AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON SEPTEMBER 21, 2001

REGISTRATION NO. 333-

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM S-4
REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

HORNBECK-LEEVAC MARINE SERVICES, INC.*
(Exact name of registrant as specified in its charter)

DELAWARE	72-1375844	4424
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)	(Primary Standard Industrial Classification Code Number)

414 NORTH CAUSEWAY BOULEVARD
MANDEVILLE, LOUISIANA 70448
(985) 727-2000
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

TODD M. HORNBECK
PRESIDENT, CHIEF OPERATING OFFICER AND SECRETARY
414 NORTH CAUSEWAY BOULEVARD
MANDEVILLE, LOUISIANA 70448
(985) 727-2000
(Name, address, including zip code, and telephone number, including area code, of agent for service)

COPIES TO:

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HOUSTON, TEXAS 77002
(713) 650-8400

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC: As soon as practicable after this Registration Statement becomes effective.

If the securities being registered on this Form are to be offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. [ ]

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

CALCULATION OF REGISTRATION FEE

PROPOSED MAXIMUM REGISTRATION	PROPOSED MAXIMUM SECURITIES TO BE REGISTERED	AMOUNT OF REGISTERED	TITLE OF EACH CLASS OF UNIT(1)	AMOUNT TO BE PRICE(1)	OFFERING PRICE PER FEE(1)	AGGREGATE OFFERING
10 5/8% Series B Senior Notes due 2008...						
$175,000,000	100%	$175,000,000	$43,750			
Guarantees of 10 5/8% Series B Senior Notes due 2008.....						
--	--	--	(2)			

(1) Calculated in accordance with Rule 457(f)(2). For purposes of this calculation, the Offering Price per Series B Note was assumed to be the stated principal amount of each Series A Note that may be received by the Registrant in the exchange transaction in which the Series B Notes will be offered.

(2) Pursuant to Rule 457(n), no registration fee is required for the guarantees of the Series B notes registered hereby.

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(a) OF THE SECURITIES ACT OF 1933 OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(a), MAY DETERMINE.

*The subsidiaries of HORNBECK-LEEVAC Marine Services, Inc. will guarantee the securities being registered hereby and therefore are also registrants. Information about these additional registrants appears on the following page.

ADDITIONAL REGISTRANTS

HORNBECK OFFSHORE SERVICES, INC.
(Exact name of registrant as specified in its charter)

DELAWARE	4424	76-0497638
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code No.)	(I.R.S. Employer Identification No.)

LEEVAC MARINE, INC.
(Exact name of registrant as specified in its charter)

LOUISIANA	4424	72-1053262
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code No.)	(I.R.S. Employer Identification No.)

HORNBECK-LEEVAC
MARINE OPERATORS, INC.
(Exact name of registrant as specified in its charter)

DELAWARE	4424	72-1375845
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code No.)	(I.R.S. Employer Identification No.)

ENERGY SERVICES PUERTO RICO, INC.
(Exact name of registrant as specified in its charter)

LOUISIANA	4424	72-1437129
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code No.)	(I.R.S. Employer Identification No.)

THE INFORMATION IN THIS PROSPECTUS IS NOT COMPLETE AND MAY BE CHANGED. WE MAY NOT SELL THESE SECURITIES UNTIL THE REGISTRATION STATEMENT FILED WITH THE SECURITIES AND EXCHANGE COMMISSION IS EFFECTIVE. THIS PROSPECTUS IS NOT AN OFFER TO SELL THESE SECURITIES AND IT IS NOT SOLICITING AN OFFER TO BUY THESE SECURITIES IN ANY STATE WHERE THE OFFER OR SALE IS NOT PERMITTED.

SUBJECT TO COMPLETION DATED SEPTEMBER 21, 2001

PROSPECTUS

$175,000,000

HORNBECK-LEEVAC MARINE SERVICES, INC.

OFFER TO EXCHANGE
10 5/8% SERIES B SENIOR NOTES DUE 2008
REGISTERED UNDER THE SECURITIES ACT OF 1933
FOR
10 5/8% SERIES A SENIOR NOTES DUE 2008

THE EXCHANGE OFFER:

- We are offering to exchange up to $175,000,000 in principal amount of our 10 5/8% Series B Senior notes due 2008 for outstanding Series A notes. The Series B notes have been registered under the Securities Act of 1933, are freely tradable and have terms that are substantially identical to the terms of the Series A notes.

- We will exchange all Series A notes that you validly tender and do not validly withdraw before the exchange offer expires for an equal principal amount of Series B notes.

- The exchange offer expires at 5:00 p.m., New York City time, on , 2001, unless extended. We do not currently intend to extend the exchange offer.

- Tenders of Series A notes may be withdrawn at any time before the expiration of the exchange offer.

- The exchange of Series B notes for Series A notes will not be a taxable event for U.S. federal income tax purposes.

THE SERIES B NOTES:

- Maturity. August 1, 2008.

- Interest Payments. We will pay interest on the Series B notes at an annual rate of 10.625% on February 1 and August 1 of each year until maturity. We will make the first payment on February 1, 2002. Interest on the Series B notes began accruing on July 24, 2001, the date of issuance of the Series A notes for which the Series B notes will be exchanged.

- Ranking. The Series B notes will be senior obligations. They will rank equally in right of payment with our existing and future senior indebtedness. They will be effectively subordinated to all of our secured obligations to the extent of the fair value of the assets collateralizing those obligations.

- Guarantees. The Series B notes will be guaranteed by all of our subsidiaries.

- Optional Redemption. We may, at our option, redeem all or a part of the Series B notes from time to time at the redemption prices and subject to the conditions described in this prospectus.

- Change of Control. If we experience a change of control, any noteholder may require us to repurchase all or a part of its Series B notes for cash at 101% of the principal amount of the notes.

- Listing. We do not intend to list the Series B notes on any securities exchange or to seek approval for quotation through any automated quotation system.

SEE THE "RISK FACTORS" SECTION BEGINNING ON PAGE 14 FOR A DISCUSSION OF FACTORS YOU SHOULD CONSIDER BEFORE PARTICIPATING IN THE EXCHANGE OFFER.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The date of this prospectus is September , 2001.

This prospectus is part of a registration statement we filed with the Securities and Exchange Commission. In making your investment decision, you should rely only on the information contained in this prospectus and in the accompanying letter of transmittal. We have not authorized any person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. You should assume the information appearing in this prospectus is accurate as of the date on the front cover of this prospectus only. Our business, financial condition, results of operations and prospects may change after that date.

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WHERE YOU CAN FIND MORE INFORMATION

This prospectus incorporates important business and financial information about us that we have not included in or delivered with this prospectus. This information is available without charge upon written or oral request, from James O. Harp, Jr., Chief Financial Officer, HORNBECK-LEEVAC Marine Services, Inc., 414 North Causeway Blvd., Mandeville, Louisiana 70448, telephone number: (985) 727-2000, extension 203. To ensure timely delivery, you should request the information no later than , 2001.

We have filed with the Securities and Exchange Commission a registration statement on Form S-4 under the Securities Act of 1933 related to the Series B notes offered by this prospectus. As allowed by Commission rules, this prospectus does not contain all of the information contained in the registration statement. The complete registration statement and the documents filed as exhibits to the registration statement are available to the public over the Internet at the Commission's web site at http://www.sec.gov. If you have a question on any contract, agreement or other document filed as an exhibit to the registration statement, please see the exhibits for a more complete description of the matter involved. You may also read and copy any document we have filed with the Commission at its public reference facilities at 450 Fifth Street, N.W., Washington, D.C. 20549. You may obtain copies of these documents at prescribed rates by writing to the Public Reference Section of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549. Please call the Commission at 1-800-732-0330 for further information on the operation of the public reference facilities.

Before filing this registration statement, we were not subject to the periodic reporting and other informational requirements of the Securities Exchange Act of 1934. We have agreed that, whether or not we are required to do so by the rules and regulations of the Commission (and within fifteen days of the date that is

or would be prescribed thereby), for so long as any of the notes remain outstanding, we will furnish to the holders of the notes and file with the Commission (unless the Commission will not accept the filing)

- all quarterly and annual financial information that would be required to be contained in a filing with the Commission on forms 10-Q and 10-K if we were required to file these forms, including a "Management's Discussion and Analysis of Financial Condition and Results of Operations," and, with respect to the annual information only, a report by our independent auditors and

- all reports that would be required to be filed with the Commission on Form 8-K if we were required to file these reports

In addition, we have agreed to make available, upon request, to any prospective purchaser of the notes and beneficial owner of the notes in connection with a sale of the notes the information required by Rule 144A(d)(4) under the Securities Act of 1933 for so long as any of the notes remain outstanding.

FORWARD-LOOKING STATEMENTS

We make forward-looking statements in this prospectus, including certain information set forth in "Prospectus Summary" and in the sections entitled "Business" and "Management's Discussion and Analysis of Financial Condition and Results of Operations." We have based these forward-looking statements on our current views and assumptions about future events and our future financial performance. You can generally identify forward-looking statements by the appearance in such a statement of words like "anticipate," "believe," "continue," "could," "estimate," "expect," "intend," "may," "plan," "potential," "predict," "project," "should" or "will" or the negative of these words or other comparable words. When you consider our forward-looking statements, you should keep in mind the risk factors we describe and other cautionary statements we make in this prospectus.

Among the risks, uncertainties and assumptions to which these forward-looking statements may be subject are:

- changes in international economic and political conditions, and in particular in oil and gas prices;

- our ability to manage costs effectively;

- our ability to finance our operations and construct new vessels on acceptable terms;

- our ability to complete vessels under construction without significant delays or cost overruns;

- the effects of competition;

- our ability to integrate acquisitions successfully;

- our ability to charter our vessels on acceptable terms;

- our ability to access the debt and equity markets to fund our capital requirements, which may depend on general market conditions and our financial condition at the time; and

- our success at managing these risks.

Our forward-looking statements are only predictions based on expectations that we believe are reasonable. Actual events or results may differ materially from those described in any forward-looking statement. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. To the extent these risks, uncertainties and assumptions give rise to events that vary from our expectations, the forward-looking events discussed in this prospectus may not occur.

PROSPECTUS SUMMARY

This prospectus summary highlights selected information from this prospectus to help you understand our business and the terms of the exchange offer. We urge you to read all of this prospectus carefully to gain a fuller understanding of our business and the terms of the exchange offer, as well as some of the other considerations that may be important to you in considering whether to participate in the exchange offer. You should pay special attention to the "Risk Factors" section of this prospectus for a discussion of factors you should consider before participating in the exchange offer.

In this prospectus, "company," "we," "us" and "our" refer to HORNBECK-LEEVAC Marine Services, Inc. and its subsidiaries, except as otherwise indicated.

The term "Series A notes" refers to the 10 5/8% Series A Senior Notes due 2008 that were issued July 24, 2001. The term "Series B notes" refers to the 10 5/8% Series B Senior Notes due 2008 issuable in the exchange offer. The term "notes" refers to both the Series A notes and the Series B notes.

OUR COMPANY

We are a leading provider of marine transportation services in the markets we serve through the operation of newly constructed deepwater offshore supply vessels in the Gulf of Mexico and ocean-going tugs and tank barges in the northeastern United States and in Puerto Rico. Since 1997, we have significantly increased the size of our fleet from six to 42 vessels through new construction of offshore supply vessels and acquisitions of tugs and tank barges. Currently, we own and operate a fleet of eight deepwater offshore supply vessels and have another five deepwater vessels under construction. Following delivery of these vessels, we believe that we will be the second largest operator of deepwater offshore supply vessels in the Gulf of Mexico. We also own and operate a fleet of thirteen ocean-going tugs and sixteen ocean-going tank barges. We operate the largest fleet of tank barges for the transportation of petroleum products in Puerto Rico and believe that we are the fourth largest transporter of petroleum products by tank barge in New York Harbor.

In the mid-1990s, our founders identified a significant opportunity to capitalize on the emerging interest in deepwater exploration and production. Since then, the deepwater Gulf of Mexico has become an increasingly active oil and gas region as producers seek to counter declining production rates in existing U.S. basins. The operating environment in the deepwater Gulf of Mexico differs dramatically from that of the continental shelf. Successful exploration and development in deepwater areas has required a new generation of high cost drilling rigs and production platforms and other advanced drilling and production technology. In addition, these expensive projects are best served by a new generation of offshore supply vessels capable of supporting day-to-day operations in a manner that avoids costly downtime in terms of both drilling rig dayrates and lost oil and gas production.

We believe that the existing fleet of offshore supply vessels operating on the continental shelf is not capable of operating effectively in the deepwater market. Our founders have assembled a core team of naval architects and other marine professionals to design and operate offshore supply vessels that specifically address the challenges of deepwater operations. We believe that our deepwater vessels, designed with enhanced capabilities, can be used effectively in all stages of a long-lived deepwater project and for specialty services.

We believe our tug and tank barge business complements our offshore supply vessel business by providing an additional revenue base and offering another line of services to integrated oil companies. Demand for tank barge services results from the consumption of refined petroleum products such as gasoline, home heating oil, jet fuel and diesel fuel, as well as residual fuel oil and asphalts. As one of the leading suppliers of this service in the heavily populated northeastern United States and the dominant provider of tank barge services in Puerto Rico, we are able to optimize capacity utilization from one region of operations to another while we benefit from the steady demand provided by long-term customer relationships with major energy companies.

OFFSHORE SUPPLY VESSELS

We use our offshore supply vessels principally to support offshore drilling and production operations in the deepwater regions of the Gulf of Mexico by transporting cargo to offshore drilling rigs and production facilities. The cargo we transport includes drill pipe, liquid mud, drilling fluids, diesel fuel, potable water, dry bulk cement and equipment. We charter our vessels on a dayrate basis under either fixed time charters or in the spot market. All of our vessels are currently under fixed time charters, including six (one of which, the HOS Blue Ray, is under construction and scheduled to be delivered in October 2001) that are chartered with initial terms ranging from two to five years. Our multi-year contracts often include dayrate escalation clauses and renewal options.

Industry Conditions. In recent years, high oil and gas prices, combined with tight inventory levels for crude oil and natural gas, have resulted in record levels of drilling activity in the Gulf of Mexico. The Gulf of Mexico is a critical oil and gas supply basin for the United States, accounting for 28% and 26%, respectively, of total U.S. oil and gas production in 2000. Because natural gas production from wells on the continental shelf declines at a rapid rate and the deepwater regions of the Gulf of Mexico hold most of the unexplored areas of potential gas reserves, we believe that deepwater drilling in the Gulf of Mexico will continue to be a primary source of additions to domestic natural gas reserves. The Minerals Management Service has adopted royalty relief incentives for natural gas produced from wells drilled in at least 200 meters of water to encourage deepwater exploration. Moreover, the deepwater Gulf of Mexico is expected to be the source of a significant percentage of increased oil production in the United States. The Minerals Management Service estimates that by 2005 oil production from the deepwater Gulf of Mexico will represent approximately 65% of total offshore oil production in the United States.

New technologies, such as improved seismic surveying and subsea production systems, have lowered deepwater finding and development costs. Exploration and development activity in deepwater regions, once begun, is less sensitive to movements in oil and gas prices than shallow water projects because the longer duration and higher costs associated with the exploration and development of deepwater regions create a long-term commitment to deepwater projects regardless of short-term price fluctuations. The number of deepwater fields under evaluation and development has grown dramatically in recent years. From 1990 to 2000, production in the deepwater Gulf of Mexico increased from 4% to 52% of total Gulf of Mexico oil production and from 1% to 20% of total Gulf of Mexico natural gas production. The Minerals Management Service estimates that production of oil and gas from deepwater Gulf of Mexico wells increased 20% and 15%, respectively, in 2000. Of the 72 deepwater Gulf of Mexico fields discovered to date, 42 fields began production by the end of 2000, and another ten are expected to begin or have begun production in 2001. Of the total ten billion barrels of oil equivalents of initial estimated recoverable reserves in these fields, an estimated 85% remain unproduced. We believe that the development of these fields and other potential discoveries will result in a need for additional deepwater offshore supply vessels beyond the number of currently available vessels and vessels being constructed under announced construction plans.

Our Vessel Capabilities. Deepwater wells require specialized equipment to meet the more difficult operating environment compared to wells drilled on the continental shelf. They also require a substantially higher volume of supplies to support the drilling operations, such as liquid mud, drill pipe, diesel fuel and other consumables. Such supplies must be transported to offshore rigs and facilities by offshore supply vessels. Conventional offshore supply vessels do not have sufficient on-deck or below-deck cargo capacity to support deepwater drilling operations economically. A one-way trip to a deepwater location generally takes ten to fifteen hours, compared to only a few hours to a shelf location. The capabilities of our vessels, together with fuel and crew efficiencies, make it more efficient to have one of our deepwater vessels make the long trip rather than two or three smaller conventional vessels. In addition, drilling rigs and offshore supply vessels operating in deepwater environments generally require dynamic positioning capability to enable continued operation in such environments, even in adverse weather conditions. Conventional offshore supply vessels generally do not have dynamic positioning capability.

Our offshore supply vessels have two to three times the dry bulk capacity and deck space, three to ten times the liquid mud capacity and two to four times the deck tonnage as conventional 180' class offshore

supply vessels, which are used primarily in shallow water regions. Our advanced cargo handling systems are capable of loading and unloading dry bulk and liquid cargoes up to three times faster than conventional offshore supply vessels, while the solid state controls of our engines result in a 20% greater fuel efficiency over vessels powered by conventional engines. Our advanced dynamic positioning systems allow our vessels to maintain position within a minimal variance. Our unique hull design and integrated thruster and rudder system also provide a more manageable vessel. Our vessels have been designed with state-of-the-art lifesaving, fire alarm, monitoring, emergency power and fire suppression systems. Our vessels also have double-bottomed and double-sided hulls that minimize the environmental impact of hull penetrations and zero-discharge sewage and waste systems that minimize the impact on regulated marine environments.

Our offshore supply vessels are designed to support certain specialty services, including well stimulation, remotely operated vehicles used in oilfield construction, underwater inspections, marine seismic operations and certain non-energy applications such as fiber optics cable installation. One of our vessels, the HOS Innovator, is currently providing remotely operated vehicle and diving support under a three-year contract, and we have signed a five-year contract with a large oilfield service company for our ninth offshore supply vessel, the HOS Blue Ray, which is scheduled to be delivered in October 2001, to support well stimulation services.

TUGS AND TANK BARGES

We provide coastwise transportation of refined and bunker grade petroleum products with our ocean-going tugs and tank barges. Generally, we operate a tug and tank barge together as a "tow" to transport products from one port to another. A tank barge transports petroleum products that are typically characterized as either "clean" or "dirty." Clean petroleum products are primarily gasoline, home heating oil, diesel fuel and jet fuel. Dirty petroleum products are mainly residual fuel oil and asphalts.

Our tugs and tank barges serve the northeastern United States, primarily New York Harbor, by transporting both clean and dirty petroleum products to and from refineries and distribution terminals and by providing ship lightering and docking services. Our tugs and tank barges also transport both clean and dirty petroleum products from refineries and distribution terminals to the Puerto Rico Electric Power Authority and to utilities located on other Caribbean islands. Moreover, we provide ship lightering, bunkering and docking services in Puerto Rico. We charter our tugs and tank barges under fixed time charters, daily spot rates, contracts of affreightment and consecutive voyage contracts.

Industry Conditions. The primary drivers of demand for our tug and tank barge services are population growth, the strength of the U.S. economy and changes in weather patterns that affect consumption of heating oil and gasoline. We believe that demand for refined petroleum products and crude oil will remain steady or gradually increase in the foreseeable future. Specifically, based on a recent industry study that we commissioned, we believe that:

- demand for home heating oil will remain steady;
- gasoline shipments will continue to be supported by consistent demand from existing automobile technology;
- diesel fuel consumption will grow slowly as economic activity requires increased trucking miles and remain unaffected by any alternative fuel technologies; and
- jet fuel consumption will increase as air travel and air freight activity slowly increase.

This increased demand will be partially satisfied with additional imports of refined petroleum products and crude oil, which are expected to grow at compounded annual growth rates of 4.9% and 1.7%, respectively, through 2020, according to the Energy Information Agency. Our tug and tank barge fleet in New York Harbor is well positioned to provide lightering and ship docking services for tankers transporting these increased import volumes that are too large to make direct deliveries to distribution terminals and refineries.

While the tug and tank barge market, in general, is marked by steady demand over time, we anticipate that pricing for our services will be positively affected by changes related to the Oil Pollution Act of 1990, commonly referred to as OPA 90. OPA 90 imposes significant limits on the service lives of the majority of

tankers and tank barges. Approximately 50% of the existing combined U.S.-flagged tanker and tank barge fleet in the northeastern United States is required to be taken out of service or substantially refurbished by December 31, 2005 to meet the double hull requirements of OPA 90. These reductions will pose significant logistical challenges for the domestic refining industry. Certain companies have placed orders with shipyards for double hulled barges at an estimated cost of four times the current market value of comparable size single hulled barges. We believe that the construction costs to replace barge capacity will encourage current price levels to remain steady or increase. Consistent with OPA 90 requirements, the majority of our fleet is permitted to remain in service until 2015. Accordingly, we believe we are well positioned to obtain additional customers as currently available industry capacity is legally required to be removed from service or substantially refurbished. In addition, there are no significant pipelines under construction in the northeastern U.S. market that can compete with tank barges, nor are any new pipelines likely to be built in the near future due to cost constraints and logistical and environmental conditions.

COMPETITIVE STRENGTHS

We believe that the following strengths provide us with a competitive advantage in the markets we serve:

- We operate a technologically advanced fleet of new deepwater offshore supply vessels, representing what we believe to be the youngest fleet in the Gulf of Mexico.

- We have a leading market presence in our core areas of operations.

- We maintain certifications under numerous industry-recognized classification societies and codes and participate in various programs, including the International Standards Organization, the International Safety Management Code, the Responsible Carrier Program and the Streamlined Inspection Program. All of our vessels are classed by the American Bureau of Shipping.

- We have a proven record of successfully completing new construction of deepwater offshore supply vessels without significant delays or cost overruns.

- The majority of our tank barges will not be required by OPA 90 regulations to undergo replacement or refurbishment until 2015.

- Our long-term contracts and diversified fleet provide stable revenues and cash flow.

- We have an experienced management team with an average of nineteen years of marine transportation industry experience.

OUR STRATEGY

We intend to strengthen our competitive position through implementation of the following strategies:

- We intend to maintain our focus on operating high quality offshore supply vessels capable of working in the deepwater regions of the Gulf of Mexico. We believe that there is a shortage of offshore supply vessels that can effectively serve the current and planned drilling programs in this market.

- We intend to maintain our competitive advantage by using sophisticated technologies. We designed our offshore supply vessels to meet the higher capacity and performance needs of our clients' drilling and production programs. We believe that the advanced features of our offshore supply vessels give us a competitive advantage in obtaining contracts.

- We intend to continue building new vessels as market demand dictates. Since we were formed in 1997, we have designed and delivered eight deepwater offshore supply vessels. Of these vessels, all were delivered without significant delays or cost overruns and are currently operating under time charters. We have five other vessels under construction with anticipated delivery dates ranging from October 2001 to April 2002. The first of these vessels to be delivered, the HOS Blue Ray, is already contracted for a five-year charter to begin upon delivery, and we have significant client interest in chartering the remaining vessels to be delivered. We will continue to monitor demand for vessels in determining the level and timing of additional vessels under our newbuild program.

- We intend to continue to evaluate strategic acquisitions to expand our offshore supply vessel and tug and tank barge fleets where we can increase market share and long-term client relationships. To date, we have completed three acquisitions involving ocean-going tugs and tank barges.

- We intend to optimize use of our tug and tank barge fleet. Having consolidated the operational management of our fleet in our new Brooklyn facility, we are increasing services offered to parties other than Amerada Hess. Before our acquisition of tugs and tank barges from certain affiliates of Amerada Hess (the Spentonbush/Red Star Group), those vessels were largely dedicated to the use of Amerada Hess and its affiliates in New York Harbor.

- We intend to continue to pursue long-term contracts. The initial term for six of our nine offshore supply vessel contracts, including the contract for the HOS Blue Ray, which is under construction and scheduled for delivery in October 2001, ranges from two to five years. Our contract of affreightment with Amerada Hess for the services of tugs and tank barges in the northeastern United States has an initial term of June 1, 2001 through March 31, 2006. All of our other tug and tank barge contracts may be, and typically are, renewed annually. We intend to maintain a significant percentage of our assets working under long-term contracts, which results in high utilization rates and provides a stable cash flow base to manage our debt obligations.

- We intend to leverage our existing customer relationships by expanding our services to certain customers with diversified marine transportation needs. Many integrated oil companies require offshore supply vessels to support their exploration and production activities and ocean-going tug and tank barges to support their refining, trading and retail distribution activities.

RECENT DEVELOPMENTS

Changes in the Board of Directors. On August 22, 2001, Larry D. Hornbeck, former Chairman of the Board, President, Chief Executive Officer and founder of the original Hornbeck Offshore Services, Inc., joined our Board of Directors. In addition, Mark J. Warner, who had been the board designee of our warrant holders, resigned from our Board of Directors. Mr. Warner's position has been eliminated from our Board of Directors. Finally, one of our directors, R. Clyde Parker, Jr. became a nonvoting advisory director on August 22, 2001.

Repurchase of Outstanding Warrants; Equity Offering. On August 9, 2001, we were notified by our warrantholders that they intend to sell their outstanding warrants. We have exercised a right of first offer to purchase the outstanding warrants for an aggregate purchase price of $14.5 million. To finance the repurchase of the warrants, we intend to offer to each of our existing stockholders an opportunity to purchase their pro rata share of 5,509,434 shares of our common stock at a price of $2.65 per share. We have received a signed subscription agreement from one of our stockholders pursuant to which that stockholder has been issued 273,585 shares of our common stock for a total purchase price of $725,000. We used these proceeds to pay the non-refundable deposit to the warrantholders as a deposit toward the repurchase of the warrants. The stockholder has also agreed to purchase the balance of the offered shares not subscribed for by our other existing stockholders.

Private Placement of Series A Notes and Use of Proceeds. On July 24, 2001, we issued $175,000,000 in principal amount of Series A notes to the initial purchasers of those notes who then resold the Series A notes only to qualified institutional buyers. We have used almost all of the proceeds we received in connection with this private placement to repay the outstanding indebtedness under our then existing credit facilities.

New Credit Facility. We have received and are evaluating a commitment letter from one of our former lenders regarding a new senior secured revolving line of credit of $50 million. Pursuant to the proposed terms for the new senior secured revolving credit facility, our borrowings under this facility will be limited to $25 million unless we have obtained the lender's concurrence to the use of proceeds of borrowings in excess of $25 million and we meet certain ratios. Pursuant to the indenture governing the notes, the level of permitted borrowings under this facility initially will be limited to $25 million plus 15% of the increase in our consolidated net tangible assets.

Signing of Significant Tank Barge Contract. On June 27, 2001, we signed an agreement to contract one of our newly acquired tank barges with a large refining and marketing company under a one-year time charter with a one-year renewal option at a fixed dayrate of $17,000, which is substantially higher than the average dayrate currently being generated by that vessel. The agreement to contract provides for commencement of operations in July 2001.

Spentonbush/Red Star Group Acquisition. On May 31, 2001, we acquired a fleet of nine ocean-going tugs and nine ocean-going tank barges and the related coastwise transportation businesses from the Spentonbush/Red Star Group for approximately $28 million. As part of this acquisition, we entered into a contract of affreightment with Amerada Hess as its exclusive marine logistics provider and coastwise transporter of petroleum products in the northeastern United States. The contract became effective on June 1, 2001 and its initial term continues through March 31, 2006. We also agreed to acquire the Brooklyn marine facility of Amerada Hess where the tug and tank barge operations that we acquired are based and from which we conduct such operations. We borrowed under one of our former credit facilities to fund a portion of the cost of this acquisition. The debt we incurred to partially finance the cost of the Spentonbush/Red Star Group acquisition was repaid with a portion of the proceeds we received from the private placement of the Series A notes.

Delivery of the HOS Innovator and Signing of Multi-year Specialty Service Contracts. On April 27, 2001, we took delivery of the HOS Innovator, a 240' class offshore supply vessel, which is the only U.S.-flagged offshore supply vessel to date to receive Dynamic Positioning Class II certification from the American Bureau of Shipping. The HOS Innovator was immediately employed under a three-year contract with a large oilfield service company to provide support for remotely operated vehicles, as well as inspection, maintenance, repair, subsea intervention, trenching, diving, cargo transportation and cable- and pipe-laying services. In addition, we recently signed a five-year contract for one of our offshore supply vessels currently under construction that will be employed by another large oilfield service company to support well stimulation services.

Our principal executive offices are located at 414 North Causeway Boulevard, Mandeville, Louisiana 70448, and our telephone number is (985) 727-2000.

SUMMARY OF THE EXCHANGE OFFER

In connection with the private placement of the Series A notes, we entered into a registration rights agreement with the initial purchasers in the private placement in which we agreed to complete an exchange offer within 180 days after the date we issued the Series A notes offering you the opportunity to exchange your unregistered Series A notes for Series B notes registered under the Securities Act of 1933. You should read the discussion under the headings "-- Summary of the Terms of the Series B notes" beginning on page 9, "Description of the Series B Notes" beginning on page 69 and "Exchange Offer" beginning on page 21 for further information regarding the Series B notes, the exchange offer and resales of the Series B notes.

EXCHANGE OFFER.....	We are offering to exchange Series B notes for Series A notes. Series A notes may be exchanged only in $1,000 increments.
EXPIRATION DATE.....	The exchange offer will expire at 5:00 p.m. New York City time, on , 2001, unless we decide to extend it.
CONDITION TO THE EXCHANGE OFFER.....	The registration rights agreement does not require us to accept outstanding notes for exchange if the exchange offer or the making of any exchange by a holder of the outstanding notes would violate any applicable law or interpretation of the staff of the Securities and Exchange Commission. A minimum aggregate principal amount of outstanding notes being tendered is not a condition to the exchange offer.
PROCEDURES FOR TENDERING.....	To participate in the exchange offer, you must complete, sign and date the letter of transmittal, or a facsimile of the letter of transmittal, and transmit it together with all other documents required by the letter of transmittal, including the Series A notes that you wish to exchange, to Wells Fargo Bank Minnesota, National Association, as exchange agent, at the address indicated on the cover page of the letter of transmittal. In the alternative, you can tender your Series A notes by following the procedures for book-entry transfer described in this prospectus. If your Series A notes are held through The Depository Trust Company and you wish to participate in the exchange offer, you may do so through the automated tender offer program of The Depository Trust Company. If you tender under this program you will agree to be bound by the letter of transmittal that we are providing with this prospectus as though you had signed the letter of transmittal. If a broker, dealer, commercial bank, trust company or other nominee is the registered holder of your Series A notes, we urge you to contact that person promptly to tender your Series A notes in the exchange offer. For more information on tendering your Series A notes, please refer to the sections in this prospectus entitled "Exchange Offer -- Terms of the Exchange Offer," "-- Procedures for Tendering" and "-- Book-Entry Transfer."
GUARANTEED DELIVERY PROCEDURES.....	If you wish to tender your Series A notes but are unable to deliver the required documents to the exchange agent on time, you may tender your Series A notes according to the guaranteed delivery procedures described in "Exchange Offer -- Guaranteed Delivery Procedures."

WITHDRAWAL OF TENDERS.....	You may withdraw your tender of Series A notes at any time before the expiration date. To withdraw your notes, you must deliver to the exchange agent at its address indicated on the cover page of the letter of transmittal, and the exchange agent must receive, a written or facsimile transmission notice of withdrawal before 5:00 p.m. New York City time on the expiration date of the exchange offer.
ACCEPTANCE AND DELIVERY.....	If you fulfill all conditions required for proper acceptance of Series A notes, we will accept all Series A notes that you properly tender in the exchange offer on or before 5:00 p.m. New York City time on the expiration date. We will return to you without expense any Series A note that we do not accept for exchange as promptly as practicable after the expiration date. We will deliver the Series B notes as promptly as practicable after the expiration date and acceptance of the Series A notes for exchange.
FEES AND EXPENSES.....	We will bear all expenses related to the exchange offer.
USE OF PROCEEDS.....	We will not receive any additional proceeds for the issuance of the Series B notes. We are making this exchange offer solely to satisfy our obligations under a registration rights agreement.
FAILURE TO EXCHANGE.....	If you do not exchange your Series A notes in this exchange offer, you will no longer be able to require us to register the Series A notes under the Securities Act of 1933 except in limited circumstances provided under the registration rights agreement. In addition, you will not be able to resell, offer to resell or otherwise transfer the Series A notes unless we have registered the Series A notes under the Securities Act of 1933, or unless you resell, offer to resell or otherwise transfer them under an exemption from the registration requirements of or in a transaction not subject to the Securities Act of 1933.
TAX CONSIDERATIONS.....	The exchange of Series B notes for Series A notes in the exchange offer should not be a taxable event for U.S. federal income tax purposes.
EXCHANGE AGENT.....	We have appointed Wells Fargo Bank Minnesota, National Association as exchange agent for the exchange offer. You should direct questions and requests for assistance, additional copies of this prospectus, the letter of transmittal or the notice of guaranteed delivery to the exchange agent addressed as follows: 213 Court Street, Suite 902, Middletown, CT 06457, Attention: Robert Reynolds, Vice President. Eligible institutions may make requests by facsimile at (860) 704-6219.

SUMMARY OF THE TERMS OF THE SERIES B NOTES

The Series B notes will be substantially identical to the Series A notes except that the Series B notes are registered under the Securities Act of 1933, and will not have restrictions on transfer, registration rights or provisions for liquidated damages. The Series B notes will evidence the same debt as the Series A notes, and the same indenture will govern the Series B notes and the Series A notes.

The following summary contains basic information about the Series B notes and is not intended to be complete. For a more complete understanding of the Series B notes, please refer to the section of this prospectus entitled "Description of the Series B Notes."

SECURITIES OFFERED.....	$175 million aggregate principal amount of 10 5/8% Series B Senior Notes due 2008.
MATURITY.....	August 1, 2008.
INTEREST PAYMENT DATES.....	We will pay interest on the Series B notes semi-annually in arrears on February 1 and August 1 of each year, commencing February 1, 2002.
GUARANTEES.....	All of our subsidiaries will guarantee the Series B notes.
RANKING.....	The Series B notes will be senior unsecured obligations, ranking equally in right of payment with all of our existing and future senior indebtedness and senior in right of payment to any subordinated indebtedness incurred by us in the future. The indenture pursuant to which the Series B notes will be issued will permit us and our subsidiaries to incur additional indebtedness, subject to certain conditions. The Series B notes and subsidiary guarantees will be effectively subordinated to secured indebtedness we and our subsidiaries, acting as guarantors of the Series B notes, may incur, including any indebtedness under our proposed new revolving credit facility, to the extent of the fair value of our assets and those of our subsidiaries collateralizing such indebtedness. We currently have no indebtedness outstanding effectively senior to the Series B notes or the subsidiary guarantees.
OPTIONAL REDEMPTION.....	We may, at our option, redeem all or a part of the Series B notes at any time on or after August 1, 2005 at the redemption prices described in this prospectus. In addition, we may, at our option, redeem up to 35% of the principal amount of the Series B notes before August 1, 2004 using the proceeds of certain equity offerings. At any time before August 1, 2005, we may also redeem all or a part of the Series B notes at a redemption price equal to 100% of the principal amount of the Series B notes plus the applicable premium described in this prospectus.
CHANGE OF CONTROL.....	If we experience a change of control, any noteholder may require us to repurchase all or a part of its Series B notes for cash at 101% of the principal amount of the Series B notes.
CERTAIN COVENANTS.....	The indenture for the Series B notes contains certain covenants that, among other things, limit our ability and that of certain of our subsidiaries to: - incur additional indebtedness, - pay dividends or make other distributions,

- purchase equity interests or redeem subordinated indebtedness early,

- create liens on our assets to secure debt,

- enter into transactions with affiliates,

- issue or sell capital stock of our subsidiaries,

- engage in sale-and-leaseback transactions and

- sell assets or merge or consolidate with another company.

All of these limitations are subject to a number of important qualifications. A more complete description of these covenants may be found under the heading "Description of the Series B Notes."

ORIGINAL ISSUE DISCOUNT..... The outstanding Series A notes were issued subject to an original issue discount and the Series B notes will continue to be subject to an original issue discount for federal income tax purposes. You should be aware that accrued original issue discount will be included periodically in your gross income for federal income tax purposes. Please see "United States Federal Income Tax Consequences."

NO EXISTING PUBLIC MARKET..... The Series B notes will be freely transferable under U.S. federal securities laws, but there is currently no public market for our securities, including the notes. We can provide no assurance that any market for the Series B notes will develop or if a market does develop that it will offer any significant opportunity of liquidity.

RISK FACTORS

See "Risk Factors" beginning on page 14 for a discussion of certain factors you should consider before participating in the exchange offer.

HORNBECK-LEEVAC MARINE SERVICES, INC.

SUMMARY FINANCIAL INFORMATION
(IN THOUSANDS, EXCEPT RATIOS AND VESSEL DATA)

The following table presents summary financial information regarding our company, which should be read in conjunction with, and is qualified in its entirety by reference to, our historical consolidated financial statements and notes to those statements, our pro forma condensed consolidated financial statements, as adjusted, and notes to those statements and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere in this prospectus.

