



Gulf Copper

Next Door ... Around the World

By Greg Trauthwein

Gulf Copper Fabrication is a 60 year old company with a knack for self-reinvention that has resulted in not only a progressive organization with a diverse business base — stretching from Port Arthur, Texas to Guam — but a company which is employee owned, making it a pillar in the communities it inhabits.

Started in 1949 in Port Arthur, TX, site of the company's headquarters today, Gulf Copper Manufacturing started as a company that fabricated and installed copper pipes. For the next 30 years, the company maintained a steady business, until in 1979 when the original owners opted for retirement, selling the company to the trio of Tommy Pitre, William Picton, Jr., and Morris Albright.

While the ownership changed, the philosophy by which the company made money did not, and it wasn't until the early 1990s that the company eyed diversification in its core industrial and increasingly in the marine and offshore markets.

In the early 1990s, according to Richard Vernon, Vice President, the company opened its Corpus Christi facility solely to service the U.S. Navy's mine warfare fleet.

While the business was strong, that facility was one targeted for closing by the U.S. Navy, and Gulf Copper is currently evaluating other opportunities in the area, including the ability to drydock offshore service vessels.

The 1990s were a pivotal time for the company, as it was in 1996 that the decision was made to provide services to the offshore drilling companies. It all started with supplied services to Global Marine, with fabrication work on the Celtic Sea and Mariana for 18 months, onsite at Amfels in Brownsville, TX. "That was our stepping stone into the offshore business," said Vernon.

The year 1996, as it turned out, was a fortuitous time to cut corporate teeth in the offshore market, as the company entered in the early days of a historic offshore bull run, which has resulted in record construction contracts for offshore rigs, ships and boats, in the mad dash to discover and recover energy in increasingly deep, remote and hostile environments.

The expansion continued in earnest in early 2000, but Vernon said that the company was limited in growth potential at its headquarters in Port Arthur, with a limited waterfront area posing as a major factor in the size of rigs that

it could accommodate.

As luck may have it, First Wave was just then pulling out of Galveston and the company successfully negotiated to get the yard, the clincher being the company's promise to deliver a new drydock.

On May 2, 2005, the company finally took possession of the Galveston yard, a facility which boasted 4100 ft. of dock space and 1000 workers.

Recently, the company solidified a deal with Rolls-Royce for the company to build a world-class thruster repair facility on the property.

Building a Community

While many companies talk the "we're a good corporate citizen" talk, very few actually walk the walk as does Gulf Copper. In 1998, the company became an employee-owned company, a move that changed the complexion of the company, according to Vernon. In the plan, every year employees earn stock. To put it simply, the more a person works, the more stock they get, a valuable incentive to help contribute to the company's bottom line. But Gulf Copper is not driven solely by dollars and cents, and in fact the company strives to be a

valued member and contributor to the communities where it lays roots. The company has a committee dedicated to examining charitable opportunities with strong local impact, whether it be a fund raiser for a colleague's sick child, or sponsoring a community event to raise funds for a particular cause.

According to Vernon, it is this type of outreach that helps to strengthen the company's bond with the local community, and in turn strengthens the company with a dedicated, involved workforce which sees its investment in Gulf Copper as a mutual investment in the community.

While the company has laid a solid foundation for its success, it does not rest on its laurels.

"The challenge today is to retain and continue to educate mid management personnel," said Vernon, "because they are the ones that make sure everything happens. We have to have the 'cream of the crop,' as middle management is the heart and soul of our company."

On the business front, Vernon said that the company maintains a constant eye on potential acquisitions in related industries, "because we realize that everything comes to an end and that the market is very cyclical. We need to plan for five years down the road."

Also, Gulf Copper is not immune to the trends that affect all other manufacturers, namely the cost and availability of materials, particularly steel.

While the cost of steel has hit historic highs in recent months, pushing suppliers to talk of allocation based on previous year's use, the most recent turn in the global financial crisis has helped to bring prices down, and steelmakers are now speaking of manufacturing overcapacity.

