded our product capabilities. Orange Shipbuilding has been engaged in shipbuilding since 1974, and on June 29, 2012, Orange Shipbuilding Company, Inc.'s name was changed to Conrad Orange Shipyard, Inc. Our parent company, Conrad Industries, Inc., was incorporated in March 1998 to serve as the holding company for our wholly-owned subsidiaries, currently Conrad Shipyard, L.L.C., Conrad Orange Shipyard, Inc., Conrad Shipyard Amelia, L.L.C. and Conrad LNG, L.L.C. In March 2017, Conrad Aluminum, L.L.C.'s name was changed to Conrad Shipyard Amelia, L.L.C. We completed our initial public offering in June 1998 by issuing 2.1 million shares of common stock. On March 30, 2005, we voluntarily delisted our common stock from Nasdaq and, simultaneously with delisting, filed a Form 15 with the Securities and Exchange Commission (the "SEC") to voluntarily deregister our common stock under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and to suspend our obligation to file reports under Section 15(d) of the Exchange Act. We were eligible to deregister by filing a Form 15 because we had fewer than 300 holders of record of common stock. At the time of filing, our obligation to file certain reports with the SEC, including Forms 10-K, 10-Q, and 8-K, immediately ceased.

Operations

Our principal operations consist of the construction, repair and conversion of a wide variety of marine vessels for commercial and governmental customers.

Backlog

Our backlog as of December 31, 2023 consisted of 26 vessels: five YRBM barges, five ferries, five 30,000 bbl tank barges, three spud barges, three deck barges, two 6,500-cubic-yard capacity trailing suction hopper dredges, two ice class tugs, and one drydock. Our backlog (including remaining contract revenue for projects currently in progress) as of December 31, 2023 was approximately \$253.8 million compared to \$244.1 million as of December 31, 2022. As of December 31, 2023, approximately 28.6% of our backlog related to contracts for one customer, most of which is related to the second 6,500-cubic-yard capacity trailing suction hopper dredge for Great Lakes Dredge & Dock. The first dredge was delivered in February 2024 and the second is expected to be delivered in the first half of 2025. We expect to complete 79% of our backlog within the next 12 months. We anticipate that all of the aggregate remaining revenue from firm contracts as of December 31, 2023 will be realized during fiscal 2024, 2025 and 2026.

Construction of Vessels

We construct a variety of small, medium, and large sized vessels for commercial and governmental customers. This activity accounted for 86.4%, 87.1% and 85.3% of our total revenue for 2023, 2022 and 2021, respectively. Much of our new vessel construction is done indoors in well-lighted space specifically designed to accommodate construction of marine vessels up to 350 feet in length. As a result, marine vessel construction is not hampered by weather conditions, and we are able to utilize our workforce and equipment more effectively. Our development of the Conrad Deepwater South yard has enhanced our ability to build vessels up to 600 feet in length.

The following is a description of the main types of vessels we manufacture:

Offshore and Inland Barges. We build a variety of offshore barges, including container barges, double-skinned tank barges, pressurized tank barges, liquefied petroleum gas barges, and deck barges for commercial customers. Additionally, we have built YCs (yard carrier barges) and YONs (yard oiler Navy barges) for the U.S. Navy. We also build a variety of inland barges, including deck, spud, crane, hopper, LPG (liquefied petroleum gas), and double skinned tank barges up to 83,000 BBL capacity. We have constructed a variety of barges used in the offshore oil and gas industry, including shale barges, pipe laying barges, oil and gas drilling barges, and oil and gas production barges. Our barges are also used in marine construction and are used by operators to carry liquid cargoes such as petroleum and drilling fluids, dry bulk cargoes such as grain, aggregate, coal and wood products, deck cargoes such as machinery and equipment, and other large item cargoes such as containers, airplane components and rail cars. Other barges function as cement off-loaders and serve other specialized purposes. We have built barges ranging from 50 feet to 400 feet in length, with as many cargo tanks, decks and support systems as necessary for the intended functions of the barges. During March 2015 we entered into a contract to construct the first LNG (liquified natural gas) bunker barge to be built for the marine market in North America and it was delivered in the third quarter of 2018. In addition, between March 2022 and March 2024 we were awarded contracts by the U.S. Navy to construct six YRBM (yard, repair, berthing and maintenance) barges which are used as temporary housing and workplace for U.S. service men and women whose vessels are in port for repairs and/or maintenance.

Dredges and dredge support equipment. We build different types of dredges and dredging equipment to support the dredging industry. Dredging includes the maintenance and improvement of the navigability of waterways or the protection of shorelines through the removal or replacement of soil, sand or rock. Dredging activities may be directed towards port improvements, coastal restoration, and maintenance or deepening of lakes, rivers, canals and bayous, among other things. We have constructed, have under contract or have contracts for two 6,500-cubic-yard capacity trailing suction hopper dredges, a 500-cubic yard split-hull hopper dredge, and three split-hull dump scows, which utilize hydraulic systems to open and close the barge's hull.

Tug Boats/Push Boats/Tow Boats. We build boats for towing and pushing, anchor handling, mooring and positioning, dredging assistance including multi-purpose vessels, tanker escort, port management, shipping, piloting, firefighting and salvage.

Ferries. We build ferries for state agencies and Puerto Rico that transport passengers and vehicles. In June 2022, we were awarded a contract by the Trust for Governors Island to construct a low emissions hybrid-electric passenger and vehicle ferry. In August 2023, we were awarded a contract by the Puerto Rico Maritime Transit Authority for construction of four cargo and passenger ferry vessels. The ferries, designed to carry 300 passengers and 300 short

tons of cargo, will operate between the Municipality of Ceiba and the Municipality Islands of Vieques and Culebra in Puerto Rico.

Drydocks. Drydocks are used to lift marine vessels from the water in order to facilitate the inspection and/or repair of the vessels' underwater areas. A drydock is composed of a floodable pontoon with wing walls and its designated capacity identifies the number of tons it is capable of safely lifting from the water. The drydock is submerged by opening valves to flood compartments; the vessel is then placed over the submerged deck of the drydock; and the vessel is lifted from the water by closing the valves and pumping the water out of the flooded compartments.

Lift Boats. Lift boats are used primarily to furnish a stable work platform for drilling rigs, to house personnel, equipment and supplies for such operations and to support construction and ongoing operation of offshore oil and gas production platforms. Lift boats are self-propelled, self-elevating and self-contained vessels that can efficiently assist offshore platform construction and well servicing tasks that traditionally have required the use of larger, more expensive mobile offshore drilling units or derrick barges. Lift boats have different water depth capacities and have legs, ranging from 65 to 250 feet, which are used to elevate the deck of the boat in order to perform required procedures on a platform at different heights above the water.

Other Offshore Support Vessels. In addition to lift boats and tug boats, we build other types of offshore support vessels that serve exploration and production facilities and support offshore construction and maintenance activities. These offshore support vessels include supply vessels, utility vessels and anchor handling vessels.

Repair and Conversion Services

Repair and conversion services accounted for 13.6%, 12.9% and 14.7% of our total revenue for 2023, 2022 and 2021, respectively. We have six drydocks and dockside space capable of accommodating vessels and barges up to 500 feet long. Our marine repair activities include shot blasting, painting, electrical system and piping repairs, propeller and shaft reconditioning and American Bureau of Shipping certified welding. Our conversion projects primarily consist of lengthening the midbodies of vessels, modifying vessels to permit their use for a different type of activity and other modifications to increase the capacity or functionality of a vessel. All U.S. Coast Guard inspected vessels and ABS classed vessels are required to undergo periodic inspections and surveys which require regular drydock examination. Non-U.S. flagged vessels are subject to similar regulations. The inspection of vessels generally results in repair work being required in order to pass inspection. In addition, vessel owners often elect to make other repairs or modifications to vessels while in drydock undergoing required repairs. While we are not aware of any proposals to reduce the frequency or scope of such inspections, any such reduction could adversely affect our results of operations.

Our repair and conversion business tends to be seasonal for our inland and offshore construction customers, with increased activity during the latter part of the fourth quarter and beginning of the first quarter which are the coldest months in the Gulf of Mexico. During this time, vessel owners and operators tend to repair or modify their vessels as a result of or in anticipation of work during the warmer months in the Gulf of Mexico. Repair activity for our dredging and government customers is driven more by regulatory inspection dates which can occur at any time of year depending on when the vessel was placed in service.

Customers

We service a wide variety of customers. Customers include marine service companies, dredging companies, offshore support companies, rig fabricators, offshore and inland barge and support vessel operators, offshore construction and drilling contractors, diving companies, energy companies, the U.S. Army, U.S. Army Corps of Engineers, U.S. Navy, U.S. Coast Guard, Puerto Rico Maritime Transit Authority, and various state and local governmental agencies, many of whom have been our customers on a recurring and long-term basis. We have also provided and continue to provide repair and conversion services to many of the major offshore support vessel companies and barge operators. Our principal customers may differ substantially on a year-to-year basis due to the size and limited number of new construction projects performed each year.

During 2023, we derived 20% of our revenue from one customer for which we have under construction 5 YRBM barges; 16% of our revenue from another customer for which we constructed or have under construction 2 trailing

suction hopper dredges, 2 multi-purpose tugs, and various repair jobs; and 12% from another customer for which we constructed 4 LPG barges. The remaining 52% of revenue was attributable to 74 other customers.

During 2022, we derived 52% of our revenue from one customer for which we constructed or have under construction 2 trailing suction hopper dredges, 3 split-hull dump scows, 2 multi-purpose tugs, 1 air compressor barge, and various repair jobs, and 8% from another customer for which we constructed 4 tank barges. The remaining 40% of revenue was attributable to 74 other customers.

During 2021, we derived 32% of our revenue from one customer for which we constructed or had under construction 1 trailing suction hopper dredge, 3 split-hull dump scows, 2 multi-purpose tugs, 4 crane barges, and various repair jobs, and 13% from another customer for which we constructed or had under construction, 4 tank barges and 4 LPG barges. The remaining 55% of revenue was attributable to 90 other customers.

Contract Procedure, Structure and Pricing

Our contracts for new commercial construction projects are generally obtained through a competitive bidding process. In addition, contracts for the construction and conversion of vessels for the U.S. government are generally subject to competitive bidding. We submit a large number of bids to commercial customers. However, because the bidding process for U.S. government contracts is significantly more detailed and costly, we tend to be more selective regarding the government projects on which we bid.

Most of the construction contracts we enter into, whether commercial or government, are fixed-price contracts under which we retain all cost savings on completed contracts but are liable for all cost overruns. Commercial contracts may have provisions that protect us to some extent from escalation in steel prices and currency exchange rate fluctuations, but typically do not protect us from escalation in other costs. Contracts may provide for liquidated damages for late delivery and bonuses for early delivery.

Contracts with the U.S. government and some commercial customers are subject to termination by the customer either for their convenience or upon our default. If the termination is for the customer's convenience, the contracts provide for payment upon termination for items delivered to and accepted by the customer, payment of our costs incurred through the termination date, and the costs of settling and paying claims by terminated subcontractors, other settlement expenses and a reasonable profit.

Although varying contract terms may be negotiated on a case-by-case basis, our commercial and government contracts ordinarily provide for a down payment, progress payments at specified stages of construction and a final payment upon delivery. Final payment under certain contracts may be subject to deductions if the vessel fails to meet certain performance specifications based on tests we conduct prior to delivery, although it has been very rare.

Under commercial contracts, we generally provide a six-month to twelve-month warranty with respect to workmanship and materials we furnish. In the majority of commercial contracts, with regard to equipment and materials purchased for installation in the vessels, we pass through the respective suppliers' warranties to the customer, but do not warrant such equipment and materials. Our government contracts typically contain warranties of one year covering both materials and workmanship. Historically, our expenses to fulfill such warranty obligations have not been material in the aggregate.

The work performed on vessels is subject to acceptance by the U.S. Coast Guard and, in some cases, by the American Bureau of Shipping or other classification societies. In addition, the work and the finished vessel are subject to acceptance by the customer based on the contract plans and specifications. If we fail to meet the regulatory or customer requirements, additional work could be required which could increase the cost of the job. We monitor our progress on our contracts, including whether we are meeting the regulatory and customer requirements, and take that into account when calculating our estimates at completion.

Bonding and Guarantee Requirements

Although we generally meet financial criteria that exempt us from bonding and guarantee requirements for most contracts, certain contracts with federal, state or local governments and commercial customers may require bid and

payment and performance bonds or letters of credit if requested by the customer. As of December 31, 2023, outstanding bonds and letters of credit amounted to \$170.7 million. Although we believe that in the future we will be able to obtain bonds, letters of credit, and similar obligations on terms we regard as acceptable, in recent periods we have experienced challenges in obtaining sufficient bonding capacity for larger projects on terms that we desire and there can be no assurance we will continue to be successful in obtaining bonds or letters of credit in the amounts, at terms and at times we desire.

Engineering

Where required, our in-house team of multi-disciplined engineering professionals is capable of performing advanced analysis to support concept design, regulatory approval and the completion of a fully developed functional design. Our production design is completed utilizing computer aided design (CAD) and 3D product modeling software. When our engineering needs exceed our in-house capabilities, we outsource to third party engineering firms. We also build vessels based on our customers' design, drawings and specifications. We have designed and built numerous barges, tow boats, tug boats and other vessels. This library of projects allows us to respond quickly to customers' needs. We have expanded our in-house engineering department in recent years.

Materials and Supplies

The principal materials we use are standard steel shapes, steel plate and paint. Other materials used in large quantities include aluminum, steel pipe, electrical cable and fittings. We also purchase component parts such as propulsion systems, hydraulic systems, generators, auxiliary machinery and electronic equipment. Additionally, we purchase the tanks used in our LPG (liquefied petroleum gas) barges from third parties. All these materials and parts are currently available in adequate supply from domestic and foreign sources, although we have experienced some disruption due to supply chain issues caused by the COVID-19 pandemic. All of our shipyards obtain materials and supplies by truck or rail.

Our business can be, and has been, materially impacted by steel prices. Beginning in late 2020 and throughout 2021, steel prices increased sharply, primarily due to supply chain issues caused by the COVID-19 pandemic. While steel prices appeared to be softening in the beginning of 2022, the Russian invasion of Ukraine beginning on February 24, 2022 drove steel prices higher, ultimately peaking in June and July of 2022. Prices began to decline in August of 2022 and appeared to stabilize in early 2023, and availability improved. In March 2023, prices began to increase, continued to increase through April 2023, seemed to have stabilized in June 2023 and have generally declined since then. However, current price levels remain significantly higher than pre-pandemic price levels. Accordingly, much uncertainty remains regarding future steel prices.

Vessel Construction Process

Once a contract has been awarded to us, a project manager is assigned to supervise all aspects of the project, from the date the contract is signed through delivery of the vessel. The project manager's focus is to ensure that the contract and specifications are in agreement with what is expected and required by the customer. The project manager works with the engineering liaison to coordinate the timely completion of all required engineering drawings and documents. Additionally, the project manager coordinates with the planning and scheduling lead to validate the project schedule and related supporting planning documents. The project manager also oversees the purchasing of all supplies and equipment needed to construct the vessel, as well as the actual construction of the vessel.

We construct each vessel from raw materials, which are fabricated by shipyard workers within our facilities into the necessary shapes to construct the hull and vessel superstructure. We purchase component parts, such as propulsion systems, hydraulic systems and generators, auxiliary machinery and electronic equipment, separately and install them or have them installed in the vessel. Additionally, we purchase the tanks used in our LPG barges separately from third parties. We use job scheduling and costing systems to track progress of the construction of the vessel, allowing ourselves and the customer to remain apprised of the status of the vessel during construction.

With the assistance of computers, we design and loft material for the NC ("Numerical Control") cutting table where all steel parts are cut to size and shape. All construction drawings and bills of materials are prepared for each module

to be fabricated. Modules are built separately, and penetrations for piping, electrical and ventilation systems for each module are positioned and cut during the NC plasma cutting operation. Piping, raceways and ducting are also installed prior to the final assembly of modules. After the modules are assembled to form the vessel, piping, electrical, ventilation and other systems, as well as machinery, are installed prior to launching, testing and final outfitting and delivery of the vessel.

Competition

We compete with shipbuilders that build small to medium-sized vessels for government and commercial markets. We compete with four to six U.S. shipbuilders for U.S. government contracts to build small to medium-sized vessels. The larger shipbuilders are sometimes competitors in that same market. We compete for domestic commercial shipbuilding contracts principally with approximately 10 to 15 U.S. shipyards. The number and identity of competitors on particular projects vary greatly depending on the type of vessel and size of the project, but we generally compete with only three or four companies with respect to a particular project. We compete with approximately 10 shipyards in our repair and conversion business. Competition is based primarily on price, available capacity, service, quality, and geographic proximity.

Employees

At December 31, 2023 we had 360 employees of which 149 were salaried and 211 were hourly. At December 31, 2022 we had 408 employees of which 151 were salaried and 257 were hourly. At December 31, 2021 we had 409 employees of which 136 were salaried and 273 were hourly. In addition, we use subcontract laborers to fill openings that are short-term in nature or when we cannot find people to hire. These totaled 460, 449 and 403 at December 31, 2023, 2022 and 2021, respectively. We are not a party to any collective bargaining agreements.

Insurance

We maintain insurance against property damage caused by fire, flood, explosion and similar catastrophic events that may result in physical damage or destruction to our facilities and equipment. We also maintain commercial general liability insurance, including builders' risk coverage, employment practices, professional (design), and directors' and officers' liability. We currently maintain excess and umbrella policies. Other coverages currently in place include workers' compensation, water pollution, automobile, and hull and protection and indemnity for marine equipment. All policies are subject to deductibles and other coverage limitations. The insurance currently excludes acts of terrorism. We generally do not have business interruption insurance.

Regulation

Environmental Regulation

We are subject to extensive and changing federal, state and local laws (including common law) and regulations designed to protect the environment, including laws and regulations that relate to air and water quality, impose limitations on the discharge of pollutants into the environment and establish standards for the treatment, storage and disposal of toxic and hazardous wastes ("Environmental Laws"). Because industrial operations have been conducted at some of our properties by previous owners and operators and by us for many years, various materials from these operations might have been disposed of at such properties. This could result in obligations under Environmental Laws, such as requirements to remediate environmental impacts.

Although no assurances can be given, we believe that our operations are in compliance in all material respects with all Environmental Laws. However, stricter interpretations and enforcement of Environmental Laws and compliance with potentially more stringent future Environmental Laws could materially and adversely affect our operations.

Health and Safety Matters

Our facilities and operations are governed by laws and regulations, including the federal Occupational Safety and Health Act, relating to worker health and workplace safety. We believe that appropriate precautions are taken to protect

employees and others from workplace injuries and harmful exposure to materials handled and managed at our facilities. While we do not anticipate that we will be required in the near future to expend material additional amounts by reason of such health and safety laws and regulations, we are unable to predict the ultimate cost of compliance with these changing regulations.