The summary pro forma condensed consolidated financial information gives effect to the acquisition of tugs and tank barges from the Spentonbush/Red Star Group and the application of the net proceeds from the private placement of the Series A notes as described in "Prospectus Summary -- The Private Placement and Use of Proceeds." The pro forma statements of operations are presented as if the Spentonbush/Red Star Group acquisition and the private placement of the Series A notes had occurred on January 1, 2000. In addition, the pro forma statements of operations include certain acquisition and offering adjustments, among others, to reflect:

- increased revenues related to the new rate structure under our contract of affreightment with Amerada Hess;

- reduced operating expenses related to the capitalization of drydocking expenditures, previously classified as operating expenses by Amerada Hess, to conform with our accounting policy of generally amortizing these capitalized expenditures over a 30 or 60 month period; and

- increased interest expense related to the issuance of the Series A notes and increased depreciation expense associated with the tugs and tank barges acquired from the Spentonbush/Red Star Group at the allocated purchase price based on the fair value of the acquired vessels.

The pro forma balance sheets are presented as if the private placement of the Series A notes had occurred on June 30, 2001.

The pro forma financial information does not give effect to any contribution from the HOS Innovator or the anticipated delivery of five additional offshore supply vessels except for the two months of actual operations of the HOS Innovator that is included only in the six months ended June 30, 2001. The five additional offshore supply vessels are scheduled to be delivered as follows: one in October 2001, one in January 2002, one in March 2002 and two in April 2002. The HOS Innovator and the HOS Blue Ray, to be delivered in October 2001, are contracted for three and five years, respectively. We believe, based on current market supply and demand conditions, that the other four vessels will be fully utilized. In addition, based on current dayrates for comparable vessels and current customer inquiries, we believe dayrates in the range of $12,500 to $15,000 or more would be achieved for each of these vessels and that long-term contracts at such rates would be available. We are currently bidding contracts at rates exceeding this range, particularly contracts for specialty service applications.

YEAR ENDED DECEMBER 31,				SIX MONTHS ENDED JUNE 30,		
			PRO FORMA	PRO FORMA		
ACTUAL	AS ADJUSTED	ACTUAL	AS ADJUSTED			
1999	2000	2000	2000	2001	2001	
(UNAUDITED)				(UNAUDITED)		
STATEMENT OF OPERATIONS DATA:						
Revenue	$ 25,723	$ 36,102	$ 78,198	$ 16,319	$ 25,694	$ 46,201
Operating expenses	17,275	20,410	48,693	9,926	11,517	24,672
General and administrative expenses	2,467	3,355	7,884	1,451	3,740	5,425
Operating income	5,981	12,337	21,621	4,942	10,437	16,104
Interest expense	5,092	7,911	20,279	4,217	2,565	10,139
Other income (expense)(1)	(20)	(138)	(134)	3	-	-
2						
Income before income taxes	869	4,288	1,208	728	7,872	5,967
Income tax expense	(341)	(1,550)	(426)	(264)	(2,992)	(2,211)
Net income	528(2)	2,738	782	464	4,880	3,756
OTHER FINANCIAL DATA AND RATIOS (UNAUDITED):						
EBITDA(3)	$ 9,685	$ 17,363	$ 30,904	$ 7,410	$ 13,412	$ 20,692
Cash interest	4,495	7,145	18,594	3,593	4,415	9,625
Capital expenditures	42,293	16,224	16,224	3,003	56,895	56,895
Depreciation and amortization	3,724	5,164	9,417	2,465	2,975	4,586
Ratio of EBITDA to cash interest(4)	2.2x	2.4x	1.7x	2.1x	3.0x	2.1x
Ratio of earnings to fixed charges(5)	(6)	N/A	1.4x	N/A	1.1x	2.7x
1.4x						
OTHER OPERATING DATA (UNAUDITED): Offshore Supply Vessels: Average number	4.1	6.8	6.8	6.6	7.4	7.4
Average utilization rate(7)	93.1%	93.4%	93.4%	88.0%	98.8%	98.8%
Average dayrate(8)	$ 6,724	$ 8,435	$ 8,435	$ 7,741	$ 11,044	$ 11,044
Tugs and Tank Barges: Average number of tank barges(9)	7.1	7.0	16.0	7.0	8.5	16.0
Average fleet capacity (barrels)(9)	434,861	451,655	1,130,727	451,655	564,834	1,130,727
Average barge size (barrels)(9)	61,464	64,522	70,670	64,522	65,547	70,670
Average utilization rate(7)	73.9%	71.4%	79.8%	68.6%	84.0%	88.8%
Average dayrate(10)	$ 8,482	$ 8,982	$ 12,189	$ 9,311	$ 8,656	$ 11,795
BALANCE SHEET DATA (AT PERIOD END): Cash and cash equivalents	$ 6,144	$ 32,988	N/A	$ 3,209	$ 22,026	$ 62,509
Property, plant and equipment, net	85,700	98,935	N/A	86,618	153,356	153,356
Total assets	103,486	147,148	N/A	104,278	193,970	240,953
Total debt	83,954	89,391	N/A	85,726	125,822	175,967(11)
Total stockholders' equity(12)	13,480	49,745	N/A	13,944	54,625	54,625

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(1) Includes interest income and other operating expenses.

(2) Excludes a net write off of $108 related to a cumulative effect of change in accounting principles for start-up costs.

(3) EBITDA is earnings before interest expense, provision for income taxes, depreciation and amortization. EBITDA is presented as it is commonly used by certain investors to analyze and compare operating performance and to determine a company's ability to service or incur debt. EBITDA should not be considered in isolation or as a substitute for net income, cash flow or other income or cash flow data or as a measure of a company's profitability or liquidity and is not a measure calculated in accordance with generally accepted accounting principles. EBITDA is not necessarily comparable with similarly titled measures reported by other companies.

(4) Calculated as EBITDA divided by cash interest. For purposes of calculating the ratio of EBITDA to cash interest, EBITDA consists of the components discussed in footnote (3) above.

(5) Calculated as earnings divided by fixed charges. For purposes of calculating the ratio of earnings to fixed charges, earnings consists of earnings before cumulative effect of change in accounting principle and fixed charges consists of interest expense, including capitalized interest, and a portion of rent considered to represent interest cost and amortization of debt discount and issuance costs.

(6) Earnings were insufficient to cover fixed charges by $756 at December 31, 1999 and $1,726 for the pro forma as adjusted at December 31, 2000.

(7) Utilization rates are average rates based on a 365-day year. Vessels are considered utilized when they are generating revenues.

(8) Average dayrates represent average revenue per day, which includes charter hire and brokerage revenue, based on the number of days during the period that the offshore supply vessels generated revenue.

(9) Excludes from pro forma, as adjusted amounts, the effect of one tank barge that was not purchased from the Spentonbush/Red Star Group.

(10) Average dayrates represent average revenue per day, including time charters, revenues generated on a per-barrel-transported basis, demurrage, shipdocking and fuel surcharge revenue, based on the number of days during the period that the tank barges generated revenue.

(11) Excludes original issue discount associated with the Series A notes in the amount of $3,162.

(12) On August 9, 2001, we were notified by our warrantholders that they intend to sell their outstanding warrants. We have exercised a right of first offer to purchase the outstanding warrants for an aggregate purchase price of $14.5 million. To finance the repurchase of the warrants, we intend to offer to each of our existing stockholders an opportunity to purchase its pro rata share of 5,509,434 shares of our common stock at a price of $2.65 per share. We have received a signed subscription agreement from one of our stockholders pursuant to which that stockholder has been issued 273,585 shares of our common stock for a total purchase price of $725,000. We used these proceeds to pay the non-refundable deposit to the warrantholders as a deposit toward the repurchase of the warrants. The stockholder has also agreed to purchase the balance of the offered shares not subscribed for by our other existing stockholders.

Pro forma information does not include approximately $2.95 million of extraordinary loss due to the write-off of unamortized deferred financing costs from early extinguishment of debt through the use of proceeds of the private placement of the Series A notes.

RISK FACTORS

In considering whether to participate in the exchange offer, you should carefully read and consider the risks described below, together with all of the information we have included in this prospectus.

RISKS RELATING TO OUR BUSINESS

DEMAND FOR OUR SERVICES SUBSTANTIALLY DEPENDS ON THE LEVEL OF ACTIVITY IN OFFSHORE OIL AND GAS EXPLORATION, DEVELOPMENT AND PRODUCTION.

The level of offshore oil and gas exploration, development and production activity has historically been volatile and is likely to continue to be so in the future. The level of activity is subject to large fluctuations in response to relatively minor changes in a variety of factors that are beyond our control, including:

- prevailing oil and gas prices and expectations about future prices and price volatility,
- the cost of exploring for, producing and delivering oil and gas offshore,
- worldwide demand for energy and other petroleum products,
- availability and rate of discovery of new oil and gas reserves in offshore areas,
- local and international political and economic conditions and policies,
- technological advances affecting energy production and consumption,
- weather conditions,
- environmental regulation and
- the ability of oil and gas companies to generate or otherwise obtain funds for capital.

We expect levels of oil and gas exploration, development and production activity to continue to be volatile and affect the demand for our offshore supply vessels.

A prolonged material downturn in oil and natural gas prices is likely to cause a substantial decline in expenditures for exploration, development and production activity. Lower levels of expenditure and activity result in a corresponding decline in the demand for offshore supply vessels. Moreover, our offshore supply vessel operations are currently conducted only in the Gulf of Mexico and are therefore dependent on levels of activity in that region, which may from time to time differ from levels of activity in other regions of the world.

Increases in oil and gas prices and higher levels of expenditure by oil and gas companies for exploration, development and production may not result in increased demand for our offshore supply vessels. Demand for deepwater offshore supply vessels is strong at this time, the existing deepwater industry fleet is functioning near maximum operational levels and offshore drilling activity has increased over the last two years, in part based on new recovery methods and deepwater drilling programs, but industry participants have also announced construction of approximately twenty new vessels, including the five vessels we have under construction. An increase in the capacity of the offshore supply vessel industry, whether through new construction, refurbishment or conversion of vessels from other uses, could not only lower charter rates, which would adversely affect our revenues and profitability, but could also worsen the impact of any downturn in oil and gas prices on our results of operations and financial condition.

THE CONSOLIDATION OR LOSS OF COMPANIES THAT CHARTER OUR OFFSHORE SUPPLY VESSELS COULD ADVERSELY AFFECT DEMAND FOR OUR VESSELS AND REDUCE OUR REVENUES.

Oil and gas operators and drilling contractors have undergone substantial consolidation in the last few years and additional consolidation is likely. Consolidation results in fewer companies to charter our vessels. Also, merger activity among both major and independent oil and gas companies affects exploration, development and production activity as the consolidated companies integrate operations to increase efficiency and reduce costs. Less promising exploration and development projects of the combined company may be dropped or delayed. Such activity may result in an exploration and development budget for the combined

company that is lower than the total budget of both companies before consolidation, adversely affecting demand for our vessels and reducing our revenues.

INTENSE COMPETITION IN THE OFFSHORE SUPPLY VESSEL INDUSTRY COULD RESULT IN REDUCED PROFITABILITY AND LOSS OF MARKET SHARE FOR US.

Contracts for our vessels are generally awarded on a competitive basis, and competition is intense. The most important factors determining whether a contract will be awarded include:

- availability and capability of the vessels,
- ability to meet the customer's schedule,
- price,
- safety record,
- reputation and
- experience.

Many of our major competitors are diversified multinational companies. These companies have substantially greater financial resources and substantially larger operating staffs than we do. They may be better able to compete in making vessels available more quickly and efficiently, meeting the customer's schedule and withstanding the effect of declines in market prices. They may also be better able to weather a downturn in the oil and gas industry. As a result, we could lose customers and market share to these competitors.

FUTURE RESULTS OF OPERATIONS DEPEND UPON SUCCESSFUL COMPLETION OF THE VESSELS WE CURRENTLY HAVE UNDER CONSTRUCTION AND UTILIZATION AT PROFITABLE LEVELS OF THESE AND THE OTHER VESSELS IN OUR FLEET.

We currently have five new offshore supply vessels under construction. Our vessel construction projects are subject to the risks of delay and cost overruns inherent in any large construction project, including shortages of equipment, unforeseen engineering problems, work stoppages, weather interference, unanticipated cost increases, inability to obtain necessary certifications and approvals and shortages of materials or skilled labor. Significant delays could have a material adverse effect on anticipated contract commitments with respect to vessels under construction, and significant cost overruns or delays could adversely affect our financial condition and results of operations. Moreover, customer demand for vessels currently under construction may not be as strong as we presently anticipate, and our inability to obtain contracts on anticipated terms or at all may have a material adverse effect on our expected financial results. In addition, our vessels are typically chartered to provide services to a specified drilling rig. A delay in the availability of the drilling rig to our customer may have an adverse impact on our utilization of the contracted vessel and thus on our financial condition and results of operations.

FUTURE GROWTH DEPENDS ON IDENTIFICATION, COMPLETION AND SUCCESSFUL INTEGRATION OF ACQUISITIONS.

We recently completed the acquisition of the Spentonbush/Red Star Group business, including the tug and tank barge fleet, and regularly consider possible acquisitions of single vessels, vessel fleets and businesses that complement our existing operations. Consummation of such acquisitions is typically subject to the negotiation of definitive agreements and various other conditions, some of which may be beyond our control. We can give no assurance that we will be able to identify desirable acquisition candidates or that we will be successful in entering into definitive agreements on terms we regard as favorable or satisfactory. Moreover, even if we do enter into a definitive acquisition agreement, the related acquisition may not thereafter be completed. We may be unable to integrate any particular acquisition into our operations successfully, including the recent acquisition of the Spentonbush/Red Star Group, or realize the anticipated benefits of the acquisition. The process of integrating acquired operations into our own may result in unforeseen operating difficulties, may absorb significant management attention and may require significant financial resources that would otherwise be available for the ongoing development or expansion of our existing operations. Future

acquisitions could result in the incurrence of additional indebtedness and liabilities, which could have a material adverse effect on our financial condition and results of operations.

REVENUES FROM OUR TUG AND TANK BARGE SERVICES COULD BE ADVERSELY AFFECTED BY A DECLINE IN DEMAND FOR DOMESTIC REFINED PETROLEUM PRODUCTS AND CRUDE OIL OR A CHANGE IN EXISTING METHODS OF DELIVERY IN RESPONSE TO CERTAIN CONDITIONS THAT MAY DEVELOP.

A reduction in domestic consumption of refined petroleum products or crude oil may adversely affect the revenues of our tug and tank barge services and therefore our financial condition and results of operation. Weather conditions also affect demand for our tug and tank barge services. For example, a mild winter may reduce demand for heating oil in the northeastern United States. Moreover, alternative methods of delivery of refined petroleum products or crude oil may develop as a result of insufficient availability of tug and tank barge services, the cost of compliance with environmental regulations or increased liabilities connected with the transportation of refined petroleum products and crude oil.

CONSTRUCTION OF ADDITIONAL REFINED PETROLEUM PRODUCT PIPELINES WOULD HAVE A MATERIAL ADVERSE EFFECT ON OUR REVENUES.

Long-haul transportation of refined petroleum products and crude oil is generally less costly by pipeline than by tank barge. Existing pipeline systems are either insufficient to meet demand in or do not reach all of the markets served by our tank barges. While we believe that high capital costs, tariff regulation and environmental considerations discourage any building in the near future of new pipelines or pipeline systems capable of carrying significant amounts of refined petroleum products or crude oil, new pipeline segments may be built or existing pipelines converted to carry such products. Such activity could have an adverse effect on our ability to compete in particular markets.

WE ARE SUBJECT TO COMPLEX LAWS AND REGULATIONS, INCLUDING ENVIRONMENTAL REGULATIONS, THAT CAN ADVERSELY AFFECT THE COST, MANNER OR FEASIBILITY OF DOING BUSINESS.

Increasingly stringent federal, state and local laws and regulations governing worker health and safety and the manning, construction and operation of vessels significantly affect our operations. Many aspects of the marine industry are subject to extensive governmental regulation by the United States Coast Guard, the National Transportation Safety Board and the United States Customs Service and to regulation by private industry organizations such as the American Bureau of Shipping. The Coast Guard and the National Transportation Safety Board set safety standards and are authorized to investigate vessel accidents and recommend improved safety standards. The Customs Service is authorized to inspect vessels at will. Our operations are also subject to federal, state, local and international laws and regulations that control the discharge of pollutants into the environment or otherwise relate to environmental protection. Compliance with such laws, regulations and standards may require installation of costly equipment or operational changes. Failure to comply with applicable laws and regulations may result in administrative and civil penalties, criminal sanctions or the suspension or termination of our operations. Some environmental laws impose strict liability for remediation of spills and releases of oil and hazardous substances, which could subject us to liability without regard to whether we were negligent or at fault. These laws and regulations may expose us to liability for the conduct of or conditions caused by others, including charterers. Moreover, these laws and regulations could change in ways that substantially increase our costs. We cannot be certain that existing laws, regulations or standards, as currently interpreted or reinterpreted in the future, or future laws, regulations and standards will not harm our business, results of operations and financial condition. For more information, see "Business -- Environmental and Other Governmental Regulation."

We are also subject to the Merchant Marine Act, 1936, which provides that, upon proclamation by the President of a national emergency or a threat to the security of the national defense, the Secretary of Transportation may requisition or purchase any vessel or other watercraft owned by United States citizens (which includes United States corporations), including vessels under construction in the United States. If one of our offshore supply vessels, tugs or tank barges were purchased or requisitioned by the federal government under this law, we would be entitled to be paid the fair market value of the vessel in the case of a purchase or,

in the case of a requisition, the fair market value of charter hire. However, if one of our tugs is requisitioned or purchased and its associated tank barge is left idle, we would not be entitled to receive any compensation for the lost revenues resulting from the idled barge. We would also not be entitled to be compensated for any consequential damages we suffer as a result of the requisition or purchase of any of our offshore supply vessels, tugs or tank barges. We cannot be certain that the purchase or the requisition for an extended period of time of one or more of our offshore supply vessels, tugs or tank barges would not harm our business, results of operations and financial condition.

Finally, we are subject to the Merchant Marine Act of 1920, commonly referred to as the Jones Act. The Jones Act requires that vessels used to carry cargo between U.S. ports be owned and operated by U.S. citizens. To ensure that we are determined to be a U.S. citizen as defined under these laws, our certificate of incorporation contains certain restrictions on the ownership of our capital stock by foreigners and establishes certain mechanisms to maintain compliance with these laws. If we are determined at any time not to be in compliance with these citizenship requirements, our vessels would become ineligible to engage in the coastwise trade in U.S. domestic waters, and our business and operating results would be adversely affected.

OUR BUSINESS INVOLVES MANY OPERATING RISKS THAT MAY DISRUPT OUR BUSINESS OR OTHERWISE RESULT IN SUBSTANTIAL LOSSES, AND INSURANCE MAY BE UNAVAILABLE OR INADEQUATE TO PROTECT US AGAINST THESE RISKS.

Tugs, tank barges and offshore supply vessels are subject to operating risks such as catastrophic marine disaster, adverse weather and sea conditions, mechanical failure, collisions, oil and hazardous substance spills, navigation errors and acts of God, war and terrorism. The occurrence of any of these events may result in damage to or loss of our vessels and their tow or cargo or other property and injury to passengers and personnel. If any of these events were to occur, we could be exposed to liability for resulting damages. Affected vessels may also be removed from service and thus be unavailable for income-generating activity. We maintain insurance coverage at levels and against risks we believe are customary in the industry, but we may be unable to renew such coverage in the future at commercially reasonable rates. Moreover, existing or future coverage may not be adequate to cover claims that may arise.

THE LOSS OF OUR CONTRACT OF AFFREIGHTMENT WITH AMERADA HESS CORPORATION OR THE EARLY TERMINATION OF ANY CONTRACTS ON OUR OFFSHORE SUPPLY VESSELS COULD HAVE AN ADVERSE EFFECT ON OUR OPERATIONS.

The revenues we derive from our long-term contract of affreightment with Amerada Hess constitute a significant portion of our total revenues. Under the terms of the contract of affreightment, we are required to meet certain performance criteria and, if we fail to meet such criteria, Amerada Hess would be entitled to terminate the contract. We can provide no assurance that we will be able to fulfill our performance obligations under the contract of affreightment, and a decision by Amerada Hess to terminate the contract of affreightment could adversely affect our financial condition and results of operations. Our contract of affreightment provides for minimum annual cargo volume to be transported and allows Amerada Hess to reduce its minimum commitment, subject to a significant adjustment penalty. Certain of the contracts for our offshore supply vessels contain early termination options in favor of the customer, some with substantial early termination penalties designed to discourage the customers from exercising such options. We cannot assure that our customers would not choose to exercise their termination rights in spite of such penalties. Any such early termination could adversely affect our financial condition and results of operations.

FUTURE RESULTS OF OPERATIONS DEPEND ON THE LONG-TERM FINANCIAL STABILITY OF OUR CUSTOMERS.

Many of our offshore supply vessels are subject to long-term full utilization contracts. We enter into such long-term contracts with our customers based on a credit assessment at the time of execution. Our financial condition in any period may therefore depend on the long-term stability and creditworthiness of our customers. We can provide no assurance that our customers will fulfill their obligations under our long-term contracts and the insolvency or other failure of a customer to fulfill its obligations under a long-term contract could adversely affect our financial condition and results of operations.

WE HAVE HIGH LEVELS OF FIXED COSTS THAT WILL BE INCURRED REGARDLESS OF OUR LEVEL OF BUSINESS ACTIVITY.

Our business has high fixed costs, and downtime or low productivity due to reduced demand, weather interruptions or other causes can have a significant negative effect on our operating results.

WE DEPEND ON ATTRACTING AND RETAINING QUALIFIED, SKILLED EMPLOYEES TO OPERATE OUR BUSINESS AND PROTECT OUR BUSINESS KNOW-HOW.

Our results of operations depend in part upon our business know-how. We believe that protection of our know-how depends in large part on our ability to attract and retain highly skilled and qualified personnel. Any inability we experience in the future to hire, train and retain a sufficient number of qualified employees could impair our ability to manage and maintain our business and to protect our know-how.

We require skilled employees who can perform physically demanding work. As a result of the volatility of the oil and gas industry and the demanding nature of the work, potential employees may choose to pursue employment in fields that offer a more desirable work environment at wage rates that are competitive with ours. With a reduced pool of workers, it is possible that we will have to raise wage rates to attract workers from other fields and to retain our current employees. If we are not able to increase our service rates to our customers to compensate for wage-rate increases, our operating results may be adversely affected.

OUR EMPLOYEES ARE COVERED BY FEDERAL LAWS THAT MAY SUBJECT US TO JOB-RELATED CLAIMS IN ADDITION TO THOSE PROVIDED BY STATE LAWS.

Some of our employees are covered by provisions of the Jones Act, the Death on the High Seas Act and general maritime law. These laws typically operate to make liability limits established by state workers' compensation laws inapplicable to these employees and to permit these employees and their representatives to pursue actions against employers for job-related injuries in federal courts. Because we are not generally protected by the limits imposed by state workers' compensation statutes, we may have greater exposure for any claims made by these employees.

OUR SUCCESS DEPENDS ON KEY MEMBERS OF OUR MANAGEMENT, THE LOSS OF WHOM COULD DISRUPT OUR BUSINESS OPERATIONS.

We depend to a large extent on the business know-how, efforts and continued employment of our executive officers and key management personnel. The loss of services of one or more of our executive officers or key management personnel could have a negative impact on our operations.

RISKS RELATING TO THE EXCHANGE OFFER AND THE SERIES B NOTES

IF YOU DO NOT PROPERLY TENDER YOUR SERIES A NOTES, YOU WILL CONTINUE TO HOLD UNREGISTERED SECURITIES SUBJECT TO SIGNIFICANT RESTRICTIONS ON TRANSFER.

We will only issue Series B notes in exchange for Series A notes that you timely and properly tender. Therefore, you should allow sufficient time to ensure timely delivery of the Series A notes and you should carefully follow the instructions on how to tender your Series A notes. Neither we nor the exchange agent is required to tell you of any defects or irregularities with respect to your tender of Series A notes.

If you do not exchange your Series A notes for Series B notes pursuant to the exchange offer, the Series A notes you hold will continue to be subject to the existing transfer restrictions. In general, you may not offer or sell the Series A notes except under an exemption from, or in a transaction not subject to, the Securities Act of 1933 and applicable state securities laws. We do not plan to register Series A notes under the Securities Act of 1933 unless our registration rights agreement with the initial purchasers of the Series A notes requires us to do so. Further, if you continue to hold any Series A notes after the exchange offer is consummated, you may have difficulty selling them because there will be fewer Series A notes outstanding.

IF AN ACTIVE TRADING MARKET DOES NOT DEVELOP FOR THE SERIES B NOTES, YOU MAY BE UNABLE TO SELL THE SERIES B NOTES OR TO SELL THE SERIES B NOTES AT A PRICE SATISFACTORY TO YOU.

The Series B notes will be new securities for which there currently is no established trading market. Although we are registering the Series B notes under the Securities Act of 1933, we do not intend to apply for listing of the Series B notes on any securities exchange or for quotation of the Series B notes in any automated dealer quotation system. In addition, although the initial purchasers of the Series A notes have informed us that they intend to make a market in the Series B notes after the exchange offer, the initial purchasers may stop making a market at any time. Finally, if a large number of holders of Series A notes do not tender Series A notes or tender Series A notes improperly, the limited amount of Series B notes that would be issued and outstanding after we consummate the exchange offer could adversely affect the development of a market for these Series B notes.

YOUR RIGHT TO RECEIVE PAYMENTS ON THE SERIES B NOTES WILL BE EFFECTIVELY JUNIOR TO OUR FUTURE INDEBTEDNESS TO THE EXTENT OF THE VALUE OF ANY ASSETS COLLATERALIZING SUCH INDEBTEDNESS.

The Series B notes will effectively rank behind any secured indebtedness we may incur, to the extent of the fair value of the assets which collateralize such indebtedness, including our proposed new senior secured revolving credit facility described under the heading "Description of Certain Indebtedness" in this prospectus. Upon any distribution to our creditors or the creditors of our subsidiaries in a bankruptcy, liquidation or reorganization or similar proceeding relating to us, our subsidiaries or our respective property, the holders of our secured debt will be entitled to be paid in cash, to the extent of the fair value of the assets collateralizing such debt, before any payment may be made with respect to the notes.

If we, our subsidiaries or our respective properties undergo a bankruptcy, liquidation or reorganization or similar proceeding, holders of the notes will participate with our trade creditors and all other holders of our senior unsecured indebtedness in the assets remaining. In any of these events, we may not have sufficient funds to pay all of our creditors, and holders of the notes may receive less, ratably, than the holders of secured debt.

WE AND OUR SUBSIDIARIES ARE NOT FULLY PROHIBITED FROM INCURRING SUBSTANTIALLY MORE DEBT, AND SUCH DEBT WILL BE EFFECTIVELY SENIOR TO THE SERIES B NOTES TO THE EXTENT IT IS COLLATERALIZED BY OUR ASSETS.

The terms of the indenture governing the Series B notes do not fully prohibit us or our subsidiaries from incurring substantial additional secured or unsecured indebtedness in the future. We used a substantial portion of the proceeds we received from the private placement of the Series A notes to repay all our outstanding indebtedness under then existing credit facilities. We have received and are evaluating a commitment letter for a senior secured revolving credit facility that initially will provide for available borrowings of up to $25 million. All or substantially all of our future borrowings under this facility will be effectively senior to the Series B notes to the extent of the fair value of the assets collateralizing any such borrowings. If we add new debt to our and our subsidiaries' current debt levels, the related risks that we and they now face could intensify.

WE ARE A HOLDING COMPANY AND WILL RELY ON OUR SUBSIDIARIES FOR FUNDS NECESSARY TO MEET OUR FINANCIAL OBLIGATIONS, INCLUDING THE SERIES B NOTES.

We conduct all of our activities through our subsidiaries. We will depend on those subsidiaries for dividends and other payments to generate the funds necessary to meet our financial obligations, including the payment of principal and interest on the notes. We cannot assure you that the earnings from, or other available assets of, these operating subsidiaries will be sufficient to enable us to pay principal or interest on the Series B notes when due.

ALTHOUGH THE OCCURRENCE OF SPECIFIC CHANGE OF CONTROL EVENTS AFFECTING US WILL PERMIT YOU TO REQUIRE US TO REPURCHASE YOUR SERIES B NOTES, WE MAY NOT BE ABLE TO REPURCHASE YOUR SERIES B NOTES.

Upon the occurrence of specific change of control events affecting us, you will have the right to require us to repurchase your Series B notes at 101% of their principal amount, plus accrued and unpaid interest and

liquidated damages, if any. Our ability to repurchase your Series B notes upon such a change of control event would be limited by our access to funds at the time of the repurchase and the terms of our debt agreements. Upon a change of control event, we may be required immediately to repay the outstanding principal, any accrued interest on and any other amounts owed by us under any credit facilities we may have at the time of such event. The source of funds for these repayments would be our available cash or cash generated from other sources. We cannot assure you that we will have sufficient funds available upon a change of control to make any required repurchases of tendered Series B notes.

A COURT MAY AVOID OR SUBORDINATE A GUARANTEE OF THE SERIES B NOTES BY OUR SUBSIDIARIES TO THE EXTENT THE GUARANTEE IS DETERMINED TO BE A FRAUDULENT CONVEYANCE.

Our obligations under the Series B notes will be guaranteed on a general unsecured basis by our subsidiaries. Various fraudulent conveyance laws have been enacted for the protection of creditors and may be used by a court to subordinate or avoid any guarantee issued by one or all of our subsidiaries. It is also possible that under certain circumstances a court could hold that the direct obligations of a subsidiary would be superior to the obligations under its guarantee of the Series B notes. Generally, if a court determines that

- any of our subsidiaries guaranteed our obligations with the intent of hindering, delaying or otherwise defrauding a creditor or did not receive fair consideration or a reasonably equivalent value for issuing the guarantee and

- the subsidiary was insolvent or engaged or about to engage in activity that could render it insolvent

The court may avoid or subordinate the guarantee in favor of the subsidiary's other obligations. A subsidiary may be considered insolvent if the sum of its debts is greater than its assets, at a fair valuation, or the present fair salable value of its assets is less than the amount required to pay the probable liability on its aggregate existing debts and liabilities as they become absolute and matured. We can give no assurance regarding the standards a court would use to determine whether a subsidiary was solvent at the relevant time or whether a guarantee would be otherwise avoided or subordinated. If a subsidiary guarantee is avoided as a fraudulent conveyance or held unenforceable for any other reason, a holder of notes would not have any claim against the subsidiary, but would be a creditor solely of the company.

YOU WILL BE REQUIRED TO INCLUDE ORIGINAL ISSUE DISCOUNT IN ORDINARY INCOME FOR FEDERAL INCOME TAX PURPOSES.

The Series A notes were issued subject to original issue discount and the Series B notes will continue to be subject to original issue discount. You will be required to include original issue discount in ordinary income for federal income tax purposes as it accrues before you receive cash payments representing such income, regardless of your method of accounting. If a bankruptcy case is commenced by or against us after the issuance of the Series B notes, the claim of a holder of the Series B notes may be limited to an amount equal to the sum of:

- the initial offering price allocable to the Series B notes; plus

- stated interest and original issue discount that has accrued on the Series B notes as of the date of any bankruptcy filing; less

- any payments made on the Series B notes before the bankruptcy filing.

EXCHANGE OFFER

PURPOSE AND EFFECT OF THE EXCHANGE OFFER

In connection with the issuance of the Series A notes, we entered into a registration rights agreement. Under the registration rights agreement, we agreed to:

- file within 60 days after the original issuance of the Series A notes a registration statement with the Securities and Exchange Commission with respect to a registered offer to exchange each Series A note for a Series B note having terms substantially identical to the Series A notes except that the Series B notes will not be subject to transfer restrictions;

- use our best efforts to cause the registration statement to be declared effective under the Securities Act of 1933 within 150 days after the original issuance of the Series A notes;

- offer the Series B notes in exchange for surrender of the Series A notes, promptly following the effectiveness of the registration statement; and

- keep the exchange offer open for not less than 20 business days (or longer if required by applicable law) after the date notice of the exchange offer is mailed to the holders of the Series A notes.

We have fulfilled the agreements described in the first two of the preceding bullet points and are offering eligible holders of the Series A notes the opportunity to exchange their Series A notes for Series B notes registered under the Securities Act of 1933. Holders are eligible if they are not prohibited by any law or policy of the Securities and Exchange Commission from participating in this exchange offer. The Series B notes will be substantially identical to the Series A notes, except that the Series B notes will not contain terms with respect to transfer restrictions, registration rights or liquidated damages.

We have agreed in certain circumstances to use our best efforts to cause the Securities and Exchange Commission to declare effective a shelf registration statement for the resale of outstanding notes. We also agreed to use our best efforts to keep the shelf registration statement effective for up to two years after its effective date. We are required to do so if:

- applicable interpretations of the staff of the Commission do not permit us to effect the exchange offer or

- certain holders are prohibited by law or Commission policy from participating in the exchange offer or may not resell the Series B notes acquired by them in the exchange offer to the public without delivering a prospectus and this prospectus is not available for such resales.

We have also agreed, with certain exceptions, to pay liquidated damages to holders of Series A notes upon the occurrence of any of the following events:

- if the exchange offer is not consummated on or before the 180th day after the original issuance of the Series A notes;

- if we fail to file a shelf registration statement with the Commission on or prior to the 60th day after the date on which the obligation to file a shelf registration statement arises;

- if a required shelf registration statement is not declared effective on or before the 150th day after we have filed the shelf registration statement; or

- if this registration statement or the shelf registration statement after it is declared effective, subsequently ceases to be effective or usable, with certain exceptions.

Each of the events described above is a "registration default" and we must pay liquidated damages from the occurrence of a registration default until all then existing registration defaults have been cured.

Liquidated damages are assessed at $.10 per week per $1,000 principal amount of Series A notes for the first 90-day period immediately following the occurrence of a registration default and increase by an additional $.10 per week per $1,000 principal amount of Series A notes with respect to each subsequent 90-day period

until all registration defaults have been cured, up to a maximum amount of liquidated damages of $.40 per week per $1,000 principal amount of Series A notes. We are required to pay such liquidated damages on regular interest payment dates. Such liquidated damages are in addition to any other interest payable from time to time with respect to the Series A notes and the Series B notes.

Upon the effectiveness of this registration statement, the consummation of the exchange offer, the effectiveness of a shelf registration statement or the effectiveness of a succeeding registration statement, as the case may be, the accrual of liquidated damages will cease.

To exchange your Series A notes for transferable Series B notes in the exchange offer, you will be required to make the following representations:

- you will acquire any Series B notes in the ordinary course of your business;

- you have no arrangement or understanding with any person or entity to participate in the distribution of the Series B notes;

- you are not engaged in and do not intend to engage in the distribution of the Series B notes;

- if you are a broker-dealer that will receive Series B notes for your own account in exchange for Series A notes, you acquired those notes as a result of market-making activities or other trading activities and you will deliver a prospectus, as required by law, in connection with any resale of such Series B notes; and

- you are not our "affiliate," as defined in Rule 405 of the Securities Act of 1933.

In addition, if your outstanding notes will be included in a shelf registration statement, we may require you to provide information to be used in connection with the shelf registration statement to benefit from the provisions regarding liquidated damages described in the preceding paragraphs. A holder who sells Series A notes under the shelf registration statement generally will be required to be named as a selling security holder in the related prospectus and to deliver a prospectus to purchasers. Such a holder will also be subject to the civil liability provisions under the Securities Act of 1933 in connection with such sales and will be bound by the provisions of the registration rights agreement that are applicable to such a holder, including indemnification obligations.

The description of the registration rights agreement contained in this section is a summary only. For more information, you should review the provisions of the registration rights agreement that we filed with the Securities and Exchange Commission as an exhibit to the registration statement of which this prospectus is a part.

RESALE OF SERIES B NOTES

Based on no-action letters issued by the staff of the Securities and Exchange Commission to third parties, we believe that Series B notes may be offered for resale, resold and otherwise transferred by you without further compliance with the registration and prospectus delivery provisions of the Securities Act if:

- you are not our "affiliate" within the meaning of Rule 405 under the Securities Act;

- you acquire such Series B notes in the ordinary course of your business; and

- you do not intend to participate in a distribution of the Series B notes.

Because, however, we have not obtained a no-action letter in connection with the exchange offer for the Series B notes, we cannot assure you that the Commission would make a similar determination with respect to this exchange offer.

If you tender your Series A notes in the exchange offer with the intention of participating in any manner in a distribution of the Series B notes, you

- cannot rely on such interpretations by the Commission staff; and

- must comply with the registration and prospectus delivery requirements of the Securities Act of 1933 in connection with a secondary resale transaction.

Unless an exemption from registration is otherwise available, any distribution of Series B notes should be covered by an effective registration statement under the Securities Act. This registration statement should contain the selling security holder's information required by Item 507 of Regulation S-K under the Securities Act. This prospectus may be used for an offer to resell, resale or other retransfer of Series B notes only as specifically described in this prospectus. Only broker-dealers that acquired the Series A notes as a result of market-making activities or other trading activities may participate in the exchange offer. Each broker-dealer that receives Series B notes for its own account in exchange for Series A notes, where such Series A notes were acquired by such broker-dealer as a result of market-making activities or other trading activities, must acknowledge in the letter of transmittal that it will deliver a prospectus in connection with any resale of the Series B notes. Please read the section captioned "Plan of Distribution" for more details regarding the transfer of Series B notes.