While a precipitous drop in steel pricing is sweet music to anyone in the ship, boat and offshore construction business, similarly important is the availability of steel at any price is a cornerstone to the continued escalation of the offshore oil and gas market. While

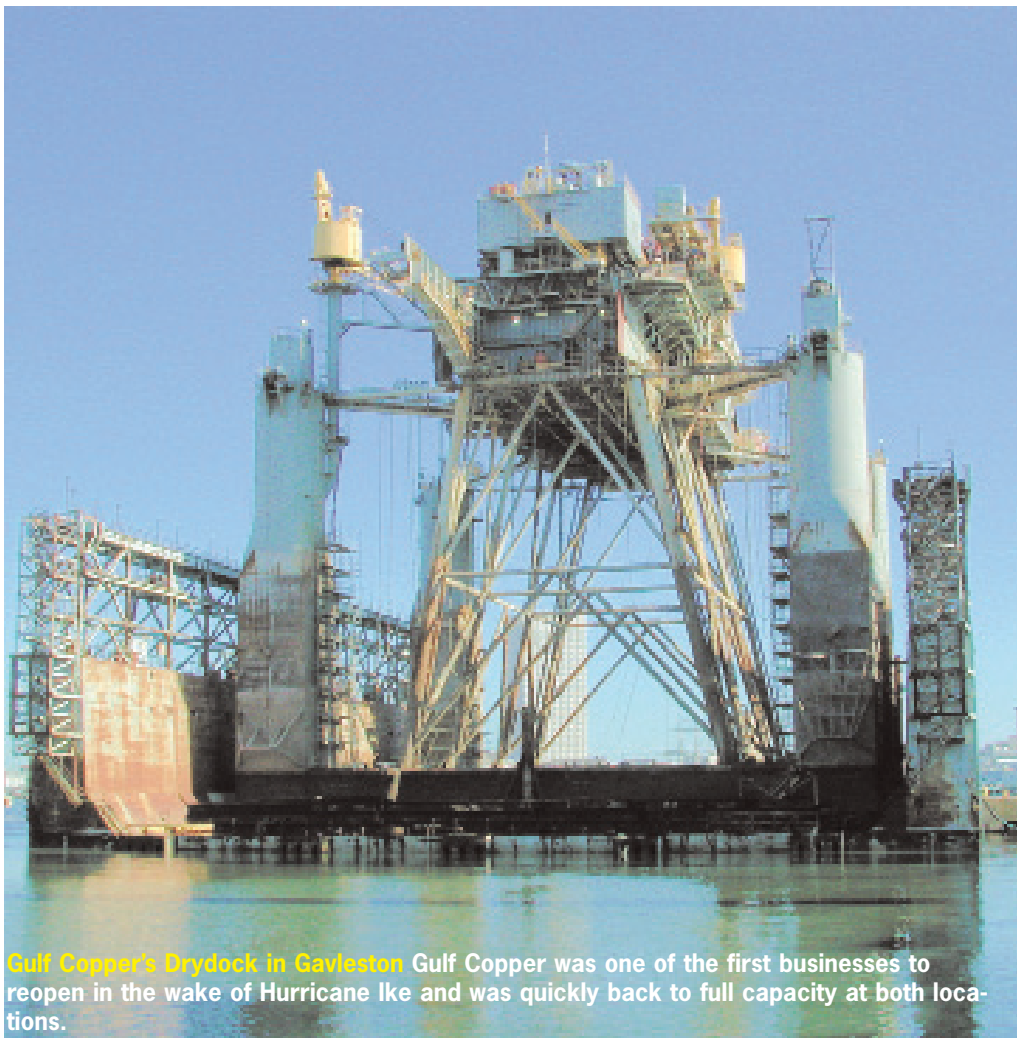
commodity prices traditionally have violent swings in either direction, the need to explore and develop energy resources in increasingly deep waters — and potentially in some newly opened fields off the coasts of the U.S. — means a long-term bullish outlook for the offshore industry as a whole.

"The reason we had problems in the 1970s is because we ran out of steel," Vernon said.

In addition to demands for materials and people in the marine industry, Port Arthur, Texas is embarked on its own massive industrial expansion, driven by nearly \$30 billion in investment in refineries, a trend that is further straining the availability of human and building resources for Gulf Copper.

Another recent challenge has been the damage sustained at Port Arthur and Galveston facilities due to Hurricane Ike. Gulf Copper was one of the first businesses to reopen in the wake of the hurricane and was quickly back to full capacity at both locations.

With a history rooted in innovation, diversification, expansion, investment and survival, Gulf Copper is primed to meet these challenges head-on.



Gulf Copper's Drydock in Galveston Gulf Copper was one of the first businesses to reopen in the wake of Hurricane Ike and was quickly back to full capacity at both locations.

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