Jones Act

Section 27 of the Merchant Marine Act of 1920 (the “Jones Act”) requires that all vessels transporting products between U.S. ports must be constructed in U.S. shipyards, owned and crewed by U.S. citizens and registered under U.S. law, thereby eliminating competition from foreign shipbuilders with respect to vessels to be constructed for the U.S. coastwise trade. Many customers elect to have vessels constructed at U.S. shipyards, even if such vessels are intended for international use, in order to maintain flexibility to use such vessels in the U.S. coastwise trade in the future. Any legislation, or any changes in interpretation or enforcement, that weaken the protections of the Jones Act could have a material adverse effect on our business.

Risk Factors

Our business is subject to significant risks. The following section discusses material risks that may impact our business and identifies important factors that could cause our actual results to differ materially from those in or anticipated by our forward-looking statements. Some of these risks have adversely impacted our business in recent periods, as discussed further in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” (“MD&A”).

Risks Related to our Business

We have incurred and could in the future incur losses under our fixed-price contracts as a result of cost overruns or delays in delivery, particularly on types of vessels we have not constructed in the past.

Most of our contracts for marine vessel construction, including government contracts, are fixed-price contracts. Under fixed-price contracts, we retain all cost savings on completed contracts but are liable for the full amount of all cost overruns. We attempt to anticipate increases in costs of labor and materials in our bids on fixed-price contracts. However, the costs and gross profits realized on a fixed-price contract may vary from our estimates due to factors such as:

- unanticipated variations in labor and equipment productivity over the term of a contract;
- unanticipated increases in costs of materials, labor and indirect expenses; and
- errors in estimates and bidding.

Depending on the size of the project, variations from estimated contract performance could significantly reduce our earnings, and could result in losses, during any fiscal quarter or year. Many of our fixed-price contracts contain steel price escalation provisions; however, these provisions may not protect us from all increases in steel prices during the contract term and not all of our contracts have these provisions. In addition, some of our fixed-price contracts provide for incentive payments for early delivery and liquidated damages for late delivery. If we miss a specified delivery deadline under one of those contracts, we may be subject to liquidated damages.

From time to time, we bid on fixed-price contracts to construct vessels that we have not constructed in the past. The risks of cost overruns or delays in delivery on those contracts are greater than for contracts for vessels that we have built in the past. When we enter into contracts for vessels we have not constructed in the past, we generally believe we have sufficient related experience to perform profitably; however, we are willing to risk losses in order to gain experience and entry into markets for new products.

Estimates we may make in applying percentage-of-completion accounting could result in a reduction of previously reported profits and have a significant impact on quarter-to-quarter operating results.

We use the percentage-of-completion method to account for our construction contracts in process. Under this method, revenue and expenses are based on the percentage of labor hours incurred as compared to estimated total labor hours

for each contract. As a result, the timing of recognition of revenue and expenses we report may differ materially from the timing of actual contract payments received and expenses paid. We make provisions for estimated losses on uncompleted contracts in the period in which the losses are determined. To the extent that those provisions result in a reduction of previously reported profits on a project, we must recognize a charge against current earnings. These charges may significantly reduce our earnings, depending on the size of the contract and the adjustment. In addition, because many of these contracts are completed over a period of several months, the timing of the recognition of related revenue and expense could have a significant impact on quarter-to-quarter operating results.

High inflation and interest rates may continue to adversely impact our business.

High inflation and interest rates, due in part to supply shortages and other uncertainties related to the COVID-19 pandemic recovery, have adversely impacted our business and may continue to do so. Inflation increased rapidly during 2021 through June 2022. Since June 2022, the rate of inflation generally has declined; however it has remained at high levels compared to the Federal Reserve's target rate of inflation of two percent. In response the Federal Reserve raised the federal funds target rate multiple times from March 2022 through July 2023, by 525 basis points on a cumulative basis. Rapidly rising inflation has caused, and may in the future cause, us to incur losses on fixed-price contracts entered into prior to the rise in inflation. High inflation has caused, and may in the future cause, increases in our labor and overhead costs. High interest rates generally increases our borrowing costs. High inflation and interest rates can also cause our customers to delay entering into new construction contracts, due to financing constraints and return on investment fears, and may cause them to use our repair services less frequently or to default on their obligations to us.

A decline in general economic conditions or deterioration in the financial condition of a particular customer or that customer's industry can increase our customer credit risk, which may adversely affect our profits.

Although varying contract terms may be negotiated on a case-by-case basis, our commercial and government construction contracts ordinarily provide for a down payment, with progress payments at specified stages of construction and a final payment upon delivery. Conversely, repair and conversion customers are typically billed upon completion of the work performed. A decline in the economy can adversely affect some of our customers' ability to pay. If we are unable to collect any account receivable in the amount we have estimated to be collectible, we must recognize a charge to earnings that is in effect a reversal of previously recorded profits. As of December 31, 2023, approximately 28.6% of our backlog related to contracts for one customer, most of which is related to the second 6,500-cubic-yard capacity trailing suction hopper dredge for Great Lakes Dredge & Dock Company. Accordingly, any events adversely impacting that customer's ability to pay could have a material adverse effect on our financial condition, results of operations and cash flow.

The loss of a significant customer could result in a substantial loss of revenue.

A relatively small number of customers have historically generated a large portion of our revenue, although not necessarily the same customers from year to year. For the years ended December 31, 2023, 2022 and 2021, our ten largest customers collectively accounted for 79.1%, 85.9%, and 85.2% of our revenues, respectively. The loss of a significant customer could result in a substantial loss of revenue and significantly reduce our earnings. See "Business Overview – Customers."

From time to time, we may not be able to hire sufficient numbers of trained shipyard workers. Any labor shortage may increase our cost of labor, limit our production capacity and materially decrease our earnings.

Shipyards along the Gulf Coast have experienced shortages of skilled labor from time to time as a result of low unemployment in the economy in general and/or increased demand for skilled labor in the offshore oil and gas, petrochemical, and related industries in particular. In recent years, we have experienced trouble finding skilled labor, and we have experienced difficulties retaining skilled labor. The pandemic and pandemic recovery have caused labor shortages across industries, including ours. In February 2022 and February 2024, we increased our hourly rates substantially in order to retain and attract skilled workers. Labor shortages increase our cost of labor, could limit our production capacity, and materially decrease our earnings.

We are performing and may continue to perform a significant amount of our work under U.S. and other government contracts. Reductions in government spending on the types of products and services we offer or our inability to secure new government contracts could have a substantial negative impact on our revenues and profits.

Government contracts accounted for approximately 54.5%, 45.5% and 7.2% of our backlog at December 31, 2023, 2022 and 2021, respectively. We have built vessels for the U.S. Army, U.S. Army Corps of Engineers, U.S. Navy, and U.S. Coast Guard and Puerto Rico Maritime Transit Authority. We have also built vessels and performed conversion or repair services for various state and local governmental agencies, either directly or as a subcontractor. Our backlog at December 31, 2023 included 14 government projects with the largest amount attributable to the YRBM project. For additional information regarding the YRBM contract awarded to us in March 2022 by the U.S. Navy, see MD&A in this report. Revenue derived from all government customers accounted for approximately 33.8%, 7.8% and 8.7% of our total revenue in 2023, 2022 and 2021, respectively. Revenue derived from U.S. government customers accounted for approximately 23.8%, 7.2% and 4.4% of our total revenue in 2023, 2022 and 2021, respectively. Government contracts are generally subject to strict competitive bidding requirements. In addition, the number of vessels that are purchased by governments varies with their budgets and the appropriation of government funds. We cannot predict whether we will be able to secure new government contracts.

Because a significant portion of our revenues has historically come from customers in the Gulf of Mexico oil and gas industry, particularly in our repair segment, decreases in offshore oil and gas activities tend to reduce demand for our products and services and negatively impact our revenues and profits. The level of offshore oil and gas activities can be affected by prevailing oil and gas prices, which historically have fluctuated significantly.

The Gulf of Mexico oil and gas industry can be affected by prevailing oil and gas prices, which historically have fluctuated significantly. Low oil or gas prices or a decline in demand for oil or gas can depress offshore exploration, development and production activity and result in decreased spending by our Gulf of Mexico oil and gas industry customers. This can result in a decline in the demand for our products and services and can have a substantial negative effect on our revenues and profits. Declines in offshore oil and gas exploration, development and production activity in the Gulf of Mexico can also result in excess capacity at other shipyard companies, which can lead to increased competition and pricing pressure.

Measures we may take to respond to a slowdown in new construction or repair projects due to a deterioration in general economic conditions or in our customers' industries may not be sufficient to prevent a decline in earnings.

Reductions in activities in our business may cause us to reevaluate our operations. We may respond to these conditions by reducing our prices and anticipated profit margins in order to attempt to maintain activity levels in our yards and thereby maintain our workforce. Price and profit margin reductions may lead to decreased profitability, particularly over the short term. In addition, we may respond by beginning construction of historically marketable vessels before obtaining a customer contract in order to preserve our workforce. We may also respond by cutting costs, including reducing or discontinuing operations at one or more of our shipyards and/or through employee attrition or layoffs. Decreases in costs may not be adequate to offset losses in revenues, particularly over the short term. We may also seek new customers or different types of projects, which may increase our marketing and other costs. These measures, among others we may take, may not be sufficient to prevent a decline in our earnings.

Weak or uncertain global or domestic economic conditions can have an adverse impact on our business.

Adverse global and domestic economic conditions may contribute to a reduction in demand for our products and services. Market uncertainties may cause customers to delay signing new construction contracts and reduce their use of repair services. The wars and violence in Ukraine and Israel and surrounding areas, concerns regarding continued high inflation and interest rates have increased global economic uncertainty.

We construct stock vessels from time to time to fill gaps in our construction schedules or for strategic business and marketing reasons. Inability to sell stock vessels at prices above our cost could have a material adverse impact on our profitability.

From time to time we have experienced gaps in our construction schedules and have begun construction on projects that were not under contract and that we believed we could convert to contracts in a relatively short period of time within starting construction or within completion of the project. The primary goal of this strategy is to maintain operational efficiencies and revenue volume between contracted projects. We have also constructed stock vessels for strategic business and marketing reasons. The ultimate selling price and timing of the sales of stock vessels can have an impact on our revenue, profitability, and working capital. At December 31, 2023, we did not have any stock vessels under construction. At December 31, 2022, we had eight stock vessels under construction and during the first quarter of 2023, we entered into contracts to sell all eight vessels. At December 31, 2021, we had one stock vessel under construction. We recorded losses related to stock vessels in 2023 and 2022.

Our new construction and repair businesses have high fixed costs, which can adversely affect our margins and profits.

Our new construction and repair businesses have high fixed costs including the depreciation of facilities and floating drydocks. As a result, our margins and profits are adversely affected when the volume of our work declines.

If our customers terminate projects, our reported backlog could decrease, which could substantially reduce our revenues and earnings.

Our backlog is based on unearned revenue attributable to projects for which a customer has authorized us to begin work or purchase materials. Our contracts with commercial customers generally do not permit the customer to terminate the contract but our government contracts are often subject to termination by the customer. In the case of a termination, the government is generally required to pay us for work performed and materials purchased through the date of termination and, in some cases, pay us termination fees. Either the change or terminations of government contracts could substantially change the amount of backlog currently reported and could substantially decrease our revenue and earnings. Our backlog of \$253.8 million at December 31, 2023 was attributable to 26 projects, of which 54.5% was attributable to 14 government projects.

We are subject to the possibility of significant physical damage and business interruption caused by hurricanes or flooding.

Due to the proximity of our shipyards to the Gulf of Mexico and locations along rivers in flood plains, our work in progress and facilities are subject to the possibility of significant physical damage and business interruption caused by hurricanes or flooding. Although we maintain insurance protection that we consider economically prudent, there can be no assurance that such insurance will be sufficient in coverage or effective under all circumstances or against all hazards to which we may be subject. If we sustain major damage that is not covered by insurance, it could have a material adverse effect on the Company.

For example, we experienced disruptions in our operations at our Orange yard in the third quarter of 2017 due to rising water levels and heavy rainfall from Hurricane Harvey. In 2019 we experienced disruptions in our operations and additional flood prevention costs due to high water levels in the Atchafalaya River.

The 2020 Atlantic hurricane season was the most active on record, and adversely impacted our operations during the third quarter of 2020 as we closed yards in Louisiana for several days, closed our yard in Orange, Texas for a week, and lost additional time ramping up after the closures. For 2021, we were impacted by Hurricane Ida which resulted in yard shutdowns at our four Louisiana facilities for several days and disruptions to our workforce in the weeks following the storm. We did not experience any adverse hurricane related impacts for 2022 or 2023. While none of these events had a material adverse impact on our financial results, we cannot assure you that similar events will not have a material adverse impact on our business and financial results in the future.

The COVID-19 pandemic adversely impacted our business and any resurgence of COVID-19 or other future public health emergency may adversely impact our business in the future.

In March 2020, COVID-19 was declared a pandemic by the World Health Organization. The federal government declared an end to the COVID-19 public health emergency in May 2023. Any resurgence of COVID-19 or any future public health emergency may have a material adverse impact on our business in the future.

Hazardous water conditions or insufficient water depths on waterways needed to access our shipyards may have a material adverse impact on our business.

If hazardous water conditions develop, for example due to heavy rainfall or flooding, or water depths become low, for example due to low rainfall or insufficient dredging by government entities responsible for maintenance of ports and waterways, on waterways needed to access our shipyards, we could lose projects and customers and incur expenses or losses on existing projects, which may have a material adverse impact on our business. We have experienced lost projects and incurred expenses due to insufficient dredging in the Atchafalaya River and in the bayous adjacent to our shipyards.

The failure of any bank in which we deposit our funds could have a material adverse impact on our financial condition, liquidity and operations.

In the first half of 2023, there were disruptions in the banking industry due to some highly-publicized bank failures. The Federal Deposit Insurance Corporation insures accounts in amounts up to \$250,000 per depositor per insured bank. We currently have cash and cash equivalents deposited in banks in excess of federally insured limits, and these funds are held primarily in one regional bank. If any of the banking institutions in which we have deposited funds fails, we may lose our deposits over \$250,000. The failure of a bank with which we do business may also disrupt our ability to access deposits and other services provided to us by the bank. The loss of, or inability to access, our deposits or other banking services may have a material adverse effect on our financial condition, liquidity and operations.

We rely on key personnel.

We are dependent on the continuing efforts of our executive officers and key operating personnel. The loss of the services of any of these persons could result in inefficiencies in our operations, lost business opportunities and the loss of one or more customers. We generally do not have employment agreements with our employees, except that we have entered into employment agreements with executive officers in the past and may do so in the future. We do not carry key person life insurance.

Our executive officers and directors, and members of the Conrad family or trusts established by them, own a significant amount of our outstanding common stock.

Our executive officers and directors, and members of the Conrad family or trusts established by them, own a significant amount of our outstanding common stock. For additional information, see “*Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.*” If they were to agree to act together, these holders could be able to exercise significant influence over our affairs, the election of our board of directors, and other matters submitted to a vote of our stockholders. The interests of these holders may differ from the interests of our other stockholders, and they may vote their shares in a manner averse to our other stockholders.

Sales or the availability for sale, of substantial amounts of our common stock in the over-the-counter market could adversely affect the market price of our common stock.

Of the 5,017,935 shares of our common stock outstanding as of March 8, 2024, approximately 2.9 million shares are freely tradable. The remaining outstanding shares may be subject to restrictions on resale under the Securities Act of 1933, as amended.

In addition, the average daily trading volume in our common stock for 2023 was 929 shares. The availability of a large block of stock for sale in relation to our normal trading volume can result in a decline in the market price of our common stock.

We are not a public company.

On March 30, 2005 we voluntarily delisted our common stock from Nasdaq and filed a Form 15 with the Securities and Exchange Commission (the "SEC") to voluntarily deregister our common stock under the Securities Exchange Act of 1934, as amended (the "Exchange Act") and to suspend our obligation to file reports under Section 15(d) of the Exchange Act.

We were eligible to deregister by filing a Form 15 because we had fewer than 300 holders of record of common stock. At the time of filing, our obligation to file certain reports with the SEC, including Forms 10-K, 10-Q, and 8-K, immediately ceased.

On March 31, 2005 our common stock began trading in the over-the-counter market and currently trades on the Pink Open Market operated by OTC Markets Group Inc. Quotes are available over the internet at www.otcmarkets.com as well as through other services.

We cannot control whether trading in the stock will continue on the Pink Open Market or elsewhere.

Some provisions of our corporate documents and Delaware law may discourage a takeover.

Our Amended and Restated Certificate of Incorporation (the “Charter”) and Delaware law could make it more difficult for a third party to acquire us, even if a change in control would be beneficial to our stockholders. Specifically, our Charter:

- authorizes the issuance of “blank check” preferred stock;
- divides our board into three classes, the members of which serve three-year terms;
- provides that directors may only be removed for cause and then only by the vote of the holders of a majority of our outstanding capital stock;
- establishes advance notice requirements for director nominations and stockholder proposals to be considered at annual meetings;
- prohibits stockholder action by written consent; and
- prohibits stockholders from calling special meetings of stockholders.

In addition, Delaware law restricts specified mergers and other business combinations between us and any holder of 15% or more of our common stock. Delaware law also permits the adoption of a shareholder rights plan without stockholder approval, and we have adopted a rights plan. The rights plan is intended to protect stockholder interests in the event we become the subject of a takeover initiative that our board of directors believes could deny our stockholders the full value of their investment. The adoption of the rights plan was intended as a means to guard against abusive takeover tactics and was not in response to any particular proposal. The plan does not prohibit the board from considering any offer that it considers advantageous to stockholders.

We also have had employment agreements with our executive officers that provide for benefits in specified circumstances if there is a change of control of our company, and we may enter into such agreements in the future. These provisions might hinder, delay or prevent a change of control of our company. These provisions could also limit the price that investors might be willing to pay in the future for shares of our common stock.

We may not pay dividends in the future.

We paid special dividends on our common stock of \$1.00 per share on January 5, 2015, and \$2.00 per share on December 17, 2013 and December 31, 2012. Additionally, we paid quarterly dividends of \$0.25 per share during each of the four quarters of 2015. We paid quarterly dividends of \$0.10 per share during each of the four quarters of 2016. Our board did not declare a dividend in 2017 through 2023 or in the first quarter of 2024. Declaration of future dividends is at the discretion of the Board each quarter, and will depend upon the Company’s financial performance, cash requirements, outlook and other factors deemed relevant by the Board.