TERMS OF THE EXCHANGE OFFER

Subject to the terms and conditions described in this prospectus and in the letter of transmittal, we will accept for exchange any Series A notes properly tendered and not withdrawn before 5:00 p.m. New York City time on the expiration date. We will issue Series B notes in principal amount equal to the principal amount of Series A notes surrendered under the exchange offer. Series A notes may be tendered only for Series B notes and only in integral multiples of $1,000. The exchange offer is not otherwise conditioned upon any minimum aggregate principal amount of Series A notes being tendered for exchange.

As of the date of this prospectus, $175,000,000 in aggregate principal amount of the Series A notes are outstanding. This prospectus and the letter of transmittal are being sent to all registered holders of Series A notes. There will be no fixed record date for determining registered holders of Series A notes entitled to participate in the exchange offer.

We intend to conduct the exchange offer in accordance with the provisions of the registration rights agreement, the applicable requirements of the Securities Act of 1933 and the Securities Exchange Act of 1934 and the rules and regulations of the Securities and Exchange Commission. Series A notes that you do not tender for exchange in the exchange offer will remain outstanding and continue to accrue interest. These Series A notes will be entitled to the rights and benefits such holders have under the indenture relating to the notes and certain provisions of the registration rights agreement.

We will be deemed to have accepted for exchange properly tendered Series A notes when we have given oral or written notice of the acceptance to the exchange agent and complied with the applicable provisions of the registration rights agreement. The exchange agent will act as agent for the tendering holders for the purposes of receiving the Series B notes from us.

If you tender Series A notes in the exchange offer, you will not be required to pay brokerage commissions or fees or, subject to the letter of transmittal, transfer taxes with respect to the exchange of Series A notes. We will pay all charges and expenses, other than certain applicable taxes described below, in connection with the exchange offer. It is important that you read the section labeled "-- Fees and Expenses" for more details regarding fees and expenses incurred in the exchange offer.

We will return any Series A notes that we do not accept for exchange for any reason without expense to the tendering holder as promptly as practicable after the expiration or termination of the exchange offer.

EXPIRATION DATE

The exchange offer will expire at 5:00 p.m. New York City time on , 2001, unless, in our sole discretion, we extend it.

EXTENSIONS, DELAYS IN ACCEPTANCE, TERMINATION OR AMENDMENT

We expressly reserve the right, at any time or various times, to extend the period of time during which the exchange offer is open. We may delay acceptance of any Series A notes by giving oral or written notice of such extension to their holders. During any such extensions, all Series A notes previously tendered will remain subject to the exchange offer, and we may accept them for exchange.

If we extend the exchange offer, we will notify the exchange agent orally or in writing of any extension. We will notify the registered holders of Series A notes of the extension no later than 9:00 a.m., New York City time, on the business day after the previously scheduled expiration date.

If any of the conditions described below under "-- Conditions to the Exchange Offer" have not been satisfied, we reserve the right

- to delay accepting for exchange any Series A notes,

- to extend the exchange offer or

- to terminate the exchange offer

by giving oral or written notice of such delay, extension or termination to the exchange agent. Subject to the terms of the registration rights agreement, we also reserve the right to amend the terms of the exchange offer in any manner.

Any such delay in acceptance, extension, termination or amendment will be followed as promptly as practicable by oral or written notice to the registered holders of Series A notes. If we amend the exchange offer in a manner that we determine material, we will promptly disclose such amendment by means of a prospectus supplement. The supplement will be distributed to the registered holders of the Series A notes. Depending upon the significance of the amendment and the manner of disclosure to the registered holders, we will extend the exchange offer if the exchange offer would otherwise expire during such period.

CONDITIONS TO THE EXCHANGE OFFER

We will not be required to accept for exchange or to exchange any Series B notes for any Series A notes if the exchange offer, or participation in the exchange offer by a holder of Series A notes, would violate applicable law or any applicable interpretations of the staff of the Securities and Exchange Commission. In addition, we may terminate the exchange offer as provided in this prospectus before accepting Series A notes for exchange in the event of such a potential violation.

We will not be obligated to accept for exchange the Series A notes of any holder that has not made to us the representations described under "-- Purpose and Effect of the Exchange Offer," "-- Procedures for Tendering" and "Plan of Distribution" and such other representations as may be reasonably necessary under applicable Commission rules, regulations or interpretations to allow us to use an appropriate form to register the Series B notes under the Securities Act of 1933.

We expressly reserve the right to amend or terminate the exchange offer, and to reject for exchange any Series A notes not previously accepted for exchange, upon the occurrence of any of the conditions to the exchange offer specified above. We will give oral or written notice of any extension, amendment, non-acceptance or termination to the holders of the Series A notes as promptly as practicable.

These conditions are for our sole benefit, and we may assert them or waive them in whole or in part at any time or at various times in our sole discretion. If we fail at any time to exercise any of these rights, this failure will not mean that we have waived our rights. Each such right will be deemed an ongoing right that we may assert at any time or at various times.

In addition, we will not accept for exchange any Series A notes tendered, and will not issue Series B notes in exchange for any such Series A notes, if at such time any stop order has been threatened or is in effect with respect to the registration statement of which this prospectus constitutes a part or the qualification of the indenture relating to the notes under the Trust Indenture Act of 1939.

PROCEDURES FOR TENDERING

HOW TO TENDER GENERALLY

Only a holder of Series A notes may tender such Series A notes in the exchange offer. To tender in the exchange offer, a holder must:

- complete, sign and date the letter of transmittal, or a facsimile of the letter of transmittal;
- have the signature on the letter of transmittal guaranteed if the letter of transmittal so requires; and
- mail or deliver such letter of transmittal or facsimile to the exchange agent before 5:00 p.m. New York City time on the expiration date; or
- comply with the automated tender offer program procedures of The Depository Trust Company, or DTC, described below.

In addition, either:

- the exchange agent must receive Series A notes along with the letter of transmittal;
- the exchange agent must receive, before 5:00 p.m. New York City time on the expiration date, a timely confirmation of book-entry transfer of such Series A notes into the exchange agent's account at DTC according to the procedure for book-entry transfer described below or a properly transmitted agent's message; or
- the holder must comply with the guaranteed delivery procedures described below.

To be tendered effectively, the exchange agent must receive any physical delivery of the letter of transmittal and other required documents at its address indicated on the cover page of the letter of transmittal. The exchange agent must receive such documents before 5:00 p.m. New York City time on the expiration date.

The tender by a holder that is not withdrawn before 5:00 p.m. New York City time on the expiration date will constitute an agreement between the holder and us in accordance with the terms and subject to the conditions described in this prospectus and in the letter of transmittal.

THE METHOD OF DELIVERY OF OUTSTANDING NOTES, THE LETTER OF TRANSMITTAL AND ALL OTHER REQUIRED DOCUMENTS TO THE EXCHANGE AGENT IS AT YOUR ELECTION AND RISK. RATHER THAN MAIL THESE ITEMS, WE RECOMMEND THAT YOU USE AN OVERNIGHT OR HAND DELIVERY SERVICE. IN ALL CASES, YOU SHOULD ALLOW SUFFICIENT TIME TO ASSURE DELIVERY TO THE EXCHANGE AGENT BEFORE 5:00 P.M. NEW YORK CITY TIME ON THE EXPIRATION DATE. YOU SHOULD NOT SEND THE LETTER OF TRANSMITTAL OR SERIES A NOTES TO US. YOU MAY REQUEST YOUR BROKERS, DEALERS, COMMERCIAL BANKS, TRUST COMPANIES OR OTHER NOMINEES TO EFFECT THE ABOVE TRANSACTIONS FOR YOU.

HOW TO TENDER IF YOU ARE A BENEFICIAL OWNER

If you beneficially own Series A notes that are registered in the name of a broker, dealer, commercial bank, trust company or other nominee and you wish to tender those notes, you should contact the registered holder promptly and instruct it to tender on your behalf. If you are a beneficial owner and wish to tender on your own behalf, you must, before completing and executing the letter of transmittal and delivering your outstanding notes, either:

- make appropriate arrangements to register ownership of the Series A notes in your name; or
- obtain a properly completed bond power from the registered holder of Series A notes.

The transfer of registered ownership, if permitted under the indenture, may take considerable time and may not be completed before the expiration date.

SIGNATURES AND SIGNATURE GUARANTEES

You must have signatures on a letter of transmittal or a notice of withdrawal (as described below) guaranteed by a member firm of a registered national securities exchange or of the National Association of Securities Dealers, Inc., a commercial bank or trust company having an office or correspondent in the United States, or an "eligible guarantor institution" within the meaning of Rule 17Ad-15 under the Securities Exchange Act of 1934. In addition, such entity must be a member of one of the recognized signature guarantee programs identified in the letter of transmittal. Signature guarantees are not required, however, if the Series A notes are tendered:

- by a registered holder who has not completed the box entitled "Special Issuance Instructions" or "Special Delivery Instructions" on the letter of transmittal;

- for the account of a member firm of a registered national securities exchange or of the National Association of Securities Dealers, Inc., a commercial bank or trust company having an office or correspondence in the United States or an eligible guarantor institution.

WHEN YOU NEED ENDORSEMENTS OR BOND POWERS

If the letter of transmittal is signed by a person other than the registered holder of a Series A note, the Series A note must be endorsed or accompanied by a properly completed bond power. The bond power must be signed by the registered holder as the registered holder's name appears on the Series A notes. A member firm of a registered national securities exchange or of the National Association of Securities Dealers, Inc., a commercial bank or trust company having an office or correspondent in the United States or an eligible guarantor institution must guarantee the signature on the bond power.

If the letter of transmittal or any Series A notes or bond powers are signed by trustees, executors, administrators, guardians, attorneys-in-fact, officers of corporations or others acting in a fiduciary or representative capacity, those persons should so indicate when signing. Unless waived by us, they should also submit evidence satisfactory to us of their authority to deliver the letter of transmittal.

TENDERING THROUGH DTC'S AUTOMATED TENDER OFFER PROGRAM

The exchange agent and DTC have confirmed that any financial institution that is a participant in DTC's system may use DTC's automated tender offer program to tender. Participants in the program may, instead of physically completing and signing the letter of transmittal and delivering it to the exchange agent, transmit their acceptance of the exchange offer electronically. They may do so by causing DTC to transfer the Series A notes to the exchange agent in accordance with its procedures for transfer. DTC will then send an agent's message to the exchange agent.

An "agent's message" is a message transmitted by DTC, received by the exchange agent and forming part of the book-entry confirmation, to the effect that:

- DTC has received an express acknowledgment from a participant in its automated tender offer program tendering Series A notes that are the subject of such book-entry confirmation;

- such participant has received and agrees to be bound by the terms of the letter of transmittal or, in the case of an agent's message relating to guaranteed delivery, that such participant has received and agrees to be bound by the applicable notice of guaranteed delivery; and

- the agreement may be enforced against such participant.

WHEN WE WILL ISSUE SERIES B NOTES

In all cases, we will issue Series B notes in exchange for Series A notes that we have accepted for exchange under the exchange offer only after the exchange agent timely receives:

- Series A notes or a timely book-entry confirmation of such Series A notes into the exchange agent's account at DTC; and

- a properly completed and duly executed letter of transmittal and all other required documents or a properly transmitted agent's message.

RETURN OF SERIES A NOTES NOT ACCEPTED OR EXCHANGED

If we do not accept any tendered Series A notes for exchange or if Series A notes are submitted for a greater principal amount than the holder desires to exchange, the unaccepted or non-exchanged Series A notes will be returned without expense to their tendering holder. In the case of Series A notes tendered by book-entry transfer in the exchange agent's account at DTC according to the procedures described above, such non-exchanged Series A notes will be credited to an account maintained with DTC. These actions will occur as promptly as practicable after the expiration or termination of the exchange offer.

YOUR REPRESENTATIONS TO US

By signing or agreeing to be bound by the letter of transmittal, you will represent to us that, among other things:

- you will acquire any Series B notes that you receive in the ordinary course of your business;

- you have no arrangement or understanding with any person or entity to participate in the distribution of the Series B notes;

- you are not engaged in and do not intend to engage in the distribution of the Series B notes;

- if you are a broker-dealer that will receive Series B notes for your own account in exchange for Series A notes, you acquired those Series A notes as a result of market-making activities or other trading activities and you will deliver a prospectus, as required by law, in connection with any resale of such Series B notes; and

- you are not our "affiliate," as defined in Rule 405 of the Securities Act.

BOOK-ENTRY TRANSFER

The exchange agent will establish an account with respect to the Series A notes at DTC for purposes of the exchange offer promptly after the date of this prospectus. Any financial institution participating in DTC's system may make book-entry delivery of Series A notes by causing DTC to transfer such Series A notes into the exchange agent's account at DTC in accordance with DTC's procedures for transfer. Holders of Series A notes who are unable to deliver confirmation of the book-entry tender of their Series A notes into the exchange agent's account at DTC or all other documents required by the letter of transmittal to the exchange agent on or before 5:00 p.m. New York City time on the expiration date must tender their Series A notes according to the guaranteed delivery procedures described below.

GUARANTEED DELIVERY PROCEDURES

If you wish to tender your Series A notes but your Series A notes are not immediately available or you cannot deliver your Series A notes, the letter of transmittal or any other required documents to the exchange

agent or comply with the applicable procedures under DTC's automated tender offer program before the expiration date, you may tender if:

- the tender is made through a member firm of a registered national securities exchange or of the National Association of Securities Dealers, Inc., a commercial bank or trust company having an office or correspondent in the United States or an eligible guarantor institution,

- before the expiration date, the exchange agent receives from such member firm of a registered national securities exchange or of the National Association of Securities Dealers, Inc., commercial bank or trust company having an office or correspondent in the United States or eligible guarantor institution either a properly completed and duly executed notice of guaranteed delivery by facsimile transmission, mail or hand delivery or a properly transmitted agent's message and notice of guaranteed delivery:

  - setting forth your name and address, the registered number(s) of your Series A notes and the principal amount of outstanding notes tendered,

  - stating that the tender is being made thereby, and

  - guaranteeing that, within three (3) New York Stock Exchange ("NYSE") trading days after the expiration date, the letter of transmittal or facsimile thereof, together with the Series A notes or a book-entry confirmation, and any other documents required by the letter of transmittal will be deposited by the eligible guarantor institution with the exchange agent, and

- the exchange agent receives such properly completed and executed letter of transmittal or facsimile thereof, as well as all tendered Series A notes in proper form for transfer or a book-entry confirmation, and all other documents required by the letter of transmittal, within three (3) NYSE trading days after the expiration date.

Upon request to the exchange agent, a notice of guaranteed delivery will be sent to you if you wish to tender your Series A notes according to the guaranteed delivery procedures described above.

WITHDRAWAL OF TENDERS

Except as otherwise provided in this prospectus, you may withdraw your tender at any time before 5:00 p.m. New York City time on the expiration date.

For a withdrawal to be effective:

- the exchange agent must receive a written notice of withdrawal at the address indicated on the cover page of the letter of transmittal or

- you must comply with the appropriate procedures of DTC's automated tender offer program system.

Any notice of withdrawal must:

- specify the name of the person who tendered the outstanding notes to be withdrawn, and

- identify the outstanding notes to be withdrawn, including the principal amount of such Series A notes.

If Series A notes have been tendered under the procedure for book-entry transfer described above, any notice of withdrawal must specify the name and number of the account at DTC to be credited with withdrawn Series A notes and otherwise comply with the procedures of DTC.

We will determine all questions as to the validity, form, eligibility and time of receipt of notice of withdrawal. Our determination shall be final and binding on all parties. We will deem any Series A notes so withdrawn not to have been validly tendered for exchange for purposes of the exchange offer.

Any Series A notes that have been tendered for exchange but that are not exchanged for any reason will be returned to their holder without cost to the holder. Series A notes tendered by book-entry transfer into the exchange agent's account at DTC according to the procedures described above will be credited to an account maintained with DTC for the outstanding notes. This return or crediting will take place as soon as practicable

after withdrawal, rejection of tender or termination of the exchange offer. You may retender properly withdrawn Series A notes by following one of the procedures described under "-- Procedures for Tendering" above at any time on or before the expiration date.

FEES AND EXPENSES

We will bear the expenses of soliciting tenders. The principal solicitation is being made by mail. We may make additional solicitation by telegraph, telephone or in person by our officers and regular employees and those of our affiliates.

We have not retained any dealer-manager in connection with the exchange offer and will not make any payments to broker-dealers or others soliciting acceptances of the exchange offer. We will, however, pay the exchange agent reasonable and customary fees for its services and reimburse it for its related reasonable out-of-pocket expenses.

We will pay the cash expenses to be incurred in connection with the exchange offer. They include:

- registration fees;

- fees and expenses of the exchange agent and trustee;

- accounting and legal fees and printing costs; and

- related fees and expenses.

TRANSFER TAXES

We will pay all transfer taxes, if any, applicable to the exchange of Series B notes for Series A notes under the exchange offer. The tendering holder, however, will be required to pay any transfer taxes, whether imposed on the registered holder or any other person, if:

- certificates representing Series A notes for principal amounts not tendered or accepted for exchange are to be delivered to, or are to be issued in the name of, any person other than the registered holder of Series A notes tendered;

- Series B notes issued for tendered Series A notes are registered in the name of any person other than the person signing the letter of transmittal; or

- a transfer tax is imposed for any reason other than the exchange of Series B notes for Series A notes under the exchange offer.

If satisfactory evidence of payment of any transfer taxes payable by a note holder is not submitted with the letter of transmittal, the amount of such transfer taxes will be billed directly to that tendering holder.

CONSEQUENCES OF FAILURE TO EXCHANGE

If you do not exchange your Series A notes for Series B notes under the exchange offer, you will remain subject to the existing restrictions on transfer of the Series A notes. In general, you may offer or sell the Series A notes only if they are registered under the Securities Act of 1933 or if the offer or sale is exempt from the registration under the Securities Act of 1933 and applicable state securities laws. Except as required by the registration rights agreement, we do not intend to register resales of the Series A notes under the Securities Act of 1933.

ACCOUNTING TREATMENT

We will record the Series B notes in our accounting records at the same carrying value as the Series A notes. This carrying value is the aggregate principal amount of the Series A notes less any applicable original issue discount, as reflected in our accounting records on the date of exchange. Accordingly, we will not recognize any gain or loss for accounting purposes in connection with the exchange offer.

OTHER

Participation in the exchange offer is voluntary, and you should carefully consider whether to accept. You are urged to consult your financial and tax advisors in making your own decision on what action to take.

We may in the future seek to acquire untendered Series A notes in open market or privately negotiated transactions, through subsequent exchange offers or otherwise. We have no present plans to acquire any Series A notes that are not tendered in the exchange offer or to file a registration statement to permit resales of any untendered Series A notes.

USE OF PROCEEDS

The exchange offer is intended to satisfy our obligations under the registration rights agreement. We will not receive any cash proceeds from the issuance of the Series B notes in the exchange offer. In consideration for issuing the Series B notes as contemplated by this prospectus, we will receive Series A notes in a like principal amount. The form and terms of the Series B notes are identical in all respects to the form and terms of the Series A notes, except the Series B notes do not include certain transfer restrictions or grant any registration rights or liquidated damages. Series A notes surrendered in exchange for the Series B notes will be retired and cancelled and will not be reissued. Accordingly, the issuance of the Series B notes will not result in any change in our outstanding indebtedness.

CAPITALIZATION

The following table sets forth our consolidated cash and cash equivalents and capitalization as of June 30, 2001:

- on a historical basis and

- as adjusted to reflect the issuance of the notes and the application of the net proceeds from the private placement of the Series A notes.

The information in this table is unaudited. This table should be read in conjunction with our historical consolidated financial statements and their notes, the historical combined financial statements of the Spentonbush/Red Star Group and their notes and the unaudited pro forma condensed consolidated financial statements and their notes included in this prospectus.

AS OF JUNE 30, 2001		ACTUAL AS ADJUSTED
	(IN THOUSANDS)	
Cash and cash equivalents		$ 22,026
		$ 62,509
Current portion of long-term debt		$ 10,482
		$ 967
Long-term debt, less current portion:		
Facility A		51,929
Facility C		23,542
Caterpillar Facility		39,869
10 5/8% Series A Senior Notes due 2008 (including original issue discount)		--
		175,000
Total long-term debt		115,340
		175,000
Stockholders' equity(1)		54,625
		54,625
Total capitalization		$180,447
		$230,592

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(1) On August 9, 2001, we were notified by our warrantholders that they intend to sell their outstanding warrants. We have exercised a right of first offer to purchase the outstanding warrants for an aggregate purchase price of $14.5 million. To finance the repurchase of the warrants, we intend to offer to each of our existing stockholders an opportunity to purchase its pro rata share of 5,509,434 shares of our common stock at a price of $2.65 per share. We have received a signed subscription agreement from one of our stockholders pursuant to which that stockholder has been issued 273,585 shares of our common stock for a total purchase price of $725,000. We used these proceeds to pay the non-refundable deposit to the warrantholders as a deposit toward the repurchase of the warrants. The stockholder has also agreed to purchase the balance of the offered shares not subscribed for by our other existing stockholders.

HORNBECK-LEEVAC MARINE SERVICES, INC.

SELECTED HISTORICAL CONSOLIDATED FINANCIAL INFORMATION
(IN THOUSANDS, EXCEPT RATIOS AND VESSEL DATA)

Our selected historical consolidated financial information as of and for the periods ended December 31, 1997, 1998, 1999 and 2000, was derived from our audited historical consolidated financial statements. Our selected historical financial information as of and for the six-month periods ended June 30, 2000 and 2001 was derived from our unaudited historical consolidated financial statements. The data should be read in conjunction with and is qualified in its entirety by reference to "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Capitalization" and our historical consolidated financial statements and their notes included elsewhere in this prospectus.

	SIX MONTHS ENDED JUNE 30,		YEAR ENDED DECEMBER 31,			
	2000	2001	1997	1998	1999	2000
(UNAUDITED) STATEMENT OF OPERATIONS DATA:						
Revenue	$ 6,703	$12,952	$25,723	$36,102	$16,319	$25,694
Operating expenses	5,906	10,701	17,275	20,410	9,926	11,517
General and administrative expenses	762	1,699	2,467	3,355	1,451	3,740
Operating income	35	552	5,981	12,337	4,942	10,437
Interest expense	324	1,155	5,092	7,911	4,217	2,565
Other income (expense)(1)	29	544	(20)	(138)	3	--
Income (loss) before income taxes	(260)	(59)	869	4,288	728	7,872
Income tax (expense) benefit	80	156	(341)	(1,550)	(264)	(2,992)
Net income (loss)	(180)	97	528(2)	2,738	464	4,880
OTHER FINANCIAL DATA AND RATIOS (UNAUDITED):						
EBITDA(3)	$ 540	$ 2,434	$ 9,685	$17,363	$ 7,410	$13,412
Cash interest	324	418	4,495	7,145	3,593	4,415
Capital expenditures	6,403	33,492	42,293	16,224	3,003	56,895
Depreciation and amortization	476	1,338	3,724	5,164	2,465	2,975
Ratio of EBITDA to cash interest(4)	1.7x	5.8x	2.2x	2.4x	2.1x	3.0x
Ratio of earnings to fixed charges(5)(6)	N/A	N/A	N/A	1.4x	1.1x	2.7x
OTHER OPERATING DATA (UNAUDITED):						
Offshore Supply Vessels: Average number	N/A	0.1	4.1	6.8	6.6	7.4
Average utilization rate(7)	N/A	100%	93.1%	93.4%	88.0%	98.8%
Average dayrate(8)	N/A	$ 8,936	$ 6,724	8,435	7,741	11,044
Tugs and Tank Barges: Average number of tank barges	7.1	7.0	7.1	7.0	7.0	8.5
Average fleet capacity (barrels)	406,462	358,108	434,861	451,655	451,655	564,834
Average barge size (barrels)	56,770	51,158	61,464	64,522	64,522	65,547
Average utilization rate(7)	N/A	75.3%	73.9%	71.4%	68.6%	84.0%
Average dayrate(9)	N/A	$ 6,502	$ 8,482	$ 8,982	$ 9,311	$ 8,656
BALANCE SHEET DATA: Cash and cash equivalents	$ 4,621	$ 3,183	$ 6,144	$32,988	$ 3,209	$22,026
Working capital	4,206	2,129	1,857	29,524	2,412	18,559
Property, plant and equipment, net	14,742	45,819	85,700	98,935	86,618	153,356
Total assets	25,461	58,216	103,486	147,148	104,278	193,970
Total debt	9,500	34,621	83,954	89,391	85,726	125,822
Stockholders' equity(10)	12,350	13,060	13,480	49,745	13,944	54,625

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(1) Includes interest income and other operating expenses.

(2) Excludes a net write off of $108 related to a cumulative effect of change in accounting principle for start-up costs.

(3) EBITDA is earnings before interest expense, provision for income taxes, depreciation and amortization. EBITDA is presented as it is commonly used by certain investors to analyze and compare operating performance and to determine a company's ability to service or incur debt. EBITDA should not be considered in isolation or as a substitute for net income, cash flow or other income or cash flow data or as a measure of a company's profitability or liquidity and is not a measure calculated in accordance with generally accepted accounting principles. EBITDA is not necessarily comparable with similarly titled measures reported by other companies.

(4) Calculated as EBITDA divided by cash interest. For purposes of calculating the ratio of EBITDA to cash interest, EBITDA consists of the components discussed in footnote (3) above.

(5) Calculated as earnings divided by fixed charges. For purposes of calculating the ratio of earnings to fixed charges, earnings consists of operating income, and fixed charges consists of interest expense, including capitalized interest, a portion of rent considered to represent interest cost and amortization of debt discount and issuance costs.

(6) Earnings were insufficient to cover fixed charges by $260, $828, $756, respectively.

(7) Utilization rates are average rates based on a 365-day year. Vessels are considered utilized when they are generating revenues.

(8) Average dayrates represent average revenue per day, which includes charter hire and brokerage revenue, based on the number of days during the period that the offshore supply vessels generated revenue.

(9) Average dayrates represent average revenue per day, including time charters, revenues generated on a per-barrel-transported basis, demurrage, shipdocking and fuel surcharge revenue, based on the number of days during the period that the tank barges generated revenue.

(10) On August 9, 2001, we were notified by our warrantholders that they intend to sell their outstanding warrants. We have exercised a right of first offer to purchase the outstanding warrants for an aggregate purchase price of $14.5 million. To finance the repurchase of the warrants, we intend to offer to each of our existing stockholders an opportunity to purchase its pro rata share of 5,509,434 shares of our common stock at a price of $2.65 per share. We have received a signed subscription agreement from one of our stockholders pursuant to which that stockholder has been issued 273,585 shares of our common stock for a total purchase price of $725,000. We used these proceeds to pay the non-refundable deposit to the warrantholders as a deposit toward the repurchase of the warrants. The stockholder has also agreed to purchase the balance of the offered shares not subscribed for by our other existing stockholders.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following management's discussion and analysis should be read in conjunction with our historical consolidated financial statements and their notes included elsewhere in this prospectus. This discussion contains forward-looking statements that reflect our current views with respect to future events and financial performance. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors, such as those set forth under "Risk Factors" and elsewhere in this prospectus.

GENERAL

We are a leading provider of marine transportation services in the markets we serve through the operation of newly constructed deepwater offshore supply vessels in the Gulf of Mexico and ocean-going tugs and tank barges in the northeastern United States, primarily New York Harbor, and in Puerto Rico. Since 1997, we have significantly increased the size of our fleet from six to 42 vessels through new construction of offshore supply vessels and acquisitions of tugs and tank barges. Currently, we own and operate a fleet of eight deepwater offshore supply vessels and have another five deepwater vessels under construction. Following delivery of these vessels, we believe that we will be the second largest operator of deepwater offshore supply vessels in the Gulf of Mexico. We also own and operate a fleet of thirteen ocean-going tugs and sixteen ocean-going tank barges. We operate the largest fleet of tank barges for the transportation of petroleum products in Puerto Rico and believe that we are the fourth largest transporter of petroleum products by tank barge in New York Harbor.

We charter our offshore supply vessels on a dayrate basis under either fixed time charters or in the spot market. Generally, we absorb crew, insurance and repair and maintenance costs in connection with operation of our offshore supply vessels and our customers absorb other direct operating costs. In a bareboat charter, the customer pays all direct operating costs. All of our offshore supply vessels are currently operating under fixed time charters, including six (one of which, the HOS Blue Ray, is under construction and scheduled to be delivered in October 2001) that are chartered with initial terms ranging from two to five years. Our long-term contracts for our offshore supply vessels are consistent with those used in the industry and are either fixed for a term of months or years or are tied to the duration of a long-term contract for a drilling rig for which the vessel provides services. These contracts generally contain, among others, provisions governing insurance, reciprocal indemnifications, performance requirements and, in certain instances, dayrate escalation terms and renewal options.

While offshore supply vessels service existing oil and gas production platforms as well as exploration and development activities, incremental vessel demand depends primarily upon the level of drilling activity, which can be influenced by a number of factors, including oil and gas prices and drilling budgets of exploration and production companies. As a result, utilization and dayrates have historically correlated to oil and gas prices and drilling activity, although the greater investment of time and expense associated with deepwater production and the consequent long-term nature of deepwater offshore supply vessel contracts have weakened the significance of the correlation in recent years.

Generally, we operate an ocean-going tug and tank barge together as a "tow" to transport petroleum products between U.S. ports and along the coast of Puerto Rico. We operate our tugs and tank barges under fixed time charters, spot market charters, contracts of affreightment and consecutive voyage contracts. Under time charters and spot market charters, we earn revenue based on a fixed dayrate, and certain direct voyage costs, including fuel, dockage fees and outside services, are normally absorbed by the customer. Under a contract of affreightment, we earn revenue based on the volume of products we deliver, and we generally absorb all direct costs and operating expenses for the tow. Under consecutive voyage contracts, in addition to earning revenues for volumes delivered, we earn a standby hourly rate between charters.

The primary drivers of demand for our tug and tank barge services are population growth, the strength of the United States economy and changes in weather patterns that affect consumption of heating oil and gasoline. The tug and tank barge market, in general, is marked by steady demand over time. Based on a recent

industry study that we commissioned, we believe that demand for refined petroleum products and crude oil will remain steady or gradually increase for the foreseeable future.

Our operating costs are primarily a function of fleet size and utilization levels. The most significant direct operating costs are wages paid to vessel crews, maintenance and repairs and marine insurance. Generally, fluctuations in vessel utilization affect only that portion of our direct operating costs that is incurred when our vessels are active. Direct operating costs as a percentage of revenues may therefore vary substantially due to changes in day rates and utilization.

In addition to the operating costs described above, we incur fixed charges related to the depreciation of our fleet and costs for routine drydock inspections and maintenance and repairs necessary to ensure compliance with applicable regulations and to maintain certifications for our vessels with the U.S. Coast Guard and various classification societies. The aggregate number of drydockings and other repairs undertaken in a given period determines the level of maintenance and repair expenses and marine inspection amortization charges. We capitalize costs incurred for drydock inspection and regulatory compliance and amortize such costs over the period between such drydockings, typically 30 or 60 months.

Applicable maritime regulations require us to drydock our vessels twice in a five-year period for inspection and routine maintenance and repair. If we undertake a large number of drydockings in a particular fiscal period, comparative results may be affected.

RESULTS OF OPERATIONS

The tables below set forth, by segment, the average dayrates and utilization rates for our vessels and the average number of vessels owned during the periods indicated. The average dayrates are based on the number of days the vessel, for the offshore supply vessel segment, or tank barge, for the tug and tank barge segment, generated revenue during the period. For the offshore supply vessel segment, revenue includes charter hire and brokerage revenue. For the tug and tank barge segment, revenue includes time charters, revenues generated on a per-barrel-transported basis, demurrage, shipdocking and fuel surcharge revenue. Utilization rates are average rates based on a 365-day year. Vessels are considered utilized when they are generating revenues. These offshore supply vessels and tug and tank barges generate substantially all of our revenues and operating profit.

SIX MONTHS ENDED DECEMBER 31,	YEARS ENDED JUNE 30,			
	1998	1999	2000	2000
2001(1)				
OFFSHORE SUPPLY VESSELS:				
Average number of vessels	0.1	4.1	6.8	6.6
7.4				
Vessel days available	44	1,517	2,490	1,202
1,330				
Average utilization rate	100.00%	93.1%	93.4%	88.0%
98.8%				
Average dayrate	$ 8,936	$ 6,724	$ 8,435	$ 7,741
$11,044				
TUGS AND TANK BARGES:				
Average number of tank barges	7.0	7.1	7.0	7.0
8.5				
Average fleet capacity (barrels)	358,108	434,861	451,655	451,655
564,834				
Average barge size (barrels)	51,158	61,464	64,522	64,522
65,547				
Average utilization rate	75.3%	73.9%	71.4%	68.6%
84.0%				
Average dayrate	$ 6,502	$ 8,482	$ 8,982	$ 9,311
$ 8,656				

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(1) Includes only one month of operations of the nine tank barges acquired from the Spentonbush/Red Star Group effective May 31, 2001.

SIX MONTHS ENDED JUNE 30, 2001 COMPARED TO SIX MONTHS ENDED JUNE 30, 2000

Revenues. Revenues were $25.7 million in the first six months of 2001 compared to $16.3 million in the first six months of 2000, an increase of $9.4 million or 58.0%. This increase was primarily attributable to our offshore supply vessel segment, which continued to experience strong demand for our vessels, and the acquisition of additional tugs and tank barges on May 31, 2001.

Revenues from our offshore supply vessel segment totaled $14.5 million in the first six months of 2001 compared to $8.2 million in the first six months of 2000, an increase of $6.3 million or 77.0%. Our revenue in the first six months of 2001 reflected continued strong dayrates and utilization as demand for our vessels continued to improve. Our utilization rate was 98.8% in the first six months of 2001 compared to 88.0% in the first six months of 2000 as a result of higher demand for deepwater drilling and production in the Gulf of Mexico. Our offshore supply vessel average dayrate was $11,044 in the first six months of 2001 compared to $7,741 in the first six months of 2000, an increase of $3,303 or 43.0%. The increase in average dayrates was due to a combination of higher demand and the addition to our fleet of the newly constructed HOS Cornerstone on March 11, 2000 and the HOS Innovator on April 28, 2001, at significantly higher dayrates.

Revenues from our tug and tank barge segment totaled $11.2 million in the first six months of 2001 as compared to $8.1 million in the first six months of 2000, an increase of $3.1 million or 38.0%. The segment revenue increase is primarily due to increased utilization and the acquisition of nine tank barges on May 31, 2001, which increased fleet capacity in barrels from 451,655 to 1,130,727. Our utilization rate increased to 84.0% in the first six months of 2001 compared to 68.6% in the first six months of 2000. Our average dayrate decreased to $8,656 in the first six months of 2001 compared to $9,311 in the first six months of 2000. The changes in utilization and average dayrate were primarily due to the change in the mix of vessels operating under contracts of affreightment, time charter and bareboat charter. Average daily revenue amounts for time charter contracts are generally lower than average daily revenues under contracts of affreightment because we usually contract vessels for an extended period of time with full utilization and the customer assumes the direct costs associated with freight transportation, including fuel, dock and outside service charges. Bareboat charter average daily revenues are lower than daily revenues under contracts of affreightment because the customer assumes all operating costs for the vessel including crew costs and marine insurance. As a result of the increase in fleet capacity and the addition of tank barges operating under contracts of affreightment, the average dayrate increased to $10,405 for the month of June 2001.

Operating Expense. Our operating expense, including depreciation and amortization, increased from $9.9 million in the first six months of 2000 to $11.5 million in the first six months of 2001, an increase of $1.6 million or 16.0%. Daily operating expenses per vessel in both the offshore supply vessel segment and the tug and tank barge segment remained fairly constant. The increase in operating expense is the result of increasing both the offshore supply vessel and tank barge fleets during the first half of 2001.

Operating expense for our offshore supply vessel segment increased $0.9 million in the first six months of 2001 to $5.2 million in the first six months of 2001. This increase was the result of the HOS Cornerstone being in service for the entire first six months of 2001, but only part of the first six months of 2000 and the HOS Innovator being in service for a portion of 2001 but not in service during the first six months of 2000.

Operating expense for our tug and tank barge segment was $6.4 million in the first six months of 2001 compared to $5.6 million in the comparable period of 2000, an increase of $0.8 million or 14.0%. The operating expense increase was primarily attributed to the addition of nine tank barges and nine tugs on May 31, 2001. These tows are operating under a contract of affreightment under which we are responsible for transporting charges including fuel, dock and outside service costs. At the end of the first six months of 2000, we had five tows operating under contracts of affreightment, one tow operating under a time charter and one barge under a bareboat charter, as compared to eleven tows operating under a contract of affreightment, four tows operating under time charters, and one barge under a bareboat charter at the end of the first six months of 2001. Daily operating costs were $4,131 per day in the first six months of 2001 compared to $4,404 per day in the first six months of 2000, a decrease of $273 per day or 6.0%.