Risks Related to our Industry

- *The price of steel has increased substantially since late 2020, peaking in July 2022. Steel prices have generally declined since then but remain significantly higher than pre-pandemic levels. High steel prices have adversely affected our profits and may continue to do so, and we believe have caused potential customers to delay new*

construction projects, and they may continue to do so. For additional information, see “Business Overview – Materials and Supplies” and MD&A.

- *Our business is highly competitive. As a result, we may lose business and employees to our competitors or may experience lower profit margins than we would in the absence of competition.*
- *A decline in oil prices or the demand for crude oil could reduce the demand for our products and services.*
- *Excess capacity in our industry has placed downward pressure on pricing and profit margins.*
- *Our customers may require us to post bid bonds and performance bonds, which may be difficult to obtain for reasons primarily related to industry conditions or our financial condition.*
- *Federal law favoring U.S. shipyards over foreign shipyards may be modified or rescinded, resulting in greater competition from foreign shipyards that operate with lower costs.*
- *New regulations or modifications to existing regulations affecting our significant customers could decrease demand for our products and services and result in significantly lower revenues and earnings.*
- *Compliance with environmental laws and other government regulations may increase our cost of doing business.*
- *Our business involves operating hazards and risks of liability and lawsuits, and our insurance coverage may be insufficient to cover all losses that we experience.*

Properties

We conduct our operations at five shipyards, one in Morgan City, Louisiana, three in Amelia, Louisiana, and one in Orange, Texas. Much of our new vessel construction is done indoors in well-lighted space specifically designed to accommodate construction of marine vessels up to 350 feet in length. During the past 10 years, we have made, in the aggregate, approximately \$48.7 million of capital expenditures to add capacity and improve the efficiency of our shipyards. For additional information, see “General – Internal Expansion.” In the discussion of our shipyards below, we describe some but not all of the expenditures and improvements we have made.

Our principal executive offices occupy approximately 10,533 square feet of leased office space in Morgan City, Louisiana. The current lease is month to month. In St. Rose, Louisiana we leased an office of approximately 3,228 square feet for part of our engineering staff. The current lease expires in October 2027. We entered into a lease in January 2021 in Morgan City for approximately 10,000 square feet of office and warehouse space to house our business development and operations support departments with a 31-month duration and options to extend. We exercised an Option to Renew (Option 1) for an additional 5 years commencing on September 1, 2023 and ending August 31, 2028.

Morgan City Shipyard

We have owned and operated our Morgan City, Louisiana shipyard since 1948. The yard is located on the Atchafalaya River approximately 30 miles from the Gulf of Mexico on approximately 12 acres. The shipyard has 14 buildings containing approximately 125,000 square feet of enclosed building area and 13 overhead cranes. In addition, the shipyard has one submersible launch barge, 1,300 linear feet of steel bulkhead, five rolling cranes and a slip. The buildings at the Morgan City shipyard include offices for management and support personnel as well as three large fabrication warehouses specifically designed to accommodate marine vessel construction. In 2014, 2016 and 2018 we purchased land and buildings to increase parking, fabrication and office space.

Amelia Shipyards

We have three facilities in Amelia, Louisiana, which is approximately five miles from Morgan City, Louisiana: Conrad Shipyard Amelia, Conrad Deepwater and Conrad Deepwater South.

Conrad Shipyard Amelia is located on the Bayou Boeuf/Intracoastal Waterway approximately 30 miles from the Gulf of Mexico on approximately 16 acres. We purchased the yard for approximately \$1.0 million in 1996 and commenced repair and conversion operations there during February 1998. The facility has a total of seven buildings containing approximately 67,500 square feet of enclosed building area. The site has 2,100 linear feet of bulkhead and two slips. In recent periods, Conrad Shipyard Amelia has been used for steel vessel construction projects including modules for projects under construction in nearby yards. The Amelia yard was repurposed in 2022 for the YRBM project, which included renovations to both the interior office spaces and exterior of several buildings, the addition of a customer's office, security enhancements, and a new roof on the warehouse, tool room, and training facility.

Conrad Deepwater is located on the Bayou Boeuf/Intracoastal Waterway approximately 30 miles from the Gulf of Mexico and is within one mile of Conrad Shipyard Amelia. The facility is located on a 52-acre previously undeveloped site that we purchased in 2000 for \$1.3 million and developed into a shipyard. We commenced repair and conversion operations at the facility in February 2003. This facility has a building containing approximately 5,400 square feet comprising a stock room and maintenance shop, and in 2020 we constructed a 12,400 square foot office building. The site also has 1,700 linear feet of bulkhead and one slip. We currently have six drydocks at Conrad Deepwater. The drydocks consist of two 120-foot by 52-foot drydocks with lifting capacity of 900 tons, two 200-foot by 70-foot drydocks with lifting capacities of 2,400 tons, one 200-foot by 95-foot drydock with a lifting capacity of 4,000 tons and one 280-foot by 160-foot drydock with a lifting capacity of 10,000 tons. We constructed the largest drydock ourselves. During 2010, we put into service an extension to our second largest drydock that increased the lifting capacity from 3,000 tons to 4,000 tons. During the first quarter of 2012, we received a grant from The U.S. Maritime Administration to construct a new section to extend our largest drydock to a length of approximately 350 feet, with a lifting capacity of 12,500 tons. In 2020, we completed construction of a 12,400 square foot office building.

In 2012, we purchased 50 acres of property adjoining our Conrad Deepwater facility for \$5.6 million, which we now operate as our Conrad Deepwater South shipyard. During the fourth quarter of 2012, we renovated the existing office building at the new location and relocated our engineering department. We added one new construction site and upgraded the existing building for manufacturing. We started operations at this site in June 2013 and delivered our first vessel constructed at the yard in the first quarter of 2014. We added a panel line building equipped with automated welding systems that was completed in the third quarter of 2016. In 2021, we purchased a 5,800 square foot modular office building to house our engineering department. In 2022, we constructed a pipe fabrication shop.

Conrad Orange Shipyard

Our Orange, Texas shipyard, which we acquired in 1997, is located on the Sabine River approximately 37 miles from the Gulf of Mexico on approximately 25 acres. The shipyard has six construction bays under approximately 110,000 square feet of enclosed building area with 13 overhead cranes. The site also has 150 feet of steel bulkhead, and 1,900 linear feet of waterfront including one slip. Our Orange shipyard equipment includes a Wheelabrator, a "gantry" type NC ("Numerical Control") plasma burner with a 21-foot by 90-foot table, over 60 automatic and semi-automatic welding machines, two rolling cranes, 600, 800 and 1,600-ton transfer/load-out systems and a marine railway with side transfer system. We have made numerous investments in and improvements to the shipyard, including improving the railway and railway launch system, making other improvements to the facility, purchasing land adjacent to the facility, and purchasing machinery and equipment.

Legal Proceedings

For a discussion of legal proceedings, see Notes 2 and 15 to our financial statements included within this report.

Market for the Company's Common Equity, Related Stockholder Matters, and Issuer Purchases of Equity Securities

On March 30, 2005 we voluntarily delisted our common stock from Nasdaq and, simultaneously with delisting, filed a Form 15 with the Securities and Exchange Commission (the "SEC") to voluntarily deregister our common stock under the Securities Exchange Act of 1934, as amended (the "Exchange Act") and to suspend our obligation to file reports under Section 15(d) of the Exchange Act.

On March 31, 2005 our common stock began trading in the over-the-counter market and currently trades on the Pink Open Market operated by OTC Markets Group Inc. Quotes are available over the internet at www.otcm Markets.com as well as through other services.

Prior to this time our stock was traded on the NASDAQ National Market System under the symbol “CNRD.” As of January 11, 2024, there were 104 record holders of our common stock.

The following table sets forth the high and low bid prices per share of the Common Stock, as reported by the OTC Markets Group Inc. for each fiscal quarter during the last two fiscal years.

| <u>Fiscal Year 2023</u> | <u>High</u> | <u>Low</u> |
|--------------------------------|--------------------|-------------------|
| First Quarter..... | \$ 16.74 | \$ 13.50 |
| Second Quarter..... | 16.90 | 11.00 |
| Third Quarter..... | 11.11 | 8.20 |
| Fourth Quarter..... | 11.89 | 7.20 |
| | | |
| <u>Fiscal Year 2022</u> | <u>High</u> | <u>Low</u> |
| First Quarter..... | \$ 17.30 | \$ 14.00 |
| Second Quarter..... | 16.99 | 15.75 |
| Third Quarter..... | 17.38 | 16.30 |
| Fourth Quarter..... | 17.15 | 15.75 |

We paid special dividends on our common stock of \$1.00 per share on January 5, 2015, and of \$2.00 per share on December 17, 2013 and December 31, 2012. Additionally, we paid quarterly dividends of \$0.25 per share during each of the four quarters of 2015. We paid quarterly dividend of \$0.10 per share during each of the four quarters of 2016. The Board did not declare a dividend during 2017 through 2023 or in the first quarter of 2024. Declaration of future dividends is at the discretion of the Board each quarter, and will depend upon the Company’s financial performance, cash requirements, outlook and other factors deemed relevant by the Board. The Company’s loan agreement does not restrict the payment of dividends or repurchase of shares, subject to compliance with the financial covenants in the agreement.

We have repurchased a total of 1,447,347 shares pursuant to our stock repurchase program at an average price of \$16.93 since the program began in August 2010. We have not repurchased shares under the program since 2017. As of March 31, 2024, \$1.0 million remained available for future repurchases under our stock repurchase program.

Selected Financial Data

The following table sets forth our selected historical consolidated financial data as of the dates and for the periods indicated. The historical financial data for each year in the five-year period ended December 31, 2023 are derived from our historical audited financial statements. The following information should be read in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included elsewhere in this report and our consolidated financial statements and notes thereto included as an attachment to this report.

| | For the Years Ended | | | | |
|---|---------------------------------------|--------------------|-----------------|-------------------|--------------|
| | 2023 | 2022 | 2021 | 2020 | 2019 |
| | (In thousands, except per share data) | | | | |
| Statement of Operations Data | | | | | |
| Revenues | \$ 239,774 | \$ 193,856 | \$ 191,216 | \$ 158,661 | \$ 207,356 |
| Cost of revenue | 269,099 | 209,645 | 196,767 | 157,946 | 200,678 |
| Gross profit/(loss) | (29,325) | (15,789) | (5,551) | 715 | 6,678 |
| Selling, general and administrative expenses | 7,500 | 7,673 | 6,522 | 5,938 | 5,806 |
| Income/(loss) from operations | (36,825) | (23,462) | (12,073) | (5,223) | 872 |
| Interest and other income (expense), net | 500 | 175 | 17,866 | (26) | 230 |
| Income/(loss) before income taxes | (36,325) | (23,287) | 5,793 | (5,249) | 1,102 |
| Provision/(benefit) for income taxes | (9,297) | (5,858) | (657) | (1,213) | 1,016 |
| Net income/(loss) | <u>\$ (27,028)</u> | <u>\$ (17,429)</u> | <u>\$ 6,450</u> | <u>\$ (4,036)</u> | <u>\$ 86</u> |
| Net Income/(Loss) Per Common Share | | | | | |
| Basic | \$ (5.39) | \$ (3.47) | \$ 1.29 | \$ (0.80) | \$ 0.02 |
| Diluted | \$ (5.39) | \$ (3.47) | \$ 1.29 | \$ (0.80) | \$ 0.02 |
| Weighted Average Common Shares | | | | | |
| Oustanding | | | | | |
| Basic | 5,018 | 5,018 | 5,018 | 5,018 | 5,018 |
| Diluted | 5,018 | 5,018 | 5,018 | 5,018 | 5,018 |
| Statement of Cash Flows Data | | | | | |
| Net cash provided by/(used in) operating activities | \$ 20,148 | \$ (32,759) | \$ 18,682 | \$ 8,624 | \$ 1,921 |
| Net cash used in investing activities | \$ (1,763) | \$ (2,279) | \$ (1,262) | \$ (2,770) | \$ (2,408) |
| Net cash provided by/(used in) financing activities | \$ (1,375) | \$ (1,500) | \$ (1,500) | \$ 6,591 | \$ (1,500) |
| Other Financial Data | | | | | |
| Depreciation & amortization | \$ 5,076 | \$ 5,738 | \$ 6,194 | \$ 6,261 | \$ 6,377 |
| Capital expenditures | \$ 1,763 | \$ 2,308 | \$ 1,962 | \$ 2,771 | \$ 2,418 |
| EBITDA (1) | \$ (31,019) | \$ (17,312) | \$ 12,220 | \$ 1,414 | \$ 7,894 |
| EBITDA margin (2) | -12.9% | -8.9% | 6.4% | 0.9% | 3.8% |
| Operating profit/(loss) margin (3) | -15.4% | -12.1% | -6.3% | -3.3% | 0.4% |

As of December 31,

| | 2023 | 2022 | 2021 | 2020 | 2019 |
|---|----------------|-------------|-------------|-------------|-------------|
| | (In thousands) | | | | |
| Balance Sheet Data | | | | | |
| Working capital | \$ 31,871 | \$ 57,482 | \$ 73,617 | \$ 66,763 | \$ 67,702 |
| Property, plant & equipment, net | \$ 42,556 | \$ 45,866 | \$ 49,292 | \$ 53,602 | \$ 57,097 |
| Total assets | \$ 140,210 | \$ 131,152 | \$ 146,082 | \$ 155,864 | \$ 152,904 |
| Long term debt, including current portion (4) | \$ 4,500 | \$ 5,875 | \$ 7,375 | \$ 16,966 | \$ 10,375 |
| Shareholders' equity | \$ 70,169 | \$ 97,197 | \$ 114,626 | \$ 108,176 | \$ 112,213 |

- (1) Represents earnings before deduction of interest, taxes, depreciation and amortization. EBITDA is not a measure of cash flow, operating results or liquidity as determined by generally accepted accounting principles. We have included information concerning EBITDA as supplemental disclosure because management believes that EBITDA provides meaningful information regarding a company's historical ability to incur and service debt. EBITDA as defined and measured by us may not be comparable to similarly titled measures reported by other companies. EBITDA should not be considered in isolation or as an alternative to, or more meaningful than, net income or cash flow provided by operations as determined in accordance with generally accepted accounting principles as an indicator of our profitability or liquidity.
- (2) Represents EBITDA as a percentage of revenues.
- (3) Represents income/(loss) from operations as a percentage of revenues.
- (4) See Note 8 in Section II.

The following table sets forth a reconciliation of net cash provided by/(used in) operating activities to EBITDA for the periods presented (in thousands):

| | 2023 | 2022 | 2021 | 2020 | 2019 |
|---|--------------------|--------------------|------------------|-----------------|-----------------|
| Net cash provided by/(used in) operating activities | \$ 20,148 | \$ (32,759) | \$ 18,682 | \$ 8,624 | \$ 1,921 |
| Interest expense | 230 | 237 | 233 | 402 | 415 |
| Provision/(benefit) for income taxes | (9,297) | (5,858) | (657) | (1,213) | 1,016 |
| Deferred income tax provision (benefit) | 9,297 | 5,844 | 657 | 1,213 | (689) |
| PPP loan forgiveness | - | - | 8,091 | - | - |
| Other | (5) | 25 | 611 | (13) | (112) |
| Changes in operating assets and liabilities | (51,392) | 15,199 | (15,397) | (7,599) | 5,343 |
| EBITDA | <u>\$ (31,019)</u> | <u>\$ (17,312)</u> | <u>\$ 12,220</u> | <u>\$ 1,414</u> | <u>\$ 7,894</u> |

Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis should be read in conjunction with our consolidated financial statements and the notes to consolidated financial statements included as an attachment to this report.

Overview

We specialize in the construction, conversion and repair of a wide variety of steel marine vessels for commercial and government customers. These vessels include large and small deck barges, crane barges, spud barges, docking barges, tank barges, flood gates, split-hull dump scows, dredges, drydocks, inland and offshore tug boats, tow boats, multi-purpose tug boats, LPG barges, LNG bunker vessels, lift boats, ferries, and other offshore support vessels. We operate five shipyards: one in Morgan City, Louisiana, three in Amelia, Louisiana and one in Orange, Texas. For the year ended December 31, 2023 our new construction segment accounted for 86.4% of our total revenue and our repair and conversion segment accounted for 13.6% of our total revenue. For the year ended December 31, 2022 our new construction segment accounted for 87.1% of our total revenue and our repair and conversion segment accounted for 12.9% of our total revenue.

In 2023, we recognized revenues of \$239.8 million, net loss of \$27.0 million, loss per diluted share of \$5.39 and net cash provided by operating activities of \$20.1 million, compared to 2022 revenues of \$193.9 million, net loss of \$17.4 million, loss per diluted share of \$3.47 and net cash used in operating activities of \$32.8 million.

Net loss for 2023 was \$27.0 million compared to net loss of \$17.4 million for 2022. We had \$29.3 million in operating losses in 2023, primarily due to the new construction segment. Gross losses in new construction in 2023 included charges totaling \$33.5 million primarily related to losses on the 6,500-cubic yard capacity trailing suction hopper dredge signed in 2020 and delivered in February 2024, forward losses on the related option dredge exercised in June 2022 which is expected to be completed during 2025, losses on the multi-purpose tugs delivered in the second half of 2023, and forward losses on the first five YRBM barges with projected delivery dates from second half of 2024 through the end of 2025. The prices on these fixed-price contracts were set prior to the substantial increases in inflation, and the projects also experienced unanticipated higher labor hours and costs, higher material costs, supply chain disruptions and other unanticipated delays. Our results were also adversely impacted by losses on the sale of the remaining 30,000 bbl stock barges and higher overhead allocations as we experienced lower overall volume compared to 2022. In 2022, we had \$15.8 million in operating losses primarily resulting from the loss jobs described above, lower margin jobs, higher labor costs, higher material and shipping costs, and other inflationary cost increases. Gross losses in new construction in 2022 included charges totaling \$13.3 million primarily relating to the loss jobs described above including forward losses on the first four YRBM barges, and the sale of two 30,000 bbl stock barges.

We experienced a 30.0% increase in repair revenue in 2023, primarily as a result of increased volume and product mix. In 2023, repair gross profit was \$5.1 million, compared to repair gross loss of \$0.6 million in 2022, also as a result of increased volume and product mix.

As reported in Notes 2 and 15 in our financial statements, in February 2023, we were awarded a \$7.49 million judgment in a suit we filed in 2019 against a customer that defaulted on contracts to construct two vessels. The judgment was appealed to the United States Court of Appeals for the Fifth Circuit and on February 23, 2024, the judgment was affirmed. Our financial statements do not include any amounts with respect to the judgment. We expect to collect the judgment, with interest, during 2024.

At December 31, 2023, we had cash and cash equivalents of \$38.6 million compared to \$21.6 million at year-end 2022. Working capital was \$31.9 million at year end 2023 compared with \$57.5 million at year end 2022. Total debt at year end 2023 was \$4.5 million compared with \$5.9 million at year end 2022. As of December 31, 2023, no amounts were drawn on our \$10 million revolving credit facility and two \$5 million letters of credit were committed against the facility, leaving no amounts available to draw under the facility. The maturity of the revolving credit facility has been extended from July 31, 2023 to July 31, 2024. The first \$5.0 million letter of credit terminated on February 29, 2024. See Note 8 for additional information.

Our operating results as of December 31, 2023 reflect a continued challenging operating environment, including challenges associated with continued high steel prices, inflationary price increases in other materials and equipment,

supply chain disruptions, a tight labor market resulting in difficulties in retaining and hiring direct labor and rising interest rates during 2022 and 2023. In February 2022 and February 2024, we significantly increased our hourly labor rates. In new construction, we continue to experience a soft market particularly for energy transportation projects and projects related to the offshore oil and gas industry; however, demand in the infrastructure and government markets helped offset a portion of the adverse impact. We believe that during 2023, largely as a result of high steel prices, other inflationary cost increases and higher interest rates, many new construction customers have delayed new orders. The repair sector has shown signs of improving market conditions in the Gulf of Mexico from an uptick in activity and in the inland transportation market as operators are experiencing improved day rates. Although repair activity has been lower than expected in early 2024, we expect improvements experienced in 2023 to continue in 2024. The infrastructure market also continues to be a bright spot as profitable jobs in the infrastructure market enhanced results in our repair and conversion segment and helped offset some of the adverse impact in our new construction segment. We continue to experience pricing pressure in both segments, which has intensified due to high steel prices and higher interest rates. Economic uncertainties have been heightened by the wars and violence in Ukraine and Israel and surrounding areas. These factors negatively impacted our results for 2023 and may continue to negatively impact our financial performance for 2024.

Beginning in late 2020 and throughout 2021, steel prices increased sharply in part due to supply chain issues related to the COVID-19 pandemic, peaking in June and July of 2022. Steel prices have generally declined since then, but remain significantly higher than pre-pandemic price levels. Accordingly, much uncertainty remains regarding future steel prices. Oil prices have been volatile during 2022 and 2023, generally rising through mid-2022, declining through the first quarter of 2023, rising again through the third quarter of 2023 and declining through year-end 2023. For additional information, see *Business Overview – Material and Supplies*.

Although we face substantial uncertainties in our markets, we believe we are well-positioned to take advantage of opportunities when market fundamentals improve due to our shipyard capacity, our investments in improving our shipyards' capabilities and efficiencies, and our experienced team. We also believe that we benefit from a reputation for workplace safety and producing quality products. Bid activity in early 2024 has been good, inland tank barge utilization has been high, and there is increased government funding available for infrastructure and military projects; however, economic uncertainty including concerns regarding high inflation and interest rates could adversely affect us. We are actively exploring projects in the offshore wind industry particularly as it moves into the Gulf of Mexico. We believe some delayed customer orders will move forward as steel prices stabilize or our customers' business opportunities or fleet replacement needs require the vessels. We are also optimistic about opportunities in our repair and conversions segment as the market continues to improve.

In March 2022, we were awarded a contract by the U.S. Navy for the design and construction of a Yard, Repair, Berthing and Messing ("YRBM") barge, with options for an additional seven barges. The YRBM barges provide a temporary home away from home and workplace for U.S. service men and women whose vessels are in port for repairs and/or maintenance. The fixed-price contract, a small business set-aside, has a potential value of over \$140 million if all options are exercised by the U.S. Navy. In July 2022, the U.S. Navy exercised options for two additional YRBM barges and in August 2022, exercised an option for the fourth YRBM barge and in June 2023 exercised an option for the fifth YRBM barge bringing the total contracts awarded through year-end 2023 to \$89.4 million. We expect to deliver the first two YRBM barges to the U.S. Navy in the second half of 2024 and four additional YRBM barges during 2025. Due to rapidly rising inflation since the time of our fixed-price bid, we have recorded substantial forward losses on the first five vessels. The option for the sixth YRBM barge was exercised in March 2024.

In June of 2022, one of our major customers exercised the option to construct a second 6,500-cubic yard capacity trailing suction hopper dredge, which is now the largest contract in our company's history. See our discussion of backlog below for additional information. The first 6,500-cubic yard capacity dredge, which was awarded in 2020 and was at that time the largest contract in our history, was delivered in February 2024. Although we have recorded forward losses on the dredges in 2022 and 2023 as described above, we are optimistic that lessons learned on the first dredge will improve our performance on the second dredge. We are constructing a hybrid-electric passenger and vehicle ferry for The Trust for Governors Island in New York, with an expected delivery in mid-2024. We announced on August 29, 2023 that we have been awarded a contract by the Puerto Rico Maritime Transit Authority for the construction of four cargo and passenger ferry vessels. The ferries, designed to carry 300 passengers and 300 short tons of cargo, will operate between the Municipality of Ceiba and the Municipality Islands of Vieques and Culebra in Puerto Rico. We expect to deliver the first ferry to San Juan, Puerto Rico in late 2024. Among other contract awards, we have also been

awarded two large deck barges, one 286 ft. and one 365 ft., both for a repeat customer, with delivery dates later in 2024.

In recent years, we have been actively pursuing and have been successful in obtaining opportunities to produce different types of vessels for new markets. Some of these vessels are larger, take longer to start production and take longer to complete than the types of vessels we have constructed more often in the past. For example, as noted above, we have been awarded the two largest contracts in our history, to construct two 6,500-cubic-yard capacity trailing suction hopper dredges. In 2021, we were awarded a 500-cubic yard split-hull hopper dredge and three, large split-hull dump scows, which utilize hydraulic systems to open and close the barge's hull, and two multi-purpose tugs. In recent years, we have also constructed barges larger than those we constructed historically, including 55,000 and 80,000 barrel tank barges, and articulated tug barges (ATBs) consisting of a large tank barge and a related tug that is positioned in a notch in the stern of the barge, enhancing the maneuverability of the barge. We also successfully constructed the first LNG bunker barge for the marine market in North America, delivered in 2018, and although the project was not profitable, we believe we have enhanced our knowledge, processes and procedures to enable us to perform profitably on future similar large projects. We believe our capital improvement program at our Deepwater South yard has strengthened our ability to compete for these types of projects. Additionally, in 2022, we were awarded a contract by the U.S. Navy to construct YRBM barges, discussed in greater detail above. While these types of larger projects can entail additional risk, they can also supply us with a more consistent backlog for a longer period of time.

The demand for our products and services is dependent upon a number of factors, including the economic condition of our customers and markets, the age and state of repair of the vessels operated by our customers and the relative cost to construct a new vessel as compared with repairing an older vessel. Because some of our repair work is derived from the Gulf of Mexico oil and gas industry, conditions in that industry affect our repair segment.

For 2023, 2022 and 2021, we received approximately 2.7%, 0% and 0%, respectively, of our total revenues from customers in the Gulf of Mexico oil and gas industry ("energy"), 33.8%, 7.8% and 8.7% from government customers and 63.5%, 92.2% and 91.3% from other commercial customers.

During 2023, we added \$215.1 million of backlog. Our backlog was \$253.8 million at December 31, 2023, compared to \$244.1 million at December 31, 2022. Other commercial contracts accounted for approximately 45.5%, 54.5%, and 92.8% of our backlog at December 31, 2023, 2022 and 2021, respectively. Government contracts accounted for approximately 54.5%, 45.5%, and 7.2% of our backlog at December 31, 2023, 2022 and 2021, respectively. Energy contracts accounted for approximately 0%, 0% and 0% of our backlog at December 31, 2023, 2022 and 2021, respectively. As of December 31, 2023, approximately 28.6% of our backlog related to contracts with one customer, most of which is related to the second 6,500-cubic-yard capacity trailing suction hopper dredge for Great Lakes Dredge & Dock, the first delivered in February 2024 and the second expected to be delivered in the first half of 2025. We expect to complete 79% of our backlog within the next 12 months. Our management is focused on effectively executing our backlog, obtaining additional backlog and returning the Company to profitability.

Our construction and fabrication projects in progress as of December 31, 2023 consisted of 26 vessels: five YRBM barges, five ferries, five 30,000 bbl tank barges, three spud barges, three deck barges, two 6,500-cubic-yard capacity trailing suction hopper dredges, two ice class tugs, and one drydock. Our commercial customers comprise a very diverse group that crosses a wide range of businesses including the dredging, construction, towing, and bunkering markets. We also construct vessels for government customers including the U.S. Army Corps of Engineers and state departments of transportation and were awarded the YRBM contracts from the U.S. Navy in 2022.

From time to time, we have experienced gaps in our construction schedules and began construction on projects that were not under contract, but we believed we could convert to contracts in a relatively short period of time within starting construction or within completion of the project. The primary goal of this strategy is to maintain operational efficiencies and revenue volume between contracted projects. We have also constructed stock vessels for strategic business and marketing reasons. The ultimate selling price and timing of the sales of stock vessels can have an impact on our revenue, profitability, and working capital. At December 31, 2023 we did not have any stock vessels under construction. At December 31, 2022, we had eight stock vessels under construction and during the first quarter of 2023, we entered into contracts to sell all eight vessels. Stock vessels contributed approximately 2% of our labor hours in new construction in 2023 and 19% in 2022. The stock vessel program adversely impacted our results for 2022 and

2023 as our anticipated prices for the vessels declined due to market conditions. Management does not intend to construct additional stock vessels during 2024 at this time.

Our new construction projects generally range from one month to twenty-four months in duration. We use the percentage-of-completion method of accounting and therefore take into account the estimated costs, estimated earnings, and revenue to date on fixed-price contracts not yet completed. The amount of revenue recognized is based on the portion of the total contract price that the labor hours incurred to date bears to the estimated total labor hours, based on current estimates to complete the project. This method is used because management considers expended labor hours to be the best available measure of progress on these contracts. Revenues from cost-plus-fee contracts are recognized on the basis of cost incurred during the period plus the fee earned.

Most of the contracts we enter into for new vessel construction, and some of our contracts for conversion and repair, whether commercial or governmental, are fixed-price contracts under which we retain all cost savings on completed contracts but are liable for all cost overruns. We develop our bids for a fixed price project by estimating the amount of labor hours and the cost of materials necessary to complete the project and then bid the projects in order to achieve a sufficient profit margin to justify the allocation of our resources to such project. Our revenues therefore may fluctuate from period to period based on, among other things, the aggregate amount of materials used in projects during a period and whether the customer provides materials and equipment. We perform many of our conversion and repair services on a time and materials basis pursuant to which the customer pays a negotiated labor rate for labor hours spent on the project as well as the cost of materials plus a margin on materials purchased. Repair projects may take a few days to a few weeks, although some extend for a longer period.

We delisted our common stock on March 30, 2005 and filed a Form 15 to deregister our common stock under Section 12 of the Securities Exchange Act of 1934 and ceased filing reports pursuant to Section 15(d) of that Act primarily to reduce expenses.

Results of Operations

| | For the Years Ended December 31, | | | | | |
|---------------------------------------|----------------------------------|--------|--------------------|--------|-------------------|--------|
| | 2023 | | 2022 | | 2021 | |
| Financial Data: | | | | | | |
| Revenue | | | | | | |
| Vessel construction | \$ 207,139 | 86.4% | \$ 168,757 | 87.1% | \$ 163,091 | 85.3% |
| Repair and conversions | 32,635 | 13.6% | 25,099 | 12.9% | 28,125 | 14.7% |
| Total revenue | <u>239,774</u> | 100.0% | <u>193,856</u> | 100.0% | <u>191,216</u> | 100.0% |
| Cost of revenue | | | | | | |
| Vessel construction | 241,550 | 116.6% | 183,976 | 109.0% | 170,642 | 104.6% |
| Repair and conversions | 27,549 | 84.4% | 25,669 | 102.3% | 26,125 | 92.9% |
| Total cost of revenue | <u>269,099</u> | 112.2% | <u>209,645</u> | 108.1% | <u>196,767</u> | 102.9% |
| Gross profit/(loss) | | | | | | |
| Vessel construction | (34,411) | -16.6% | (15,219) | -9.0% | (7,551) | -4.6% |
| Repair and conversions | 5,086 | 15.6% | (570) | -2.3% | 2,000 | 7.1% |
| Total gross profit/(loss) | <u>(29,325)</u> | -12.2% | <u>(15,789)</u> | -8.1% | <u>(5,551)</u> | -2.9% |
| S G & A expenses | <u>7,500</u> | 3.1% | <u>7,673</u> | 4.0% | <u>6,522</u> | 3.4% |
| Income/(loss) from operations | <u>(36,825)</u> | -15.4% | <u>(23,462)</u> | -12.1% | <u>(12,073)</u> | -6.3% |
| Interest expense | (230) | -0.1% | (237) | -0.1% | (233) | -0.1% |
| Other income/(expense), net | <u>730</u> | 0.3% | <u>412</u> | 0.2% | <u>18,099</u> | 9.5% |
| Income/(loss) before income taxes | <u>(36,325)</u> | -15.1% | <u>(23,287)</u> | -12.0% | <u>5,793</u> | 3.0% |
| Provision/(benefit) for income taxes | <u>(9,297)</u> | -3.9% | <u>(5,858)</u> | -3.0% | <u>(657)</u> | -0.3% |
| Net income/(loss) | <u>\$ (27,028)</u> | -11.3% | <u>\$ (17,429)</u> | -9.0% | <u>\$ 6,450</u> | 3.4% |
| EBITDA (1) | <u>\$ (31,019)</u> | -12.9% | <u>\$ (17,312)</u> | -8.9% | <u>\$ 12,220</u> | 6.4% |
| Net cash provided by/(used in) | | | | | | |
| operating activities | <u>\$ 20,148</u> | | <u>\$ (32,759)</u> | | <u>\$ 18,682</u> | |
| Net cash used in investing activities | <u>\$ (1,763)</u> | | <u>\$ (2,279)</u> | | <u>\$ (1,262)</u> | |
| Net cash used in financing activities | <u>\$ (1,375)</u> | | <u>\$ (1,500)</u> | | <u>\$ (1,500)</u> | |

(1) Represents earnings before deduction of interest, taxes, depreciation and amortization. EBITDA is not a measure of cash flow, operating results or liquidity as determined by generally accepted accounting principles. We have included information concerning EBITDA as supplemental disclosure because management believes that EBITDA provides meaningful information regarding a company's historical ability to incur and service debt. EBITDA as defined and measured by us may not be comparable to similarly titled measures reported by other companies. EBITDA should not be considered in isolation or as an alternative to, or more meaningful than, net income or cash flow provided by operations as determined in accordance with generally accepted accounting principles as an indicator of our profitability or liquidity.

The following table sets forth a reconciliation of net cash provided by/(used in) operating activities to EBITDA for the periods presented (in thousands):

| | <u>2023</u> | <u>2022</u> | <u>2021</u> |
|---|--------------------|--------------------|------------------|
| Net cash provided by/(used in) | | | |
| operating activities | \$ 20,148 | \$ (32,759) | \$ 18,682 |
| Interest expense | 230 | 237 | 233 |
| Provision/(benefit) for income taxes | (9,297) | (5,858) | (657) |
| Deferred income tax provision/(benefit) | 9,297 | 5,844 | 657 |
| PPP loan forgiveness | - | - | 8,091 |
| Other | (5) | 25 | 611 |
| Changes in operating assets and liabilities | (51,392) | 15,199 | (15,397) |
| EBITDA | <u>\$ (31,019)</u> | <u>\$ (17,312)</u> | <u>\$ 12,220</u> |

Year Ended December 31, 2023 Compared to Year Ended December 31, 2022

During the year ended December 31, 2023, we generated revenue of \$239.8 million, an increase of approximately \$45.9 million or 23.7%, compared to \$193.9 million generated for 2022. New construction revenue increased \$38.3 million due primarily to product mix and sale of stock vessels. Repair and conversion revenue increased \$7.5 million primarily related to higher volume in repair due to increased volume and product mix. Vessel construction hours in 2023 decreased 9.1% compared to 2022, and repair and conversion hours in 2023 increased by 10.7% compared to 2022.

Vessel construction revenue was 86.4% of total revenue in 2023 compared to 87.1% for 2022, and repair and conversion revenue was 13.6% of total revenue in 2023 compared to 12.9% in 2022. For 2023, 33.8% of revenue was government related, 2.7% was energy and 63.5% was other commercial. This compares to 7.8% of revenue being government related, 0% energy and 92.2% other commercial in 2022.

We had a gross loss of \$29.3 million for 2023 as compared to a gross loss of \$15.8 million for 2022. Vessel construction gross loss was \$34.4 million for 2023 compared to gross loss of \$15.2 million for 2022. The vessel construction gross losses in 2023 primarily resulted from loss jobs as described above. In addition, our results were adversely impacted by higher overhead allocations due to lower overall volume. As stated above, during 2023 we also recorded losses on the sale of the remaining stock barges. Repair and conversion gross profit was \$5.1 million in 2023 compared to \$0.6 million gross loss for 2022. The increase was primarily a result of increased volume and product mix.

Selling, general and administrative expenses (“SG&A”) decreased \$0.2 million, or 2.3%, to \$7.5 million (3.1% of revenue) for 2023, as compared to \$7.7 million (4.0% of revenue) for 2022. SG&A for 2023 decreased primarily as a result of decreases in legal fees and contract services.

Other income increased \$318,000, or 77.2%, to \$730,000 compared to \$412,000 million in 2022. Other income for 2023 increased primarily due to the receipt of \$216,000 MARAD grant proceeds as part of the MARAD FY 2021 Small Shipyard Grant Program.

Interest expense decreased \$7,000 to \$230,000 for 2023 as compared to interest expense of \$237,000 for 2022. The decrease is due to the reduction in the term loan balance. The Company entered into a term loan in late 2016. See Note 8 for additional information.

We had an income tax benefit of \$9.3 million for 2023, compared to an income tax benefit of \$5.9 million for 2022. The increase in income tax benefit in 2023 was primarily due to the increase in net losses. The IRS audit of research and development tax credits of \$3.1 million for 2014 and 2015 remains open. See Note 11 for additional information.

Liquidity and Capital Resources

Net cash provided by operations was \$20.1 million for 2023, compared to net cash used in operations of \$32.8 million for 2022. The increase in 2023 is mainly due to a net increase in billings related to cost and estimated gross profit on contracts in progress and a reduction in inventory from the sale of eight stock vessels. Our working capital position was \$31.9 million and \$57.5 million at December 31, 2023 and 2022, respectively. Cash and cash equivalents at December 31, 2023 and 2022 were \$38.6 and \$21.6 million, respectively. Other current assets increased from \$9.6 million at December 31, 2022 to \$18.4 million at December 31, 2023 primarily due to a \$9.3 million increase in deferred tax assets. See Note 11 for additional information. Management continues to engage in a detailed business planning process in assessing the Company's cash position and potential resources in light of the challenging operating environment, new types of projects being pursued, and the Company's capital expenditure program.