General and Administrative Expense. Our general and administrative expense was $1.5 million in the first six months of 2000 compared to $3.7 million in the first six months of 2001, an increase of $2.2 million or 147.0%. This increase primarily resulted from an increase in our profitability and costs associated with the acquisition of nine tugs and nine tank barges on May 31, 2001.

Interest Expense. Interest expense was $2.6 million in the first six months of 2001 compared to $4.2 million in the first six months of 2000, a decrease of $1.6 million or 38.0%. This decrease in interest expense resulted from significant reductions in the LIBOR base rate, principal amortization of a facility beginning in mid-2000 and an increase in interest income resulting from investment of the excess proceeds of our November 2000 private placement of common stock. In addition, capitalization of interest costs relating to new construction increased significantly in the 2001 period with the construction in progress of six offshore supply vessels compared to the construction of one vessel completed in March 2000.

Income Tax Expense. Our effective tax rate for the first six months of 2001 was 38.0% compared to an effective tax rate of 36.0% for the first six months of 2000. The difference in effective rates is primarily attributable to higher state income taxes assessed against income from operations in 2001 compared to 2000.

YEAR ENDED DECEMBER 31, 2000 COMPARED TO YEAR ENDED DECEMBER 31, 1999

Revenues. Revenues were $36.1 million in the year ended December 31, 2000 compared to $25.7 million in the year ended December 31, 1999, an increase of $10.4 million or 40%. Substantially all of this increase was attributable to our offshore supply vessel segment which added five vessels to its fleet during 1999 and one during 2000.

Revenues from our offshore supply vessel segment totaled $19.6 million in 2000 compared to $9.5 million in 1999, an increase of $10.1 million or 106%. The increase in our revenues in 2000 reflected the continued growth of our offshore supply vessel fleet through new construction during 1999 and early 2000 as follows:

VESSEL NAME	IN SERVICE DATE
H -- HOS Super	January 14, 1999
Brigadoon	March 11, 1999
Thunderfoot	May 12, 1999
Dakota	June 16, 1999
Deepwater	November 15, 1999
Cornerstone	March 11, 2000

In addition to the impact of new vessel deliveries, average dayrates in 2000 were $8,435 as compared to $6,724 in 1999, an increase of $1,711 per day or 25%. This increase reflects the continuing increase in demand for offshore supply vessels to support deepwater oil and gas exploration, drilling and production in the Gulf of Mexico, combined with the higher dayrates attributable to two 2409 class vessels entering the fleet in late 1999 and early 2000. Our average utilization rate was approximately 93% in each year.

Revenues from our tug and tank barge segment totaled $16.5 million in 2000 compared to $16.2 million in 1999, an increase of $0.3 million or 2%. Our utilization rate decreased to 71.4% in 2000 from 73.9% in 1999, primarily due to the removal of vessels from service for scheduled maintenance. Although vessel utilization decreased, our average dayrate increased to $8,982 in 2000 from $8,482 in 1999, an increase of $500 per day worked or 6%.

Operating Expense. Our operating expense, including depreciation and amortization, increased from $17.3 million in 1999 to $20.4 million in 2000, an increase of $3.1 million or 18%. Daily operating expenses per vessel in both the offshore supply vessel segment and the tug and tank barge segment remained fairly constant. Changes in operating expenses resulted primarily from changes in the number of vessels operating in the fleet and fluctuations in direct costs of sales that are either reimbursed by customers or absorbed as an operating expense for the vessel.

Operating expense for our offshore supply vessel segment increased $4 million in 2000 to $9.3 million compared to $5.3 million in 1999. This increase resulted from the inclusion in 2000 of vessels added to our fleet at various times in 1999 and early 2000.

Operating expense for our tug and tank barge segment decreased $0.9 million or 8% in 2000 to $11.1 million compared to $12 million in 1999. The operating expense reduction was the result of changes from contracts of affreightment to time charters for three tows. During 1999, we had seven tows operating under contracts of affreightment as compared to six tows operating under a contract of affreightment and one tow operating under a time charter in 2000. The result was a daily operating cost of $4,340 per day in 2000 compared to $4,648 per day in 1999, a decrease of $308 per day or 7%.

General and Administrative Expense. Our general and administrative expense was $2.5 million in the year ended December 31, 1999 compared to $3.4 million in the year ended December 31, 2000, an increase of $0.9 million or 36%. This increase primarily resulted from an increase in shore-based personnel and associated compensation costs as offshore supply vessel fleet operations expanded and increased accruals under our profit-based incentive bonus compensation program as our profitability increased.

Interest Expense. Interest expense was $7.9 million in the year ended December 31, 2000 compared to $5.1 million in the year ended December 31, 1999, an increase of $2.8 million or 55%. Interest expense increased as vessels were delivered in 1998, 1999 and 2000 due to conversion from construction interest, which was capitalized, to interest expense under term financing. The financing of the HOS Deepwater and the HOS Cornerstone under one of our former credit facilities increased our debt balances, leading to increased interest expense.

Income Tax Expense. Our effective tax rate for the year ended December 31, 2000 was 36% compared to an effective tax rate of 39% for the year ended December 31, 1999. The effective tax rate decreased due to an increase in operating income and the amount of nondeductible expenses remaining constant between the periods.

YEAR ENDED DECEMBER 31, 1999 COMPARED TO YEAR ENDED DECEMBER 31, 1998

Revenues. Revenues were $25.7 million in the year ended December 31, 1999 compared to $13 million in the year ended December 31, 1998, an increase of $12.7 million or 98%. The increase in revenue was the result of the delivery of newly constructed offshore supply vessels in late 1998 and during 1999 and the acquisition of tugs and tank barges with higher capacities in March 1999.

Revenues from our offshore supply vessel segment totaled $9.5 million in 1999 compared to $0.4 million in 1998, an increase of $9.1 million. The revenue increase in 1999 reflects the growth of our fleet through new construction from one vessel, the HOS Crossfire, which commenced service November 6, 1998, to six vessels at the end of 1999. Moreover, average dayrates decreased to $6,724 in 1999 compared to $8,936 in 1998. Average dayrates fluctuated as vessels entered the fleet in the spot market before term charters were obtained for the vessels in late 1998 and early 1999, then stabilized and began a rising trend in the third quarter due to the increase in demand for offshore supply vessels to support deepwater oil and gas exploration, development and production in the Gulf of Mexico. Our utilization rate was 93.1% in 1999 compared to 100% in 1998.

Revenues from our tug and tank barge segment totaled $16.2 million in 1999 compared to $12.6 million in 1998, an increase of $3.6 million or 29%. The majority of the increase resulted from the purchase in March 1999 of the Energy 6503 and Energy 7002 with capacities of 65,145 barrels and 72,693 barrels, respectively, which was partially offset by the sale in March 1999 of the LMI 2000 with a capacity of 20,750 barrels, and by the sale in December 1999 of the LMI 2503 with a capacity of 23,451 barrels, which had been cold stacked in February. These transactions increased our marine transportation total fleet capacity from 358,108 barrels to 451,655. Utilization remained relatively stable with a utilization rate of 73.9% in 1999 compared to 75.3% in 1998. Average dayrates increased to $8,482 in 1999 from $6,502 in 1998, an increase of $1,980 per day or 30%, due to increased capacity and time charter contracts at rates higher than historical averages.

Operating Expense. Our operating expense, including depreciation and amortization, increased from $10.7 million in 1998 to $17.3 million in 1999, an increase of $6.6 million or 62%. Daily operating expenses per

vessel in both the offshore supply vessel segment and the tug and tank barge segment remained fairly constant. Changes in operating expenses resulted primarily from changes in the number and size of vessels operating in the fleet during the periods.

Operating expense for our offshore supply vessel segment increased $5.1 million in 1999 to $5.3 million compared to $0.2 million in 1998. As previously indicated, this increase resulted from the addition of the newly constructed vessels placed in service in late 1998 and during 1999.

Operating expense for our tug and tank barge segment increased $1.5 million or 14% in 1999 to $12 million compared to $10.5 million in 1998. This increase in operating expense resulted from the sale and purchase, previously described, of certain tank barges and the constructive total loss incurred as the result of the grounding of the M/V New Jersey in March 1998. The vessel was subsequently repurchased from the insurance company for salvage value, repaired and returned to service as the M/V Tradewind Service in March 1999. The barge sale and purchase in March 1999 resulted in increases in depreciation, insurance and crew costs. In addition, planned drydocking amortization cost increased as a result of the cost of regularly scheduled drydock for repair, maintenance and regulatory recertification. The resulting daily average operating cost increased from $4,124 per day in 1998 to $4,648 per day in 1999, a change of $524 per day or 13%.

General and Administrative Expense. Our general and administrative expense was $1.7 million in the year ended December 31, 1998 compared to $2.5 million in the year ended December 31, 1999, an increase of $0.8 million or 47%. This increase primarily resulted from the addition of a shore-based administrative facility in Puerto Rico to service our Caribbean tug and tank barge operations, the cost of consolidating operations, accounting and management offices into one location and an increase in profit-based incentive bonus compensation accruals as our profitability increased.

Interest Expense. Interest expense was $5.1 million in the year ended December 31, 1999 compared to $1.2 million in the year ended December 31, 1998, an increase of $3.9 million or 325%. This increase reflects the incurrence of debt to construct offshore supply vessels that were delivered in 1998 and 1999. Interest expense increased as vessels were delivered in late 1998 and throughout 1999 due to the conversion from construction interest, which was capitalized, to interest expense under term financing. During 1998, the proceeds of a debt placement provided interest income which partially offset interest expense. Moreover, the amortization of financing costs and the warrant valuation adjustment that occurred in connection with the June 1998 debt placement were reflected for all of 1999 compared to six months in 1998.

Income Tax Expense. The effective tax rate for the year ended December 31, 1998 was 264% compared to an effective rate of 39% for the year ended December 31, 1999. The effective rate for 1998 was significantly influenced by our approximate breakeven operations in 1998. The effective rate returned to a normal level in 1999 due to our increase in operating income.

LIQUIDITY AND CAPITAL RESOURCES

Our principal needs for capital are to fund ongoing operations, capital expenditures for the construction of new vessels and acquisitions and debt service. We have historically financed our capital needs with cash flow from operations, issuances of equity and borrowings under our credit facilities.

Net cash provided by operating activities was $1.6 million in 1999, $4.2 million in 2000 and $9.5 million in the first six months of 2001. Changes in cash flow from operating activities are principally the result of higher income from operations after considering increases in depreciation and amortization due to increases in our vessel fleet offset by changes in our net working capital.

Net cash used in investing activities was $42.3 million in 1999, $16.2 million in 2000 and $56.9 million in the first six months of 2001. Net cash used in investing activities was primarily the result of new vessel construction and acquisitions. Included in these cash amounts are drydocking expenditures, predominately related to vessel re-certification, of $1 million in 1999 and $1.7 million in 2000. There were no drydocking expenditures in the first six months of 2001. Under our accounting policy, we generally capitalize drydocking expenditures related to vessel re-certification and amortize the amount over 30 or 60 months.

Net cash provided by financing activities was $43.7 million in 1999, $38.9 million in 2000 and $36.3 million in the first six months of 2001. Net cash provided by financing activities was primarily the result of issuances of equity and borrowings under our credit facilities.

On July 24, 2001, the Company issued $175,000 in principal of 10 5/8% Series A senior notes due 2008. Interest on the notes is due February 1 and August 1 of each year until maturity. We realized net proceeds of $165.0 million which was used to repay and extinguish substantially all of our outstanding indebtedness under its existing credit facilities.

At June 30, 2001, we had outstanding debt of $125.8 million under our former credit facilities. Included in that number was an additional $20 million we borrowed under one of our former credit facilities to fund a portion of the acquisition cost of the tugs and tank barges purchased from the Spentonbush/Red Star Group on May 31, 2001. All of our outstanding debt under our former credit facilities was repaid and fully extinguished with a portion of the proceeds of the private placement of the Series A notes described above. We have received a commitment letter from one of our former lenders for a new senior secured revolving line of credit of $50 million. Pursuant to the proposed terms of this new senior secured revolving credit facility, our borrowings under this facility are limited to $25 million until we have obtained the lenders' concurrence to the use of proceeds of borrowings in excess of $25 million and meet certain ratios. Pursuant to the indenture governing the notes, the level of permitted borrowings under this facility initially will be limited to $25 million plus 15% of the increase in our consolidated net tangible assets.

For a more detailed discussion of the anticipated terms of the proposed new senior secured revolving credit facility, see "Description of Other Indebtedness."

In September 2001, we issued 50,000 shares of our common stock to an employee for proceeds in the aggregate amount of $132,500. These proceeds are available for general corporate purposes.

In August 2001, we issued 273,585 shares of our common stock to one of our existing stockholders for a purchase price of $725,000. These proceeds were used to finance the non-refundable deposit we paid to our warrantholders as a deposit toward the repurchase of their warrants.

In November 2000, we issued 13,178,555 shares of our common stock for gross proceeds of $35 million. We used the proceeds of the private placement principally to make initial payments required to begin construction of four deepwater offshore supply vessels and to pay the non-debt-financed portion of the acquisition cost of the tugs and tank barges purchased from the Spentonbush/Red Star Group. Remaining funds have been used or remain available for acquisitions and general corporate purposes, including working capital.

As of June 30, 2001, we had working capital of approximately $18.6 million. As of June 30, 2001, we were committed under vessel construction contracts to complete construction of five offshore supply vessels. As of June 30, 2001, the amount expected to be expended to complete construction of these vessels was approximately $50.0 million, which becomes due at various dates through April 2002.

During 2000, we made capital expenditures of approximately $16.0 million. For 2001, through June 30, we expended approximately $56.9 million for vessel construction and the Spentonbush/Red Star Group acquisition and we currently anticipate that we will make capital expenditures of approximately $43.1 million during the remainder of 2001, primarily for the construction of offshore supply vessels and the purchase of our Brooklyn facility. We believe that, cash on hand and cash generated from operations will provide sufficient funds for our identified capital projects, debt service and working capital requirements. Our strategy, however, includes expanding our fleet through the construction or acquisition of additional offshore supply vessels, tugs and tank barges as needed to take advantage of the strong demand for such vessels. Depending on the market demand for offshore supply vessels, tugs and tank barges and consolidation opportunities that may arise, we may require additional debt or equity financing. Although we continue to evaluate potential acquisitions and newbuild opportunities, we do not presently have any agreements, understandings or arrangements with respect to any specific acquisition target.

As of December 31, 2000, we had federal net operating loss carryforwards of approximately $15.7 million available through 2017 to offset future taxable income. In addition, we expect our federal tax net operating losses to increase due to our use of accelerated tax depreciation with respect to new vessels. Our use of these net operating losses may be limited due to U.S. tax laws. Based on the age and composition of our current fleet, however, we expect to pay a lower than normal amount of federal income taxes over the next five years. See Note 8 to our Consolidated Financial Statements included elsewhere in this prospectus.

INFLATION

To date, general inflationary trends have not had a material effect on our operating revenues or expenses.

SPENTONBUSH/RED STAR GROUP

SELECTED HISTORICAL COMBINED FINANCIAL INFORMATION
(IN THOUSANDS, EXCEPT VESSEL DATA)

The following table presents selected historical combined financial information for the Spentonbush/Red Star Group, which should be read in conjunction with, and is qualified in its entirety by reference to, the combined financial statements of the Spentonbush/Red Star Group and notes to those statements included elsewhere in this prospectus. The information includes the results of operations of one tug and one tank barge owned by the Spentonbush/Red Star Group that we did not purchase. The selected financial information for each of the years in the three-year period ended December 31, 2000 has been derived from the audited combined financial statements of the Spentonbush/Red Star Group. All interim financial information is unaudited and is derived from the Spentonbush/Red Star Group unaudited combined financial statements.

THREE MONTHS ENDED MARCH 31,	YEAR ENDED DECEMBER 31,				
	1998	1999	2000	2000	2001
STATEMENT OF OPERATIONS DATA:					
Revenue	$32,813	$30,220	$40,848	$11,376	$12,983
Operating expenses	24,839	21,258	26,159	6,576	8,030
General and administrative expenses	4,004	3,936	5,092	1,300	1,099
Operating income	3,970	5,026	9,597	3,500	3,854
Other income (expense)	1,398	279	4	1	1
Income before income taxes	5,368	5,305	9,601	3,501	3,855
Income tax expense	1,912	1,923	3,405	1,240	1,367
Net income	3,456	3,382	6,196	2,261	2,488
OTHER FINANCIAL DATA (UNAUDITED):					
EBITDA(1)	$ 6,160	$ 5,467	$ 9,763	$ 3,541	$ 3,896
Capital expenditures	52	16	--	--	--
Depreciation and amortization	792	162	162	40	41
OTHER OPERATING DATA (UNAUDITED): Tugs and Tank Barges: Average number of tank barges(2)	10	10	10	10	10
Average fleet capacity (barrels)(2)	720,505	720,505	720,505	720,505	720,505
Average barge capacity(2)	72,051	72,051	72,051	72,051	72,051
Average utilization rate(3)	73.1%	66.0%	77.7%	81.4%	85.4%
Average dayrate(4)	$12,298	$12,545	$14,364	$15,538	$16,892
BALANCE SHEET DATA: Cash and cash equivalents	$ 2	$ 2	$ 2	$ 2	$ 2
Working capital deficit	(7,843)	(6,468)	(10,473)	(8,233)	(8,252)
Property, plant and equipment, net	432	286	124	246	83
Total assets	4,043	3,471	3,795	4,470	5,526
Total debt	--	--	--	--	--
Stockholder's deficit	(7,334)	(6,149)	(10,283)	(7,947)	(8,097)

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(1) EBITDA is earnings before interest expense, provision for income taxes, depreciation and amortization. EBITDA is presented as it is commonly used by certain investors to analyze and compare operating performance and to determine a company's ability to service or incur debt. EBITDA should not be considered in isolation or as a substitute for net income, cash flow or other income or cash flow data or as a measure of a company's profitability or liquidity and is not a measure calculated in accordance with generally accepted accounting principles. EBITDA is not necessarily comparable with similarly titled measures reported by other companies.

(2) Includes one barge owned by the Spentonbush/Red Star Group that the Company did not purchase.

(3) Utilization rates are average rates based on a 365-day year. Tugs and tank barges are considered utilized when they are generating revenues.

(4) Average dayrates represent average revenue per day, including time charters, revenues generated on a per-barrel-transported basis, demurrage, shipdocking and fuel surcharge revenue, based on the number of days during the period that the tank barges generated revenue.

BUSINESS

We are a leading provider of marine transportation services in the markets we serve through the operation of newly constructed deepwater offshore supply vessels in the Gulf of Mexico and ocean-going tugs and tank barges in the northeastern United States and in Puerto Rico. Since 1997, we have significantly increased the size of our fleet from six to 42 vessels through new construction of offshore supply vessels and acquisitions of tugs and tank barges. Currently, we own and operate a fleet of eight deepwater offshore supply vessels and have another five deepwater vessels under construction. Following delivery of these vessels, we believe that we will be the second largest operator of deepwater offshore supply vessels in the Gulf of Mexico. We also own and operate a fleet of thirteen ocean-going tugs and sixteen ocean-going tank barges. We operate the largest fleet of tank barges for the transportation of petroleum products in Puerto Rico and believe that we are the fourth largest transporter of petroleum products by tank barge in New York Harbor.

COMPETITIVE STRENGTHS

New Technologically Advanced Fleet of Deepwater Offshore Supply Vessels. Our offshore supply vessels have significantly more capacity and operate more efficiently than conventional offshore supply vessels. They also require significantly lower capital expenditures for scheduled drydockings and maintenance than older vessels. We believe that our larger, faster and more cost-efficient vessels will remain in high demand as exploration, development and production activity in the deepwater Gulf of Mexico continues to increase.

We believe that our operation of new technologically advanced offshore supply vessels specifically designed to meet the needs of deepwater exploration, development and production activity gives us a competitive advantage in obtaining long-term contracts for our vessels and in attracting and retaining crews. Since we accepted delivery of our first offshore supply vessel in November 1998, our average utilization rate for our offshore supply vessels has been approximately 95% compared to an industry average of approximately 75% over the same time period, based on vessels available for service, according to One Offshore, formerly Offshore Data Services.

We believe that we operate the youngest fleet of offshore supply vessels in the Gulf of Mexico. Over 80% of the Gulf of Mexico offshore supply vessel fleet is over 18 years old with many approaching 25 years old, reflecting the absence of any significant construction activity between the early 1980s and mid-1990s. The average age of our offshore supply vessel fleet is less than two years, and we have five additional offshore supply vessels under construction. Moreover, our offshore supply vessels incorporate sophisticated technologies that allow us to operate more effectively and more safely in deepwater markets. These technologies include dynamic positioning, roll reduction systems, controllable pitch thrusters and our unique cargo handling systems permitting high volume transfer rates of liquid mud and dry bulk. Our offshore supply vessels are also capable of operating both on the continental shelf and in the deepwater regions of the Gulf of Mexico, which we believe gives us a competitive advantage over operators of conventional offshore supply vessels.

Because our vessels are designed specifically to handle the rougher seas in the deepwater Gulf of Mexico, we are able to operate more safely than a conventional offshore supply vessel designed for less challenging environments. We believe that safety has become an increasingly important consideration for oil and gas operators due to the environmental and regulatory sensitivity associated with offshore drilling and production activity. In addition, operators are especially concerned with a vessel's ability to avoid collisions with multi-million dollar drilling rigs or production platforms during adverse weather conditions, but are hesitant to stop operations in such conditions because of the high daily cost of halting a deepwater operation. Our vessels have been designed to mitigate the adverse impacts of bad weather conditions and high seas, providing us with an important competitive advantage.

Leading Market Presence. We believe that we will be the second largest operator of deepwater offshore supply vessels in the Gulf of Mexico following delivery of our five offshore supply vessels currently under construction. We operate the largest fleet of tank barges for the transportation of petroleum products in Puerto Rico and, as a result of our recent acquisition of tugs and tank barges from the Spentonbush/Red Star Group, affiliates of Amerada Hess, believe that we are also the fourth largest tank barge transporter of clean and dirty petroleum products in New York Harbor. Our offshore supply vessel and ocean-going tug and tank barge fleets

also benefit from the restrictions of Section 27 of the Merchant Marine Act of 1920, commonly referred to as the Jones Act, which requires that vessels engaged in coastwise U.S. trade, including along the coast of Puerto Rico, be built in the United States, be U.S.-flagged and be owned and managed by U.S. citizens.

Numerous Industry-Recognized Certifications. We have pursued on a voluntary basis and have received certifications and classifications for our operations and vessels as part of our commitment to quality and safety. Our vessels are classed by the American Bureau of Shipping, which develops and verifies standards for the design, construction and operational maintenance of vessels and facilities. We also maintain ISO 9000 and ISO 14001 certifications for quality and environmental management, respectively, from the International Standards Organization with respect to the tugs and tank barges acquired from the Spentonbush/Red Star Group. Our other tugs and tank barges participate in the Responsible Carrier Program, developed by the American Waterways Operators to improve marine safety and environmental protection in the tank barge industry. Our offshore supply vessels participate in the U.S. Coast Guard's Streamlined Inspection Program in which we and the Coast Guard cooperate to develop training, inspection and compliance processes, with our personnel conducting periodic examinations of vessel systems and taking corrective actions where necessary. Our tugs and tank barges acquired from the Spentonbush/Red Star Group are also certified under the International Safety Management Code, developed by the International Maritime Organization to provide internationally recognized standards for the safe management and operation of ships and for pollution prevention.

History of Successful Deepwater Offshore Supply Vessel Construction. We employ senior management with significant naval architecture, marine engineering and shipyard experience. We design our own offshore supply vessels and work closely with our contracted shipyards in their construction. We typically source and supply a large portion of the aggregate cost of a vessel with owner-furnished equipment from vendors other than the shipyard. We delivered our current fleet of eight deepwater offshore supply vessels within 3.5% of our total budgeted construction days and at a lower total cost than our original budget. We believe that our record of delivering new vessels without significant delays gives us a competitive advantage in obtaining contracts for our vessels before their actual delivery.

Favorable OPA 90 Fleet Status. Approximately 50% of the existing single hulled tank barge capacity serving the northeastern United States is required to be retired or substantially refurbished by December 31, 2005. Eleven of our sixteen tank barges are not required under OPA 90 to be retired or double hulled until 2015. Of the remainder, three are required to be retired or modified by 2004 and two by 2009. Because most of our barges are not required to be double hulled until 2015, we believe we have a competitive advantage over operators with barges that must be retired or modified to add double hulls before that date.

Long-term Contracts and a Diversified Fleet Provide Stability of Revenue and Cash Flow. We pursue long-term contracts to manage our growth and provide a stable base of revenue and cash flow throughout the energy service industry cycle. We regularly receive more inquiries regarding the charter of our vessels than we have vessels to contract, allowing us to select our charterers carefully. We have recently experienced a significant increase in such inquiries as potential charterers have become aware of the capabilities and performance of our newly constructed offshore supply vessels.

Six of our nine current offshore supply vessels, including one vessel under construction, the HOS Blue Ray, scheduled for delivery in October 2001, are under contracts with expiration dates ranging from April 2003 through March 2006. These contracts generally provide for full year-round utilization, are based on dayrates with a built-in escalation clause and are exclusively dedicated to the charterer. We have signed a five-year contract for the HOS Blue Ray.

In connection with our recent acquisition of tugs and tank barges and related business from the Spentonbush/Red Star Group, affiliates of Amerada Hess, we have entered into a long-term contract of affreightment with Amerada Hess to be its exclusive marine logistics provider and coastwise transporter of petroleum products in the northeastern United States. This long term contract with Amerada Hess, when coupled with our operation of tank barges in both the northeastern United States and Puerto Rico, provides revenue diversification to complement our offshore supply vessel fleet. We operate four of our tank barges in Puerto Rico under annually renewable contracts that have been renewed in each of the last three years.

Experienced Management Team. Our senior management team has an average of 19 years of marine transportation industry experience. We believe that our team has successfully demonstrated its ability to grow our fleet through new construction and strategic acquisitions and to secure profitable contracts for our vessels in favorable and unfavorable market conditions. Our in-house naval architecture team enables us to design and manage our new construction of vessels, adapt our vessels for specialized purposes and oversee and manage the drydocking process. We believe this will result in a lower overall cost of ownership over the life of our vessels.

OUR STRATEGY

Maintain Focus on Deepwater Gulf of Mexico. We intend to maintain our focus on operating high quality offshore supply vessels capable of working in the deepwater regions of the Gulf of Mexico. Increasingly, oil and gas companies are focusing capital expenditures on the exploration and development of reserves in the deepwater Gulf of Mexico to replace slowing or declining production from shallow water fields. We believe that there is a shortage of offshore supply vessels that can effectively serve the current and planned drilling programs in this market. Our offshore supply vessels are designed to meet the specialized needs of these programs.

Maintain Competitive Advantage By Using Sophisticated Technologies. We designed our offshore supply vessels to meet the higher capacity and performance needs of our clients' drilling and production programs. This has been accomplished through the incorporation of sophisticated propulsion and cargo handling systems and larger capacities. For example, the HOS Innovator is the first U.S.-flagged offshore supply vessel operating in the Gulf of Mexico to receive Dynamic Positioning Class II Certification from the American Bureau of Shipping. Dynamic positioning technology allows a vessel to maintain its position without the use of anchors. We believe that the advanced features of our offshore supply vessels give us a competitive advantage in obtaining contracts.

Continue Building New Vessels as Market Demand Dictates. Since we were formed in 1997, we have designed and delivered eight deepwater offshore supply vessels. Of these vessels, all were delivered without significant delays or cost overruns and are currently operating under time charters. We have five other vessels under construction with anticipated delivery dates from October 2001 to April 2002. The first of these vessels to be delivered is already contracted for a five-year charter to begin upon delivery, and we have significant client interest in chartering the remaining vessels to be delivered. We will continue to monitor demand for vessels in determining the level and timing of additional vessels under our newbuild program.

Complementary Acquisitions. To date we have completed three acquisitions involving ocean-going tugs and tank barges. We will continue to evaluate strategic acquisitions to expand our offshore supply vessel and tug and tank barge fleets to increase market share and enhance long-term client relationships.

Optimize Tug and Tank Barge Operations. We have consolidated the operational management of our fleet in our new Brooklyn facility and intend to optimize use of our tug and tank barge fleet by increasing services offered to parties other than Amerada Hess. Before our acquisition of tugs and tank barges from the Spentonbush/Red Star Group, these vessels were largely dedicated to the use of Amerada Hess and its affiliates in New York Harbor. Centralized operational management will allow us to move vessels from one region of operations to another to take advantage of the changing mix of opportunities.

Pursue Long-term Contracts. The average initial term for our current offshore supply vessel contracts is approximately three years. Our contract of affreightment with Amerada Hess for the services of tugs and tank barges in the northeastern United States has an initial term of June 1, 2001 through March 31, 2006. All of our other tug and tank barge contracts may be, and typically are, renewed annually. We intend to maintain a significant percentage of our assets working under long-term contracts, which results in high utilization rates and provides a stable cash flow base to manage our debt obligations.

Leverage Existing Customer Relationships to Meet Diversified Marine Transportation Demand. We intend to leverage our existing customer relationships by expanding our services to certain customers with diversified marine transportation needs. Many integrated oil companies require offshore supply vessels to

support their exploration and production activities and ocean-going tug and tank barges to support their refining, trading and retail distribution activities.

OVERVIEW OF OUR INDUSTRY

Offshore Supply Vessel Industry. Oil prices increased significantly during 1999 and 2000 and, despite recent volatility, have remained high during 2001 compared to historical prices. During the same period natural gas prices have also generally increased. The increases in the prices of oil and gas combined with a tightening of inventory levels have increased the demand for working drilling rigs and related services. Although the industry has not yet rebounded in full from the sharp decline experienced in 1998, U.S.-based offshore supply vessel activity stabilized during the first half of 1999, and domestic vessel demand recovered gradually throughout the remainder of 1999, 2000 and into 2001. The active Gulf of Mexico offshore supply vessel fleet is currently operating at nearly 84% utilization, largely because of continuing strong offshore rig utilization as exploration, development and production companies drill to meet increased demand for oil and gas and to replace reserves lost through depletion. The working rig count in the Gulf of Mexico has increased from 118 at the end of 1999 to 154 at the end of August 2001. The offshore supply vessel fleet in the Gulf of Mexico numbered 352 at the end of 2001, of which we believe approximately 33 were unavailable for immediate service because they are cold stacked. Approximately one-quarter of the over 300 active vessels have been built or "stretched" since 1996, and are designed to operate in the deepwater regions of the Gulf of Mexico.

The Gulf of Mexico is a bifurcated market of continental shelf and deepwater regions. New technologies have lowered deepwater finding and development costs. Deepwater exploration and development activity, once begun, is less sensitive to the normal volatility associated with oil and gas prices due to the anticipated longer duration and higher costs required to develop deepwater projects. The number of deepwater fields under evaluation and development has grown dramatically in recent years. The deepwater Gulf of Mexico provided over 25% of domestic oil and gas production in 2000, up from roughly 5% in 1990. Of the 72 deepwater Gulf of Mexico fields discovered to date, 42 fields began production by the end of 2000, and another ten are expected to begin or have begun production in 2001. We believe that the development of these fields, and other potential discoveries, will result in a need for additional offshore supply vessels beyond the number of currently available vessels and vessels being constructed under announced construction plans.

We anticipate that demand for deepwater offshore supply vessels in the Gulf of Mexico will increase significantly in the near future based on continued high rig utilization rates and the beginning of production activity at new deepwater facilities. Because larger capacities and longer ranges are required to work in deepwater regions, we believe that demand is most likely to be met through new construction.

Tug and Tank Barge Industry. According to an industry survey that we commissioned, approximately 1.2 million barrels of clean and dirty petroleum products are transported each day by tank barges operating in the coastwise trade in the northeastern United States. The market is made up of a vast network of refineries, terminals, tankers and pipelines delivering products to the harbors, most of which is then transported to smaller distribution terminals by tank barges. The largest single market in the region is New York Harbor. Imported petroleum products are primarily delivered to New York Harbor as it has the capacity to receive products in cargo lots of 50,000 tons or more per tanker. By contrast, draft limitations in most New England ports and drawbridge limitations in Boston and Portland, Maine limit the average cargo carrying capacity of direct imports into many of the largest New England ports to about 30,000 tons per tanker. This means that ships importing directly into New England must frequently discharge in multiple ports or terminals or transfer cargoes to tank barges, involving more time and cost. As existing tankers are retired, they are typically replaced by larger tankers. As larger petroleum tankers are being built, we believe that direct delivery into New York Harbor with onward barging to New England, the Hudson River and Long Island will increase.

While the tank barge market in general is marked by steady demand over time, we anticipate that demand for barging services will be strengthened as larger oil tankers are being built to replace oil tankers removed from service due to mandates under OPA 90. These larger-sized tankers are being built to facilitate the importation of crude oil and petroleum products into the United States, which is expected to grow at

compounded annual growth rates of 1.7% and 4.9%, respectively, through 2020, according to the Energy Information Agency. These larger tankers will require lightering services provided by tugs and tank barges. In addition, OPA 90 has imposed significant limits on the service lives and capacity of most existing tank barges. Approximately 50% of the existing combined U.S. flagged tanker and tank barge fleet in the northeastern United States must be retired or substantially refurbished by December 31, 2005. Based on the remaining lives of the majority of our tank barge fleet under OPA 90, we believe we are well positioned to obtain additional customers in the northeastern United States as currently available capacity is legally required to be removed from service or substantially refurbished.

OUR OFFSHORE SUPPLY VESSEL BUSINESS

We serve the oil and gas industry in the deepwater region of the Gulf of Mexico through the operation and management of a fleet of eight newly constructed deepwater offshore supply vessels by our subsidiary, Hornbeck Offshore Services, Inc. We also have five additional deepwater offshore supply vessels under construction. We believe that the increased size of our vessel fleet will enable us to take further advantage of the strong demand for offshore supply vessels in the deepwater regions of the Gulf of Mexico, which has resulted in high utilization levels and increased vessel dayrates.

To design, maintain and expand the quality of our offshore supply vessel fleet, we have gathered a core team of naval architects and other marine professionals. Where appropriate, we work closely with potential charterers to design vessels specifically to meet their anticipated needs in operating a deepwater project that could have a duration of more than twenty years and require expenditures exceeding $1 billion. In such circumstances, we generally contract these specially designed vessels for three to five years, with renewal options, before construction is completed. Moreover, because we have already established a reputation for ontime delivery and reliability, charterers have contacted us to construct vessels to meet their needs. Although we will design vessels to meet the specific needs of a charterer, we ensure in our design that customization does not preclude efficient operation of these vessels for other customers, for other purposes or in other situations.

Our offshore supply vessels serve drilling and production facilities and support offshore construction and maintenance work. Supply boats differ from other types of marine vessels in their cargo carrying flexibility and capacity. In addition to transporting deck cargo, such as pipe or drummed material and equipment, supply boats transport liquid mud, potable and drilling water, diesel fuel and dry bulk cement. Accordingly, larger supply boats, which have greater liquid mud and dry bulk cement capacities, as well as larger areas of open deck space, than smaller supply boats, are generally in higher demand for deepwater service than vessels without those capabilities.

We designed our fleet of offshore supply vessels specifically to meet the demands of the Gulf of Mexico's deepwater areas. Our vessels have two to three times the dry bulk capacity and deck space, three to ten times the liquid mud capacity and two to four times the deck tonnage as conventional 180' offshore supply vessels, which are used primarily in shallow water regions on the continental shelf. Our advanced cargo handling systems allow for dry bulk and liquid cargoes to be loaded and unloaded three times faster, while the solid state controls of our engines result in a 20% greater fuel efficiency than vessels powered by conventional engines. Our advanced dynamic positioning systems allow our vessels to maintain position within a minimal variance. Our unique hull design and integrated rudder and thruster system provide a more manageable vessel. Our vessels have been designed with state-of-the-art lifesaving, fire alarm, monitoring, emergency power and fire suppression systems. Our vessels also have double-bottomed and double-sided hulls that minimize the environmental impact of hull penetrations, solid state control that minimizes visible soot and polluting gases and zero discharge sewage and waste systems that minimize the impact on regulated marine environments.

While offshore supply vessels service existing oil and gas production platforms as well as exploration and development activities, incremental vessel demand depends primarily upon the level of drilling activity, which can be influenced by a number of factors, including oil and gas prices and drilling budgets of exploration and production companies. As a result, utilization and dayrates have historically correlated to oil and gas prices and drilling activity, although the higher initial costs of deepwater production and the typically long-term

nature of deepwater offshore supply vessel contracts have weakened the significance of that correlation in recent years. Our operations are presently limited to the Gulf of Mexico, which is one of the largest natural gas production areas in the United States. Natural gas currently accounts for approximately 60% of all hydrocarbon production in the Gulf of Mexico, and as a result, activity in this region is highly dependent upon natural gas prices.

Based on the current level of oil and gas prices, the growth in deepwater discoveries and announced development plans, the current and anticipated need for additional drilling rigs to service such growth and the number of vessels needed to service each rig, we anticipate that deepwater offshore supply vessel demand will increase significantly by 2004. We expect a continued shortage of adequate vessels serving the deepwater Gulf of Mexico despite plans announced by several of our competitors to build new offshore supply vessels greater than 200' in length, which are specially designed for the deepwater market. Although vessels operating in overseas locations that continue to be in compliance with the Jones Act requirements may be remobilized from overseas locations if dayrates increase significantly, we believe it is unlikely that any such remobilization would have a significant impact in the near future.

Our offshore supply vessels are also designed to support certain specialty services, including well stimulation, remotely operated vehicles used in oilfield construction, underwater inspections, marine seismic operations and certain non-energy applications such as fiber optics cable installation. We have designed our offshore supply vessels to include such characteristics as maneuverability, fuel efficiency and firefighting capacity, which strengthens demand for their use in specialty situations. One of our vessels, the HOS Innovator, is currently providing remotely operated vehicle and diving support under a three-year contract. We have also signed a five-year contract with a large oilfield service company for our ninth offshore supply vessel, the HOS Blue Ray, which is scheduled to be delivered in October 2001, to support well stimulation services.

We have focused on providing high quality, responsive service while maintaining a low cost structure. We believe the quality of our fleet and the strength of our management team will allow us to develop and maintain long-term customer relationships. Although we currently operate exclusively in the Gulf of Mexico, our vessels are capable of operating in deepwater regions around the world and all of our vessels are either fully SOLAS (Safety of Life at Sea) certified or SOLAS ready. SOLAS is the international convention that regulates the technical characteristics of vessels for purposes of ensuring international standards of safety for vessels engaged in commerce between international ports.

The following table provides information, as of August 31, 2001, regarding the offshore supply vessels owned by the Company as well as those under construction.

OFFSHORE SUPPLY VESSELS

BRAKE HORSE-POWER	CLASS	CURRENT SERVICE FUNCTION(1)	NAME	LENGTH (FEET)	DATE IN SERVICE
			HOS Crossfire	200	Supply November 1998
4,000	HOS Super	H	200	Supply January 1999	
4,000	HOS Brigadoon	200	Supply March 1999		
4,000	HOS Thunderfoot	200	ROV Support/Supply May 1999		
4,000	HOS Dakota	200	Supply June 1999		
4,000	HOS Deepwater	240	Supply November 1999		
4,500	HOS Cornerstone	240	Supply March 2000		
4,500	HOS Innovator	240	ROV Support April 2001		
4,500	HOS Blue Ray	265	Well Stimulation October 2001 (Est.)		
6,700	Newbuild 2	240			

TBD January 2002
(Est.) 4,500
Newbuild
3..... 265
TBD March 2002
(Est.) 6,700
Newbuild
4..... 265
TBD April 2002
(Est.) 6,700
Newbuild
5..... 265
TBD April 2002
(Est.) 6,700

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(1) ROV: remotely operated vehicle

TBD: to be determined

The following table provides a comparison of certain specifications and capabilities of our deepwater offshore supply vessels in comparison to conventional 180' offshore supply vessels used primarily on the continental shelf of the Gulf of Mexico.

	CONVENTIONAL 180' OSV(1)	HORNBECK 200' CLASS	HORNBECK 240' CLASS	HORNBECK 265' CLASS
SIZE				
Class length overall (ft.)	180	200	240	265
Breadth (ft.)	40	54	54	60
Depth (ft.)	14	18	18	22
Maximum draft (ft.)	12	13	13	16
Deadweight (long tons)	950	1,750	2,250	3,560
Clear deck area (sq. ft.)	3,450	6,580	8,836	9,212
CAPACITY				
Fuel capacity (gallons)	79,400	90,000	151,800	151,800
Fuel pumping rate (gallons per minute)	275	500	500	500
Drill water capacity (cu. ft.)	141,000	240,000	240,000	332,500
Dry bulk capacity (cu. ft.)	4,000	7,000	8,400	10,800
Liquid mud capacity (barrels)	1,200	3,640	6,475	11,500
Liquid mud pumping rate (gals per minute)	250	550	600	600
Potable water capacity (gallons)	11,500	52,200	52,200	52,200
MACHINERY				
Main engines (horsepower)	2,250	4,000	4,500	6,700
Auxiliaries (number)	2	3	3	3
Total rating (kw)	270	750	750	1,000
Bow thruster (horsepower)	325	800	1,600	2,400
Type	Controllable Pitch	Controllable Pitch	Controllable Pitch	Fixed Pitch
Stern thruster (horsepower)	N/A	N/A	800	1,600
Type	Controllable Pitch	Controllable Pitch	Controllable Pitch	Fixed Pitch
Fire fighting (gallons per minute)	N/A	N/A	1,000	1,250
Dynamic positioning(2)	N/A	DP1	DP1/2	DP2/3
CREW REQUIREMENTS				
Number of personnel(3)	5	5	5	7

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(1) Statistics are for a typical 180' class vessel. Actual specifications and capabilities may vary from vessel to vessel.

(2) Dynamic positioning permits a vessel to maintain position without the use of anchors. The numbers "1," "2" and "3" refer to increasing levels of sophistication and system redundancy features.

(3) Regulatory manning requirements; depending on the services provided, operators may man vessels with more crew than required by regulations.

OUR TUG AND TANK BARGE BUSINESS

Through our subsidiary, LEEVAC Marine, Inc., we own and operate a fleet of thirteen ocean-going tugs and sixteen ocean-going tank barges, one of which has been bareboat chartered to a third party. Generally, a

tug and tank barge work together as a "tow" to transport refined or bunker grade petroleum products along the coast of Puerto Rico and in the Caribbean and the upper east coast of the United States. A tank barge carries petroleum products that are typically characterized as either "clean" or "dirty." Clean products are primarily gasoline, home heating oil, diesel fuel and jet fuel. Dirty products are mainly residual fuel oil and asphalts.

Our tugs and tank barges serve the northeastern U.S. coast, primarily New York Harbor, by transporting both clean and dirty petroleum products to and from refineries and distribution terminals. Our tugs and tank barges also transport both clean and dirty petroleum products from refineries and distribution terminals to the Puerto Rico Electric Power Authority and to utilities located on other Caribbean islands. In addition, we provide ship lightering, bunkering and docking services in these markets.

On May 31, 2001, we acquired nine ocean-going tugs and nine ocean-going tank barges from the Spentonbush/Red Star Group, composed of certain affiliates of Amerada Hess, as well as the business related to these tugs and barges, greatly expanding our capacity in the northeastern United States and increasing our market share of the coastwise trade on the U.S. upper east coast. As part of the acquisition, Amerada Hess entered into a long-term contract of affreightment with us pursuant to which Amerada Hess has committed to use us as its exclusive marine logistics provider and transporter of liquid petroleum products in the northeastern United States. Under this contract, Amerada Hess has committed to ship a minimum of 45 million barrels annually for an initial period from June 1, 2001 through March 31, 2006 with options to renew for subsequent periods. Also under the contract, we have the opportunity, on a reasonable commercial efforts basis, to coordinate the marine logistics for Amerada Hess in the southeastern United States, subject to Amerada Hess's right to cancel within 30 days after December 31 of each year of the contract.

The contract of affreightment will provide us with a significant source of revenues over the life of the contract. Our contract of affreightment allows Amerada Hess to reduce its minimum annual cargo volume commitment subject to a significant adjustment penalty. If Amerada Hess does not transport volumes as contemplated under the contract, we believe that we would be able to replace such volumes through other customers. We believe that there is currently little or no excess capacity in the northeastern United States coastwise trade tank barge market during the peak heating season and it is not likely that there will be excess capacity in the foreseeable future. Thus, a change by Amerada Hess to another marine transporter would cause the displacement of such transporter's other customers. Given the lack of excess capacity in this market, we believe that such displaced customers would turn to us because we would be the only marine transporter with available capacity.

The following tables provide information, as of July 31, 2001, regarding the tugs and tank barges we own, including those acquired from the Spentonbush/Red Star Group.

OCEAN-GOING TANK BARGES

BARREL	OPA 90	NAME	CAPACITY	LENGTH (FEET)	YEAR BUILT	DATE(1)	
11101			111,844	420	1979	2009	Energy
11102			111,844	420	1979	2009	Energy
9801			97,432	390	1967	2004	Energy
9501			94,442	346	1972	2004	Energy
8701			86,454	360	1976	2004	Energy
7002			72,693	351	1971	2015	Energy
7001			72,016	300	1977	2015	Energy
6504			66,333	305	1958	2015	Energy
6505			65,710	328	1978	2015	Energy
6503			65,145	327	1988	2015	Energy
6502			64,317	300	1980	2015	Energy
6501			63,875	300	1974	2015	Energy
5501			57,848	341	1969	2015	Energy
5502			55,761	309	1969	2015	Energy
2201			22,556	242	1973	2015	Energy
2202			22,457	242	1974	2015	

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(1) For a discussion of OPA 90 see "-- Environmental and Other Governmental Regulations" below.

OCEAN-GOING TUGS

BRAKE	NAME	GROSS TONNAGE	LENGTH (FEET)	YEAR BUILT	HORSEPOWER	
	Ponce Service					
190	Caribe Service	107		1970	4,200	
194	Atlantic Service	111		1970	4,200	
198	Brooklyn Service	105		1978	4,000	
198	Gulf Service	105		1975	4,000	
198	Tradewind Service	126		1979	4,000	
183	Yabucoa Service	105		1975	3,000	
183	Spartan Service	105		1975	3,000	
	Sea Service	126		1978	3,000	
	Port Service	173		1975	2,820	
	North Service	198		1957	2,300	
187	Bay Ridge Service	100		1978	2,200	
194	Stapleton Service	100		1981	2,000	
146		78		1966	1,530	

CUSTOMERS AND CHARTER TERMS

Major integrated oil companies and large independent oil and gas exploration, development and production companies constitute the majority of our customers for our offshore supply vessel services, while refining, marketing and trading companies constitute the majority of our customers for our tug and tank barge services. The number and identity of our customers vary from year to year, as does the percentage of revenues

attributable to a specific customer. The percentage of revenues attributable to a customer in any particular year depends on the level of oil and gas exploration, development and production activities undertaken or refined petroleum products or crude oil transported by a particular customer, the availability and suitability of our vessels for the customer's projects or products and other factors, many of which are beyond our control.

Currently, six of our nine offshore supply vessels, including the HOS Blue Ray scheduled for delivery in October 2001, are under long-term charter contracts, with initial terms ranging from two to five years. Certain of the contracts for our offshore supply vessels contain early termination options in favor of the customer, some with substantial early termination penalties designed to discourage the customers from exercising such options. Similarly, thirteen of our sixteen tank barges provide services under long-term contracts of one year or longer. Our offshore supply vessels have performed services for 34 different customers, and our tugs and tank barges have performed services for 84 different customers. Because of the variety and number of customers historically using the services of our fleet, we believe that the loss of any one customer would not have a material adverse effect on our business.

We enter into a variety of contract arrangements with our customers, including spot and time charters, contracts of affreightment and consecutive voyage contracts. Under spot market and time charters, we earn revenue based on a fixed dayrate, and the customer normally absorbs certain direct voyage costs, including fuel, dockage fees and outside services. We absorb these costs under a contract of affreightment. Our contracts are obtained through competitive bidding or, with established customers, through negotiation.

COMPETITION

We operate in a highly competitive industry. Competition in the offshore supply vessel and ocean-going tug and tank barge segments of the marine transportation industry primarily involves factors such as:

- availability and capability of the vessels,

- ability to meet the customer's schedule,

- price,

- safety record,

- reputation and

- experience.

Under the terms of the Merchant Marine Act of 1920, also known as the Jones Act, competition in the coastwise trade in the United States and Puerto Rico is restricted to vessels built in the United States that are U.S. flagged and owned and managed by U.S. citizens.

We believe we operate the second largest fleet of offshore supply vessels designed for service in the deepwater Gulf of Mexico. We operate the largest tank barge fleet in Puerto Rico and we believe that we are the fourth largest transporter by tank barge of petroleum products in New York Harbor.

We do not anticipate significant competition in the near term from pipelines as an alternative method of petroleum product delivery in the northeastern United States or Puerto Rico. No pipelines are currently under construction that could provide significant competition to tank barges in the northeastern United States or Puerto Rico.

Although some of our principal competitors are larger and have greater financial resources and international experience, we believe that our operating capabilities and reputation enable us to compete effectively with other fleets in the market areas in which we operate. In particular, we believe that the relatively young age and advanced features of our offshore supply vessels provide us with a competitive advantage in both the shelf and deepwater segments of the Gulf of Mexico. The ages of our offshore supply vessels range from two months to 30 months, while approximately 80% of the offshore supply vessels operating in the Gulf of Mexico continental shelf areas are over 18 years old, with many approaching 25 years old. We believe that many of these older vessels will be retired in the next few years. In addition to the young age of

our fleet, the advanced capabilities of our fleet position us to take advantage of the expanding deepwater segment of the Gulf of Mexico. Operators in the deepwater segment of the Gulf of Mexico typically require larger offshore supply vessels with greater capacities than conventional 180' class offshore supply vessels. All of our existing supply vessels provide faster horsepower and greater capacities for drill water, dry bulk, drilling mud and mud pumping than conventional vessels. Upon completion of our five vessels currently under construction, we believe that we will be in an even better position to provide continuing service in the growing deepwater segment of the Gulf of Mexico. We also believe we hold a competitive advantage with respect to our tank barges: most of our barges will not be required to be removed from service under OPA 90 until January 1, 2015, while many of the tank barges in the fleets of our competitors currently operating in the northeastern U.S. must be retired or modified by 2005. We also believe we have a competitive advantage with respect to our tank barge operations in Puerto Rico because labor restrictions and tax laws in Puerto Rico and mobilization/demobilization costs make it impractical for competitors to provide occasional transportation services without entering the market on a long-term basis.

ENVIRONMENTAL AND OTHER GOVERNMENTAL REGULATION

Our operations are significantly affected by a variety of federal, state and local laws and regulations governing worker health and safety and the manning, construction and operation of vessels. Certain governmental agencies, including the U.S. Coast Guard, the National Transportation Safety Board, the U.S. Customs Service and the Maritime Administration of the U.S. Department of Transportation, have jurisdiction over our operations. In addition, private industry organizations such as the American Bureau of Shipping oversee aspects of our business. The Coast Guard and the National Transportation Safety Board establish safety criteria and are authorized to investigate vessel accidents and recommend improved safety standards.

The U.S. Coast Guard regulates and enforces various aspects of marine offshore vessel operations. Among these are classification, certification, routes, dry-docking intervals, manning requirements, tonnage requirements and restrictions, hull and shafting requirements and vessel documentation. Coast Guard regulations require that each of our vessels be dry-docked for inspection at least twice within a five-year period.

Under Section 27 of the Merchant Marine Act of 1920, also known as the Jones Act, the privilege of transporting merchandise or passengers for hire in the coastwise trade in U.S. domestic waters extends only to vessels that are owned and managed by U.S. citizens and are built in and registered under the laws of the United States. A corporation is not considered a U.S. citizen unless, among other things:

- the corporation is organized under the laws of the United States or of a state, territory or possession of the United States,

- at least 75% of the ownership of voting interest with respect to its capital stock is held by U.S. citizens,

- the corporation's chief executive officer, president and chairman of the board are U.S. citizens and

- no more than a minority of the number of directors necessary to constitute a quorum for the transaction of business are foreigners.

If we fail to comply with these requirements, our vessels lose their eligibility to engage in coastwise trade within U.S. domestic waters. To facilitate compliance, our certificate of incorporation:

- limits ownership by foreigners of any class of our capital stock (including our common stock) to 22.5%, so that foreign ownership will not exceed the 25% permitted;

- permits withholding of dividends and suspension of voting rights with respect to any shares held by foreigners that exceed 22.5%;

- permits a stock certification system with two types of certificates to aid tracking of ownership and

- permits our board of directors to make such determinations to ascertain ownership and implement such measures as reasonably may be necessary.

Our operations are also subject to a variety of federal, state, local and international laws and regulations regarding the discharge of materials into the environment or otherwise relating to environmental protection. The requirements of these laws and regulations have become more complex and stringent in recent years and may, in certain circumstances, impose strict liability, rendering a company liable for environmental damages and remediation costs without regard to negligence or fault on the part of such party. Aside from possible liability for damages and costs associated with releases of hazardous materials including oil into the environment, such laws and regulations may expose us to liability for the conditions caused by others or even acts of ours that were in compliance with all applicable laws and regulations at the time such acts were performed. Failure to comply with applicable laws and regulations may result in the imposition of administrative, civil and criminal penalties, revocation of permits, and issuance of corrective action orders. Moreover, it is possible that changes in the environmental laws, regulations or enforcement policies or claims for damages to persons, property, natural resources or the environment could result in substantial costs and liabilities to us. We believe that we are in substantial compliance with currently applicable environmental laws and regulations.

OPA 90 and regulations promulgated pursuant thereto impose a variety of regulations on "responsible parties" related to the prevention of oil spills and liability for damages resulting from such spills. A "responsible party" includes the owner or operator of an onshore facility, pipeline or vessel or the lessee or permittee of the area in which an offshore facility is located. OPA 90 assigns liability to each responsible party for oil removal costs and a variety of public and private damages. Under OPA 90, "tank vessels" of over 3,000 gross tons that carry oil or other hazardous materials in bulk as cargo, a term which includes our tank barges, are subject to liability limits of the greater of $1,200 per gross ton or $10,000,000. For any vessels, other than "tank vessels," that are subject to OPA 90, the liability limits are the greater of $500,000 or $600 per gross ton. A party cannot take advantage of liability limits if the spill was caused by gross negligence or willful misconduct or resulted from violation of a federal safety, construction or operating regulation. If the party fails to report a spill or to cooperate fully in the cleanup, the liability limits likewise do not apply.

OPA 90 also imposes ongoing requirements on a responsible party, including preparedness and prevention of oil spills, preparation of an oil spill response plan and proof of financial responsibility (to cover at least some costs in a potential spill) for vessels in excess of 300 gross tons. We have engaged the National Response Corporation to serve as our independent contractor for purposes of providing stand-by oil spill response services in all geographical areas of our fleet operations. In addition, our Oil Spill Response Plan has been approved by the U.S. Coast Guard. Finally, we have provided satisfactory evidence of financial responsibility to the U.S. Coast Guard for all of our vessels over 300 tons.

OPA 90 requires that all newly-built tank vessels used in the transport of petroleum products be built with double-hulls and provides for a phase-out period for existing single-hull vessels. Modifying existing vessels to provide for double-hulls will be required of all tank barges and tankers in the industry by the year 2015. We are in a favorable position concerning this provision because a significant number of vessels in our fleet of tank barges weigh less than 5,000 gross tons. Vessels of such tonnage may continue to operate without double-hulls through the year 2015. Under existing legal requirements, therefore, we will not be required to modify or replace most of our tank barges before 2015. Although we are not aware of anything that would lead us to believe this will change, a change in the law affecting the requirement for double-hulls or other aspects of our operations may occur that would require us to modify or replace our existing tank barge fleet earlier than currently anticipated.

The Clean Water Act imposes strict controls on the discharge of pollutants into the navigable waters of the United States. The Clean Water Act also provides for civil, criminal and administrative penalties for any unauthorized discharge of oil or other hazardous substances in reportable quantities and imposes substantial liability for the costs of removal and remediation of an unauthorized discharge. Many states have laws that are analogous to the Clean Water Act and also require remediation of accidental releases of petroleum in reportable quantities. Our vessels routinely transport diesel fuel to offshore rigs and platforms and also carry diesel fuel for their own use. Our supply boats transport bulk chemical materials used in drilling activities and liquid mud, which contains oil and oil by-products. We maintain vessel response plans as required by the Clean Water Act to address potential oil spills.

The Comprehensive Environmental Response, Compensation, and Liability Act of 1980, also known as "CERCLA" or "Superfund," and similar laws impose liability for releases of hazardous substances into the environment. CERCLA currently exempts crude oil from the definition of hazardous substances for purposes of the statute, but our operations may involve the use or handling of other materials that may be classified as hazardous substances. CERCLA assigns strict liability to each responsible party for all response and remediation costs, as well as natural resource damages and thus we could be held liable for releases of hazardous substances that resulted from operations by third parties not under our control or for releases associated with practices performed by us or others that were standard in the industry at the time.

The Resource Conservation and Recovery Act regulates the generation, transportation, storage, treatment and disposal of onshore hazardous and non-hazardous wastes and requires states to develop programs to ensure the safe disposal of wastes. We generate non-hazardous wastes and small quantities of hazardous wastes in connection with routine operations. We believe that all of the wastes that we generate are handled in compliance with the Resource Conservation and Recovery Act and analogous state statutes.

In or around early September 2000, LEEVAC Marine, a subsidiary of ours, was one of approximately 130 companies that received a letter from the U.S. Environmental Protection Agency, also known as the "EPA," directing LEEVAC Marine to respond to a request for information on hazardous substances that may have been sent by it to the Palmer Barge Line Site in Port Arthur, Texas. The Palmer Barge Line Site was listed as a federal Superfund site in July 2000. According to records furnished by EPA, LEEVAC Marine had two tank cleaning jobs performed at this site in September-October 1988 at a cost of approximately $12,000. We believe that the cleaning services performed by Palmer Barge Line involved the removal of non-hazardous waste and that LEEVAC Marine's exposure is minimal. No other wastes are currently alleged by EPA to have been sent to this site by LEEVAC Marine. Investigatory activities by EPA with respect to this Superfund site are only in the beginning stages. On September 10, 2001, the Environmental Protection Agency provided a special notice inviting all potentially responsible parties to participate in a remedial investigation and feasibility study to be conducted and funded by those parties. The potentially responsible parties have sixty days to respond. No decision has yet been reached on the nature of the response. At this time, we are unable to determine what our ultimate potential liability, if any, may be with respect to this matter. In addition, LEEVAC Marine was notified in March 1996 regarding the possibility of remediating on a voluntary basis certain waste pits at the SBA Shipyards site in Jennings, Louisiana. This site is not identified as a Superfund site. Subsequent to this initial notice, in December 2000, LEEVAC Marine was one of approximately 14 companies that formed a limited liability company referred to as "SSCI Remediation, LLC" to address this matter. LEEVAC Marine accrued a $97,500 liability at the time of the formation of the company to cover this expense. LEEVAC Marine's current percentage of liability for cleanup efforts at this site is estimated at approximately 1.7%, and, to date, it has contributed approximately $34,000 towards this cleanup effort. This amount represents LEEVAC Marine's share of a $2 million voluntary clean-up plan submitted to the limited liability company's member group by an independent contractor whose contract is to clean up the site in a manner that will meet both state and federal standards. Remedial activities have begun at the SBA Shipyards site. Pursuant to the agreement in June 1997 that governs the Company's formation, Cari Investment Company agreed to indemnify the Company for certain matters, which would include those discussed in this paragraph. The indemnity would be applicable to all liabilities, obligations, damages and expenses related to the Superfund matter and to all liabilities, obligations, damages and expenses in excess of $100,000 related to the SBA Shipyards matter. Christian G. Vaccari, our Chairman and Chief Executive Officer, is a minority shareholder and President of Cari Investment Company.

The Outer Continental Shelf Lands Act gives the federal government broad discretion to regulate the release of offshore resources of oil and gas. Because our operations rely primarily on offshore oil and gas exploration, development and production, if the government were to exercise its authority under the Outer Continental Shelf Lands Act to restrict the availability of offshore oil and gas leases, such an action would have a material adverse effect on our financial condition and the results of operations.

In addition to laws and regulations affecting us directly, our operations are also influenced by laws, regulations and policies which affect our customers' drilling programs and the oil and gas industry as a whole.

We currently have in place pollution insurance coverage for oil spills in navigable waters of the United States. Our eight offshore supply vessels have $5 million in primary insurance coverage for such offshore oil spills, with an additional $100 million in excess umbrella coverage. In addition, fifteen of our sixteen tank barges have $10 million in primary insurance coverage for such offshore oil spills, with an excess umbrella coverage of $1 billion. Our sixteenth tank barge is leased under a bareboat charter, and the operator of that tank barge is responsible for insuring the tank barge for offshore oil spills. Finally, our thirteen tugs have $5 million in primary insurance coverage for these offshore oil spills, with an excess umbrella coverage of $1 billion.

Our tugs and tank barges acquired from the Spentonbush/Red Star Group have obtained ISO 14001 certifications for environmental management from the International Standards Organization and are also certified under the International Safety Management Code, developed by the International Maritime Organization to provide internationally recognized standards for, among other things, pollution prevention. Our other tugs and tank barges participate in the Responsible Carrier Program developed by the American Waterways Operators to improve marine safety and environmental protection in the tank barge industry. Our offshore supply vessels participate in the U.S. Coast Guard's Streamlined Inspection Program to maintain the overall quality of our vessels and their operating systems. We believe that our voluntary attainment and maintenance of these certifications and participation in these programs provides evidence of our commitment to operate in a manner that minimizes our impact on the environment.

In connection with the terrorist attacks in New York on September 11, 2001, certain of our tugs operating in New York Harbor were requisitioned by the U.S. Coast Guard for four days pursuant to federal law authorizing the requisition of U.S. owned vessels in a national emergency. We have been advised by the Federal Emergency Management Association that we will be compensated for its use of our tugs and we do not believe that the loss of revenues associated with such requisition by the Coast Guard will have a material adverse impact on our financial condition or results of operations.

OPERATING HAZARDS AND INSURANCE

The operation of our vessels is subject to various risks, such as catastrophic marine disaster, adverse weather conditions, mechanical failure, collision and navigation errors, all of which represent a threat to personnel safety and to our vessels and cargo. We maintain insurance coverage that we consider customary in the industry against certain of these risks, including, as discussed above, $1 billion in pollution insurance for the tug and tank barge fleet and $100 million of pollution coverage for the offshore supply vessels. We believe that our current level of insurance is adequate for our business and consistent with industry practice, and we have not experienced a loss in excess of our policy limits. We may not be able to obtain insurance coverage in the future to cover all risks inherent in our business, or insurance, if available, may be at rates that we do not consider to be commercially reasonable. In addition, as more single-hulled vessels are retired from active service, insurers may be less willing to insure and customers less willing to hire single-hulled vessels.

EMPLOYEES

As of August 31, 2001, we had 358 employees in the United States and Puerto Rico, including 299 operating personnel and 59 corporate, administrative and management personnel. None of our employees are represented by a union or employed pursuant to a collective bargaining agreement or similar arrangement. The International Organization of Masters, Mates and Pilots, ILA, AFL-CIO, recently initiated action to organize a union covering our 19 employees in Puerto Rico. We have not experienced any strikes or work stoppages. Our management believes that we have good relations with our employees.

PROPERTIES

Our headquarters are located in Mandeville, Louisiana in a leased facility consisting of approximately 6,500 square feet. This facility houses our principal executive and administrative offices. The lease on this facility is month to month. For local support, we have an office in Puerto Rico consisting of approximately 1,900 square feet. We have also signed an agreement to purchase office space and warehouse space in

Brooklyn, New York, consisting of approximately 66,760 square feet, which we presently occupy under a lease. We also lease dock space, consisting of approximately 36,000 square feet, in Brooklyn, New York. We operate our tug and tank barge fleet from these New York facilities. The lease on the dock space expires in 2006. We believe that our facilities, including waterfront locations used for vessel dockage and certain vessel repair work, provide an adequate base of operations for the foreseeable future. Information regarding our fleet is set forth above in "Business -- Our Offshore Supply Vessel Business" and "-- Our Tug and Tank Barge Business."

LEGAL PROCEEDINGS

We are not currently a party to any material legal proceedings, although we may from time to time be subject to various legal proceedings and claims that arise in the ordinary course of business.

SEASONALITY OF BUSINESS

Demand for our offshore supply vessel services is directly affected by the levels of offshore drilling activity. Budgets of many of our customers are based upon a calendar year, and demand for our services has historically been stronger in the third and fourth calendar quarters when allocated budgets are expended by our customers and weather conditions are more favorable for offshore activities. Many other factors, such as the expiration of drilling leases and the supply of and demand for oil and gas, may affect this general trend in any particular year. These factors have less impact on our offshore supply vessel business due to the long-term full utilization nature of most of our contracts.

Tank barge services are significantly affected by demand for refined petroleum products and crude oil. Such demand is seasonal and often dependent on weather conditions. Unseasonably mild winters result in significantly lower demand for heating oil in the northeastern United States, which is a significant market for our tank barge services. Conversely, the summer driving season can increase demand for automobile fuel and, accordingly, the demand for our services.

DIRECTORS AND MANAGEMENT

OUR DIRECTORS AND EXECUTIVE OFFICERS

Our directors and executive officers are as follows:

NAME	AGE	POSITION
Christian G. Vaccari	41	Chairman of the Board and Chief Executive Officer
Todd M. Hornbeck	33	President, Chief Operating Officer, Secretary and Director
James O. Harp, Jr.	40	Vice President and Chief Financial Officer
Carl G. Annessa	44	Vice President of Operations
Paul M. Ordogne	49	Treasurer and Controller
Richard W. Cryar	53	Director
Larry D. Hornbeck	63	Director
Bruce W. Hunt	43	Director
Andrew L. Waite	40	Director
Jesse E. Neyman	57	Director

Christian G. Vaccari has served as our Chairman of the Board and Chief Executive Officer since our formation in June 1997. Since 1989, Mr. Vaccari has served as President, Chief Executive Officer and Chairman of the Board of Cari Investment Company, the former parent of LEEVAC Marine, Inc. From 1988 to 1994, he served as Director of Corporate Development and Marketing for JAMO, Inc., a leading building materials company in the southeastern United States. From 1984 to 1988, Mr. Vaccari was an investment advisor with Thomson McKinnon, Inc., an investment banking firm. Since July 1997, Mr. Vaccari has served as a director of Riverbarge Excursion Lines, Inc. and since October 1999, he has served as a general partner in the equity fund, Audubon Capital Fund I, L.P.

Todd M. Hornbeck has served as our President, Chief Operating Officer and Secretary and as a director since our formation in June 1997. Mr. Hornbeck worked for the former Hornbeck Offshore Services, Inc. from 1986 to 1996, serving in various positions relating to business strategy and development. Following the merger of Hornbeck Offshore Services, Inc. with Tidewater, Inc. in March 1996, he accepted a position as Marketing Director -- Gulf of Mexico with Tidewater, where his responsibilities included managing relationships and overall business development in the Gulf of Mexico region. Mr. Hornbeck remained with Tidewater until our formation.

James O. Harp, Jr. has served as our Vice President and Chief Financial Officer since January 2001. Before joining us, Mr. Harp served as Vice President in the Energy Group of RBC Dominion Securities Corporation, an investment banking firm, from August 1999 to January 2001 and as Vice President in the Energy Group of Jefferies & Company, Inc., an investment banking firm, from June 1997 to August 1999. From July 1982 to June 1997 he served in a variety of capacities, most recently as Tax Principal, with Arthur Andersen LLP. Since April 1992, he has also served as Treasurer and Director of SEISCO, Inc., a seismic brokerage company.

Carl G. Annessa has served as our Vice President of Operations since September 1997. Mr. Annessa's responsibilities include not only operational oversight but, based on his education as a naval architect, design and implementation of our vessel construction program. Before joining us, he was employed for seventeen years by Tidewater, Inc., in various technical and operational management positions, including management of large fleets of offshore supply vessels in the Arabian Gulf, Caribbean and West African markets. Mr. Annessa was employed for two years by Avondale Shipyards, Inc. as a naval architect before joining Tidewater.

Paul M. Ordogne has served as our Treasurer and Controller since our formation in June 1997. From 1980 to June 1997, he worked for Cari Investment Company, serving in various financial and accounting positions, including those of controller and assistant treasurer. Mr. Ordogne is a certified public accountant.

Richard W. Cryar has served as one of our directors since our formation in June 1997. Since 1994, he has served as Managing Member of Cari Capital Company, L.L.C., a merchant banking firm. Since October 1999, Mr. Cryar has served as a general partner in the equity fund, Audubon Capital Fund I, L.P.

Larry D. Hornbeck joined our Board of Directors effective August 22, 2001. Mr. Hornbeck was the founder of the original Hornbeck Offshore Services, Inc., a publicly-held offshore service vessel company. From its inception in 1981 until its merger with Tidewater, Inc. (NYSE:TDW), Mr. Hornbeck served as the Chairman of the Board, President and Chief Executive Officer of Hornbeck Offshore Services. Following the merger, Mr. Hornbeck served as a director of Tidewater from March 1996 until October 2000.

Bruce W. Hunt has served as one of our directors since August 1997. He has been President of Petrol Marine Corporation since 1988 and President and Director of Petro-Hunt, L.L.C. since 1997. Mr. Hunt served as a director of the former Hornbeck Offshore Services, Inc., a public company, from November 1992 to March 1996.

Andrew L. Waite has served as one of our directors since November 2000. He was appointed to our board as the designee of SCF IV, L.P. Mr. Waite is a Managing Director of L.E. Simmons & Associates, Incorporated and has been an officer of that company since October 1995. He was previously Vice President of Simmons & Company International, where he served from August 1993 to September 1995. From 1984 to 1991, Mr. Waite held a number of engineering and management positions with the Royal Dutch/Shell Group, an integrated energy company. He currently serves as a director of Oil States International, Inc. (NYSE:OIS), a diversified oilfield and equipment service company, WorldOil.com Inc., an online oilfield services portal, and Canyon Offshore, Inc., a provider of remotely operated vehicle services.

Jesse E. Neyman has served as one of our directors since February 2001. He is the current designee of ECTMI Trutta Holdings L.P., an affiliate of Enron North America Corp., and Joint Energy Development Investments II Limited Partnership, the holders of warrants to purchase our common stock. He has worked for Enron Corporation since January 1992. While with Enron, he has served as Director and Vice President in the Producer Finance Group, and is currently serving as a Vice President of Enron Principal Investments.

Advisory Director. R. Clyde Parker, Jr. serves as a non-voting advisory director to our Board of Directors. Mr. Parker served as one of our directors from our formation in June 1997 until August 2001. He has been a shareholder with the law firm of Winstead Sechrest & Minick P.C. since May 1996. Mr. Parker was previously a partner with the law firm of Keck, Mahin & Cate from February 1992 to May 1996. Mr. Parker was also an attorney with Weil, Gotshal & Manges from June 1986 to February 1992 and with Vinson & Elkins from April 1983 to June 1986. He was a certified public accountant and practiced in public accounting with A.M. Pullen & Company (now McGladrey & Pullen) from June 1971 through July 1980.

Voting Agreements. Under the terms of a voting agreement among Todd M. Hornbeck, Troy A. Hornbeck, Cari Investment Company and the company, the Hornbecks and Cari Investment Company have agreed to vote their shares in such manner as to maintain equal representation of the Hornbecks and Cari Investment Company on our board and on any committee designated by our board until the earlier of completion of an initial public offering, the tenth anniversary of the agreement or certain other events specified in the agreement. Under a stockholders' and warrantholders' agreement to which we are also a party, the Hornbecks and Cari Investment Company have agreed to vote their shares in such a manner as to permit the holders of the company's warrants, until the earlier of completion of an initial public offering or June 5, 2003, to designate a number of directors (not less than one) so that they maintain representation on our board in the same percentage as their ownership of our common stock. If a public offering has not occurred by June 5, 2003, then from such date until completion of an initial public offering, or at any time an event of default under the agreement has occurred and has not been cured or waived, the warrantholders will be entitled to designate that number of directors allowing them to maintain representation on our board in the same percentages as their ownership of our common stock if the warrants held by them had been fully exercised. Under the terms of a stockholders' agreement among SCF-IV, L.P., the Hornbecks, Cari Investment Company and the company, the Hornbecks and Cari Investment Company have agreed to vote their shares in favor of SCF-IV, L.P.'s designee to our board, so long as it owns at least 5% of the company's outstanding common stock or, prior to an initial public offering, it owns at least 80% of the common stock it

acquired in November 2000. SCF-IV, L.P. also agrees to vote its shares in favor of the Hornbecks' two designees and Cari Investment Company's two designees to our board.

COMMITTEES OF THE BOARD OF DIRECTORS

Our board of directors has a compensation committee, which currently consists of Messrs. L. Hornbeck, Hunt, Cryar, Waite and Neyman. The compensation committee:

- reviews and recommends to the board of directors the compensation and benefits of our executive officers,

- establishes and reviews general policies relating to our compensation and benefits and

- administers our stock incentive plan.

The board has also established an audit committee comprised of the same members that serve on the compensation committee. Subject to shareholder approval, the audit committee selects the independent public accountants to audit our annual financial statements. The audit committee also establishes the scope of, and oversees, the annual audit.

Our board may establish other committees from time to time to facilitate the management of the business and affairs of our company.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

None of our executive officers serves as a member of a compensation committee or board of directors of any other entity which has an executive officer serving as a member of our board of directors.

TERM AND COMPENSATION OF DIRECTORS

The members of our board of directors are divided into three classes and are elected for a term of three years, or until a successor is duly elected and qualified. The terms of office of the Class I, Class II and Class III directors expire at the annual meeting of stockholders to be held in 2004, 2002 and 2003, respectively.

Directors who are also our employees receive no additional compensation for serving as directors or committee members. Non-employee directors receive compensation in the form of stock option grants for their service as directors. All directors are reimbursed for their out-of-pocket expenses incurred in connection with serving on our board.

As compensation for their service as directors during 2000, each of Messrs. Cryar, Hunt, Parker and former director Mark J. Warner were granted options to purchase 10,000 shares of our common stock. Messrs. Waite and Larry Hornbeck were also each granted options to purchase 10,000 shares of our common stock at an exercise price of $2.65 per share in connection with the commencement of their service as directors. One-fifth of these options was exercisable as of the date of the grant and one-fifth will become exercisable on each of the four following anniversaries of such dates.