Our net cash used in investing activities of \$1.7 million in 2023 reflected capital expenditures for facility improvements and machinery purchases. Other significant approved capital expenditures include improvements to increase capacity and operational efficiencies. Our net cash used in investing activities of \$2.3 million in 2022 included \$2.3 million of capital expenditures in machinery and property improvements. For additional information on our internal expansion activities, see *Business Overview – General - Internal Expansion*.

Our Board of Directors has approved a \$2.5 million capital expenditure program for 2024; however, we will monitor our capital expenditures closely. As of December 31, 2023, we had no material commitments for capital expenditures.

As reported in Notes 2 and 15 in our financial statements, in February 2023 we were awarded a \$7.49 million judgment in a suit we filed in 2019 against a customer that defaulted on contracts to construct two vessels. The judgment was appealed to the United States Court of Appeals for the Fifth Circuit and on February 23, 2024, the judgment was affirmed. Our financial statements do not include any amounts with respect to the judgment. We expect to collect the judgment, with interest, during 2024.

To fill in gaps in our construction schedules, we construct stock vessels from time to time. We have also constructed stock vessels for strategic business and marketing reasons. Our stock vessel program can have a material impact on our liquidity, capital resources and profits. As of December 31, 2023, we did not have any stock vessels under construction. Management does not intend to construct additional stock vessels during 2023 at this time. Refer to "Overview" above for additional discussion regarding our stock vessel program.

Net cash used in financing activities was \$1.4 million for 2023 and \$1.5 million for 2022 for the payments on the term loan. Our board did not declare a dividend during 2023 or 2022. Declaration of dividends is at the discretion of the Board each quarter, and will depend upon the Company's financial performance, cash requirements, outlook and other factors deemed relevant by the Board. For additional information on our common stock dividends, see pages 17 and 20 of our 2023 Annual Report.

During December 2014, our Board approved an increase in our stock repurchase program to \$20 million. The program permits purchase of common stock in the open market or privately negotiated transactions, does not obligate us to acquire any particular amount of stock, does not have an expiration date and can be amended or terminated at any time without prior notice. No shares have been repurchased under the program since 2017. As of December 31, 2023, \$1.0 million remained available under the program.

Our long-term debt is described in Note 8 to our financial statements. In the fourth quarter of 2016, we entered into a \$15.0 million term loan. At December 31, 2023, the principal remaining due on the term loan was \$4.5 million. We also have a \$10.0 million revolving credit facility. Pursuant to an amendment effective as of July 31, 2023, the maturity of the revolving credit facility was extended to July 31, 2024. The interest rate on the line of credit is WSJ Prime plus 1.0% or one-month SOFR (Secured Overnight Financing Rate) plus 3.0%, at the Company's option, subject to a 4.0% floor. The line of credit, as amended, has a sublimit of up to \$10 million for letters of credit. At December 31, 2023, no amounts were drawn on the credit facility and \$10 million in letters of credit were committed against the facility, leaving no amounts available to draw on the facility. The first \$5.0 million letter of credit terminated on February 29, 2024. Pursuant to the amendment, draws on the facility are subject to a borrowing base limit of 80% of eligible accounts as determined by the lender. The term loan has a 120-month amortization, a 3.5% fixed interest rate, and can be prepaid without penalty at any time. The loans are secured by accounts receivable, deposit accounts and chattel

paper, and by two dry-docks. The loan agreement contains restrictions on mergers and liens on the collateral and the capital stock of our subsidiaries. Subject to compliance with financial covenants, the loan agreement does not restrict our ability to pay dividends, repurchase shares of common stock, or incur additional indebtedness. The amended loan agreement suspended the debt service coverage ratio test as of the third quarter of 2023 through maturity, increased the current ratio to 2:1 measured quarterly, and increased the company's minimum liquidity requirement to \$20 million. The amended loan agreement retained the quarterly total liability to tangible net worth test of not more than 1.25 to 1. As of March 30, 2023, June 30, 2023, September 30, 2023, and December 31, 2023 the Company was not in compliance with the current ratio covenant under our loan agreement and has received waivers from the lender. On March 29, 2024, we entered into another amendment to our credit facility to make certain modifications to the financial covenants, provide additional collateral in the form of an unencumbered deposit account and make other changes as further described therein. Additionally, the lender (i) waived any existing defaults, (ii) agreed to remove the borrowing base limit on availability for the line of credit and (iii) allowed the full \$10,000,000 in availability to be used for issuances of letters of credit, provided that any newly issued letters of credit are cash collateralized. The Company must now comply with the following modified financial covenants: (i) total liabilities to tangible net worth of no greater than 1.25 to 1.00, (ii) current assets to current liabilities of 1.75 to 1.00 or greater, (iii) minimum unencumbered liquidity of \$5,000,000 and (iv) an additional unencumbered cash account initially of \$5,000,000 increasing to \$9,000,000 as of May 28, 2024. If the unencumbered cash account contains \$9,000,000 as of May 28, 2024, all financial covenants will be terminated.

In the normal course of our business, we may be required to provide letters of credit to secure the payment of workers' compensation obligations. Additionally, under certain contracts we may be required to provide letters of credit and bonds to secure our performance and payment obligations. At December 31, 2023, bonds and letters of credit amounted to \$170.7 million compared to \$188.4 million at December 31, 2022. We believe that general industry conditions have led customers to require performance bonds and letters of credit more often than in the past. Although we believe that in the future, we will be able to obtain bonds, letters of credit, and similar obligations on terms we regard as acceptable, in recent periods we have experienced challenges in obtaining sufficient bonding capacity for larger projects on terms that we desire and there can be no assurance we will continue to be successful in obtaining bonds or letters of credit in the amounts, at terms and at times we desire. In addition, the cost of obtaining such bonds, letters of credit and similar obligations has increased and may continue to increase.

We believe that our existing working capital and projected cash flow from operations will enable us to meet our cash obligations for at least the next 12 months. Our cash forecasts are subject to change depending on changes in steel, other material and labor costs, the extent to which we experience unanticipated overruns in material costs and labor hours necessary to complete fixed-priced projects, our ability to add profitable backlog and repair work, evolving implications of the wars and violence in Ukraine and Israel and surrounding areas, the extent to which we must extend favorable terms to customers in order to obtain contracts, and the impacts of economic conditions, including inflation and interest rates, on our customers, employees, subcontractors and suppliers and any potential resurgence of COVID-19 or its variants.

Directors and Executive Officers

Our Founder

J. Parker Conrad founded our Company and served as Chairman of the Board from its inception in 1948 and as President from 1948 until 1994. From March 1998, Mr. Conrad served as Executive Co-Chairman of the Board of Conrad Industries, Inc., our holding company formed at that time in connection with our initial public offering, until his retirement from our Board in January 2014.

Upon his retirement from our Board, he was granted the honorary position of Chairman Emeritus and was invited to attend all board meetings, although he was not entitled to vote. He remained an employee of our Company and served as Advisor to the Chief Executive Officer until his death in July 2017. Mr. Conrad is the father of John P. Conrad, Jr. and grandfather of Daniel T. Conrad.

Current Directors

| <u>Name</u> | <u>Age</u> | <u>Position</u> | <u>Year First Became a Director</u> |
|----------------------|------------|--|---|
| John P. Conrad, Jr. | 81 | Chairman of the Board of Directors, Chief Executive Officer (Class III) | 1998 |
| Cecil A. Hernandez | 67 | Director and President (Class I) | 1998 |
| Michael J. Harris | 74 | Director (Class II) | 1998 |
| Ogden U. Thomas, Jr. | 78 | Director (Class II) | 2004 |
| Daniel T. Conrad | 60 | Director and Senior Vice President (Class III) | 2014 |
| Larry J. Callais | 74 | Director (Class I) | 2022 |

John P. Conrad, Jr. has been with our company since 1962, serving as Vice President since 1982, and as Co-Chairman of the Board of Conrad Industries, Inc. from March 1998 to January 2014, when he became Chairman of the Board. Mr. Conrad has served as Chief Executive Officer since April 2004. Mr. Conrad served as President from April 2004 until November of 2018. Mr. Conrad founded Johnny's Propeller Shop, Inc., a marine-related service company, in 1963 and is Chairman of the Board and Chief Executive Officer of this company. In 2000, Mr. Conrad and members of his immediate family founded Summit Management Group, L.L.C., which currently owns, among other investments, all of the outstanding ownership interests in Johnny's Propeller Shop. Mr. Conrad is currently the Operating Manager of Summit Management Group. He is the father of Daniel Conrad.

Michael J. Harris has been a director of Conrad Industries since the consummation of the initial public offering in June 1998. From 2005-2014, Mr. Harris was president of Hope Christian Community Foundation, a charitable organization in Memphis, Tennessee, where he currently serves as President Emeritus. Previously, Mr. Harris was a Managing Director of Morgan Keegan & Company, Inc., where he was employed since 1986. Morgan Keegan was the lead managing underwriter of our initial public offering.

Cecil A. Hernandez has been a director of Conrad Industries since March 1998. Mr. Hernandez joined Conrad Industries in January 1998 and served as Vice President-Finance and Administration and Chief Financial Officer of Conrad Industries from 1998 until 2002. During August 2004, Mr. Hernandez returned to Conrad and served as Chief Operating Officer and interim CFO until February 2005, at which time, he assumed the position of Executive Vice-President and Chief Financial Officer until November 2018. Mr. Hernandez served as Chief Operating Officer from July until October 2018. In November 2018, he became President. From October 2002 to August 2004, Mr. Hernandez served as the President of Summit Management Group, L.L.C., a company formed by John P. Conrad, Jr. and his immediate family. Mr. Hernandez founded Hernandez & Blackwell CPAs in 1983 and served as its Managing Partner until December 1997. Hernandez & Blackwell CPAs merged with Darnall Sikes & Frederick CPAs in 1996. Additionally, Mr. Hernandez provided accounting and consulting services for Conrad Industries as the outside Certified Public Accountant from 1993 until 1997. From 1982 to 1983, Mr. Hernandez served as Assistant Controller for Oceaneering International, a publicly traded diving company. Mr. Hernandez was employed by the international accounting firm Deloitte Haskins & Sells (now Deloitte & Touche LLP) from 1979 to 1982.

Ogden U. Thomas, Jr. has been a director of Conrad Industries since April 2004. Mr. Thomas served on the Board of Directors of Cross Group, Inc., a privately held group of companies servicing the oil and gas, marine services, offshore construction and deepwater services industries until July 2016, and from 2006 to 2011 served as that company's President and Chief Operating Officer. From 1988 to 2003, Mr. Thomas served as the President of the ENSCO Marine Company Division of ENSCO International, a leading offshore drilling contractor. Prior to that time, Mr. Thomas served in various management positions with Seahorse, Inc., a world-wide operator of offshore supply and anchor handling vessels and a subsidiary of Texas Eastern Corporation, and as President of the Drilling Services Division of Texas Eastern Corporation. He is the father of our Chief Financial Officer, Scott Thomas.

Daniel T. Conrad has been a director of Conrad Industries since January 2014. Mr. D. Conrad was appointed to the Board of Directors to fill the vacancy created by the resignation of J. Parker Conrad and to serve as a Class III director. Mr. Conrad joined the company in 1997 and has held numerous positions including Facility Manager, Sales Manager, Business Relations Manager and currently is Senior Vice President of our Conrad Shipyard, Conrad Shipyard Amelia and Conrad Orange subsidiaries. From 1989 to 1996, Mr. Conrad served in various positions with Venture Transport, Inc., a specialized carrier in oilfield and energy equipment. Mr. Conrad is the son of John P. Conrad, Jr.

Larry J. Callais has been a director of Conrad Industries since November 2022. Mr. Callais served as Chief Executive Officer of M C Bank from 1999 until 2021. He joined the bank in 1977. M C Bank is a Morgan City-based commercial bank with seven locations in south Louisiana. Among his many civic and professional activities, Mr. Callais has served as Chairman of the Board of the St. Mary Parish Foundation, served as Chairman of the Board of Trustees of Teche Regional Medical Center in Morgan City and is a former member of the Board of Directors of the Louisiana Bankers Association. He is a Certified Public Accountant, on inactive status.

Executive Officers

Set forth below is certain information concerning our current executive officers, including the business experience of each during the past five years.

| <u>Name</u> | <u>Age</u> | <u>Position with Conrad Industries</u> |
|-------------------------|------------|---|
| John P. Conrad, Jr..... | 81 | Chief Executive Officer and Chairman of the Board |
| Cecil A. Hernandez..... | 67 | President and Secretary |
| Brett T. Wolbrink | 52 | Executive Vice President, Chief Operating Officer |
| Daniel T. Conrad | 60 | Senior Vice President |
| Scott A. Thomas | 52 | Vice President, Chief Financial Officer and Assistant Secretary |

Information regarding the business experience of Mr. Conrad, Jr., Mr. Hernandez, and Mr. D. Conrad is set forth above under the heading “Directors.”

Brett T. Wolbrink became Executive Vice President and Chief Operating Officer of Conrad Industries in October 2018. Mr. Wolbrink most recently served as Vice President of Conrad LNG since June 2016 and previously held various other senior management positions at the company since 2009. Other positions included General Manager of Orange Shipbuilding, Vice President of Louisiana Operations, and Vice President of Western Operations. Mr. Wolbrink began his career in 1990 and held various roles and responsibilities at three different shipyards and marine related companies.

Scott A. Thomas became Vice President, Chief Financial Officer and Assistant Secretary of the Company in July 2022. Prior to joining the Company, Mr. Thomas served as Vice President of Finance at Twin Brothers Marine, since June 2020, and as Chief Financial Officer/Vice President of Finance and Administration at Intermoor Inc., from October 2004 until April 2020. In his early career, Mr. Thomas worked as an Accounting Manager for Technip Offshore, the previous owner of InterMoor. Prior to Technip, Mr. Thomas was a Business Analyst for Houma-based Cross Group and a Marine Logistics Coordinator for Leevac Marine/Hornbeck Offshore. Mr. Thomas is a graduate of University of Louisiana at Lafayette with a Bachelor of Science degree in Accounting and a Master of Business Administration degree. Mr. Thomas is the son of Ogden U. Thomas, Jr.

Independent Directors Committee

The Company is not required to have independent directors; however, the Board of Directors believes that doing so is a best practice and in the best interests of the Company and its stockholders. The Board has used as a guideline the independence requirements of The NASDAQ Stock Market. When Scott Thomas was appointed Chief Financial Officer in July 2022 upon our prior Chief Financial Officer’s resignation, Ogden Thomas no longer qualified as an independent director. The Board of Directors solicited, from among its members, advisors and other contacts, qualified candidates to serve as an independent director of the Company, and carefully considered the qualifications of candidates. Effective November 2, 2022, Larry J. Callais was appointed to the Board of Directors as a new Class I director. Mr. Callais qualifies as independent under the rules of The NASDAQ Stock Market and was appointed to the Company’s Independent Directors Committee.

We have two independent directors, as independence is defined by The NASDAQ Stock Market: Mr. Harris and Mr. Callais. Messrs. Harris (Chair) and Callais serve on our Independent Directors Committee, which has the functions described in the Independent Directors Committee Charter, a copy of which was included with our 2023 proxy statement. These functions include being directly responsible for the appointment, compensation, retention and oversight of the work of our independent auditors, approving all compensation and benefits provided to, and any employment agreement with, an executive officer of our company, and approving related party transactions involving a director or executive officer.

Executive Compensation

Summary Compensation Table

The following table provides summary information concerning compensation paid or accrued to our principal executive officer and our other two most highly compensated executive officers during the fiscal year(s) during which they served as executive officers. Except as noted below, for fiscal years 2022 and 2023, none of these executive officers received perquisites, the aggregate value of which exceeded \$10,000.

| <u>Name and Principal Position</u> | <u>Year</u> | <u>Annual Salary</u> | <u>Long-term Incentive Payout</u> | <u>Bonus</u> | <u>All Other Compensation</u> |
|--|-------------|----------------------|-----------------------------------|--------------|-------------------------------|
| John P. Conrad, Jr. | 2023 | \$ 435,000 | \$ - | \$ - | \$ 16,176 (1) |
| <i>Chief Executive Officer, Chairman of the Board</i> | 2022 | 435,000 | - | - | 13,140 (1) |
| Cecil A. Hernandez | 2023 | 305,000 | - | - | 19,819 (1) |
| <i>President, Secretary, and a Director</i> | 2022 | 305,000 | - | - | 13,246 (1) |
| Brett T. Wolbrink..... | 2023 | 276,854 | - | - | 24,631 (2) |
| <i>Executive Vice President, Chief Operating Officer</i> | 2022 | 276,854 | - | - | 31,080 (2) |

(1) Represents amounts paid by us under our auto allowance program.

(2) Represents \$11,124 paid by us under our 401(k) plan and \$13,507 paid by us under our auto allowance program in 2023. Represents \$11,074 paid by us under our 401(k) plan and \$20,006 paid by us under our auto allowance plan in 2022.

Annual and Long-Term Incentive Plans

We have established an annual incentive plan under which our key employees may be awarded cash bonuses based upon the achievement of certain performance goals. The payment of any bonuses is at the discretion of the Board, which may increase or decrease bonus amounts determined under the plan formulas. All bonuses paid to executive officers must be approved by the Independent Directors' Committee. With respect to 2023 and 2022 bonuses that would have been paid during 2024 and 2023, respectively, the Company did not achieve the minimum threshold as determined by the Board, and therefore no bonuses were awarded to executive officers.

Directors' Compensation

Our directors who are employees do not receive any compensation for service on our Board of Directors or any committee. Our directors are, however, reimbursed for expenses incurred in connection with attending each Board and committee meeting. Our non-employee directors receive \$40,800 annually, plus \$1,350 for attendance at each Board of Directors meeting and \$500 for each committee meeting attended.

Agreements with Directors and Executive Officers

The Company's employment agreements with its executive officers expired March 31, 2022. As of March 12, 2024, the Company and the Independent Directors Committee are in the process of reviewing the Company's executive compensation program and the terms of potential replacement employment agreements.

We have also entered into indemnity agreements with all of our directors requiring us to indemnify and advance expenses to them in connection with their service to our company to the fullest extent permitted by law. The agreements also require us to maintain directors' and officers' liability insurance, unless it is not reasonably available or, in the reasonable business judgment of our directors, there is insufficient benefit to us from the insurance.

Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

As of March 14, 2023, we had 5,017,935 shares of common stock outstanding. The following table presents certain information, as of March 14, 2023, regarding the beneficial ownership of our common stock by:

- each person who is known by us to beneficially own more than five percent of our outstanding shares of common stock;
- each of our directors;
- the executive officers included in our executive compensation table; and
- all of our current directors and executive officers as a group.