EXECUTIVE COMPENSATION

The following table sets forth compensation information for the chief executive officer and certain of our other executive officers whose total annual salary and bonus exceeded $100,000 for the year ended December 31, 2000.

SUMMARY COMPENSATION TABLE

				LONG-TERM COMPENSATION AWARDS	ALL OTHER
		ANNUAL COMPENSATION			
NAME AND POSITION(1)	YEAR	SALARY	BONUS(2)	SECURITIES UNDERLYING OPTIONS(4)	COMPENSATION(5)
Christian G. Vaccari Chairman of the Board and Chief Executive Officer	2000	$168,750	$70,000	-- 300,000	$ --
Todd M. Hornbeck President, Chief Operating Officer and Secretary	2000	$165,625	$70,000	-- 300,000	1,206
Carl G. Annessa Vice President of Operations	2000	$121,771	$39,000	-- 100,000	1,286
Paul M. Ordogne Treasurer and Controller	2000	$103,021	$30,804	-- 48,000	648

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(1) James O. Harp, Jr., our Vice President and Chief Financial Officer, is not included in the Summary Compensation Table because he joined us on January 15, 2001. For a discussion of the terms of Mr. Harp's compensation under his employment agreement, please see "-- Employment Agreements." In addition, Mr. Harp was granted options, vesting in equal amounts on the first, second and third anniversaries of the grant, to purchase 100,000 shares of our common stock at an exercise price of $2.65 per share. The vesting of Mr. Harp's options scheduled to vest on the first anniversary of the date of the grant will accelerate if we complete an initial public offering of our common stock before the first anniversary.

(2) Bonuses were paid in 2001 as compensation for services provided in 2000.

(3) None of the perquisites and other benefits paid to each named executive officer exceeded the lesser of $50,000 or 10% of the total annual salary and bonus received by each named executive officer.

(4) In connection with the adoption of an incentive compensation program for executive officers, we granted options in 2001 in part as compensation for services provided in 2000.

(5) These amounts represent (i) employer matching contributions made under our 401(k) savings plan in the amount of $630, $796 and $360 for Messrs. Hornbeck, Annessa and Ordogne, respectively, and (ii) premiums of $576, $490 and $288 for Messrs. Hornbeck, Annessa and Ordogne, respectively, associated with life insurance policies.

OPTION GRANTS

The following table shows all grants of options to acquire shares of our common stock granted during the year ended December 31, 2000 and to date in 2001 to the executive officers named in the Summary

Compensation Table above under the HORNBECK-LEEVAC Marine Services, Inc. Incentive Compensation Plan.

NAME	NUMBER OF SECURITIES UNDERLYING OPTIONS GRANTED	% OF TOTAL OPTIONS GRANTED IN FISCAL YEAR	EXERCISE OR BASE PRICE ($/SHARE)(1)	EXPIRATION DATE	POTENTIAL REALIZABLE VALUE AT ASSUMED ANNUAL RATES OF STOCK PRICE APPRECIATION FOR OPTION TERM(2) 5%	10%
Christian G. Vaccari.....	50,000(3)	21%	$2.04	March 1, 2005	$ 28,000	$ 62,500
	300,000(4)	28%	$2.65	March 9, 2011	501,000	1,266,000
Todd M. Hornbeck.....	50,000(3)	21%	$2.04	March 1, 2005	28,000	62,500
	300,000(4)	28%	$2.65	March 9, 2011	501,000	1,266,000
Carl G. Annessa.....	30,000(3)	13%	$2.04	March 1, 2010	16,800	37,500
	100,000(4)	9%	$2.65	March 9, 2011	167,000	422,000
Paul M. Ordogne.....	20,000(3)	9%	$2.04	March 1, 2010	11,200	25,000
	48,000(4)	4%	$2.65	March 9, 2011	80,160	202,560

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(1) The options were granted at or above the fair market value of our common stock on the date of grant.

(2) In accordance with the rules of the Securities and Exchange Commission, the gains or "option spreads" that would exist for the respective options granted are shown. These gains are based on the assumed rates of annual compound stock price appreciation of 5% and 10% from the date the option was granted over the full option term. These assumed annual compound rates of stock price appreciation are mandated by the rules of the Securities and Exchange Commission and do not represent our estimate or projection of future appreciation.

(3) One-third of these options are exercisable as of the date of grant, and one-third become exercisable on each of the first and second anniversaries of the date of grant.

(4) One-fifth of these options are exercisable as of the date of grant, and one-fifth become exercisable on each of the first, second, third and fourth anniversaries of the date of grant.

FISCAL YEAR END OPTION VALUES

NAME	NUMBER OF SECURITIES UNDERLYING UNEXERCISED OPTIONS AT DECEMBER 31, 2000		VALUE OF UNEXERCISED IN-THE-MONEY OPTIONS AT DECEMBER 31, 2000	
	EXERCISABLE	UNEXERCISABLE	EXERCISABLE	UNEXERCISABLE

Christian G. Vaccari..... 40,000 345,000 $18,666 $29,667 Todd M. Hornbeck..... 40,000 345,000 18,666 29,667 Carl G. Annessa..... 23,333 126,667 16,766 17,534 Paul M. Ordogne..... 11,667 63,833 8,067 10,133

EXERCISES OF STOCK OPTIONS

None of the executive officers named in the Summary Compensation Table have exercised any options to purchase our common stock.

EMPLOYMENT AGREEMENTS

Christian G. Vaccari serves as our Chairman of the Board and Chief Executive Officer, Todd M. Hornbeck serves as our President, Chief Operating Officer and Secretary, James O. Harp, Jr. serves as our Vice President and Chief Financial Officer, Carl G. Annessa serves as our Vice President of Operations and Paul M. Ordogne serves as our Treasurer and Controller, each under an employment agreement with an initial term expiring December 31, 2003. Each agreement may be renewed on an annual basis for up to three additional years (two years in the case of Mr. Ordogne), unless terminated by the employee or us.

The employment agreements of Messrs. Vaccari, Hornbeck, Harp, Annessa and Ordogne provide for annual base salaries of $200,000, $200,000, $170,000, $160,000 and $116,000, respectively. Our board has agreed to award a bonus or bonuses to each of Messrs. Vaccari, Hornbeck, Harp and Annessa if our company meets certain EBITDA and earnings per share targets with respect to any year during which their respective employment agreement is in effect. Our board may, in its discretion, award a smaller bonus if our company does not meet such targets or an additional bonus if our company exceeds such targets. Mr. Ordogne is eligible for a bonus each year at the discretion of the Board. Under each of their respective employment agreements, the employee's salary will be reviewed from time to time by our compensation committee for possible increases based on the employee's performance.

If we terminate the employment of Mr. Vaccari or Mr. Hornbeck for any reason other than for cause, he will be entitled to receive his salary until the actual termination date of his agreement or two years after the date of termination, whichever is later. If we terminate the employment of Mr. Harp, Mr. Annessa or Mr. Ordogne for any reason other than for cause, he will be entitled to receive his salary until the actual termination date of his agreement or one year, as to Messrs. Harp and Annessa, and six months, as to Mr. Ordogne, after the date of termination, whichever is later. If we should undergo a change in control while the agreements are in effect and Mr. Vaccari, Mr. Hornbeck, Mr. Harp or Mr. Annessa is either constructively or actually terminated under the conditions set forth in his agreement, then he will be entitled to receive three times his salary for the year in which the termination occurs and, in general, three times the bonus he received for the previous year. If we should undergo a change in control while Mr. Ordogne's agreement is in effect and he is either constructively or actually terminated under the conditions set forth in his agreement, then he will be entitled to receive one and one-half times his salary for the year in which the termination occurs and, in general, one and one-half times the bonus he received for the previous year.

Messrs. Vaccari and Hornbeck have each agreed that during the term of their respective agreements and Messrs. Harp, Annessa and Ordogne have each agreed that during the term of their respective agreements and for a period of one year (six months in the case of Mr. Ordogne) after termination, they will not (i) be employed by or associated with or own more than five percent (5%) of the outstanding securities of any entity which competes with us in the locations in which we operate, (ii) solicit any of our employees to terminate their employment or (iii) accept employment with or payments from any of our clients or customers who did business with us while employed by us. We may elect to extend Mr. Annessa's noncompetition period for an additional year by paying his compensation and other benefits for an additional year, and we may elect to extend Mr. Ordogne's noncompetition period for an additional six months by paying his compensation and other benefits for an additional six months.

INCENTIVE COMPENSATION PLAN

Our board of directors and shareholders adopted an Incentive Compensation Plan in 1997. The purpose of the HORNBECK-LEEVAC Marine Services, Inc. Incentive Compensation Plan is to strengthen our company by providing an incentive to our employees, officers, consultants, non-employee directors and advisors to devote their abilities and energies to our success. The plan provides for the granting or awarding of incentive and nonqualified stock options, stock appreciation and dividend equivalent rights, restricted stock and performance shares. With the approval of our shareholders, we have reserved 3.5 million shares of our common stock for issuance pursuant to awards made under the plan.

The HORNBECK-LEEVAC Marine Services, Inc. Incentive Compensation Plan is administered by the compensation committee. Subject to the express provisions of the plan, the compensation committee has full authority, among other things:

- to select the persons to whom stock, options and other awards will be granted,

- to determine the type, size and terms and conditions of stock options and other awards and

- to establish the terms for treatment of stock options and other awards upon a termination of employment.

Under the plan, awards other than stock options and stock appreciation rights given to any of our executive officers whose compensation must be disclosed in our annual proxy statement and who is subject to

the limitations imposed by Section 162(m) of the tax code must be based on the attainment of certain performance goals established by the Board or the compensation committee. The performance measures are limited to earnings per share, return on assets, return on equity, return on capital, net profit after taxes, net profits before taxes, operating profits, stock price and sales or expenses. Additionally, the performance goals must include formulas for calculating the amount of compensation payable if the goals are met; both the goals and the formulas must be sufficiently objective so that a third party with knowledge of the relevant performance results could assess that the goals were met and calculate the amount to be paid.

Consistent with certain provisions of the tax code, there are other restrictions providing for a maximum number of shares that may be granted in any one year to a named executive officer and a maximum amount of compensation payable as an award under the plan (other than stock options and stock appreciation rights) to a named executive officer.

401(K) RETIREMENT PLAN

We have adopted a 401(k) plan for our employees. Employees are eligible to participate in the plan following three months of employment with us if they are at least 21 years of age. Under the plan, eligible employees are permitted, subject to legal limitations, to contribute up to 20% of compensation. The plan provides that we will match an amount equal to a percentage set by us of up to 6% of an employee's contribution before the end of each calendar year. We are also permitted to make qualified non-elective and discretionary contributions in proportion to each eligible employee's compensation as a ratio of the aggregate compensation of all eligible employees. The amounts held under the plan are invested in investment funds maintained under the plan in accordance with the directions of each participant.

All employees' contributions are immediately 100% vested. Contributions by us to the plan vest at a rate of 20% each year after the second year of service. Upon attaining age 65, participants are automatically 100% vested, even with respect to our contributions. Subject to certain limitations imposed under the tax code, participants or their designated beneficiaries are entitled to payment of vested benefits upon termination of employment. On attaining age 65, participants are entitled to distribution of the full value of their benefits even if they continue to be employed by us. Such employees also have the option of deferring payment until April 1 following the year they attain the age of 70 1/2. In addition, hardship and other in-service distributions are available under certain circumstances and subject to certain conditions. The amount of benefits ultimately payable to a participant under the plan depends on the level of the participant's salary deferral contributions under the plan, the amount of our discretionary and matching contributions made to the plan and the performance of the investment funds maintained under the plan in which participants are invested.

CERTAIN COMPANY TRANSACTIONS

The following is a discussion of transactions between our company and its executive officers, directors and shareholders owning more than five percent of our common stock. We believe that the terms of each of these transactions were at least as favorable as could have been obtained in similar transactions with unaffiliated third parties. Because of the existence of these transactions, the parties to these transactions could have interests different from those of other shareholders.

Christian G. Vaccari, our Chairman of the Board and Chief Executive Officer, is a member of LEEVAC Industries, LLC and Chairman of the Board of LEEVAC Shipyards, Inc. Three of our recently constructed offshore supply vessels were built by LEEVAC Shipyards, one was built by LEEVAC Industries and we have existing contracts with LEEVAC Industries for the construction of three additional offshore supply vessels currently in process. Our current contracts with LEEVAC Industries, as well as our past contracts with LEEVAC Industries and LEEVAC Shipyards, were entered into following a competitive bidding process. In 2000, we made payments under such shipyard contracts aggregating $9.9 million, and at December 31, 2000, after giving effect to subsequent change orders, we had contracts calling for the payment of an additional $32.5 million over the course of construction of the four offshore supply vessels.

Until November 2000, we bareboat chartered a tank barge from an entity in which we owned a 60% interest. The other 40% of such entity was owned by Gateway Offshore, Inc., which was owned by members of

the Vaccari family, including a minority interest owned by Christian G. Vaccari, our Chairman of the Board and Chief Executive Officer. The barebarge charter rate was $700 per day or $255,500 per year. In November 2000, we purchased Gateway Offshore Inc., and thus the remaining 40% interest in the tank barge owning entity from the Vaccari family in exchange for 339,624 shares of our common stock at a per share price of $2.65 or an aggregate of $900,000. The price represented 40% of the value of the tank barge based on an independent appraisal.

On June 5, 1998, Enron North America Corp. and Joint Energy Development Investments II Limited Partnership entered into an agreement with us and Hornbeck Offshore Services, Inc. and LEEVAC Marine Inc., which we refer to as Facility C and pursuant to which Enron North America and Joint Energy Development Investments agreed to lend these subsidiaries $20 million. In connection with Facility C, our subsidiaries issued to each of Enron North America and Joint Energy Development Investments a promissory note in the amount of $10 million, which each bore interest at 7% annually.

ENA CLO I Holding Company I L.P., an affiliate of Enron North America has succeeded to the interests, obligations, duties and rights of both Joint Energy Development Investments and Enron North America as lenders under Facility C. For the year ended December 31, 2000, we paid $1.8 million in interest under this Facility C, including interest paid in kind by the issuance of additional notes as permitted under Facility C totaling $0.5 million. These notes were paid in full with proceeds from the private placement of the Series A notes.

In connection with Facility C, Enron North America and Joint Energy Development Investments were each issued warrants to purchase 5,250,000 shares of our common stock at an initial exercise price of $1.68 per share, and, as a result, each became a beneficial owner of more than 5% of our common stock. The warrants terminate on May 15, 2005. Also, in connection with Facility C, Enron North America was granted additional warrants to purchase 702,380 shares, and Joint Energy Development Investments was granted additional warrants to purchase 702,381 shares of our common stock with a conditional right to exercise the additional warrants. The right to exercise the additional warrants expired upon the payment in full of all obligations in connection with Facility C and have been paid and satisfied in full. The warrants and additional warrants issued to Enron North America have been subsequently transferred to ECTMI Trutta Holdings L.P., an affiliate of Enron North America.

In June 2001, we entered into an amendment to the warrants held by ECTMI Trutta and Joint Energy Development Investments which became effective upon the closing of the private placement and upon payment to each warrantholder of $150,000 ($300,000 in the aggregate). This amendment permits us to satisfy part or all of the repurchase price of the warrants by issuing subordinated notes to the warrantholders. We may use this method of payment only to the extent payment in cash would cause or result in a violation of the terms of the indenture governing the notes offered in this offering.

On August 9, 2001, we were notified by ECTMI Trutta and Joint Energy Development Investments that they desire to transfer all of their warrants and we have exercised our right of first offer to purchase all of such warrants for an aggregate purchase price of $14.5 million. In order to finance the repurchase of the warrants, we intend to offer to each existing stockholder the right to purchase its pro rata share of 5,509,434 shares of our common stock at a price of $2.65 per share. We have already received a signed subscription agreement from one of our stockholders, the William Herbert Hunt Trust Estate, and have issued 273,585 shares of our common stock to that stockholder for a total purchase price of $725,000. We have paid this amount to ECTMI Trutta and Joint Energy Development Investments as a deposit toward our repurchase of the warrants. Also under the terms of this subscription agreement, the Trust Estate has agreed to purchase the balance of the offered shares not subscribed for by our other existing stockholders.

Also on June 5, 1998, our subsidiaries, Hornbeck Offshore Services and LEEVAC Marine entered into a credit agreement with Joint Energy Development Investments and Enron Capital Management, an affiliate of Enron North America Corp. Under this credit agreement, Enron Capital Management and Joint Energy Development Investments agreed to lend up to $15 million to our subsidiaries. We guaranteed the obligations of our subsidiaries in connection with this credit facility. On July 14, 2000, the principal and interest outstanding under this credit facility was paid in full and neither we nor our subsidiaries have any further obligation under this credit facility.

PRINCIPAL STOCKHOLDERS

The following table sets forth certain information regarding the beneficial ownership of our voting securities as of September 14, 2001 by:

- each person who is known to us to be the beneficial owner of more than 5% of our voting securities;
- each of our directors; and
- each of our named executive officers and all of our executive officers and directors as a group.

Unless otherwise indicated, each person named below has an address c/o our principal executive offices and has sole power to vote and dispose of the shares of voting securities beneficially owned by them, subject to community property laws where applicable.

DIRECT OWNERSHIP BENEFICIAL OWNERSHIP			
	NUMBER OF SHARES OUTSTANDING	PERCENTAGE OF OUTSTANDING(1)	NUMBER OF SHARES OUTSTANDING
ECTMI Trutta Holdings, L.P.	--	--	10,500,000(3)
Joint Energy Development Investments II Limited Partnership	--	--	SCF-IV, L.P.
	8,150,944	33.3	8,150,944(4)
			33.3
Cari Investment Company	4,450,119	18.2	4,764,927(5)
			19.3
Christian G. Vaccari	186,475	*	
Todd M. Hornbeck	1,500,000	6.1	3,128,333(6)
			12.7
Troy A. Hornbeck	1,500,000	6.1	
William Herbert Hunt Trust Estate	3,842,453	15.7	3,883,720(7)
			15.8
Bruce W. Hunt	18,267	*	
Carl G. Annessa	65,000	*	125,000(8)
			*
James O. Harp, Jr.	28,992	*	28,992
			*
Paul M. Ordogne	99,300	*	129,733(9)
			*
Richard W. Cryar	43,143	*	66,143(10)
			*
Jesse E. Neyman	1(2)	*	1
			*
Larry D. Hornbeck	131,434	*	133,434(11)
			*
Andrew L. Waite	1,000	*	3,000(12)
			*
All shares owned or controlled by executive officers and directors as a group (10 persons)	2,073,612	8.5	12,263,283(13)
			49.2

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* Less than 1%.

(1) Percentages of outstanding common stock beneficially owned for each beneficial owner and for the officers and directors as a group have been calculated by dividing (1) the outstanding shares held by such owner or such group plus additional shares such owner or such group, respectively, is entitled to acquire pursuant to options or warrants exercisable within sixty (60) days by (2) the total outstanding shares of our common stock plus the additional shares only such owner or such group, respectively, is entitled to acquire pursuant to such options or warrants.

(2) Director qualifying share.

(3) Enron Corp. is the ultimate parent of the general partner of ECTMI Trutta Holdings, L.P. and Joint Energy Development Investment II Limited Partnership, and as such Enron Corp. may be deemed to have voting and

dispositive power over the shares beneficially owned by ECTMI Trutta and Joint Energy Development Investments. Beneficial ownership is limited to warrants to purchase

5,250,000 shares of common stock that are presently exercisable by ECTMI Trutta, and warrants to purchase 5,250,000 shares of common stock that are presently exercisable by Joint Energy Development Investments. The address of these beneficial owners is c/o Enron North America Corp., 1400 Smith Street, Houston, Texas 77002. ECTMI Trutta and Joint Energy Development Investments have notified us that they desire to transfer their warrants and we have exercised our right of first refusal to purchase the warrants. See "Directors and Management-Certain Company Transactions."

(4) SCF-IV, L.P. is a limited partnership of which the ultimate general partner is L.E. Simmons & Associates, Incorporated. The Chairman of the Board and President of L.E. Simmons & Associates, Incorporated is Mr. L.E. Simmons. As such Mr. Simmons may be deemed to have voting and dispositive power over the shares owned by SCF-IV, L.P. The address of Mr. Simmons and SCF-IV, L.P. is 6600 Chase Bank Tower, 600 Travis Street, Houston, Texas 77002.

(5) Cari Investment Company is owned entirely by Christian G. Vaccari and other members of his family. Mr. Vaccari also serves as its chief executive officer and may be deemed to share voting and dispositive power with respect to the 4,450,119 shares of common stock owned by Cari Investment Company. Cari Investment Company's address is 1100 Poydras Street, Suite 2000, New Orleans, LA 70163. Beneficial ownership includes options to purchase 128,333 shares of common stock that are currently exercisable by Mr. Vaccari.

(6) Troy A. Hornbeck has granted a power of attorney to Todd M. Hornbeck covering the voting interest in his 1,500,000 shares, and therefore Todd Hornbeck has control of all voting decisions with respect to these shares. Beneficial ownership includes options to purchase 128,333 shares of common stock that are currently exercisable by Todd Hornbeck.

(7) Mr. Bruce W. Hunt is a representative of the William Herbert Hunt Trust Estate and may be deemed to share voting and dispositive power with respect to the 3,568,868 shares of common stock owned by the Trust Estate. Also includes options to purchase 23,000 shares of common stock that are currently exercisable by Mr. Hunt. The Trust Estate's address is 3900 Thanksgiving Tower, 1601 Elm Street, Dallas, TX 75201.

(8) Beneficial ownership includes options to purchase 60,000 shares of common stock that are currently exercisable.

(9) Beneficial ownership includes options to purchase 30,433 shares of common stock that are currently exercisable.

(10) Beneficial ownership includes options to purchase 23,000 shares of common stock that are currently exercisable.

(11) Beneficial ownership includes options to purchase 2,000 shares of common stock that are currently exercisable.

(12) Mr. Waite serves as Managing Director of L.E. Simmons & Associates, Incorporated, the ultimate general partner of SCF-IV, L.P. As such, Mr. Waite may be deemed to have voting and dispositive power over the shares owned by SCF-IV, L.P. Mr. Waite disclaims beneficial ownership of the shares owned by SCF-IV, L.P. Beneficial ownership includes options to purchase 2,000 shares of common stock that are currently exercisable.

(13) Beneficial ownership includes options to purchase 397,099 shares of common stock that are currently exercisable. Does not include 10,500,000 shares owned beneficially as described in Note (3) above.

DESCRIPTION OF OTHER INDEBTEDNESS

We have received and are evaluating a signed commitment letter from one of our former lenders regarding a new senior secured revolving line of credit of $50 million. Two of our subsidiaries, Hornbeck Offshore Services, Inc. and LEEVAC Marine, Inc. will be the borrowers under this credit facility and we and certain of our subsidiaries will guarantee the outstanding debt. Pursuant to the proposed terms for this facility, our borrowings under this facility will be limited to $25 million until we have obtained the lenders' concurrence to the use of proceeds of borrowings in excess of $25 million. Pursuant to the indenture governing the notes, the level of permitted borrowings under this facility will be initially limited to $25 million plus 15% of the increase in our consolidated net tangible assets. The debt under the facility will be secured by a first preferred ship mortgage on certain offshore supply vessels and tugs having a minimum orderly liquidation value of $75 million and blanket lien first priority security interests in all personal property related to the mortgaged vessels.

DESCRIPTION OF THE SERIES B NOTES

GENERAL

The Series B notes will be issued, and the Series A notes were issued, under an Indenture dated as of July 24, 2001 (the "Indenture") among the Company, the Guarantors and Wells Fargo Bank Minnesota, National Association, as trustee (the "Trustee"). The terms of the Notes will include those stated in the Indenture and those made part of the Indenture by reference to the Trust Indenture Act of 1939, as amended (the "Trust Indenture Act"). References to the "Notes" in this section of the prospectus include both the Series A notes and the Series B notes.

This "Description of the Notes" is intended to be a useful overview of the material provisions of the Notes, the Indenture and the Registration Rights Agreement. As this description is only a summary, you should refer to the Indenture and the Registration Rights Agreement for a complete description of the obligations of the Company and your rights. The Company has filed the Indenture as an exhibit to the registration statement which includes this prospectus.

You will find the definitions of capitalized terms used in this description under the heading "-- Certain Definitions."

For purposes of this description, references to the "Company" mean HORNBECK-LEEVAC Marine Services, Inc., but not any of its subsidiaries.

The Series B Notes:

- are general unsecured obligations of the Company;
- are issued in denominations of $1,000 and integral multiples of $1,000;
- are represented by one or more registered Notes in global form, but in certain circumstances may be represented by Notes in certificated form;
- rank equally in right of payment to all existing and any future senior indebtedness of the Company;
- rank senior in right of payment to any future subordinated indebtedness of the Company;
- are issued with original issue discount for federal income tax purposes;
- are unconditionally guaranteed on a senior basis by each Subsidiary of the Company; and

The Indenture provides the Company the flexibility of issuing additional Notes in the future in an unlimited amount; however, any issuance of such additional Notes would be subject to the covenant described in the first paragraph under "-- Certain Covenants -- Incurrence of Indebtedness and Issuance of Preferred Stock." References to the "Notes" in this section of the prospectus also include any such additional notes.

Any Series A notes that remain outstanding after the completion of the exchange offer, together with the Series B notes issued in connection with the exchange offer and any additional notes issued in the future, will be treated as a single class of securities under the Indenture.

Initially, all of the Company's Subsidiaries will be Restricted Subsidiaries. Under certain circumstances, the Company will be able to designate current or future Subsidiaries as Unrestricted Subsidiaries. Unrestricted Subsidiaries will not be subject to many of the restrictive covenants set forth in the Indenture.

PRINCIPAL, MATURITY AND INTEREST

The Notes will mature on August 1, 2008. Interest on the Notes will:

- accrue at the rate of 10.625% per annum;
- accrue from July 24, 2001;

- be payable in cash semi-annually in arrears on February 1 and August 1, commencing on February 1, 2002;

- be payable to the holders of record on the January 15 and July 15 immediately preceding the related interest payment dates; and

- be computed on the basis of a 360-day year comprised of twelve 30-day months.

SUBSIDIARY GUARANTEES

The Company's payment obligations under the Notes will be jointly and severally guaranteed (the "Subsidiary Guarantees") by all of the Company's present and future Significant Subsidiaries (the "Guarantors"). Initially, the Guarantors will include Hornbeck Offshore Services, Inc. and LEEVAC Marine, Inc., the Company's principal operating subsidiaries.

The obligations of each Guarantor under its Subsidiary Guarantee will be a general unsecured obligation of such Guarantor, ranking equally in right of payment with all other current or future senior indebtedness of such Guarantor, including any borrowings under the Credit Facility, and senior in right of payment to any subordinated indebtedness incurred by such Guarantor in the future. The Subsidiary Guarantees will be effectively subordinated, however, to all current and future secured obligations of the Guarantors, including any borrowings under the Credit Facility, to the extent of the value of the assets collateralizing such obligations.

The obligations of each Guarantor under its Subsidiary Guarantee will be limited to the maximum amount that will, after giving effect to such maximum amount and all other contingent and fixed liabilities of such Guarantor that are relevant under bankruptcy, fraudulent conveyance and fraudulent transfer and similar laws, and after giving effect to any collections from, rights to receive contribution from or payments made by or on behalf of any other Guarantor in respect of the obligations of such other Guarantor under its Subsidiary Guarantee, result in the obligations of such Guarantor under its Subsidiary Guarantee not constituting a fraudulent transfer or conveyance.

The Indenture provides that no Guarantor may consolidate with or merge with or into (whether or not such Guarantor is the surviving Person) another Person (other than the Company or another Guarantor), whether or not affiliated with such Guarantor, unless:

(1) subject to the provisions of the following paragraph, the Person formed by or surviving any such consolidation or merger (if other than such Guarantor) executes a supplement to the indenture and delivers an Opinion of Counsel in accordance with the terms of the Indenture;

(2) immediately after giving effect to such transaction, no Default or Event of Default exists;

(3) such Guarantor, or any Person formed by or surviving any such consolidation or merger, would have Consolidated Net Worth (immediately after giving effect to such transaction), equal to or greater than the Consolidated Net Worth of such Guarantor immediately preceding the transaction; and

(4) the Company would be permitted by virtue of the Company's pro forma Consolidated Interest Coverage Ratio, immediately after giving effect to such transaction, to incur at least $1.00 of additional Indebtedness pursuant to the Consolidated Interest Coverage Ratio test set forth in the covenant described below under the caption "-- Certain Covenants -- Incurrence of Indebtedness and Issuance of Preferred Stock."

The Indenture provides that, in the event of a sale or other disposition (including by way of merger or consolidation) of all or substantially all of the assets or all of the Capital Stock of any Guarantor, then such Guarantor or the Person acquiring its assets will be released and relieved of any obligations under its Subsidiary Guarantee; provided, however, that the Net Proceeds of such sale or other disposition are applied in accordance with the applicable provisions of the Indenture. See "-- Repurchase at the Option of Holders -- Asset Sales." In addition, the Indenture provides that, in the event the Board of Directors designates a Guarantor to be an Unrestricted Subsidiary, then such Guarantor will be released and relieved of any

obligations under its Subsidiary Guarantee, provided that such designation is conducted in accordance with the applicable provisions of the Indenture.

OPTIONAL REDEMPTION

At any time prior to August 1, 2005, the Company may redeem the Notes at its option, in whole or in part, at a redemption price equal to 100% of the principal amount thereof plus the Applicable Premium as of, and accrued and unpaid interest and Liquidated Damages, if any, to, the date of redemption.

The Notes will also be redeemable at the Company's option on or after August 1, 2005, in whole or in part, at the redemption prices (expressed as percentages of principal amount) set forth below, plus accrued and unpaid interest and Liquidated Damages, if any, thereon to the applicable redemption date, if redeemed during the twelve-month period beginning on August 1 of the years indicated below:

YEAR	PERCENTAGE
2005	105.3125%
2006	102.6563%
2007 and thereafter	100.0000%

Further, prior to August 1, 2004, the Company may redeem up to 35% of the aggregate principal amount of Notes originally issued at a redemption price of 110.625% of the principal amount thereof, plus accrued and unpaid interest and Liquidated Damages, if any, thereon to the redemption date, with the net cash proceeds of one or more Qualified Equity Offerings, provided that

(a) at least 65% of the aggregate principal amount of Notes originally issued remains outstanding immediately after the occurrence of each such redemption and

(b) each such redemption occurs within 60 days of the date of the closing of each such Qualified Equity Offering.

SELECTION AND NOTICE

If less than all of the Notes are to be redeemed at any time, selection of Notes for redemption will be made by the Trustee on a pro rata basis, by lot or by such method as the Trustee considers fair and appropriate; provided, however, that no Notes of $1,000 or less may be redeemed in part.

Notices of redemption will be mailed by first class mail at least 30 but not more than 60 days before the redemption date to each holder of Notes to be redeemed at its registered address.

Notices of redemption may not be conditional.

If any Note is to be redeemed in part only, the notice of redemption that relates to such Note will state the portion of the principal amount thereof to be redeemed. A new Note in principal amount equal to the unredeemed portion thereof will be issued in the name of the holder thereof upon cancellation of the original Note. Notes called for redemption become due on the date fixed for redemption. On and after the redemption date, interest ceases to accrue on Notes or portions of them called for redemption.

MANDATORY REDEMPTION

Except as set forth below under "-- Repurchase at the Option of Holders," the Company is not required to repurchase the Notes or to make mandatory redemption or sinking fund payments with respect to the Notes.

REPURCHASE AT THE OPTION OF HOLDERS

Change of Control. The Indenture provides that, upon the occurrence of a Change of Control, the Company will be required to make an offer (a "Change of Control Offer") to repurchase all or any part (equal to $1,000 or an integral multiple thereof) of each holder's Notes at an offer price in cash equal to 101% of the

aggregate principal amount thereof, plus accrued and unpaid interest and Liquidated Damages, if any, thereon to the date of repurchase (the "Change of Control Payment").

Within 30 days following a Change of Control, the Company will mail a notice to each holder of Notes and the Trustee describing the transaction that constitutes the Change of Control and offering to repurchase Notes on the date specified in such notice, which date shall be no earlier than 30 days and no later than 60 days from the date such notice is mailed (the "Change of Control Payment Date"), pursuant to the procedures required by the Indenture and described in such notice. The Company will comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent such laws and regulations are applicable in connection with the repurchase of Notes as a result of a Change of Control. To the extent that the provisions of any securities laws or regulations conflict with the Change of Control provisions of the Indenture, the Company will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Change of Control provisions of the Indenture by virtue of such conflict.

On or before the Change of Control Payment Date, the Company will, to the extent lawful,

(a) accept for payment all Notes or portions thereof properly tendered pursuant to the Change of Control Offer,

(b) deposit with the Paying Agent an amount equal to the Change of Control Payment in respect of all Notes or portions thereof so tendered and

(c) deliver or cause to be delivered to the Trustee the Notes so accepted together with an Officers' Certificate stating the aggregate principal amount of Notes or portions thereof being purchased by the Company.

The Paying Agent will promptly mail to each holder of Notes so tendered the Change of Control Payment for such Notes, and the Trustee will promptly authenticate and mail (or cause to be transferred by book entry) to each holder a new Note equal in principal amount to any unpurchased portion of the Notes surrendered, if any; provided, however, that each such new Note will be in a principal amount of $1,000 or an integral multiple thereof. The Company will publicly announce the results of the Change of Control Offer on or as soon as practicable after the Change of Control Payment Date.

Except as described above with respect to a Change of Control, the Indenture does not contain provisions that permit the holders of the Notes to require that the Company repurchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction. In addition, the Company could enter into certain transactions, including acquisitions, refinancings or other recapitalizations, that could affect the Company's capital structure or the value of the Notes, but that would not constitute a Change of Control. The occurrence of a Change of Control may result in a default under the Credit Facility and give the lenders thereunder the right to require the Company to repay all outstanding obligations thereunder. The Company's ability to repurchase Notes following a Change of Control may also be limited by the Company's then existing financial resources.

The Company will not be required to make a Change of Control Offer following a Change of Control if a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Company and purchases all Notes validly tendered and not withdrawn under such Change of Control Offer.

A "Change of Control" will be deemed to have occurred upon the occurrence of any of the following:

(a) the sale, lease, transfer, conveyance or other disposition (other than by merger or consolidation), in one or a series of related transactions, of all or substantially all of the assets of the Company and its Subsidiaries, taken as a whole,

(b) the adoption of a plan relating to the liquidation or dissolution of the Company,

(c) the consummation of any transaction (including, without limitation, any merger or consolidation, but excluding the effect of any voting arrangement pursuant to any agreement among the Company

and any stockholders of the Company as in effect on the Issue Date) the result of which is that any "person" (as such term is used in Section 13(d)(3) of the Exchange Act) becomes the "beneficial owner" (as such term is defined in Rule 13d-3 and Rule 13d-5 under the Exchange Act), directly or indirectly through one or more intermediaries, of more than 50% of the voting power of the outstanding Voting Stock of the Company or

(d) the first day on which more than a majority of the members of the Board of Directors are not Continuing Directors;

provided, however, that a transaction in which the Company becomes a Subsidiary of another Person (other than a Person that is an individual) shall not constitute a Change of Control if

(1) the stockholders of the Company immediately prior to such transaction "beneficially own" (as such term is defined in Rule 13d-3 and Rule 13d-5 under the Exchange Act), directly or indirectly through one or more intermediaries, at least a majority of the voting power of the outstanding Voting Stock of the Company immediately following the consummation of such transaction and

(2) immediately following the consummation of such transaction, no "person" (as such term is defined above), other than such other Person (but including the holders of the Equity Interests of such other Person), "beneficially owns" (as such term is defined above), directly or indirectly through one or more intermediaries, more than 50% of the voting power of the outstanding Voting Stock of the Company.

For purposes of this definition, a time charter of marine vessels to customers in the ordinary course of business shall not be deemed to be a "lease" under clause (a) above.

"Continuing Directors" means, as of any date of determination, any member of the Board of Directors who

(a) was a member of the Board of Directors on the Issue Date or

(b) was nominated for election to the Board of Directors with the approval of, or whose election to the Board of Directors was ratified by, at least two-thirds of the directors who were members of the Board of Directors on the Issue Date or who were so elected to the Board of Directors thereafter.

The definition of Change of Control includes an event by which the Company sells, leases, transfers, conveys or otherwise disposes of all or substantially all of the assets of the Company and its Subsidiaries, taken as a whole. Although there is a limited body of case law interpreting the phrase "substantially all," there is no precise established definition of the phrase under applicable law. Accordingly, the ability of a holder of Notes to require the Company to repurchase such Notes as a result of a sale, lease, transfer, conveyance or other disposition of less than all of the assets of the Company and its Subsidiaries, taken as whole, may be uncertain.

Asset Sales. The Indenture provides that the Company will not, and will not permit any of its Restricted Subsidiaries to, consummate an Asset Sale (excluding for this purpose an Event of Loss) unless

(a) the Company or such Restricted Subsidiary, as the case may be, receives consideration at the time of such Asset Sale at least equal to the fair market value (as determined in accordance with the definition of such term, the results of which determination shall be set forth in an Officers' Certificate delivered to the Trustee) of the assets or Equity Interests issued or sold or otherwise disposed of and

(b) at least 75% of the consideration therefor received by the Company or such Restricted Subsidiary is in the form of cash or Cash Equivalents;

provided, however, that the amount of

(1) any liabilities (as shown on the Company's or such Restricted Subsidiary's most recent balance sheet) of the Company or such Restricted Subsidiary (other than contingent liabilities and liabilities that are by their terms subordinated to the Notes or any Subsidiary Guarantee) that are assumed by the transferee of any such assets or Equity Interests pursuant to a customary novation agreement that releases the Company or such Restricted Subsidiary from further liability and

(2) any securities, notes or other obligations received by the Company or such Restricted Subsidiary from such transferee that are converted within 30 days by the Company or such Restricted Subsidiary into cash (to the extent of the cash received) shall be deemed to be cash for purposes of this provision.

Within 365 days after the receipt of any Net Proceeds from an Asset Sale (including, without limitation, an Event of Loss), the Company or any such Restricted Subsidiary may apply such Net Proceeds to

(a) permanently repay all or any portion of the principal of any secured Indebtedness (to the extent of the fair value of the assets collateralizing such Indebtedness, as determined by the Board of Directors) or

(b) to acquire (including by way of a purchase of assets or stock, merger, consolidation or otherwise) Productive Assets, provided that if the Company or such Restricted Subsidiary enters into a binding agreement to acquire such Productive Assets within such 365-day period, but the consummation of the transactions under such agreement has not occurred within such 365-day period, and the agreement has not been terminated, then the 365-day period will be extended to 18 months to permit such consummation; provided further, however, if such consummation does not occur, or such agreement is terminated within such 18-month period, then the Company may apply, or cause such Restricted Subsidiary to apply, within 90 days after the end of the 18-month period or the effective date of such termination, whichever is earlier, such Net Proceeds as provided in clauses (a) and (b) of this paragraph.

Pending the final application of any such Net Proceeds, the Company or any such Restricted Subsidiary may temporarily reduce outstanding revolving credit borrowings, including borrowings under the Credit Facility, or otherwise invest such Net Proceeds in any manner that is not prohibited by the Indenture. Any Net Proceeds from Asset Sales that are not applied or invested as provided in the first sentence of this paragraph will be deemed to constitute "Excess Proceeds."

When the aggregate amount of Excess Proceeds exceeds $10 million, the Company will be required to make an offer to all holders of Notes (an "Asset Sale Offer") to purchase the maximum principal amount of Notes that may be purchased out of the Excess Proceeds at an offer price in cash in an amount equal to 100% of the principal amount thereof, plus accrued and unpaid interest and Liquidated Damages, if any, thereon to the date of purchase, in accordance with the procedures set forth in the Indenture; provided, however, that, if the Company is required to apply such Excess Proceeds to repurchase, or to offer to repurchase, any Pari Passu Indebtedness, the Company shall only be required to offer to repurchase the maximum principal amount of Notes that may be purchased out of the amount of such Excess Proceeds multiplied by a fraction, the numerator of which is the aggregate principal amount of Notes outstanding and the denominator of which is the aggregate principal amount of Notes outstanding plus the aggregate principal amount of Pari Passu Indebtedness outstanding.

To the extent that the aggregate principal amount of Notes tendered pursuant to an Asset Sale Offer is less than the amount that the Company is required to repurchase, the Company may use any remaining Excess Proceeds for general corporate purposes. If the aggregate principal amount of Notes surrendered by holders thereof exceeds the amount that the Company is required to repurchase, the Trustee will select the Notes to be purchased on a pro rata basis. Upon completion of such offer to purchase, the amount of Excess Proceeds shall be reset at zero.

The Company will not, and will not permit any Restricted Subsidiary to, enter into or suffer to exist any agreement (other than any agreement governing the Credit Facility) that would place any restriction of any kind (other than pursuant to law or regulation) on the ability of the Company to make an Asset Sale Offer. The agreement governing the Credit Facility may contain prohibitions of certain events, including events that would constitute a Change of Control or an Asset Sale. In addition, the exercise by the holders of Notes of their right to require the Company to repurchase the Notes upon a Change of Control or an Asset Sale could cause a default under these other agreements, even if the Change of Control or Asset Sale itself does not, due to the financial effect of such repurchases on the Company. Finally, the Company's ability to pay cash to the holders of Notes upon a repurchase may be limited by the Company's then existing financial resources.

The Company will comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent such laws and regulations are applicable in connection with the purchase of the Notes as a result of an Asset Sale Offer. To the extent that the provisions of any securities laws or regulations conflict with the Asset Sales provisions of the Indenture, the Company will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Asset Sale provisions of the Indenture by virtue of such conflict.

CERTAIN COVENANTS

Restricted Payments. The Indenture provides that the Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly,

(a) declare or pay any dividend or make any other payment or distribution on account of the Company's or any of its Restricted Subsidiaries' Equity Interests (including, without limitation, any such payment in connection with any merger or consolidation involving the Company) or to the direct or indirect holders of the Company's Equity Interests in their capacity as such (other than dividends or distributions payable in Equity Interests (other than Disqualified Stock) of the Company);

(b) purchase, redeem or otherwise acquire or retire for value (including without limitation, in connection with any merger or consolidation involving the Company) any Equity Interests of the Company or any of its Restricted Subsidiaries (other than any such Equity Interests owned by the Company or any Wholly Owned Restricted Subsidiary of the Company);

(c) make any payment on or with respect to, or purchase, redeem, defease or otherwise acquire or retire for value, any Indebtedness that is subordinated in right of payment to the Notes or the Subsidiary Guarantees, except a payment of interest or principal at Stated Maturity (other than an interim payment of principal on the Subordinated Notes); or

(d) make any Restricted Investment

(all such payments and other actions set forth in clauses (a) through (d) above being collectively referred to as "Restricted Payments"), unless, at the time of and after giving effect to such Restricted Payment:

(1) no Default or Event of Default shall have occurred and be continuing or would occur as a consequence thereof;

(2) the Company would, at the time of such Restricted Payment and after giving pro forma effect thereto as if such Restricted Payment had been made at the beginning of the applicable four-quarter period, have been permitted to incur at least $1.00 of additional Indebtedness pursuant to the Consolidated Interest Coverage Ratio test set forth in the first paragraph of the covenant described under the caption "-- Incurrence of Indebtedness and Issuance of Preferred Stock"; and

(3) such Restricted Payment, together with the aggregate amount of all other Restricted Payments made by the Company and its Restricted Subsidiaries after the Issue Date (excluding Restricted Payments permitted by clauses (b), (c), (d), (f), (g), (h) and (i), but including Restricted Payments permitted by clauses (a) and (e), of the next succeeding paragraph), is less than the sum of the following:

(A) 50% of the cumulative Consolidated Net Income of the Company for the period (taken as one accounting period) from April 1, 2001 to the end of the Company's most recently ended fiscal quarter for which internal financial statements are available at the time of such Restricted Payment (or, if such Consolidated Net Income for such period is a deficit, less 100% of such deficit), plus

(B) subject to clause (b) of the next succeeding paragraph, 100% of the aggregate net cash proceeds received by the Company since the Issue Date from the issue or sale of Equity Interests of the Company (other than Disqualified Stock) or of Disqualified Stock or debt securities of the Company that have been converted into, or exchanged for, such Equity Interests (other than any such Equity Interests, Disqualified Stock or convertible debt securities sold to a Restricted

Subsidiary of the Company and other than Disqualified Stock or convertible debt securities that have been converted into, or exchanged for, Disqualified Stock), plus

(C) to the extent that any Restricted Investment that was made after the Issue Date is sold for cash or otherwise liquidated or repaid for cash, the lesser of (1) the cash return of capital with respect to such Restricted Investment (less the cost of disposition, if any) and (2) the initial amount of such Restricted Investment, plus

(D) in the event that any Unrestricted Subsidiary is redesignated as a Restricted Subsidiary, the lesser of (1) an amount equal to the fair market value of the Investments in such Subsidiary previously made by the Company and its Restricted Subsidiaries as of the date of such redesignation and (2) the amount of such Investments, plus

(E) $10 million.

The preceding provisions will not prohibit:

(a) the payment of any dividend within 60 days after the date of declaration thereof if at said date of declaration such payment would have complied with the provisions of the Indenture;

(b) the redemption, repurchase, retirement, defeasance or other acquisition of any subordinated Indebtedness of the Company or any Guarantor or Equity Interests of the Company or any of its Restricted Subsidiaries in exchange for, or out of the net cash proceeds of the substantially concurrent sale (other than to a Restricted Subsidiary of the Company) of, other Equity Interests of the Company (other than any Disqualified Stock), provided that the amount of any such net cash proceeds that are utilized for any such redemption, repurchase, retirement, defeasance or other acquisition shall be excluded from clause (3)(B) of the preceding paragraph;

(c) the defeasance, redemption, repurchase, retirement or other acquisition of subordinated Indebtedness of the Company or any Guarantor with the net cash proceeds from an incurrence of, or in exchange for, Permitted Refinancing Indebtedness;

(d) the payment of any dividend or distribution by a Restricted Subsidiary of the Company to the Company or any of its Wholly Owned Restricted Subsidiaries;

(e) so long as no Default or Event of Default has occurred and is continuing, the repurchase, redemption or other acquisition or retirement for value of any Equity Interests of the Company or any of its Restricted Subsidiaries held by any employee of the Company or any of its Restricted Subsidiaries, provided that the aggregate price paid for all such repurchased, redeemed, acquired or retired Equity Interests shall not exceed $500,000 in any calendar year;

(f) the acquisition of Equity Interests by the Company in connection with the exercise of stock options or stock appreciation rights by way of cashless exercise or in connection with the satisfaction of withholding tax obligations;

(g) in connection with an acquisition by the Company or by any of its Restricted Subsidiaries, the return to the Company or any of its Restricted Subsidiaries of Equity Interests of the Company or any of its Restricted Subsidiaries constituting a portion of the purchase price consideration in settlement of indemnification claims;

(h) the purchase by the Company of fractional shares of Equity Interests arising out of stock dividends, splits or combinations or business combinations; and

(i) the acquisition by the Company of any Trutta/JEDI warrants in exchange for Subordinated Notes.

The amount of all Restricted Payments (other than cash) will be the fair market value on the date of the Restricted Payment of the asset(s) or securities proposed to be transferred or issued by the Company or such Restricted Subsidiary, as the case may be, pursuant to the Restricted Payment. The fair market value of any non-cash Restricted Payment will be determined in the manner contemplated by the definition of the term

"fair market value," and the results of such determination will be evidenced by an Officers' Certificate delivered to the Trustee. Not later than the date of making any Restricted Payment (other than a Restricted Payment permitted by clause (b), (c), (d), (f), (g), (h) or (i) of the preceding paragraph), the Company shall deliver to the Trustee an Officers' Certificate stating that such Restricted Payment is permitted and setting forth the basis upon which the calculations required by the covenant "Restricted Payments" were computed.

Incurrence of Indebtedness and Issuance of Preferred Stock. The Indenture provides that the Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, create, incur, issue, assume, guarantee or otherwise become directly or indirectly liable, contingently or otherwise, with respect to (collectively, "incur" or an "incurrence") any Indebtedness (including, without limitation, any Acquired Indebtedness) and that the Company will not issue any Disqualified Stock and will not permit any of its Restricted Subsidiaries to issue any shares of preferred stock; provided, however, that the Company and its Restricted Subsidiaries may incur Indebtedness, and the Company may issue Disqualified Stock, in each case if the Consolidated Interest Coverage Ratio for the Company's most recently ended four full fiscal quarters for which internal financial statements are available immediately preceding the date on which such additional Indebtedness is incurred or such Disqualified Stock is issued would have been at least as great as the ratio indicated in the following table at the time such additional Indebtedness is incurred or such Disqualified Stock is issued (such time being called the "Incurrence Time"), in each case as determined on a pro forma basis (including a pro forma application of the net proceeds therefrom), as if the additional Indebtedness or Disqualified Stock had been issued or incurred at the beginning of such four-quarter period.

INCURRENCE TIME RATIO	
When the Notes are rated at least Ba3 by Moody's and at least BB- by S&P	
2.50 to 1	At any other time as follows: From the Issue Date through December 31, 2002
2.50 to 1	From January 1, 2003 through June 30, 2004
2.75 to 1	After June 30, 2004
3.00 to 1	

The preceding provisions will not apply to the incurrence by the Company or any of its Restricted Subsidiaries of any of the following Indebtedness:

(a) Indebtedness under the Credit Facility in an aggregate principal amount at any one time outstanding not to exceed the sum of (1) $25 million and (2) 15% of the amount of the increase, if any, in Consolidated Net Tangible Assets between (A) the end of the Company's most recently ended fiscal quarter for which internal financial statements are available and (B) March 31, 2001, with the amount of Consolidated Net Tangible Assets at March 31, 2001 to be determined on a pro forma basis to reflect the Company's acquisition on May 31, 2001 of tugs and tank barges from the Spentonbush/Red Star Group, plus any fees, premiums, expenses (including costs of collection), indemnities and similar amounts payable in connection with such Indebtedness;

(b) Existing Indebtedness;

(c) Hedging Obligations;

(d) Indebtedness represented by the Offered Notes, the Exchange Notes or any Subsidiary Guarantees;

(e) intercompany Indebtedness between or among the Company and any of its Wholly Owned Restricted Subsidiaries, provided that any subsequent issuance or transfer of Equity Interests that results in any such Indebtedness being held by a Person other than the Company or a Wholly Owned Restricted Subsidiary of the Company, or any sale or other transfer of any such Indebtedness to a Person that is neither the Company nor a Wholly Owned Restricted Subsidiary of the Company, shall be deemed to constitute an incurrence of such Indebtedness by the Company or such Restricted Subsidiary, as the case may be, as of the date such issuance, sale or other transfer is not permitted by this clause (e);

(f) Indebtedness in respect of bid, performance or surety bonds issued for the account of the Company or any Restricted Subsidiary thereof in the ordinary course of business, including guarantees or obligations of the Company or any Restricted Subsidiary thereof with respect to letters of credit supporting such bid, performance or surety obligations (in each case other than for an obligation for money borrowed);

(g) the guarantee by the Company of Indebtedness of any of its Restricted Subsidiaries or by any Restricted Subsidiary of Indebtedness of the Company or another Restricted Subsidiary, in each case, that was permitted to be incurred by another provision of this covenant;

(h) Permitted Refinancing Debt incurred in exchange for, or the net proceeds of which are used to extend, refinance, renew, replace, defease or refund Indebtedness that was incurred pursuant to the first paragraph of this covenant or clause (b), (d) or (h) of the second paragraph of this covenant;

(i) Subordinated Notes; and

(j) other Indebtedness in a principal amount not to exceed $10 million at any one time outstanding.

The Indenture also provides that the Company will not, and will not permit any Guarantor to, directly or indirectly, incur any Indebtedness which by its terms (or by the terms of any agreement governing such Indebtedness) is subordinated to any other Indebtedness of the Company or of such Guarantor, as the case may be, unless such Indebtedness is also by its terms (or by the terms of any agreement governing such Indebtedness) made expressly subordinate to the Notes or the Subsidiary Guarantee of such Guarantor, as the case may be, to the same extent and in the same manner as such Indebtedness is subordinated pursuant to subordination provisions that are most favorable to the holders of any other Indebtedness of the Company or of such Guarantor, as the case may be; provided, however, that no Indebtedness will be deemed to be contractually subordinated in right of payment to any other Indebtedness solely by virtue of being unsecured.

For purposes of determining compliance with this "Incurrence of Indebtedness and Issuance of Preferred Stock" covenant, in the event that an item of proposed Indebtedness meets the criteria of more than one of the categories of Indebtedness described in clauses (a) through (i) of the second paragraph, or is entitled to be incurred pursuant to the first paragraph, of this covenant, the Company will be permitted to classify such item of Indebtedness on the date of its incurrence, or later reclassify all or a portion of such item of Indebtedness, in any manner that complies with this covenant, and such item of Indebtedness will be treated as having been incurred pursuant to such category. There will be no restrictions in the Indenture on the ability of an Unrestricted Subsidiary to incur Indebtedness or issue preferred stock.

Liens. The Indenture provides that the Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, create, incur, assume or suffer to exist any Lien on any asset now owned or hereafter acquired, or any income or profits therefrom, except Permitted Liens, to secure:

(a) any Indebtedness of the Company or such Restricted Subsidiary (if it is not also a Guarantor), unless prior to, or contemporaneously therewith, the Notes are equally and ratably secured, or

(b) any Indebtedness of any Guarantor, unless prior to, or contemporaneously therewith, the Subsidiary Guarantees are equally and ratably secured;

provided, however, that if such Indebtedness is expressly subordinated to the Notes or the Subsidiary Guarantees, the Lien securing such Indebtedness will be subordinated and junior to the Lien securing the Notes or the Subsidiary Guarantees, as the case may be, with the same relative priority as such Indebtedness has with respect to the Notes or the Subsidiary Guarantees. The incurrence of secured Indebtedness by the Company and its Restricted Subsidiaries is subject to further limitations on the incurrence of Indebtedness as described under "-- Incurrence of Indebtedness and Issuance of Preferred Stock."

Sale-and-Leaseback Transactions. The Indenture provides that the Company will not, and will not permit any of its Restricted Subsidiaries to, enter into any sale-and-leaseback transaction; provided, however,

that the Company or any Restricted Subsidiary, as applicable, may enter into a sale-and-leaseback transaction if:

(a) the Company or such Restricted Subsidiary could have

(1) incurred Indebtedness in an amount equal to the Attributable Indebtedness relating to such sale-and-leaseback transaction pursuant to the Consolidated Interest Coverage Ratio test set forth in the first paragraph of the covenant described above under the caption "-- Incurrence of Indebtedness and Issuance of Preferred Stock" and

(2) incurred a Lien to secure such Indebtedness pursuant to the covenant described under the caption "-- Liens,"

(b) the gross cash proceeds of such sale-and-leaseback transaction are at least equal to the fair market value (as determined in accordance with the definition of such term, the results of which determination shall be set forth in an Officers' Certificate delivered to the Trustee) of the assets that are the subject of such sale-and-leaseback transaction and

(c) the transfer of assets in such sale-and-leaseback transaction is permitted by, and the Company applies the proceeds of such transaction in compliance with, the covenant described above under the caption "-- Repurchase at the Option of Holders -- Asset Sales."

Issuances and Sales of Capital Stock of Restricted Subsidiaries. The Indenture provides that the Company

(a) will not, and will not permit any Restricted Subsidiary of the Company to, transfer, convey, sell or otherwise dispose of any Capital Stock of any Restricted Subsidiary of the Company to any Person (other than the Company or a Wholly Owned Restricted Subsidiary of the Company), unless

(1) such transfer, conveyance, sale, or other disposition is of all the Capital Stock of such Restricted Subsidiary and

(2) the Net Proceeds from such transfer, conveyance, sale or other disposition are applied in accordance with the covenant described above under the caption "-- Repurchase at the Option of Holders -- Asset Sales," and

(b) will not permit any Restricted Subsidiary of the Company to issue any of its Equity Interests to any Person other than to the Company or a Wholly Owned Restricted Subsidiary of the Company;

except, in the case of both clauses (a) and (b) above, with respect to (i) dispositions or issuances by a Wholly Owned Restricted Subsidiary of the Company as contemplated in clauses (a) and (b) of the definition of "Wholly Owned Restricted Subsidiary" or (ii) other dispositions or issuances of up to 35% of the outstanding Capital Stock of a Wholly Owned Restricted Subsidiary of the Company, provided that, after giving pro forma effect thereto, the Investment of the Company and its Wholly Owned Restricted Subsidiaries in all Restricted Subsidiaries that are not Wholly Owned Restricted Subsidiaries of the Company, determined on a consolidated basis in accordance with GAAP, does not exceed 15% of Consolidated Net Tangible Assets of the Company. For purposes of this covenant, the creation or perfection of a Lien on any Capital Stock of a Restricted Subsidiary of the Company to secure any Indebtedness of the Company or any of its Restricted Subsidiaries will not be deemed to be a disposition of such Capital Stock, provided that any sale by the secured party of such Capital Stock following foreclosure of its Lien will be subject to this covenant.

Dividend and Other Payment Restrictions Affecting Subsidiaries. The Indenture provides that the Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, create or otherwise cause or suffer to exist or become effective any encumbrance or restriction on the ability of any Restricted Subsidiary to do any of the following:

(a) (i) pay dividends or make any other distributions to the Company or any of its Restricted Subsidiaries on its Capital Stock or (ii) pay any Indebtedness owed to the Company or any of its Restricted Subsidiaries,

(b) make loans or advances to the Company or any of its Restricted Subsidiaries or

(c) transfer any of its assets to the Company or any of its Restricted Subsidiaries,

except for such encumbrances or restrictions existing under or by reason of:

(1) the Credit Facility or Existing Indebtedness, each as in effect on the Issue Date,

(2) the Indenture, the Notes and the Subsidiary Guarantees,

(3) applicable law,

(4) any instrument governing Indebtedness or Capital Stock of a Person acquired by the Company or any of its Restricted Subsidiaries as in effect at the time of such acquisition (except to the extent such Indebtedness was incurred in connection with or in contemplation of such acquisition), which encumbrance or restriction is not applicable to any Person or the assets of any Person, other than the Person, or the assets of the Person, so acquired, provided that, in the case of Indebtedness, such Indebtedness was permitted by the terms of the Indenture to be incurred,

(5) by reason of customary non-assignment provisions in leases entered into in the ordinary course of business and consistent with past practices,

(6) by reason of customary provisions restricting the transfer of copyrighted or patented materials consistent with industry practice,

(7) purchase money obligations for property acquired in the ordinary course of business that impose restrictions of the nature described in clause (c) above on the property so acquired,

(8) customary provisions in bona fide contracts for the sale of assets,

(9) Permitted Refinancing Indebtedness with respect to any Indebtedness referred to in clauses (1) and (2) above, provided that the restrictions contained in the agreements governing such Permitted Refinancing Indebtedness are not materially more restrictive, taken as a whole, than those contained in the agreements governing the Indebtedness being refinanced or

(10) provisions with respect to the disposition or distribution of assets in joint venture agreements, asset sale agreements, stock sale agreements and other similar agreements entered into in the ordinary course of business.

Merger, Consolidation or Sale of Assets. The Indenture provides that the Company may not consolidate or merge with or into (whether or not the Company is the surviving corporation), or sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of its assets in one or more related transactions to another Person unless

(a) the Company is the surviving corporation or the Person formed by or surviving any such consolidation or merger (if other than the Company) or to which such sale, assignment, transfer, lease, conveyance or other disposition has been made is a corporation organized or existing under the laws of the United States, any state thereof or the District of Columbia,

(b) the Person formed by or surviving any such consolidation or merger (if other than the Company) or the Person to which such sale, assignment, transfer, lease, conveyance or other disposition has been made assumes all the obligations of the Company under the Notes and the Indenture pursuant to a supplemental indenture in a form reasonably satisfactory to the Trustee,

(c) immediately after such transaction no Default or Event of Default exists and

(d) except in the case of a merger of the Company with or into a Wholly Owned Restricted Subsidiary of the Company, the Company or the Person formed by or surviving any such consolidation or merger (if other than the Company), or to which such sale, assignment, transfer, lease, conveyance or other disposition has been made

(1) will have Consolidated Net Worth immediately after the transaction equal to or greater than the Consolidated Net Worth of the Company immediately preceding the transaction and

(2) will, at the time of such transaction and after giving pro forma effect thereto as if such transaction had occurred at the beginning of the applicable four-quarter period, be permitted to incur at least $1.00 of additional Indebtedness pursuant to the Consolidated Interest Coverage Ratio test set forth in the first paragraph of the covenant described above under the caption "-- Incurrence of Indebtedness and Issuance of Preferred Stock."

Transactions with Affiliates. The Indenture provides that the Company will not, and will not permit any of its Restricted Subsidiaries to, make any payment to, or sell, lease, transfer or otherwise dispose of any of its assets to, or purchase any assets from, or enter into or make or amend any transaction, contract, agreement, understanding, loan, advance or guarantee with, or for the benefit of, any Affiliate (each of the foregoing, an "Affiliate Transaction"), unless:

(a) such Affiliate Transaction is on terms that are no less favorable to the Company or the relevant Restricted Subsidiary than those that would have been obtained in a comparable transaction by the Company or such Restricted Subsidiary with an unrelated Person or, if there is no such comparable transaction, on terms that are fair and reasonable to the Company or such Restricted Subsidiary, and

(b) the Company delivers to the Trustee

(1) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of $1 million, a resolution of the Board of Directors set forth in an Officers' Certificate certifying that such Affiliate Transaction complies with clause (a) above and that such Affiliate Transaction has been approved by a majority of the disinterested members of the Board of Directors and

(2) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of $5 million, an opinion as to the fairness to the Company or the relevant Subsidiary of such Affiliate Transaction from a financial point of view issued by an accounting, appraisal or investment banking firm that is, in the judgment of the Board of Directors, qualified to render such opinion and is independent with respect to the Company, provided that such opinion will not be required with respect to any Affiliate Transaction or series of related Affiliate Transactions involving shipyard contracts that are awarded following a competitive bidding process and approved by a majority of the disinterested members of the Board of Directors;

provided, however, that the following shall be deemed not to be Affiliate Transactions:

(A) any employment agreement or other employee compensation plan or arrangement entered into by the Company or any of its Restricted Subsidiaries in the ordinary course of business of the Company or such Restricted Subsidiary;

(B) transactions between or among the Company and its Restricted Subsidiaries;

(C) Permitted Investments and Restricted Payments that are permitted by the provisions of the Indenture;

(D) loans or advances to officers, directors and employees of the Company or any Restricted Subsidiary made in the ordinary course of business and consistent with past practices of the Company and its Restricted Subsidiaries in an aggregate amount not to exceed $500,000 outstanding at any one time;

(E) indemnities of officers, directors and employees of the Company or any of its Restricted Subsidiaries permitted by bylaw or statutory provisions;

(F) maintenance in the ordinary course of business of customary benefit programs or arrangements for officers, directors and employees of the Company or any Restricted Subsidiary, including without limitation vacation plans, health and life insurance plans, deferred compensation plans, retirement or savings plans and similar plans;

(G) registration rights or similar agreements with officers, directors or significant shareholders of the Company or any Restricted Subsidiary;

(H) issuance of Equity Interests (other than Disqualified Stock) by the Company; and

(I) the payment of reasonable and customary regular fees to directors of the Company or any of its Restricted Subsidiaries who are not employees of the Company or any Affiliate.

Additional Subsidiary Guarantees. The Indenture provides that if the Company or any of its Restricted Subsidiaries, after the Issue Date, acquires or creates another Restricted Subsidiary, then such newly acquired or created Subsidiary shall execute a supplement to the Indenture and deliver an Opinion of Counsel in accordance with the terms of the Indenture.

Conduct of Business. The Company will not, and will not permit any of its Restricted Subsidiaries to, engage in the conduct of any business other than the marine transportation business and such other businesses as are complementary or related thereto as determined in good faith by the Board of Directors of the Company.

Reports. Whether or not the Company is required to do so by the rules and regulations of the Commission, the Company will file with the Commission within the time periods specified in the Commission's rules and regulations (unless the Commission will not accept such a filing) and, within fifteen days of filing, or attempting to file, the same with the Commission, furnish to the holders of the Notes and the Trustee

(a) all quarterly and annual financial and other information with respect to the Company and its Subsidiaries that would be required to be contained in a filing with the Commission on Forms 10-Q and 10-K if the Company were required to file such forms, including a "Management's Discussion and Analysis of Financial Condition and Results of Operations" and, with respect to the annual information only, a report thereon by the Company's certified independent accountants, provided that the obligation to file and to furnish such quarterly information will commence with respect to the quarterly period ending September 30, 2001, and

(b) all current reports that would be required to be filed with the Commission on Form 8-K if the Company were required to file such reports.

In addition, the Company and the Guarantors will furnish to the holders of the Notes, prospective purchasers of the Notes and securities analysts, upon their request, the information, if any, required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

Future Designation of Restricted and Unrestricted Subsidiaries. The preceding covenants (including calculation of financial ratios and the determination of limitations on the incurrence of Indebtedness) may be affected by the designation by the Company of any existing or future Subsidiary of the Company as an Unrestricted Subsidiary, or by the redesignation by the Company of an Unrestricted Subsidiary as a Restricted Subsidiary.

The Board of Directors may designate any Restricted Subsidiary to be an Unrestricted Subsidiary if such designation would not cause a Default. For purposes of making such determination, all outstanding Investments by the Company and its Restricted Subsidiaries (except to the extent repaid in cash) in the Subsidiary so designated will be deemed to be Restricted Payments at the time of such designation. All such outstanding Investments will be deemed to constitute Investments in an amount equal to the greater of (a) the net book value of such Investments at the time of such designation and (b) the fair market value of such Investments at the time of such designation. Such designation will only be permitted if such Restricted Payments would be permitted at such time and if such Restricted Subsidiary otherwise meets the definition of an Unrestricted Subsidiary.

The Board of Directors of the Company may also redesignate any Unrestricted Subsidiary to be a Restricted Subsidiary if such redesignation complies with the requirements of the Indenture described in the definition of "Unrestricted Subsidiary." If the aggregate amount of all Restricted Payments calculated for purposes of the first paragraph of the covenant described under "-- Restricted Payments" above includes an

Investment in an Unrestricted Subsidiary that subsequently becomes a Restricted Subsidiary pursuant to the terms of this paragraph, then the aggregate amount of such Restricted Payments will be reduced by the lesser of (a) an amount equal to the fair market value of the Investments previously made by the Company and its Restricted Subsidiaries in such Unrestricted Subsidiary at the time it becomes a Restricted Subsidiary and (b) the amount of such Investments.

Any designation or redesignation pursuant to this covenant by the Board of Directors will be evidenced by the filing with the Trustee of a Board Resolution giving effect to such action and evidencing the valuation of any Investment relating thereto (as determined in good faith by the Board of Directors) and an Officers' Certificate certifying that such action and valuation complied with the preceding requirements.

EVENTS OF DEFAULT AND REMEDIES

The Indenture provides that each of the following constitutes an Event of Default:

(a) default for 30 days in the payment when due of interest or Liquidated Damages, if any, on the Notes;

(b) default in payment when due of the principal of or premium, if any, on the Notes;

(c) failure by the Company to comply with the provisions described under the caption "-- Repurchase at the Option of Holders" or "-- Certain Covenants -- Merger, Consolidation or Sale of Assets";

(d) failure by the Company for 60 days after notice to comply with any of its other agreements in the Indenture or the Notes;

(e) default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by the Company or any of its Restricted Subsidiaries (or the payment of which is guaranteed by the Company or any of its Restricted Subsidiaries), whether such Indebtedness or guarantee now exists or is created after the Issue Date, which default

(1) is caused by a failure to pay principal of or premium or interest on such Indebtedness prior to the expiration of any grace period provided in such Indebtedness (a "Payment Default") or

(2) results in the acceleration of such Indebtedness prior to its express maturity and

(3) in each case, the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a Payment Default or the maturity of which has been so accelerated, aggregates $10 million or more and

provided, further, that if any such default is cured or waived or any such acceleration rescinded, or such Indebtedness is repaid, within a period of 10 days from the continuation of such default beyond the applicable grace period or the occurrence of such acceleration, as the case may be, such Event of Default and any consequential acceleration of the Notes shall be automatically rescinded, so long as such rescission does not conflict with any judgment or decree;

(f) failure by the Company or any of its Restricted Subsidiaries to pay final judgments aggregating in excess of $10 million, which judgments are not paid, discharged or stayed for a period of 60 days;

(g) failure by any Guarantor to perform any covenant set forth in its Subsidiary Guarantee, or the repudiation by any Guarantor of its obligations under its Subsidiary Guarantee or the unenforceability of any Subsidiary Guarantee against a Guarantor for any reason other than as provided in the Indenture; and

(h) certain events of bankruptcy or insolvency with respect to the Company or any Significant Subsidiary.

If any Event of Default occurs and is continuing, the Trustee or the holders of at least 25% in principal amount of the then outstanding Notes may declare all the Notes to be due and payable immediately. Notwithstanding the preceding, in the case of an Event of Default arising from certain events of bankruptcy or

insolvency with respect to the Company or any Significant Subsidiary, all outstanding Notes will become due and payable without further action or notice. The holders of a majority in principal amount of the then outstanding Notes by written notice to the Trustee may on behalf of all of the holders rescind an acceleration and its consequences if the rescission would not conflict with any judgment or decree and if all existing Events of Default (except nonpayment of principal, interest, premium or Liquidated Damages that have become due solely because of the acceleration) have been cured or waived. Holders of the Notes may not enforce the Indenture or the Notes except as provided in the Indenture. Subject to certain limitations, holders of a majority in principal amount of the then outstanding Notes may direct the Trustee in its exercise of any trust or power. The Trustee may withhold from holders of the Notes notice of any continuing Default or Event of Default (except a Default or Event of Default relating to the payment of principal, premium, interest or Liquidated Damages, if any) if it determines that withholding notice is in their interest.

In the case of any Event of Default occurring by reason of any willful action (or inaction) taken (or not taken) by or on behalf of the Company with the intention of avoiding payment of the premium that the Company would have had to pay if the Company then had elected to redeem the Notes pursuant to the optional redemption provisions of the Indenture, an equivalent premium shall also become and be immediately due and payable to the extent permitted by law upon the acceleration of the Notes.

The holders of a majority in principal amount of the Notes then outstanding by notice to the Trustee may on behalf of the holders of all of the Notes waive any existing Default or Event of Default and its consequences under the Indenture except a continuing Default or Event of Default in the payment of the principal of, premium interest or Liquidated Damages, if any, on the Notes.

Except to enforce the right to receive payment of principal, premium, if any, interest or Liquidated Damages, if any, when due, no holder of the Notes may pursue any remedy with respect to the Indenture or the Notes unless:

(1) such holder has previously given the Trustee notice that an Event of Default is continuing;

(2) holders of at least 25% in principal amount of the outstanding Notes have requested the Trustee to pursue such remedy;

(3) such holders have offered the Trustee indemnity satisfactory to it against any loss, liability or expense;

(4) the Trustee has not complied with such request within 60 days after the receipt thereof and the offer of indemnity; and

(5) holders of a majority in principal amount of the outstanding Notes have not given the Trustee a direction inconsistent with such request within such 60-day period.

The Company will be required to deliver to the Trustee annually a statement regarding compliance with the Indenture, and the Company will be required, upon becoming aware of any Default or Event of Default, to deliver to the Trustee a statement specifying such Default or Event of Default.

NO PERSONAL LIABILITY OF DIRECTORS, OFFICERS, EMPLOYEES AND STOCKHOLDERS

No director, officer, employee, incorporator, member, partner or stockholder of the Company or any Guarantor, as such, shall have any liability for any obligations of the Company or any Guarantor under the Notes, the Subsidiary Guarantees or the Indenture or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each holder of Notes by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes. Such waiver may not be effective to waive liabilities under the federal securities laws, and it is the view of the Commission that such a waiver is against public policy.

LEGAL DEFEASANCE AND COVENANT DEFEASANCE

The Company may, at its option and at any time, elect to have all of the obligations of itself and the Guarantors discharged with respect to the outstanding Notes and the Subsidiary Guarantees ("Legal Defeasance") except for

(a) the rights of holders of outstanding Notes to receive payments in respect of the principal of and premium, interest and Liquidated Damages, if any, on such Notes when such payments are due from the trust referred to below,

(b) the Company's obligations with respect to the Notes concerning issuing temporary Notes, registration of transfer or exchange of Notes, mutilated, destroyed, lost or stolen Notes and the maintenance of an office or agency for payment and money for security payments held in trust,

(c) the rights, powers, trusts, duties and immunities of the Trustee, and the Company's and any Guarantor's obligations in connection therewith and

(d) the Legal Defeasance provisions of the Indenture.

In addition, the Company may, at its option and at any time, elect to have the obligations of the Company and the Guarantors released with respect to certain covenants that are described in the Indenture ("Covenant Defeasance") and thereafter any omission to comply with such obligations will not constitute a Default or Event of Default with respect to the Notes. In the event Covenant Defeasance occurs, certain events (not including non-payment, bankruptcy and insolvency events) described under "Events of Default and Remedies" will no longer constitute an Event of Default with respect to the Notes.