Except as described below, each of the persons listed in the table has sole voting and investment power with respect to the shares listed.

| <u>Beneficial Owner</u> | <u>Number of Shares</u> | <u>% of Total Outstanding</u> |
|--|-------------------------|-------------------------------|
| John P. Conrad, Jr..... | 991,375 | 19.8% |
| Katherine C. Court..... | 521,634 | 10.4% |
| Minerva Group LP..... | 373,648 | 7.4% |
| Johnny & Mary Lou Conrad Family, LLC (1)..... | 260,816 | 5.2% |
| Johnny & Mary Lou Conrad 2009 Trust (1)..... | 255,600 | 5.1% |
| Cecil A. Hernandez | 50,968 | 1.0% |
| Michael J. Harris | 6,670 | * |
| Ogden U. Thomas, Jr. | 2,000 | * |
| Daniel T. Conrad..... | 1,200 | * |
| Larry J. Callais..... | - | * |
| Brett T. Wolbrink..... | - | * |
| Scott A. Thomas..... | - | * |
| All directors and executive officers as a group (8 persons)..... | 1,052,213 | 21.0% |

* Less than one percent.

(1) Edward Leonard and John P. Armato serve as Co-Trustees.

Certain Relationships and Related Transactions

We purchase in the ordinary course of business certain components from Johnny’s Propeller Shop, Inc. (“JPS”), a company wholly owned indirectly by John P. Conrad, Jr., Chairman of the Board of Directors, and Chief Executive Officer and members of his immediate family. Total purchases for the three years ended December 31, 2023, 2022, and 2021 were \$1,457,000, \$2,599,000, and \$1,490,000, respectively. In addition, John P. Conrad Jr.’s son purchased an ownership interest in Power Panels, LLC (“PP”), from which we purchased electrical components totaling \$904,000, \$303,000, and \$169,000 for the years ended December 31, 2023, 2022, and 2021, respectively. Compensation for Daniel T. Conrad for 2023 was salary of \$211,150 and other compensation of \$28,176 and for 2022 was salary of \$210,204 and other compensation of \$24,096. Other compensation consists of amounts paid by us under our 401(k) plan and auto allowance plan. These transactions were approved by the Independent Directors Committee.

Financial Statements and Quarterly Financial Data

Our audited Financial Statements for the year ended December 31, 2023 are included as an attachment to this Annual Report.

2023 Quarterly Results of Operations

| | Quarters ended | | | | | | | |
|---------------------------------------|-------------------|--------|-------------------|--------|--------------------|--------|--------------------|--------|
| | March 31, 2023 | | June 30, 2023 | | September 30, 2023 | | December 31, 2023 | |
| Financial Data: | | | | | | | | |
| Revenue | | | | | | | | |
| Vessel construction | \$ 69,682 | 90.5% | \$ 43,710 | 87.0% | \$ 51,215 | 84.4% | \$ 42,532 | 82.0% |
| Repair and conversions | <u>7,337</u> | 9.5% | <u>6,519</u> | 13.0% | <u>9,453</u> | 15.6% | <u>\$ 9,326</u> | 18.0% |
| Total revenue | <u>77,019</u> | 100.0% | <u>50,229</u> | 100.0% | <u>60,668</u> | 100.0% | <u>51,858</u> | 100.0% |
| Cost of revenue | | | | | | | | |
| Vessel construction | 75,424 | 108.2% | 50,612 | 115.8% | 55,407 | 108.2% | \$ 60,107 | 141.3% |
| Repair and conversions | <u>6,457</u> | 88.0% | <u>5,694</u> | 87.3% | <u>7,957</u> | 84.2% | <u>7,441</u> | 79.8% |
| Total cost of revenue | <u>81,881</u> | 106.3% | <u>56,306</u> | 112.1% | <u>63,364</u> | 104.4% | <u>67,548</u> | 130.3% |
| Gross profit/(loss) | | | | | | | | |
| Vessel construction | (5,742) | -8.2% | (6,902) | -15.8% | (4,192) | -8.2% | (17,575) | -41.3% |
| Repair and conversions | <u>880</u> | 12.0% | <u>825</u> | 12.7% | <u>1,496</u> | 15.8% | <u>1,885</u> | 20.2% |
| Total gross profit/(loss) | <u>(4,862)</u> | -6.3% | <u>(6,077)</u> | -12.1% | <u>(2,696)</u> | -4.4% | <u>(15,690)</u> | -30.3% |
| S G & A expenses | <u>1,934</u> | 2.5% | <u>1,848</u> | 3.7% | <u>1,715</u> | 2.8% | <u>2,003</u> | 3.9% |
| Income/(loss) from operations | (6,796) | -8.8% | (7,925) | -15.8% | (4,411) | -7.3% | (17,693) | -34.1% |
| Interest expense | (50) | -0.1% | (55) | -0.1% | (65) | -0.1% | (60) | -0.1% |
| Other income/(expense), net | <u>91</u> | 0.1% | <u>106</u> | 0.2% | <u>152</u> | 0.3% | <u>381</u> | 0.7% |
| Income/(loss) before income taxes | (6,755) | -8.8% | (7,874) | -15.7% | (4,324) | -7.1% | (17,372) | -33.5% |
| Provision/(benefit) for income taxes | <u>(1,704)</u> | -2.2% | <u>(1,962)</u> | -3.9% | <u>(1,148)</u> | -1.9% | <u>(4,483)</u> | -8.6% |
| Net income/(loss) | <u>\$ (5,051)</u> | -6.6% | <u>\$ (5,912)</u> | -11.8% | <u>\$ (3,176)</u> | -5.2% | <u>\$ (12,889)</u> | -24.9% |
| EBITDA | <u>\$ (5,295)</u> | -6.9% | <u>\$ (6,458)</u> | -12.9% | <u>\$ (3,090)</u> | -5.1% | <u>\$ (16,176)</u> | -31.2% |
| Net cash provided by/(used in) | | | | | | | | |
| operating activities | <u>\$ 2,346</u> | | <u>\$ 12,014</u> | | <u>\$ (3,939)</u> | | <u>\$ 9,727</u> | |
| Net cash used in investing activities | <u>\$ (164)</u> | | <u>\$ (383)</u> | | <u>\$ (691)</u> | | <u>\$ (525)</u> | |
| Net cash used in financing activities | <u>\$ (375)</u> | | <u>\$ (375)</u> | | <u>\$ (375)</u> | | <u>\$ (250)</u> | |

Supplemental Selected Quarterly Financial Data

Consolidated operating results for the four quarters of 2023 and 2022 were as follows (in thousands, except per share data):

| | Quarters Ended | | | |
|------------------------------|------------------|-----------------|----------------------|---------------------|
| | <u>March 31,</u> | <u>June 30,</u> | <u>September 30,</u> | <u>December 31,</u> |
| Fiscal 2023 | | | | |
| Revenue | \$ 77,019 | \$ 50,229 | \$ 60,668 | \$ 51,858 |
| Gross profit/(loss) | (4,862) | (6,077) | (2,696) | (15,690) |
| Net income/(loss) | (5,051) | (5,912) | (3,176) | (12,889) |
| Net income/(loss) per share: | | | | |
| Basic & diluted | (1.01) | (1.18) | (0.63) | (2.57) |
| Fiscal 2022 | | | | |
| Revenue | \$ 62,547 | \$ 56,245 | \$ 43,043 | \$ 32,021 |
| Gross profit/(loss) | 1,492 | (2,608) | (5,172) | (9,501) |
| Net income/(loss) | (116) | (3,358) | (5,307) | (8,648) |
| Net income/(loss) per share: | | | | |
| Basic & diluted | (0.02) | (0.67) | (1.06) | (1.72) |

Section III

**CONRAD INDUSTRIES, INC.
AND SUBSIDIARIES**

Consolidated Financial Report

December 31, 2023

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Shareholders
of Conrad Industries, Inc. and Subsidiaries
Morgan City, Louisiana

Opinion

We have audited the accompanying consolidated financial statements of Conrad Industries, Inc. and Subsidiaries, which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the related consolidated statements of operations, shareholders' equity, and cash flows for the years ended December 31, 2023, 2022, and 2021, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Conrad Industries, Inc. and Subsidiaries as of December 31, 2023 and 2022, and the results of their operations and their cash flows for the years ended December 31, 2023, 2022, and 2021, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Conrad Industries, Inc. and Subsidiaries and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Conrad Industries, Inc. and Subsidiaries ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Conrad Industries, Inc. and Subsidiaries internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Conrad Industries, Inc. and Subsidiaries ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Darnall, Sikes & Frederick

A Corporation of Certified Public Accountants

Lafayette, Louisiana

March 7, 2024

CONRAD INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(In thousands, except share data)

| <u>ASSETS</u> | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|---|------------------------------|------------------------------|
| CURRENT ASSETS: | | |
| Cash and cash equivalents | \$ 38,593 | \$ 21,583 |
| Contracts receivable, net | 19,888 | 4,622 |
| Costs and estimated gross profit in excess of billings on contracts in progress | 14,589 | 14,396 |
| Inventories | 2,104 | 30,084 |
| Other receivables | 3,121 | 3,875 |
| Other current assets | 18,414 | 9,588 |
| Total current assets | 96,709 | 84,148 |
| PROPERTY, PLANT AND EQUIPMENT, net | 42,556 | 45,866 |
| OTHER ASSETS | 945 | 1,138 |
| TOTAL ASSETS | \$ 140,210 | \$ 131,152 |
| <u>LIABILITIES AND SHAREHOLDERS' EQUITY</u> | | |
| CURRENT LIABILITIES: | | |
| Accounts payable | \$ 13,331 | \$ 10,108 |
| Accrued employee costs | 2,186 | 1,808 |
| Accrued expenses | 2,741 | 2,392 |
| Current maturities of long-term debt | 1,625 | 1,500 |
| Billings in excess of costs and estimated gross profit on contracts in progress | 44,955 | 10,858 |
| Total current liabilities | 64,838 | 26,666 |
| LONG-TERM DEBT, less current maturities | 2,875 | 4,375 |
| DEFERRED INCOME TAXES | 1,627 | 2,031 |
| OTHER NON-CURRENT LIABILITIES | 701 | 883 |
| Total liabilities | 70,041 | 33,955 |
| SHAREHOLDERS' EQUITY: | | |
| Preferred stock, \$0.01 par value, 5,000,000 shares authorized, no shares issued | - | - |
| Common stock, \$0.01 par value 20,000,000 shares authorized, 7,314,837 issued as of December 31, 2023 and December 31, 2022 | 73 | 73 |
| Additional paid-in capital | 29,104 | 29,104 |
| Treasury stock at cost, 2,296,902 shares as of December 31, 2023 and December 31, 2022 | (38,892) | (38,892) |
| Retained earnings | 79,884 | 106,912 |
| Total shareholders' equity | 70,169 | 97,197 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | \$ 140,210 | \$ 131,152 |

See independent auditor's report and notes to consolidated financial statements.

CONRAD INDUSTRIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)

| | Years Ended December 31, | | |
|--|--------------------------|--------------------|-----------------|
| | <u>2023</u> | <u>2022</u> | <u>2021</u> |
| REVENUE | \$ 239,774 | \$ 193,856 | \$ 191,216 |
| COST OF REVENUE | <u>269,099</u> | <u>209,645</u> | <u>196,767</u> |
| GROSS PROFIT/(LOSS) | (29,325) | (15,789) | (5,551) |
| SELLING, GENERAL AND ADMINISTRATIVE EXPENSES | <u>7,500</u> | <u>7,673</u> | <u>6,522</u> |
| INCOME/(LOSS) FROM OPERATIONS | (36,825) | (23,462) | (12,073) |
| INTEREST EXPENSE | (230) | (237) | (233) |
| OTHER INCOME/(EXPENSE), NET | <u>730</u> | <u>412</u> | <u>18,099</u> |
| INCOME/(LOSS) BEFORE INCOME TAXES | (36,325) | (23,287) | 5,793 |
| PROVISION/(BENEFIT) FOR INCOME TAXES | <u>(9,297)</u> | <u>(5,858)</u> | <u>(657)</u> |
| NET INCOME/(LOSS) | <u>\$ (27,028)</u> | <u>\$ (17,429)</u> | <u>\$ 6,450</u> |
| Income/(Loss) Per Share | | | |
| Basic and Diluted | <u>\$ (5.39)</u> | <u>\$ (3.47)</u> | <u>\$ 1.29</u> |
| Weighted Average Common Shares Outstanding | | | |
| Basic and Diluted | <u>5,018</u> | <u>5,018</u> | <u>5,018</u> |

See independent auditor's report and notes to consolidated financial statements.

CONRAD INDUSTRIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(In thousands)

| | Common Stock | | Additional Paid-in Capital | Treasury Stock | | Retained Earnings | Total |
|----------------------------|--------------|--------|----------------------------------|----------------|-------------|----------------------|-----------|
| | Shares | Amount | | Shares | Amount | | |
| BALANCE—December 31, 2020 | 7,315 | 73 | 29,104 | 2,297 | (38,892) | 117,891 | 108,176 |
| Purchase of treasury stock | - | - | - | - | - | - | - |
| Stock issued | - | - | - | - | - | - | - |
| Dividends on common stock | - | - | - | - | - | - | - |
| Net income | - | - | - | - | - | 6,450 | 6,450 |
| BALANCE—December 31, 2021 | 7,315 | 73 | 29,104 | 2,297 | (38,892) | 124,341 | 114,626 |
| Purchase of treasury stock | - | - | - | - | - | - | - |
| Stock issued | - | - | - | - | - | - | - |
| Dividends on common stock | - | - | - | - | - | - | - |
| Net loss | - | - | - | - | - | (17,429) | (17,429) |
| BALANCE—December 31, 2022 | 7,315 | \$ 73 | \$ 29,104 | 2,297 | \$ (38,892) | \$ 106,912 | \$ 97,197 |
| Purchase of treasury stock | - | - | - | - | - | - | - |
| Stock issued | - | - | - | - | - | - | - |
| Dividends on common stock | - | - | - | - | - | - | - |
| Net loss | - | - | - | - | - | (27,028) | (27,028) |
| BALANCE—December 31, 2023 | 7,315 | \$ 73 | \$ 29,104 | 2,297 | \$ (38,892) | \$ 79,884 | \$ 70,169 |

See independent auditor's report and notes to consolidated financial statements.

CONRAD INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

| | Year Ended December 31, | | |
|---|-------------------------|-------------|-----------|
| | 2023 | 2022 | 2021 |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| Net income/(loss) | \$ (27,028) | \$ (17,429) | \$ 6,450 |
| Adjustments to reconcile net income/(loss) to cash provided by (used in) operating activities: | | | |
| Depreciation and amortization | 5,076 | 5,738 | 6,194 |
| Deferred provision/(benefit) for income tax | (9,297) | (5,844) | (657) |
| (Gain)/loss on sale of assets | 5 | (25) | (611) |
| PPP loan forgiveness | - | - | (8,091) |
| Changes in assets and liabilities: | | | |
| Contracts receivable | (15,266) | 9,601 | 360 |
| Net change in billings related to cost and estimated gross profit on contracts in progress | 33,904 | 1,581 | (2,778) |
| Inventory and other assets | 28,985 | (29,155) | 16,920 |
| Accounts payable, accrued expenses and other liabilities | 3,769 | 2,774 | 895 |
| Net cash provided by/(used in) operating activities | 20,148 | (32,759) | 18,682 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | |
| Capital expenditures for plant and equipment | (1,763) | (2,308) | (1,962) |
| Proceeds from sale of assets | - | 29 | 700 |
| Net cash used in investing activities | (1,763) | (2,279) | (1,262) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | | |
| Principal repayments of debt | (1,375) | (1,500) | (1,500) |
| Net cash used in financing activities | (1,375) | (1,500) | (1,500) |
| NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS | 17,010 | (36,538) | 15,920 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD | 21,583 | 58,121 | 42,201 |
| CASH AND CASH EQUIVALENTS, END OF PERIOD | \$ 38,593 | \$ 21,583 | \$ 58,121 |
| SUPPLEMENTAL DISCLOSURES CASH FLOW INFORMATION: | | | |
| Interest paid, net of capitalized interest | \$ 230 | \$ 237 | \$ 290 |
| Taxes paid | \$ 280 | \$ 338 | \$ 175 |
| Noncash investing/financing activities: | | | |
| PPP loan forgiveness | \$ - | \$ - | \$ 8,091 |

See independent auditor's report and notes to consolidated financial statements.

CONRAD INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Basis of Presentation—The consolidated financial statements include the accounts of Conrad Industries, Inc. and its wholly-owned subsidiaries (the “Company”) which are primarily engaged in the construction, conversion and repair of a variety of marine vessels for commercial and government customers. New construction work and some repair work are performed on a fixed-price basis. We perform a significant amount of our repair work under time and materials agreements. All significant intercompany transactions have been eliminated.

Use of Estimates—The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, as well as reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Changes in Accounting Principles—At the beginning of 2023, the Company adopted FASB ASU 2016-13, *Financial Instruments – Credits Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, as amended, which modifies the measurement of expected credit losses on certain financial instruments. The Company adopted this new guidance utilizing the modified retrospective transition method. The adoption of this Standard did not have a material impact on the Company’s financial statements, but did change how the allowance for credit losses is determined.

In January 2022, the Company adopted Accounting Standards Update No. 2016-02, “Leases” (“Topic 842”). The new accounting standard requires the recognition on the balance sheet of right-of-use assets and leases liabilities for all leases having an original term of longer than twelve months. In our adoption, the Company elected the optional transition method that allows the Company to apply the provisions of the standard at the effective date without adjusting the comparative prior periods. As allowed under the new accounting standard, the Company also elected certain practical expedients provided by the new standard, including not recording an asset or liability for leases having a term of twelve months or less. The lease asset is reflected within other noncurrent assets, and the current and noncurrent portions of the lease liability are reflected within accrued expenses and other noncurrent liabilities, respectively, on our Balance Sheet. See Note 6 for further discussion of our adoption of this standard and our lease assets and liabilities.

The Company has implemented processes and a lease accounting system to ensure adequate internal controls were in place to assess our contracts and enable proper accounting and reporting of financial information upon adoption.

Revenue and Cost Recognition—We are engaged in various types of construction under long-term construction contracts. In the process of performing construction contracts with our customers, the Company considers each contract to be one performance obligation, unless the circumstances dictate otherwise. Revenue is recognized as the work is performed over time and it is arrived at by determining the amount of labor hours incurred to date as it relates to total estimated labor hours after giving effect to the most recent estimates of labor hours to complete. This method is used because management considers expended labor hours to be the best available measure of progress on these contracts. Revenues from time and materials agreements are recognized on the basis of cost incurred during the period plus the fee earned.

Contract costs include all direct material, labor, and subcontracting costs, and those indirect costs related to contract performance, such as indirect labor, supplies, tools, repairs, depreciation, and insurance costs. Revisions in estimates of cost and earnings during the course of the work are reflected in the accounting period in which the facts which require the revision become known. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined.

The Company provides warranties for the work we perform for periods ranging from six-months to twelve-months. We generally do not warrant machinery and equipment furnished by other manufacturers that become part of the vessels we build, convert, or repair. The machinery and equipment manufacturers' warranties are passed on to our customers. The warranty exposure for our workmanship, which is subject to our internal quality control programs as well as inspection by governmental agencies and customer representatives, is normally less than one percent of cost of revenue. This potential warranty exposure is recorded as a cost of the job.

Indirect costs are allocated to contracts and to certain inventory and capital projects on the basis of direct labor charges.

Cash and Cash Equivalents—Cash and cash equivalents include cash on hand, and on deposit. Short-term investments with original maturities of less than three months are also considered cash and cash equivalents because they can be easily liquidated without penalties.

Contract Receivables—Contracts receivables are carried at the outstanding amount due less an allowance for credit losses, if an allowance is deemed necessary. Allowances for credit losses are established when there is a basis to doubt the full collectability of the contracts receivable. On a periodic basis, the company evaluates its contracts receivable and determines the requirement for an allowance, based on its history of past write-offs, collections and current conditions. When a contract receivable is ultimately determined to be uncollectible and due diligence for collections has taken place, the contract receivable is written off.

Property, Plant and Equipment—Property, plant and equipment is stated at cost. Depreciation is recorded using the straight-line method over the estimated useful lives of the individual assets which range from three to forty years. Ordinary maintenance and repairs which do not extend the physical or economic lives of the plant or equipment are charged to expense as incurred.

Interest Capitalization—Interest costs for the construction of certain long-term assets are capitalized and amortized over the related assets' estimated useful lives. During the years ended December 31, 2023, 2022, and 2021, no interest costs were capitalized.

Impairment of Long-Lived Assets—Long-lived assets held and used by us are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. We assess the recoverability of long-lived assets by determining whether the carrying values can be recovered through undiscounted net cash flows expected to result from such operations and assets over their remaining lives. If impairment is indicated, the asset is written down to its fair value, or if fair value is not readily determinable, to its estimated discounted net cash flows. There was no impairment at December 31, 2023.

Inventories—At December 31, 2023, inventories consisted of steel plate and structurals, and excess job related materials and supplies. At December 31, 2022, inventories consisted of eight stock vessels and steel plate and structurals, and excess job related materials and supplies. Inventories are stated at the lower of cost or market (first-in, first-out basis). For the years ended December 31, 2023, 2022, and 2021, inventories related to stock vessels were adjusted to market value through write-downs within cost of revenue of \$0.4 million, \$1.8 million and \$0, respectively.

Basic and Diluted Income Per Share—Basic net income per share is computed based on the weighted average number of common shares outstanding during the period. Diluted net income per share uses the weighted average number of common shares outstanding adjusted for the incremental shares attributable to dilutive outstanding options to purchase common stock. The Company did not have any dilutive outstanding options for the years ended December 31, 2023, 2022, and 2021.

Fair Value of Financial Instruments—The carrying amounts of our financial instruments including cash and cash equivalents, receivables and payables approximate fair value at December 31, 2023 and December 31, 2022.

Income Taxes—Income taxes are accounted for using the asset and liability method. Deferred income taxes are provided for the tax effect of temporary differences between the tax basis of assets and liabilities and their reported amounts in the financial statements at the enacted statutory rate to be in effect when the taxes are paid.

In July 2006, the FASB issued ASC 740-10-50, *Accounting for Uncertainty in Income Taxes — an interpretation of FASB Statement No. 109*, which clarifies the accounting and disclosure for uncertain tax positions, as defined. ASC 740-10-50 seeks to reduce the diversity in practice associated with certain aspects of the recognition and measurement related to accounting for income taxes. On January 1, 2007, we adopted the provisions of ASC 740-10-50. Based on our evaluation, we have concluded that there are no significant uncertain tax positions requiring recognition in our financial statements.

Subsequent Events—In May 2009, the FASB issued ASC 855, Subsequent Events which establishes general standards for accounting for and disclosures of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. This is effective for financial periods ending after June 15, 2009. We have evaluated events subsequent to the balance sheet date through March 7, 2024, the date the financial statements were available to be issued, and determined that any events or transactions occurring during that period that would require recognition or disclosure are addressed in these financial statements.

Combined Contract—The Company evaluates whether two or more contracts should be combined and accounted for as one single contract and whether the combined or single contract should be accounted for as more than one performance obligation. This evaluation requires significant judgment and the decision to combine a group of contracts or separate the combined or single contract into multiple performance obligations could change the amount of revenue and profit recorded in a given period.

Uninstalled Materials—When the Company determines there are uninstalled materials on a contract, the Company recognizes revenue for the transfer of the goods but only in the amount equal to the percentage of labor hours incurred to date as it relates to total estimates.

Multiple Performance Obligations—Some of the Company’s contracts may have multiple performance obligations, most commonly due to the contract covering multiple phases of a project. For contracts with multiple performance obligations, the Company allocates the contract’s transaction price to each performance obligation using the Company’s best estimate of the standalone selling price of each distinct good in the contract.

Transaction Price—The nature of the Company’s contracts gives rise to several types of variable consideration, including claims, awards and incentive fees. The Company includes in the contract estimates of additional revenue for submitted contract modifications or claims against the customer when the Company believes it has an enforceable right to the modification or claim, the amount can be estimated reliably and its realization is probable. In evaluating these criteria, the Company considers the contractual/legal basis for the claim, the cause of any additional costs incurred, the reasonableness of those costs and the objective evidence available to support the claim. The Company includes award or incentive fees in the estimated transaction price when there is a basis to reasonably estimate the amount of the fee. These estimates are based on historical award experience, anticipated performance and the Company’s best judgment at the time. Because of certainty in estimating these amounts, they are included in the transaction price of the contracts and the associated remaining performance obligations.

Contract Modifications—Contract modifications are routine in the performance of the Company’s contracts. Contracts are often modified to account for changes in the contract specifications or requirements. In most instances, contract modifications are for goods that are not distinct, and, therefore, are accounted for as part of the existing contract.

Advertising—Advertising costs are expensed as incurred and are included in selling, general and administrative expenses. For the years ended December 31, 2023, 2022, and 2021 advertising expense was \$113,000, \$184,000, and \$186,000, respectively.

2. CONTRACTS RECEIVABLES

Receivables consisted of the following at December 31, 2023 and December 31, 2022 (in thousands):

| | December 31, 2023 | December 31, 2022 |
|-----------------------------------|------------------------------|------------------------------|
| Completed Contracts and Repairs | \$ 20,104 | \$ 3,474 |
| Contracts in Progress | - | 1,424 |
| Retainage | - | 19 |
| | 20,104 | 4,917 |
| Less: Allowance for Credit Losses | (216) | (295) |
| | <u>\$ 19,888</u> | <u>\$ 4,622</u> |

Included above in amounts billed is an allowance for credit losses of \$216,000, and \$295,000 at December 31, 2023 and 2022, respectively. Unbilled costs and estimated earnings on uncompleted contracts were not billable to customers at the balance sheet dates under terms of the respective contracts. Of the unbilled costs and estimated earnings at December 31, 2023, the majority is expected to be collected within the next twelve months.

The Company had the following activity for its allowance for credit losses for contracts receivable for the year ended December 31, 2023:

| | December 31, 2023 |
|--------------------------------------|------------------------------|
| Beginning balance | \$ 295 |
| Provision for expected credit losses | 6 |
| Write-offs | (85) |
| Ending balance | <u>\$ 216</u> |

In February 2023, we were awarded a \$7.49 million judgment in a suit we filed in 2019 against a customer that defaulted on contracts to construct two vessels. The judgment was appealed to the United States Court of Appeals for the Fifth Circuit and on February 23, 2024, the judgment was affirmed. Our financial statements do not include any amounts with respect to the judgment. We expect to collect the judgment, with interest, in 2024.

Costs and estimated gross profit on construction contracts in progress in excess of related billings as of December 31, 2023 and December 31, 2022 are as follows (in thousands):

| | December 31, 2023 | December 31, 2022 |
|---|------------------------------|------------------------------|
| Costs incurred to date on contracts in progress | \$ 291,583 | \$ 170,441 |
| Estimated gross loss to date | <u>(42,649)</u> | <u>(13,131)</u> |
| Contracts revenue earned to date | 248,934 | 157,310 |
| Less billings to date | <u>(279,300)</u> | <u>(153,772)</u> |
| Revenue earned over billings/(excess of billings over revenue earned) | <u><u>\$ (30,366)</u></u> | <u><u>\$ 3,538</u></u> |

The revenue earned over billings are included in the accompanying balance sheets under the following captions (in thousands):

| | December 31, 2023 | December 31, 2022 |
|---|------------------------------|------------------------------|
| Costs and estimated gross profit in excess of billings on contracts in progress | \$ 14,589 | \$ 14,396 |
| Billings in excess of cost and estimated gross profit on contracts in progress | <u>(44,955)</u> | <u>(10,858)</u> |
| Net excess of revenue earned over billings | <u><u>\$ (30,366)</u></u> | <u><u>\$ 3,538</u></u> |

The revenue in excess of billings primarily relate to the Company's rights to consideration for work completed but not billed at the reporting date. The revenue in excess of billings balances are transferred to receivables when the rights become unconditional. The billings in excess of revenue primarily relate to the advance consideration received from customers, for which revenue has not yet been recognized.

Significant changes in revenue in excess of billings and billings in excess of revenue balances during the period are as follows:

| | Revenue in Excess of Billings | Billings in Excess of Revenue |
|---|--|--|
| Balance, December 31, 2022 | \$ 14,396 | \$ 10,858 |
| Revenue recognized that was included in contract liability balance at the beginning of the period | - | (74) |
| Increases due to cash received, excluding amounts recognized as revenue during the period | - | 34,171 |
| Increases due to revenue recognized prior to billings | 39,616 | - |
| Transferred to receivables from revenue in excess recognized at the beginning of the period | <u>(39,423)</u> | <u>-</u> |
| Balance, December 31, 2023 | <u><u>\$ 14,589</u></u> | <u><u>\$ 44,955</u></u> |

Pursuant to SOP 81-1, Paragraph 85-89 (ASC 605-35), when the current estimates of total contract revenue and contract cost indicate a loss, a provision for the entire loss on the contract should be made in the period it became evident. The provision for the loss should be recorded as an additional contract cost in the income statement. The offsetting liability can be recorded on the balance sheet where related contract costs are accumulated on the balance sheet, in which case the provision may be deducted from the related accumulated costs. The Company recorded total charges of \$33.5 million for the twelve months ended December 31, 2023 (\$13.3 million in 2022 and \$8.2 million in 2021) in cost of revenues to reflect revised estimates related to anticipated losses on certain uncompleted vessels in progress. The offsetting credit was recorded in costs and estimated earnings, net in excess of billings on uncompleted contracts. As of December 31, 2023 and December 31, 2022, approximately \$25.8 million and \$13.9 million, respectively, of this provision are included in costs and estimated earnings, net in excess of billings on uncompleted contracts.

3. CONTRACT BACKLOG

The following schedule is a reconciliation of contract backlog (remaining performance obligations) representing approved contracts as of December 31, 2023 (in thousands):

| | | |
|--|----|-----------------------|
| Balance, January 1, 2023 | \$ | 244,143 |
| Contract adjustments and new contracts awarded | | <u>216,399</u> |
| Subtotal | | 460,542 |
| Less contract revenue earned | | <u>(206,789)</u> |
| Balance, December 31, 2023 | \$ | <u><u>253,753</u></u> |

The entity will recognize this revenue as the contracts are completed, which is expected to occur over the next twelve to twenty-six months.

Contract backlog does not include amounts considered variable consideration that are constrained based on the Company's assessment of probability of significant reversal.

4. OTHER RECEIVABLES

Other receivables consisted of the following at December 31, 2023 and December 31, 2022 (in thousands):

| | <u>December 31,</u> <u>2023</u> | <u>December 31,</u> <u>2022</u> |
|-------------------|------------------------------------|------------------------------------|
| Income tax refund | \$ 3,100 | \$ 3,100 |
| Other | <u>21</u> | <u>775</u> |
| Total | <u><u>\$ 3,121</u></u> | <u><u>\$ 3,875</u></u> |

Substantially all of these amounts at December 31, 2023 are expected to be collected within the next twelve months.

5. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consisted of the following at December 31, 2023 and December 31, 2022 (in thousands):

| | December 31, 2023 | December 31, 2022 |
|-------------------------------|------------------------------|------------------------------|
| Land | \$ 12,832 | \$ 12,832 |
| Buildings and improvements | 72,151 | 70,627 |
| Machinery and equipment | 36,845 | 36,666 |
| Drydocks and bulkheads | 15,923 | 15,412 |
| Barges and boats | 1,022 | 1,022 |
| Office and automotive | 2,082 | 2,046 |
| Construction in progress | 812 | 1,504 |
| | <u>141,667</u> | <u>140,109</u> |
| Less accumulated depreciation | <u>(99,111)</u> | <u>(94,243)</u> |
| | <u>\$ 42,556</u> | <u>\$ 45,866</u> |

Depreciation is provided on property, plant and equipment based on the following estimates of useful lives:

| | Useful Lives |
|----------------------------|-------------------------|
| Land | N/A |
| Buildings and improvements | 3-40 years |
| Machinery and equipment | 5-12 years |
| Drydocks and bulkheads | 3-30 years |
| Barges and boats | 10-15 years |
| Office and automotive | 3-12 years |
| Construction in progress | N/A |

Building and improvements include buildings (40-year useful life), fencing, roadways, parking lots, concrete work areas, material storage racks and shelving, launch systems, and storage lockers (5-year useful life). Drydocks and bulkheads include drydocks (30 year useful life), bulkheads, pontoons, and blocking systems (5-year useful life).

6. LEASES

The Company leases office space and equipment under operating leases with various expiration dates. As discussed further in Note 1-Changes in Accounting Principles, we adopted ASU 2016-02, "Leases" in the first quarter of 2022. A number of the leases include one or more options to renew the lease terms or terminate the lease. The exercise of these options is at the Company's discretion and is therefore recognized on the balance sheet when it is reasonably certain the Company will exercise such options. As the Company's leases typically do not contain a readily determinable implicit rate, the Company determines the present value of the lease liability using its incremental borrowing rate at the lease commencement date.

Future minimum payments under leases having initial terms of more than twelve months are as follows (in thousands):

| | Minimum Payments |
|------------------------------------|-----------------------------|
| 2024 | \$ 246 |
| 2025 | 230 |
| 2026 | 219 |
| 2027 | 197 |
| 2028 | 96 |
| Total lease payments | <u>\$ 988</u> |
| Less: imputed interest | <u>(71)</u> |
| Present value of lease liabilities | <u><u>\$ 917</u></u> |

The following table summarizes the line items in the balance sheet which include amounts for operating leases as of December 31, 2023 and December 31, 2022 (in thousands):

| | December 31, 2023 | December 31, 2022 |
|--|------------------------------|------------------------------|
| Operating lease right-of-use assets | <u>\$ 917</u> | <u>\$ 1,101</u> |
| Current portion of operating lease liabilities | 217 | 219 |
| Non-current portion of operating lease liabilities | <u>700</u> | <u>882</u> |
| Total operating lease liabilities | <u><u>\$ 917</u></u> | <u><u>\$ 1,101</u></u> |

The operating lease right-of-use assets are reflected within other noncurrent assets, and the current and noncurrent portions of the operating lease liabilities are reflected within accrued expenses and other noncurrent liabilities, respectively, on our balance sheet. Total components of operating lease expenses for leases that are included as lease expense in the statement of operations and cash paid for interest and lease expenses for the years ended December 31, 2023 and 2022 were \$264,000 and \$280,000, respectively. Weighted average lease term and discount rate as of December 31, 2023 were 4.3 years and 3.6%, respectively, and as of December 31, 2022 were 5.2 years and 3.5%, respectively.

7. INSURANCE FINANCING

Included on the balance sheet in accrued expenses was insurance financing with First Insurance Funding effective June 1, 2023, with an original amount of \$1.6 million, payable in ten monthly payments of \$161,000. As of December 31, 2023, the payable balance was \$464,000.

8. LONG-TERM DEBT

Long-term debt consists of the following at December 31, 2023 and December 31, 2022 (in thousands):

| | <u>December 31,</u> <u>2023</u> | <u>December 31,</u> <u>2022</u> |
|--|------------------------------------|------------------------------------|
| Term loan - Bank, 3.5% due November 21, 2026 | \$ 4,500 | \$ 5,875 |
| Less current maturities | <u>(1,625)</u> | <u>(1,500)</u> |
| | <u>\$ 2,875</u> | <u>\$ 4,375</u> |

Annual maturities of long-term debt for each of the next three years are as follows (in thousands):

| | <u>Amount</u> |
|------|-----------------|
| 2024 | \$ 1,625 |
| 2025 | 1,500 |
| 2026 | <u>1,375</u> |
| | <u>\$ 4,500</u> |

The Company and its subsidiaries entered into a loan agreement on November 21, 2016, providing for a \$15 million term loan and a \$10 million revolving credit facility. Pursuant to an amendment effective as of July 31, 2023, the maturity of the revolving credit facility was extended to July 31, 2024. The interest rate on the line of credit is WSJ Prime plus 1.0% or one-month SOFR (Secured Overnight Financing Rate) plus 3.0%, at the Company's option, subject to a 4.0% floor. The line of credit, as amended, has a sublimit of up to \$10 million for letters of credit. At December 31, 2023, no amounts were drawn on the credit facility and \$10 million in letters of credit were committed against the facility, leaving no amounts available to draw on the facility. The first \$5.0 million letter of credit terminated on February 29, 2024. Pursuant to the amendment, draws on the facility are subject to a borrowing base limit of 80% of eligible accounts as determined by the lender. The term loan has a 120-month amortization, a 3.5% fixed interest rate, and can be prepaid without penalty at any time. The loans are secured by accounts receivable, deposit accounts and chattel paper, and by two dry-docks. The loan agreement contains restrictions on mergers and liens on the collateral and the capital stock of our subsidiaries. Subject to compliance with financial covenants, the loan agreement does not restrict our ability to pay dividends, repurchase shares of common stock, or incur additional indebtedness. The amended loan agreement suspended the debt service coverage ratio test as of the third quarter of 2023 through maturity, increased the current ratio to 2:1 measured quarterly, and increased the company's minimum liquidity requirement to \$20 million. The amended loan agreement retained the quarterly total liability to tangible net worth test of not more than 1.25 to 1. As of March 30, 2023, June 30, 2023, September 30, 2023, and December 31, 2023 the Company was not in compliance with the current ratio covenant under our loan agreement and has received waivers from the lender. On March 29, 2024, we entered into another amendment to our credit facility to make certain modifications to the financial covenants, provide additional collateral in the form of an unencumbered deposit account and make other changes as further described therein. Additionally, the lender (i) waived any existing defaults, (ii) agreed to remove the borrowing base limit on availability for the line of credit and (iii) allowed the full \$10,000,000 in availability to be used for issuances of letters of credit, provided that any newly issued letters of credit are cash collateralized. The Company must now comply with the following modified financial covenants: (i) total liabilities to tangible net worth of no greater than 1.25 to 1.00, (ii) current assets to current liabilities of 1.75 to 1.00 or greater, (iii) minimum unencumbered liquidity of \$5,000,000 and (iv) an additional unencumbered cash account initially of \$5,000,000 increasing to \$9,000,000 as of May 28, 2024. If the unencumbered cash account contains \$9,000,000 as of May 28, 2024, all financial covenants will be terminated.

9. SHAREHOLDERS' EQUITY

Dividends

The declaration of future dividends is at the discretion of the Board each quarter, and will depend upon the Company's financial performance, cash requirements, outlook and other factors deemed relevant by the Board.

Treasury Stock

In August 2010, the Company's Board of Directors authorized management to repurchase up to \$5.0 million of its outstanding common stock. The stock repurchase plan did not obligate management to acquire any particular amount of common stock, did not have an expiration date and could be amended or terminated at any time without prior notice. The Board increased the amount authorized under the plan, up to \$20 million 2014. No shares were purchased under the program in 2021, 2022 and 2023. Since 2010, the Company has repurchased 1,447,347 shares of common stock. As of December 31, 2023, \$1.0 million remained available under the stock repurchase program.

Income per Share

The calculation of basic earnings per share excludes any dilutive effect of stock options, while diluted earnings per share includes the dilutive effect of stock options. The number of weighted average shares outstanding for "basic" income per share was 5,017,935, 5,017,935, and 5,017,935 for the years ended December 31, 2023, 2022 and 2021, respectively. For the years ended December 31, 2023, 2022, and 2021 there were no stock options outstanding.

Stockholders' Rights Plan

During May 2002, we adopted a rights plan, which was amended in May 2012 and May 2022. The rights plan is intended to protect stockholder interests in the event we become the subject of a takeover initiative that our board of directors believes could deny our stockholders the full value of their investment. The adoption of the rights plan was intended as a means to guard against abusive takeover tactics and was not in response to any particular proposal. The plan does not prohibit the board from considering any offer that it considers advantageous to stockholders.

Under the plan, we declared and paid a dividend on June 18, 2002 of one right for each share of common stock held by stockholders of record on June 11, 2002. As amended, each right initially entitles our stockholders to purchase one one-thousandth of a share of our preferred stock for \$70 per one one-thousandth, subject to adjustment. However, if a person acquires, or commences a tender offer that would result in ownership of, 15 percent or more of our outstanding common stock while the plan remains in place, then, unless we redeem the rights for \$0.001 per right, the rights will become exercisable by all rights holders except the acquiring person or group for shares of common stock or of the acquiring person having a market value of twice the purchase price of the rights.

As amended, the rights will expire on May 23, 2032, unless redeemed or exchanged at an earlier date. The rights trade with shares of our common stock and have no impact on the way in which our shares are traded. There are currently no separate certificates evidencing the rights, and there is no market for the rights.

10. EMPLOYEE BENEFITS

We have a 401(k) plan that covers all employees who meet certain eligibility requirements. Contributions to the plan by us are made at the discretion of the Board of Directors. Contribution expense was \$872,000, \$817,000 and \$779,000 for the years ended December 31, 2023, 2022 and 2021, respectively.

11. INCOME TAXES

We have provided for Federal and State income taxes as follows (in thousands):

| | <u>2023</u> | <u>2022</u> | <u>2021</u> |
|------------------------------|-------------------|-------------------|-----------------|
| Current (benefit) provision | | \$ (14) | |
| Deferred (benefit) provision | \$ (9,297) | (5,844) | \$ (657) |
| Total | <u>\$ (9,297)</u> | <u>\$ (5,858)</u> | <u>\$ (657)</u> |

Our provision for income taxes for years 2011 through 2015 included income tax benefits as a result of research and development tax credits which totaled \$5.9 million in 2015. The total 2015 research and development tax credit is comprised of an estimate for 2015 of approximately \$3.5 million and a credit for 2012 and 2013 for approximately \$2.4 million. In 2014, we recorded a research and development tax credit of \$2.1 million related to 2014 and 2011. We finalized a settlement with the IRS on tax years 2011, 2012 and 2013 on research and development tax credits. We received our refund in the third quarter of 2019 from the IRS of \$2.1 million in taxes and interest of \$176,000. The Company filed amended Louisiana tax returns for a refund to reflect the additional taxes paid due to the audit in the last quarter of 2019. The IRS audit of research and development tax credits for 2014 and 2015 totaling \$3.1 million remains open.

State income taxes included above are not significant for the periods presented.

The provision for income taxes varied from the Federal statutory income tax rate due to the following (in thousands):

| | <u>2023</u> | | <u>2022</u> | | <u>2021</u> | |
|--|-------------------|-------------|-------------------|-------------|-----------------|---------------|
| | <u>Amount</u> | <u>%</u> | <u>Amount</u> | <u>%</u> | <u>Amount</u> | <u>%</u> |
| Taxes/(benefits) at Federal statutory rate | \$(7,628) | 21.0 | \$(4,890) | 21.0 | \$ 1,216 | 21.0 |
| Non-deductible other expenses net of non-reportable income | 85 | (0.2) | 87 | (0.4) | 76 | 1.3 |
| PPP loan forgiveness | - | - | - | - | (2,104) | (36.30) |
| State income taxes/(benefits) | (1,754) | 4.8 | (1,055) | 4.5 | 155 | 2.7 |
| Total | <u>\$ (9,297)</u> | <u>25.6</u> | <u>\$ (5,858)</u> | <u>25.1</u> | <u>\$ (657)</u> | <u>(11.3)</u> |

Deferred income taxes represent the net effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. The tax effects of significant items comprising our net deferred tax balances at December 31, 2023 and December 31, 2022 are as follows (in thousands):

| | <u>2023</u> | <u>2022</u> |
|---|--------------------|-------------------|
| Deferred tax liabilities: | | |
| Differences between book and tax basis of property, plant and equipment | \$ 1,627 | \$ 2,031 |
| | <u>1,627</u> | <u>2,031</u> |
| Deferred tax assets (included in other current assets): | | |
| Contracts in progress | 12,823 | 1,601 |
| Accrued expenses and net operating losses not currently deductible | (29,561) | (9,446) |
| | <u>(16,738)</u> | <u>(7,845)</u> |
| Net deferred tax assets | <u>\$ (15,111)</u> | <u>\$ (5,814)</u> |

12. SALES TO MAJOR CUSTOMERS

Sales to various customers that amounted to 10 percent or more of our total revenues for the three years ended December 31, 2023, 2022 and 2021 are summarized as follows (in thousands):

| | <u>2023</u> | | <u>2022</u> | | <u>2021</u> | |
|------------|---------------|----------|---------------|----------|---------------|----------|
| | <u>Amount</u> | <u>%</u> | <u>Amount</u> | <u>%</u> | <u>Amount</u> | <u>%</u> |
| Customer A | 48,763 | 20% | 4,288 | 2% | - | 0% |
| Customer B | 38,173 | 16% | 101,396 | 52% | 61,287 | 32% |
| Customer C | 29,172 | 12% | 1,758 | 1% | 1,174 | 1% |
| Customer D | 10,545 | 4% | 5,850 | 3% | 25,104 | 13% |
| Customer E | - | 0% | 3 | 0% | 18,461 | 10% |

13. RELATED PARTY TRANSACTIONS

We purchase in the ordinary course of business certain components from Johnny's Propeller Shop, Inc., a company wholly owned indirectly by John P. Conrad, Jr., Chairman of the Board of Directors, and Chief Executive Officer and members of his immediate family. Total purchases for the three years ended December 31, 2023, 2022 and 2021 were \$1,457,000, \$2,599,000 and \$1,490,000, respectively. In addition, John P. Conrad Jr.'s son, not involved in the company, has an ownership interest in a business from which we purchased electrical components totaling \$904,000, \$303,000 and \$169,000 for the years ended December 31, 2023, 2022, and 2021 respectively. All related party transactions were approved by the Independent Directors Committee.

14. SEGMENT AND RELATED INFORMATION

Our Chief Executive Officer and our President make operating decisions and measure performance of our business primarily by viewing our two separate lines of business or products and services, which we consider to be building of new vessels and the repair and conversion of existing vessels.

Accordingly, we classify our business into two segments: (1) vessel construction and (2) repair and conversions. Our vessel construction segment involves the building of new vessels, often including engineering and design, whereas our repair and conversions segment involves work on existing vessels. Vessel construction jobs are

typically of longer duration and have a much larger material component than repair and conversion jobs. Additionally, vessel construction activities are primarily performed in shore-based buildings and dedicated work areas, whereas repair activities primarily occur on floating drydocks or on the vessel itself while afloat. Our vessel construction activities are almost always performed under fixed-price contracts accounted for under the percentage-of-completion method of accounting, whereas our repair activities are primarily performed under cost-plus-fee arrangements.

Our product offerings in vessel construction have changed over time to meet market demands and currently include large and small deck barges, crane barges, spud barges, docking barges, tank barges, flood gates, split-hull dump scows, dredges, drydocks, inland and offshore tug boats, tow boats, multi-purpose tug boats, LPG (liquefied petroleum gas) barges, LNG (liquefied natural gas) bunker vessels, lift boats, ferries, and other offshore support vessels. Our repair work involves maintenance and repair of existing vessels, which is often required as a result of periodic inspections required by the U.S. Coast Guard, the American Bureau of Shipping and other regulatory agencies. Our conversion projects primarily consist of lengthening the midbodies of vessels, modifying vessels to permit their use for a different type of activity and other modifications to increase the capacity or functionality of a vessel.

We evaluate the performance of our segments based upon gross profit. Selling, general and administrative expenses, executive compensation expense, interest expense, other income/(expense), net and income taxes are not allocated to the segments. Accounting policies are the same as those described in Note 1, "Summary of Significant Accounting Policies". Intersegment sales and transfers are not significant.

Selected information as to our operations by segment is as follows (in thousands):

| | Years Ended December 31, | | |
|--|---------------------------------|--------------------|-----------------|
| | 2023 | 2022 | 2021 |
| Revenue | | | |
| Vessel construction | \$ 207,139 | \$ 168,757 | \$ 163,091 |
| Repair and conversions | 32,635 | 25,099 | 28,125 |
| Total revenue | <u>239,774</u> | <u>193,856</u> | <u>191,216</u> |
| Cost of revenue | | | |
| Vessel construction | 241,550 | 183,976 | 170,642 |
| Repair and conversions | 27,549 | 25,669 | 26,125 |
| Total cost of revenue | <u>269,099</u> | <u>209,645</u> | <u>196,767</u> |
| Gross profit/(loss) | | | |
| Vessel construction | (34,411) | (15,219) | (7,551) |
| Repair and conversions | 5,086 | (570) | 2,000 |
| Total gross profit/(loss) | <u>(29,325)</u> | <u>(15,789)</u> | <u>(5,551)</u> |
| Selling, general and administrative expenses | 7,500 | 7,673 | 6,522 |
| Income/(loss) from operations | <u>(36,825)</u> | <u>(23,462)</u> | <u>(12,073)</u> |
| Interest expense | (230) | (237) | (233) |
| Other income/(expense), net | 730 | 412 | 18,099 |
| Income/(loss) before income taxes | <u>(36,325)</u> | <u>(23,287)</u> | <u>5,793</u> |
| Provision/(benefit) for income tax | (9,297) | (5,858) | (657) |
| Net income/(loss) | <u>\$ (27,028)</u> | <u>\$ (17,429)</u> | <u>\$ 6,450</u> |

Certain other financial information by segment is as follows (in thousands):

| | Years Ended December 31, | | |
|--|---------------------------------|-----------------|-----------------|
| | 2023 | 2022 | 2021 |
| Depreciation and amortization expense: | | | |
| Vessel construction | \$ 3,883 | \$ 4,322 | \$ 4,825 |
| Repair and conversions | 1,155 | 1,370 | 1,322 |
| Included in selling, general and administrative expenses | 38 | 46 | 47 |
| Total depreciation and amortization expense | \$ 5,076 | \$ 5,738 | \$ 6,194 |

Total assets and capital expenditures by segment are as follows (in thousands):

| | December 31, | | |
|-----------------------------------|---------------------|-------------------|-------------------|
| | 2023 | 2022 | 2021 |
| Total assets: | | | |
| Vessel construction | \$ 46,370 | \$ 66,482 | \$ 50,626 |
| Repair and conversions | 29,178 | 25,606 | 25,818 |
| Other | 64,662 | 39,064 | 69,638 |
| Total assets | \$ 140,210 | \$ 131,152 | \$ 146,082 |
| Capital expenditures: | | | |
| Vessel construction | \$ 1,791 | \$ 2,236 | \$ 500 |
| Repair and conversions | 28 | 105 | 712 |
| Other | (56) | (33) | 750 |
| Total capital expenditures | \$ 1,763 | \$ 2,308 | \$ 1,962 |

Certain assets, including cash and cash equivalents, and capital expenditures are allocated to corporate and are included in the “Other” caption.

Revenues included in our consolidated financial statements are derived exclusively from customers domiciled in the United States and Puerto Rico. All of our assets are located in the United States.

15. COMMITMENTS AND CONTINGENCIES

Legal Matters— We are a party to various routine legal proceedings primarily involving commercial claims and workers’ compensation claims. While the outcome of these routine claims and legal proceedings cannot be predicted with certainty, management believes that the outcome of such proceedings in the aggregate, even if determined adversely, would not have a material adverse effect on our consolidated financial position, results of operation or liquidity.

In February 2023, we were awarded a \$7.49 million judgment in a suit we filed in 2019 against a customer that defaulted on contracts to construct two vessels. The judgment was appealed to the United States Court of Appeals for the Fifth Circuit and on February 23, 2024, the judgment was affirmed. Our financial statements do not include any amounts with respect to the judgment. We expect to collect the judgment, with interest, in 2024.

Employment Agreements— The Company’s employment agreements with its executive officers expired May 31, 2022. As of March 12, 2024, the Company and the Independent Directors Committee are in the process of reviewing the Company’s executive compensation program and the terms of potential replacement employment agreements. As of December 31, 2023, the minimum annual total compensation for the executive officers was \$1.5 million.

Letters of Credit and Bonds— In the normal course of our business, we may be required to provide letters of credit to secure the payment of workers’ compensation obligations. Additionally, under certain contracts we may be required to provide letters of credit and bonds to secure our performance and payment obligations. Bonds relating to these business activities amounted to \$160.7 million and \$178.4 million at December 31, 2023 and December 31, 2022, respectively. We had letters of credit under our revolving credit facility at December 31, 2023 and December 31, 2022 of \$10.0 million and \$10.0 million respectively. The first \$5.0 million letter of credit terminated on February 29, 2024. The revolving credit facility has been extended to July 31, 2024. See Note 8 for additional information.

Purchase Agreement— During 2022, we entered into an agreement for a bulk purchase of steel from one of Conrad’s major steel suppliers. For the year 2022, we purchased \$9.7 million, with a remaining commitment under the agreement at December 31, 2022 of approximately \$4.7 million. As of March 13, 2023, the agreement was canceled upon mutual agreement of both parties.

COVID-19 Pandemic; Inflation; Interest Rates— In March 2020, COVID-19 was declared a pandemic by the World Health Organization. The federal government declared an end to the COVID-19 public health emergency in May 2023. High inflation and interest rates, due in part to supply shortages and other uncertainties related to the pandemic recovery, have adversely impacted our business. Inflation increased rapidly during 2021 through June 2022. Since June 2022, the rate of inflation generally has declined; however it has remained at high levels compared to the Federal Reserve’s target rate of inflation of two percent. In response the Federal Reserve raised the federal funds target rate multiple times from March 2022 through July 2023, by 525 basis points on a cumulative basis. In late 2020 and during 2021, steel prices increased sharply in part due to supply chain issues related to the pandemic, peaking in June and July of 2022. Steel prices have generally declined since then, but remain significantly higher than pre-pandemic levels.

MARAD— The Company was awarded a MARAD grant in the amount of \$432,376 as part of the MARAD FY 2021 Small Shipyard Grant Program. This grant was used to purchase equipment for our Deepwater South yard. The total cost of the project was \$865,000 of which the Federal share for reimbursement was \$432,000 and the “required portion” by the Company was \$432,000. The Company had to expend the required portion before any portion of the Federal share was distributed. As of December 31, 2023, the Company had completed the project and received reimbursement of the full amount of the Federal share, of which \$216,000 had remained at December 31, 2022.

BOARD OF DIRECTORS

JOHN P. CONRAD, JR.
Chief Executive Officer, Chairman of the Board

CECIL A. HERNANDEZ
President, Secretary and Director

MICHAEL J. HARRIS
Director

OGDEN U. THOMAS, JR.
Director

DANIEL T. CONRAD
Director

LARRY J. CALLAIS
Director

2023 ANNUAL REPORT

This Report and the statements contained in it are submitted for the general information of the shareholders of Conrad Industries, Inc. and not in connection with the sale or solicitation of any offer to buy any securities, nor is it intended as a representation by the Company of the value of its securities.

COMMON STOCK

Conrad Industries, Inc.'s common stock is traded over-the-counter through the OTC Markets Electronic Quotation Service. OTC quotes are available over the internet at www.otcmarkets.com as well as through other services.

ANNUAL MEETING

The Annual Meeting of Shareholders has been scheduled for August 6, 2024 at 9:00 a.m., local time, at our corporate offices, 1100 Brashear Avenue, Suite 200, Morgan City, Louisiana.

FINANCIAL REPORTS

Stockholders who wish to obtain company financial reports may do so without charge by writing Scott A. Thomas, Chief Financial Officer, Conrad Industries, Inc. P.O. Box 790, Morgan City, LA 70381. Financial Reports, can also be accessed via our web site at www.conradindustries.com and www.otcmarkets.com.

CORPORATE INFORMATION

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Independent Auditors:
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A Corporation of Certified Public Accountants
Lafayette, Louisiana



CONRAD
Industries, Inc.

www.conradindustries.com