In order to exercise either Legal Defeasance or Covenant Defeasance,

(1) the Company must irrevocably deposit with the Trustee, in trust, for the benefit of the holders of the Notes, cash in U.S. dollars, non-callable U.S. Government Securities, or a combination thereof, in such amounts as will be sufficient, in the opinion of a nationally recognized firm of independent public accountants, to pay the principal of and premium, interest and Liquidated Damages, if any, on the outstanding Notes on the Stated Maturity or on the applicable redemption date, as the case may be, and the Company must specify whether the Notes are being defeased to maturity or to a particular redemption date,

(2) in the case of Legal Defeasance, the Company shall have delivered to the Trustee an Opinion of Counsel in the United States reasonably acceptable to the Trustee confirming that (A) the Company has received from, or there has been published by, the Internal Revenue Service a ruling or (B) since the Issue Date, there has been a change in the applicable federal income tax law, in either case to the effect that, and based thereon such opinion of counsel shall confirm that, the holders of the outstanding Notes will not recognize income, gain or loss for federal income tax purposes as a result of such Legal Defeasance and will be subject to federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred,

(3) in the case of Covenant Defeasance, the Company shall have delivered to the Trustee an Opinion of Counsel in the United States reasonably acceptable to the Trustee confirming that the holders of the outstanding Notes will not recognize income, gain or loss for federal income tax purposes as a result of such Covenant Defeasance and will be subject to federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred,

(4) no Default or Event of Default shall have occurred and be continuing on the date of such deposit (other than a Default or Event of Default resulting from the borrowing of funds to be applied to such deposit or the grant of Liens securing such borrowings) or insofar as Events of Default from bankruptcy or insolvency events are concerned, at any time in the period ending on the 91st day after the date of deposit,

(5) such Legal Defeasance or Covenant Defeasance will not result in a breach or violation of, or constitute a default under any material agreement or instrument (other than the Indenture) to which the Company or any of its Restricted Subsidiaries is a party or by which the Company or any of its Restricted Subsidiaries is bound,

(6) the Company must have delivered to the Trustee an Opinion of Counsel to the effect that, after the 91st day following the date of deposit, the trust funds will not be subject to the effect of any applicable bankruptcy, insolvency, reorganization or similar laws affecting creditors' rights generally,

(7) the Company must deliver to the Trustee an Officers' Certificate stating that the deposit was not made by the Company with the intent of preferring the holders of Notes over the other creditors of the Company with the intent of defeating, hindering, delaying or defrauding creditors of the Company or others and

(8) the Company must deliver to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent provided for relating to the Legal Defeasance or the Covenant Defeasance have been complied with.

If the Company exercises either Legal Defeasance or Covenant Defeasance, any Liens securing the Notes that were created pursuant to the requirements of the "Liens" covenant will be released.

AMENDMENT AND WAIVER

Except as provided below, the Indenture or the Notes may be amended with the consent of the holders of at least a majority in principal amount of the Notes then outstanding (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes), and any existing non-payment default or compliance with any provision of the Indenture or the Notes may be waived with the consent of the holders of a majority in principal amount of the then outstanding Notes (including consents obtained in connection with a tender offer or exchange offer for Notes).

Without the consent of each holder affected, an amendment or waiver may not (with respect to any Notes held by a non-consenting Holder):

(a) reduce the principal amount of Notes whose holders must consent to an amendment or waiver,

(b) reduce the principal of or change the fixed maturity of any Note or alter the provisions with respect to the redemption or repurchase of the Notes (other than provisions relating to the covenants described above under the caption "-- Repurchase at the Option of Holders"),

(c) reduce the rate of or change the time for payment of interest on any Note,

(d) waive a Default or Event of Default in the payment of principal of or premium, interest or Liquidated Damages, if any, on the Notes (except a rescission of acceleration of the Notes by the holders of at least a majority in principal amount of the Notes and a waiver of the payment default that resulted from such acceleration),

(e) make any Note payable in money other than that stated in the Notes,

(f) make any change in the provisions of the Indenture relating to waivers of past defaults or the rights of holders of Notes to receive payments of principal of or premium, interest or Liquidated Damages, if any, on the Notes (except as permitted in clause (g) hereof),

(g) waive a redemption or repurchase payment with respect to any Note (other than a payment required by one of the covenants described above under the caption "-- Repurchase at the Option of Holders"),

(h) alter the ranking of the Notes relative to other Indebtedness of the Company or any Subsidiary Guarantee relative to other Indebtedness of the Guarantors, in either case in a manner adverse to the holders, or

(i) make any change in the foregoing amendment and waiver provisions.

Notwithstanding the preceding, without the consent of any holder of Notes, the Company, the Guarantors and the Trustee may amend the Indenture or the Notes to cure any ambiguity, defect or inconsistency, to provide for uncertificated Notes in addition to or in place of certificated Notes, to provide for the assumption of the Company's obligations to holders of Notes in the case of a merger or consolidation or sale of all or substantially all of the Company's assets, to make any change that would provide any additional rights or benefits to the holders of Notes or that does not adversely affect the legal rights under the Indenture of any such holder, to secure the Notes pursuant to the requirements of the "Liens" covenant, to add any additional Guarantor or to release any Guarantor from its Subsidiary Guarantee, in each case as provided in the Indenture, or to comply with requirements of the Commission in order to effect or maintain the qualification of the Indenture under the Trust Indenture Act.

Neither the Company nor any of its Subsidiaries will, directly or indirectly, pay or cause to be paid any consideration, whether by way of interest, fee or otherwise, to any holder of any Notes for or as an inducement to any consent, waiver or amendment of any terms or provisions of the Indenture or the Notes, unless such consideration is offered to be paid or agreed to be paid to all holders of the Notes which so consent, waive or agree to amend in the time frame set forth in solicitation documents relating to such consent, waiver or agreement.

SATISFACTION AND DISCHARGE

The Indenture will be discharged and will cease to be of further effect as to all Notes issued thereunder, when:

(a) either:

(1) all Notes that have been authenticated (except lost, stolen or destroyed Notes that have been replaced or paid and Notes for whose payment money has theretofore been deposited in trust and thereafter repaid to the Company) have been delivered to the Trustee for cancellation or

(2) all Notes that have not been delivered to the Trustee for cancellation have become due and payable by reason of the giving of a notice of redemption or otherwise or will become due and payable within one year and the Company or any Guarantor has irrevocably deposited or caused to be irrevocably deposited with the Trustee as trust funds in trust solely for the benefit of the Holders, cash in U.S. dollars, non-callable U.S. Government Securities or a combination thereof, in such amounts as will be sufficient without consideration of any reinvestment of interest, to pay and discharge the entire indebtedness on the Notes not delivered to the Trustee for cancellation for principal, premium, if any, Liquidated Damages, if any, and accrued interest to the date of maturity or redemption;

(b) no Default or Event of Default has occurred and is continuing on the date of such deposit or will occur as a result of such deposit and such deposit will not result in a breach or violation of, or constitute a default under, any other instrument to which the Company or any Guarantor is a party or by which the Company or any Guarantor is bound;

(c) the Company or any Guarantor has paid or caused to be paid all other sums payable by it under the Indenture; and

(d) the Company has delivered an Officers' Certificate and an Opinion of Counsel to the Trustee stating that all conditions precedent to satisfaction and discharge have been satisfied.

CONCERNING THE TRUSTEE

Wells Fargo Bank Minnesota, National Association, will serve as trustee, registrar and paying agent under the Indenture.

The Indenture contains certain limitations on the rights of the Trustee, should it become a creditor of the Company or any Guarantor, to obtain payment of claims in certain cases, or to realize on certain property received in respect of any such claim as security or otherwise. The Trustee will be permitted to engage in other transactions; however, if after an Event of Default has occurred and is continuing, the Trustee acquires any conflicting interest it must eliminate such conflict within 90 days, apply to the Commission for permission to continue or resign.

The holders of a majority in principal amount of the then outstanding Notes will have the right to direct the time, method and place of conducting any proceeding for exercising any remedy available to the Trustee, subject to certain exceptions. The Indenture provides that in case an Event of Default occurs (which is not cured), the Trustee will be required, in the exercise of its power, to use the degree of care of a prudent man in the conduct of his own affairs. Subject to such provisions, the Trustee will be under no obligation to exercise any of its rights or powers under the Indenture at the request of any holder of Notes, unless such holder shall have offered to the Trustee security and indemnity satisfactory to it against any loss, liability or expense.

GOVERNING LAW

The Indenture provides that it, the Notes and the Subsidiary Guarantees will be governed by the laws of the State of New York.

ADDITIONAL INFORMATION

Anyone who receives this prospectus may obtain a copy of the Indenture without charge by contacting HORNBECK-LEEVAC Marine Services, Inc., 414 N. Causeway Boulevard, Mandeville, Louisiana 70448, Attention: James O. Harp, Jr., Chief Financial Officer, telephone (985) 727-2000, extension 203.

BOOK ENTRY, DELIVERY AND FORM

The Series B notes will be issued in the form of a global note. The global note will be deposited with, or on behalf of, the Depository and registered in the name of the Depository or its nominee. Except as set forth below, the global note may be transferred, in whole and not in part, only to the Depository or another nominee of the Depository. Investors may hold their beneficial interests in the global note directly through the Depository if they have an account with the Depository or indirectly through organizations which have accounts with the Depository.

Series B notes that are issued as described below under "-- Certificated Notes" will be issued in definitive form. Upon the transfer of Series B notes in definitive form, such Series B notes will, unless the global note has previously been exchanged for Series B notes in definitive form, be exchanged for an interest in the global note representing the aggregate principal amount of Series B notes being transferred.

The Depository has advised the Company as follows: The Depository is a limited-purpose trust company organized under the laws of the State of New York, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Exchange Act. The Depository was created to hold securities of institutions that have accounts with the Depository ("participants") and to facilitate the clearance and settlement of securities transactions among its participants in such securities through electronic book-entry changes in accounts of the participants, thereby eliminating the need for physical movement of securities certificates. The Depository's participants include securities brokers and dealers (which may include the initial purchasers), banks, trust companies, clearing corporations and certain other organizations. Access to the Depository's book-entry system is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a participant, whether directly or indirectly.

The Company expects that pursuant to procedures established by the Depository, upon the issuance of the global note, the Depository will credit, on its book-entry registrations and transfer system, the aggregate principal amount of Series B notes represented by such global note to the accounts of participants exchanging

Series A notes. Ownership of beneficial interests in the global note will be limited to participants or Persons that may hold interests through participants. Ownership of beneficial interests in the global note will be shown on, and the transfer of those ownership interests will be effected only through, records maintained by the Depository (with respect to participants' interest) and such participants (with respect to the owners of beneficial interests in the global note other than participants). The laws of some jurisdictions may require that certain purchasers of securities take physical delivery of such securities in definitive form. Such limits and laws may impair the ability to transfer or pledge beneficial interests in the global note.

So long as the Depository, or its nominee, is the Holder of the global note, the Depository or such nominee, as the case may be, will be considered the sole legal owner and Holder of the Series B notes for all purposes of the Series B notes and the Indenture. Except as set forth below, you will not be entitled to have the Series B notes represented by the global note registered in your name, will not receive or be entitled to receive physical delivery of certificated notes in definitive form and will not be considered to be the owner or Holder of any Series B notes under the global note. The Company understands that under existing industry practice, in the event an owner of a beneficial interest in the global note desires to take any action that the Depository, as the Holder of the global note, is entitled to take, the Depository will authorize the participants to take such action, and that the participants will authorize beneficial owners owning through such participants to take such action or would otherwise act upon the instructions of beneficial owners owning through them.

The Company will make all payments on Series B notes represented by the global note registered in the name of and held by the Depository or its nominee to the Depository or its nominee, as the case may be, as the owner and Holder of the global note.

The Company expects that the Depository or its nominee, upon receipt of any payment in respect of the global note, will credit participants' accounts with payments in amounts proportionate to their respective beneficial interests in the aggregate principal amount of the global note as shown on the records of the Depository or its nominee. The Company also expects that payments by participants to owners of beneficial interest in the global note held through such participants will be governed by standing instructions and customary practices and will be the responsibility of such participants. The Company will not have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the global note for any Series B notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests or for any other aspect of the relationship between the Depository and its participants or the relationship between such participants and the owners of beneficial interests in the global note owning through such participants.

Although the Depository has agreed to the preceding procedures in order to facilitate transfers of interests in the global note among participants of the Depository, it is under no obligations to perform or continue to perform such procedures, and such procedures may be discontinued at any time. Neither the Trustee nor the Company will have any responsibility for the performance by the Depository or its participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

CERTIFICATED NOTES

Subject to certain conditions, the Series B notes represented by the global note will be exchangeable for certificated notes in definitive form of like tenor as such Series B notes if:

(1) the Depository notifies the Company that it is unwilling or unable to continue as Depository for the global note and a successor is not promptly appointed or if at any time the Depository ceases to be a clearing agency registered under the Exchange Act; or

(2) the Company in its discretion at any time determines not to have all of the Series B notes represented by the global note. Any Series B notes that are exchangeable pursuant to the preceding sentence will be exchanged for certificated notes issuable in authorized denominations and registered in such names as the Depository shall direct. Subject to the preceding, the global note is not exchangeable, except for a global note of the same aggregate denomination to be registered in the name of the Depository or its nominee.

EXCHANGE AND TRANSFERS

A holder of Series B Notes may transfer or exchange Series B notes in accordance with the Indenture. The Registrar and the Trustee may require a holder, among other things, to furnish appropriate endorsements and transfer documents and the Company may require a holder to pay any taxes and fees required by law or permitted by the Indenture. The Company will not be required to transfer or exchange any Series B note selected for redemption. Also, the Company will not be required to transfer or exchange any Series B note for a period of 15 days before a selection of Notes to be redeemed.

CERTAIN DEFINITIONS

Set forth below are certain defined terms used in the Indenture. Reference is made to the Indenture for a full disclosure of all such terms, as well as any other capitalized terms used herein for which no definition is provided.

"Acquired Indebtedness" means Indebtedness of a Person (a) existing at the time such Person becomes a Restricted Subsidiary or (b) assumed in connection with acquisitions of assets from such Person. Acquired Indebtedness will be deemed to be incurred on the date the acquired Person becomes a Restricted Subsidiary or the date of the related acquisition of assets from such Person.

"Affiliate" of any specified Person means an "affiliate" of such Person, as such term is defined for purposes of Rule 144 under the Securities Act.

"Applicable Premium" means, with respect to any Note on any redemption date, the greater of:

(a) 1.0% of the principal amount of the Note and

(b) the excess of (1) the present value at such redemption date of (A) the redemption price of the Note at August 1, 2005 (such redemption price being set forth in the table appearing above under the caption "-- Optional Redemption") plus (B) all required interest payments due on the Note during the period from such redemption date through August 1, 2005 (excluding accrued but unpaid interest), computed using a discount rate equal to the Treasury Rate as of such redemption date plus 50 basis points over (2) the principal amount of the Note, if greater.

"Asset Sale" means

(a) the sale, lease, conveyance or other disposition (a "disposition") of any assets or rights (including, without limitation, by way of a sale and leaseback), excluding dispositions in the ordinary course of business (provided that the disposition of all or substantially all of the assets of the Company and its Subsidiaries taken as a whole will be governed by the provisions of the Indenture described above under the caption "-- Repurchase at the Option of Holders -- Change of Control" and the provisions described above under the caption "-- Certain Covenants -- Merger, Consolidation or Sale of Assets" and not by the provisions of the Asset Sales covenant),

(b) the issue or sale by the Company or any of its Restricted Subsidiaries of Equity Interests of any of the Company's Subsidiaries, and

(c) any Event of Loss,

whether, in the case of clause (a), (b) or (c), in a single transaction or a series of related transactions, provided that such transaction or series of related transactions (1) involves assets or rights having a fair market value in excess of $1 million or (2) results in the payment of net proceeds (including insurance proceeds from an Event of Loss) in excess of $1 million. Notwithstanding the preceding provisions of this definition, the following transactions will be deemed not to be Asset Sales:

(A) a disposition of obsolete or excess equipment or other assets;

(B) a disposition of assets (including Equity Interests) by the Company to a Wholly Owned Restricted Subsidiary or by a Restricted Subsidiary to the Company or to a Wholly Owned Restricted Subsidiary;

(C) a disposition of cash or Cash Equivalents;

(D) disposition of assets (including Equity Interests) that constitutes a Permitted Investment or Restricted Payment that is permitted by the provisions of the Indenture described above under "-- Certain Covenants -- Restricted Payments";

(E) any charter or lease of any equipment or other assets entered into in the ordinary course of business and with respect to which the Company or any Restricted Subsidiary thereof is the lessor, except any such charter or lease that provides for the acquisition of such assets by the lessee during or at the end of the term thereof for an amount that is less than the fair market value thereof at the time the right to acquire such assets occurs; and

(F) any trade or exchange by the Company or any Restricted Subsidiary of the Company of equipment or other assets for equipment or other assets owned or held by another Person, provided that the fair market value of the assets traded or exchanged by the Company or such Restricted Subsidiary (together with any cash or Cash Equivalents) is reasonably equivalent to the fair market value of the assets (together with any cash or Cash Equivalents) to be received by the Company or such Restricted Subsidiary.

The fair market value of any non-cash proceeds of a disposition of assets and of any assets referred to in the foregoing clause (F) of this definition shall be determined in the manner contemplated in the definition of the term "fair market value," the results of which determination shall be set forth in an Officers' Certificate delivered to the Trustee.

"Attributable Indebtedness" in respect of a sale-and-leaseback transaction means, at the time of determination, the present value (discounted at the rate of interest implicit in such transaction, determined in accordance with GAAP) of the obligation of the lessee for net rental payments during the remaining term of the lease included in such sale-and-lease-back transaction (including any period for which such lease has been extended or may, at the option of the lessor, be extended). As used in the preceding sentence, the "net rental payments" under any lease for any such period shall mean the sum of rental and other payments required to be paid with respect to such period by the lessee thereunder, excluding any amounts required to be paid by such lessee on account of maintenance and repairs, insurance, taxes, assessments, water rates or similar charges. In the case of any lease that is terminable by the lessee upon payment of penalty, such net rental payment shall also include the amount of such penalty, but no rent shall be considered as required to be paid under such lease subsequent to the first date upon which it may be so terminated.

"Capital Lease Obligation" means, at the time any determination thereof is to be made, the amount of the liability in respect of a capital lease that would at such time be required to be capitalized on a balance sheet in accordance with GAAP.

"Capital Stock" means

(a) in the case of a corporation, corporate stock,

(b) in the case of an association or business entity, any and all shares, interests, participations, rights or other equivalents (however designated) of corporate stock,

(c) in the case of a partnership or limited liability company, partnership or membership interests (whether general or limited) and

(d) any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of assets of, the issuing Person.

"Cash Equivalents" means

(a) securities issued or directly and fully guaranteed or insured by the United States government or any agency or instrumentality thereof having maturities of not more than six months from the date of acquisition,

(b) certificates of deposit and Eurodollar time deposits with maturities of six months or less from the date of acquisition, bankers' acceptances with maturities not exceeding six months and overnight bank deposits, in each case with or issued by any commercial bank organized under the laws of any country that is a member of the Organization for Economic Cooperation and Development having capital and surplus in excess of $500 million and whose long-terms debt securities are rated at least A3 by Moody's and at least A- by S&P,

(c) repurchase obligations with a term of not more than seven days for underlying securities of the types described in clauses (a) and (b) above entered into with any financial institution meeting the qualifications specified in clause (b) above,

(d) commercial paper having a rating of at least P-1 from Moody's or at least A-1 from S&P and in each case maturing within 270 days after the date of acquisition,

(e) deposits available for withdrawal on demand with any commercial bank not meeting the qualifications specified in clause (b) above, provided all deposits referred to in this clause (e) are made in the ordinary course of business and do not exceed $2 million in the aggregate at any one time, and

(f) money market mutual funds substantially all of the assets of which are of the type described in the foregoing clauses (a) through (d).

"Common Stock" means the Common Stock of the Company, par value $.01 per share.

"Consolidated Cash Flow" means, with respect to any Person for any period, the Consolidated Net Income of such Person for such period plus, to the extent deducted or excluded in calculating Consolidated Net Income for such period,

(a) an amount equal to any extraordinary loss plus any net loss realized by such Person or any of its Restricted Subsidiaries in connection with an Asset Sale,

(b) provision for taxes based on income or profits of such Person and its Restricted Subsidiaries,

(c) Consolidated Interest Expense of such Person and its Restricted Subsidiaries, and

(d) depreciation and amortization (including amortization of goodwill and other intangibles but excluding amortization of prepaid cash expenses that were paid in a prior period) of such Person and its Restricted Subsidiaries,

in each case, on a consolidated basis and determined in accordance with GAAP.

"Consolidated Interest Coverage Ratio" means with respect to any Person for any period, the ratio of the Consolidated Cash Flow of such Person for such period to the Consolidated Interest Expense of such Person for such period; provided, however, that the Consolidated Interest Coverage Ratio shall be calculated giving pro forma effect to each of the following transactions as if each such transaction had occurred at the beginning of the applicable four-quarter reference period:

(a) any incurrence, assumption, guarantee, repayment, purchase or redemption by such Person or any of its Restricted Subsidiaries of any Indebtedness (other than revolving credit borrowings) subsequent to the commencement of the period for which the Consolidated Interest Coverage Ratio is being calculated but prior to the date on which the event occurred for which the calculation of the Consolidated Interest Coverage Ratio is made (the "Calculation Date");

(b) any acquisition that has been made by such Person or any of its Restricted Subsidiaries, or approved and expected to be consummated within 30 days of the Calculation Date, including, in each case, through a merger or consolidation, and including any related financing transactions, during the four-quarter reference period or subsequent to such reference period and on or prior to the Calculation Date (in which case Consolidated Cash Flow for such reference period shall be calculated without giving effect to clause (c) of the proviso set forth in the definition of Consolidated Net Income);

(c) any delivery to such a Person or any of its Restricted Subsidiaries of any newly constructed offshore supply vessel (or vessels) after March 31, 2001, that is (or are) subject to a Qualified Services Contract; and

(d) any other transaction that may be given pro forma effect in accordance with Article 11 of Regulation S-X as in effect from time to time;

provided further, however, that (1) the Consolidated Cash Flow attributable to discontinued operations, as determined in accordance with GAAP, and operations or businesses disposed of prior to the Calculation Date, shall be excluded and (2) the Consolidated Interest Expense attributable to discontinued operations, as determined in accordance with GAAP, and operations or businesses disposed of prior to the Calculation Date, shall be excluded, but only to the extent that the obligations giving rise to such Consolidated Interest Expense will not be obligations of the referent Person or any of its Restricted Subsidiaries following the Calculation Date. For purposes of clause (c) of this definition, the amount of Consolidated Cash Flow attributable to such vessel (or vessels) shall be calculated in good faith by a responsible financial or accounting officer of such Person and shall include in the calculation of the Consolidated Interest Coverage Ratio the revenues to be earned pursuant to the Qualified Services Contract relating to such vessel (or vessels) and the estimated expenses related thereto. Such estimated expenses shall be based on the expenses of the most nearly comparable offshore supply vessel in such Person's fleet or, if no such comparable vessel exists, then on the industry average for expenses of comparable offshore supply vessels; provided, however, in determining the estimated expenses attributable to such new vessel (or vessels), the calculation shall give effect to the interest expense attributable to the incurrence, assumption or guarantee of any Indebtedness relating to the construction of such new vessel (or vessels) in accordance with clause (a) of this definition. Notwithstanding the foregoing, in any calculation of Consolidated Interest Coverage Ratio based on the preceding clause (c):

(1) the pro forma inclusion of Consolidated Cash Flow attributable to such Qualified Services Contract for the four-quarter reference period shall be reduced by (A) the actual Consolidated Cash Flow from such Qualified Services Contract previously earned and accounted for in the actual results for the four-quarter reference period and (B) any Consolidated Cash Flow resulting from spot market activities prior to commencement of the Qualified Services Contract, and

(2) if the contracted dayrate for such new vessel (or vessels) is subject to reduction at any time prior to one year from the commencement of service under such contract then the period for which such pro forma effect shall be given to revenues and related expenses, if any, attributable to such new vessel (or vessels) shall include only that number of days that is equal to the number of days from the commencement of services under such contract to the first date of such potential reduction in rate, provided, however, that the calculation of interest expense pursuant to the proviso in the immediately preceding sentence shall be on the basis of four quarters of interest expense.

"Consolidated Interest Expense" means, with respect to any Person for any period, the sum, without duplication, of

(a) the consolidated interest expense of such Person and its Restricted Subsidiaries for such period, whether paid or accrued (including, without limitation, amortization of original issue discount, non-cash interest payments, the interest component of any deferred payment obligations, the interest component of all payments associated with Capital Lease Obligations, commissions, discounts and other fees and charges incurred in respect of letter of credit or bankers' acceptance financings, and net payments (if any) pursuant to Hedging Obligations but excluding amortization of debt issuance costs) and

(b) the consolidated interest expense of such Person and its Restricted Subsidiaries that was capitalized during such period.

"Consolidated Net Income" means, with respect to any Person for any period, the aggregate of the Net Income of such Person and its Restricted Subsidiaries for such period, on a consolidated basis, determined in accordance with GAAP, provided that

(a) the Net Income (but not loss) of any Person that is not a Restricted Subsidiary or that is accounted for by the equity method of accounting shall be included only to the extent of the amount of dividends or distributions paid in cash to the referent Person or a Wholly Owned Restricted Subsidiary thereof,

(b) the Net Income of any Restricted Subsidiary shall be excluded to the extent that the declaration or payment of dividends or similar distributions by that Restricted Subsidiary of that Net Income is not at the date of determination permitted without any prior governmental approval (that has not been obtained) or, directly or indirectly, by operation of the terms of its charter or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to that Restricted Subsidiary or its stockholders,

(c) the Net Income of any Person acquired in a pooling of interests transaction for any period prior to the date of such acquisition shall be excluded and

(d) the cumulative effect of a change in accounting principles shall be excluded.

"Consolidated Net Tangible Assets" means, with respect to any Person as of any date, the sum of the amounts that would appear on a consolidated balance sheet of such Person and its consolidated Restricted Subsidiaries as the total assets of such Person and its consolidated Restricted Subsidiaries, determined on a consolidated basis in accordance with GAAP and after deducting therefrom,

(a) to the extent otherwise included, unamortized debt discount and expenses and other unamortized deferred charges, goodwill, patents, trademarks, service marks, trade names, copyrights, licenses, organization or development expenses and other intangible items and

(b) the aggregate amount of liabilities of the Company and its Restricted Subsidiaries which may be properly classified as current liabilities (including tax accrued as estimated), determined on a consolidated basis in accordance with GAAP.

"Consolidated Net Worth" means, with respect to any Person as of any date, the sum of

(a) the consolidated equity of the common stockholders of such Person and its consolidated Restricted Subsidiaries as of such date plus

(b) the respective amounts reported on such Person's balance sheet as of such date with respect to any series of preferred stock (other than Disqualified Stock) that by its terms is not entitled to the payment of dividends unless such dividends may be declared and paid only out of net earnings in respect of the year of such declaration and payment, but only to the extent of any cash received by such Person upon issuance of such preferred stock, less

(1) all write-ups (other than write-ups resulting from foreign currency translations and write-ups of tangible assets of a going concern business made within 12 months after the acquisition of such business) subsequent to the Issue Date in the book value of any asset owned by such Person or a consolidated Restricted Subsidiary of such Person,

(2) all investments as of such date in unconsolidated Subsidiaries and in Persons that are not Restricted Subsidiaries and

(3) all unamortized debt discount and expense and unamortized deferred charges as of such date, in each case determined in accordance with GAAP.

"Credit Facility" means that certain Credit Agreement to be entered into by and among the Company, its Subsidiaries named therein, Hibernia National Bank and the other banks named therein, including any related notes, guarantees, collateral documents, instruments and agreements executed in connection therewith, in each case as amended, restated, modified, supplemented, extended, renewed, replaced, refinanced or restructured from time to time, whether by the same or any other agent or agents, lender or group of lenders, whether represented by one or more agreements and whether one or more Subsidiaries are added or removed as borrowers or guarantors thereunder or as parties thereto.

"Default" means any event that is or with the passage of time or the giving of notice or both would be an Event of Default.

"Disqualified Stock" means any Capital Stock that, by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable), or upon the happening of any event, matures (excluding any maturity as a result of an optional redemption by the issuer thereof) or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or redeemable at the option of the holder thereof, in whole or in part, on or prior to the date that is 91 days after the date on which the Notes mature or are redeemed or retired in full; provided, however, that any Capital Stock that would constitute Disqualified Stock solely because the holders thereof (or of any security into which it is convertible or for which it is exchangeable) have the right to require the issuer to repurchase such Capital Stock (or such security into which it is convertible or for which it is exchangeable) upon the occurrence of any of the events constituting an Asset Sale or a Change of Control shall not constitute Disqualified Stock if such Capital Stock (and all such securities into which it is convertible or for which it is exchangeable) provides that the issuer thereof will not repurchase or redeem any such Capital Stock (or any such security into which it is convertible or for which it is exchangeable) pursuant to such provisions prior to compliance by the Company with the provisions of the Indenture described under the caption "Repurchase at the Option of Holders -- Change of Control" or "Repurchase at the Option of Holders -- Asset Sales," as the case may be.

"Equity Interests" means Capital Stock and all warrants, options or other rights to acquire Capital Stock (but excluding any debt security that is convertible into, or exchangeable for, Capital Stock).

"Event of Loss" means, with respect to any asset of the Company or any Restricted Subsidiary,

(a) any damage to such asset that results in an insurance settlement with respect thereto on the basis of a total loss or a constructive or compromised total loss or

(b) the confiscation, condemnation or requisition of title to such asset by any government or instrumentality or agency thereof.

"Existing Indebtedness" means Indebtedness of the Company and its Restricted Subsidiaries (other than Indebtedness under the Credit Facility) in existence on the Issue Date, until such amounts are repaid, but shall not include any Indebtedness that is repaid with the proceeds of the Offered Notes.

The term "fair market value" means, with respect to any asset or Investment, the fair market value of such asset or Investment at the time of the event requiring such determination, as determined in good faith by the Board of Directors of the Company, or, with respect to any asset or Investment in excess of $10 million (other than cash or Cash Equivalents), as determined by a reputable appraisal firm that is, in the judgment of the disinterested members of such Board of Directors, qualified to perform the task for which such firm has been engaged and independent with respect to the Company.

"Funded Indebtedness" means any Indebtedness for money borrowed that by its terms matures at, or is extendable or renewable at the option of the obligor to, a date more than 12 months after the date of the incurrence of such Indebtedness.

"GAAP" means generally accepted accounting principles in the United States, which are in effect from time to time.

"Hedging Obligations" means, with respect to any Person, the obligations of such Person under

(a) interest rate swap agreements, interest rate cap agreements and interest rate collar agreements,

(b) other agreements or arrangements designed to protect such Person against fluctuations in interest rates and

(c) any foreign currency futures contract, option or similar agreement or arrangement designed to protect such Person against fluctuations in foreign currency rates,

in each case to the extent such obligations are incurred in the ordinary course of business of such Person and not for speculative purposes.

"Indebtedness" means, with respect to any Person, any indebtedness of such Person, whether or not contingent, in respect of (1) borrowed money including, without limitation, any guarantee thereof, or (2) evidenced by bonds, notes, debentures or similar instruments or letters of credit (or reimbursement agreements in respect thereof) or banker's acceptances or representing Capital Lease Obligations or the deferred and unpaid purchase price of any property, or representing any Hedging Obligations, if and to the extent any of the preceding indebtedness (other than letters of credit and Hedging Obligations) would appear as a liability upon a balance sheet of such Person prepared in accordance with GAAP, provided, however, that any accrued expense or trade payable of such Person shall not constitute Indebtedness. The amount of any Indebtedness outstanding as of any date shall be

(a) the accreted value thereof, in the case of any Indebtedness that does not require current payments of interest, and

(b) the principal amount thereof, in the case of any other Indebtedness (with letters of credit being deemed to have a principal amount equal to the maximum potential liability of such Person and its Restricted Subsidiaries thereunder).

"Investments" means, with respect to any Person, all investments by such Person in other Persons (including Affiliates) in the forms of direct or indirect loans (including guarantees by the referent Person of, and Liens on any assets of the referent Person securing, Indebtedness or other obligations of other Persons), advances or capital contributions (excluding commission, travel and similar advances to officers and employees made in the ordinary course of business), purchases or other acquisitions for consideration of Indebtedness, Equity Interests or other securities, together with all items that are or would be classified as investments on a balance sheet prepared in accordance with GAAP; provided, however, that the following shall not constitute Investments:

(a) extensions of trade credit or other advances to customers on commercially reasonable terms in accordance with normal trade practices or otherwise in the ordinary course of business,

(b) Hedging Obligations and

(c) endorsements of negotiable instruments and documents in the ordinary course of business.

If the Company or any Restricted Subsidiary of the Company sells or otherwise disposes of any Equity Interests of any direct or indirect Restricted Subsidiary of the Company such that, after giving effect to any such sale or disposition, such Person is no longer a Restricted Subsidiary of the Company, the Company shall be deemed to have made an Investment on the date of any such sale or disposition equal to the fair market value of the Equity Interests of such Restricted Subsidiary not sold or disposed of in an amount determined as provided in the final paragraph of the covenant described above under the caption "-- Certain Covenants -- Restricted Payments."

"Issue Date" means the first date on which the Notes are issued under the Indenture.

"Lien" means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset, whether or not filed, recorded or otherwise perfected under applicable law (including any conditional sale or other title retention agreement, any lease in the nature thereof, any option or other agreement to sell or give a security interest in and any filing of or agreement to give any financing statement under the Uniform Commercial Code (or equivalent statutes) of any jurisdiction other than a precautionary financing statement respecting a lease not intended as a security agreement) or any assignment (or agreement to assign) any right to income or profits from any asset by way of security.

"Merger" includes a compulsory share exchange, a conversion of a corporation into another business entity and any other transaction having effects substantially similar to a merger under the General Corporation Law of the State of Delaware.

"Moody's" means Moody's Investors Service, Inc. or any successor to its rating agency business.

"Net Income" means, with respect to any Person, the net income (loss) of such Person, determined in accordance with GAAP and before any reduction in respect of preferred stock dividends, excluding, however,

(a) any gain (but not loss), together with any related provision for taxes on such gain (but not loss), realized in connection with

(1) any Asset Sale (including, without limitation, dispositions pursuant to sale-and-leaseback transactions) or

(2) the disposition of any securities by such Person or any of its Restricted Subsidiaries or the extinguishment of any Indebtedness of such Person or any of its Restricted Subsidiaries and

(b) any extraordinary or nonrecurring gain (but not loss), together with any related provision for taxes on such extraordinary or nonrecurring gain (but not loss).

"Net Proceeds" means the aggregate cash proceeds received by the Company or any of its Restricted Subsidiaries in respect of any Asset Sale (including, without limitation, any cash received upon the sale or other disposition of any non-cash consideration received in any Asset Sale), net of (without duplication)

(a) the direct costs relating to such Asset Sale (including, without limitation, legal, accounting and investment banking fees, sales commissions, recording fees, title transfer fees, title insurance premiums, appraiser fees and costs incurred in connection with preparing such asset for sale) and any relocation expenses incurred as a result thereof,

(b) taxes paid or estimated to be payable as a result thereof (after taking into account any available tax credits or deductions and any tax sharing arrangements),

(c) amounts required to be applied to the repayment of Indebtedness (other than under the Credit Facility) secured by a Lien on the assets that were the subject of such Asset Sale and

(d) any reserve established in accordance with GAAP or any amount placed in escrow, in either case for adjustment in respect of the sale price of such assets, until such time as such reserve is reversed or such escrow arrangement is terminated, in which case Net Proceeds shall include only the amount of the reserve so reversed or the amount returned to the Company or its Restricted Subsidiaries from such escrow arrangement, as the case may be.

"Non-Recourse Debt" means Indebtedness

(a) as to which neither the Company nor any of its Restricted Subsidiaries

(1) provides credit support of any kind (including any undertaking, agreement or instrument that would constitute Indebtedness) or is otherwise directly or indirectly liable (as a guarantor or otherwise) or

(2) constitutes the lender,

(b) no default with respect to which (including any rights the holders thereof may have to take enforcement action against an Unrestricted Subsidiary) would permit (upon notice, lapse of time or both) the holders of Indebtedness of the Company or any of its Restricted Subsidiaries to declare a default on such Indebtedness or cause the payment thereof to be accelerated or payable prior to its stated maturity and

(c) as to which the lenders have been notified in writing that they will not have any recourse to the stock or assets of the Company or any of its Restricted Subsidiaries.

"Pari Passu Indebtedness" means, with respect to any Net Proceeds from Asset Sales, Indebtedness of the Company or any of its Restricted Subsidiaries the terms of which require the Company or such Restricted Subsidiary to apply such Net Proceeds to offer to repurchase such Indebtedness.

"Permitted Investments" means

(a) any Investment in the Company (including, without limitation, any acquisition of the Notes) or in a Wholly Owned Restricted Subsidiary of the Company, other than any Investment described in clause (a) of the definition of "Restricted Payments,"

(b) any Investment in Cash Equivalents,

(c) any Investment by the Company or any Restricted Subsidiary of the Company in a Person if as a result of such Investment

(1) such Person becomes a Wholly Owned Restricted Subsidiary of the Company or

(2) such Person is merged or consolidated with or into, or transfers or conveys all or substantially all of its assets to, or is liquidated into, the Company or a Wholly Owned Restricted Subsidiary of the Company,

(d) any Investment made as a result of the receipt of non-cash consideration from

(1) an Asset Sale that was made pursuant to and in compliance with the covenant described above under the caption "-- Repurchase at the Option of Holders -- Asset Sales" or

(2) a disposition of assets that does not constitute an Asset Sale,

(e) Investments in a Person engaged principally in the business of providing marine transportation services or other businesses reasonably complementary or related thereto as determined in good faith by the Board of Directors, provided that the aggregate amount of all such Investments at any one time outstanding pursuant to this clause (e) in Persons that are not Restricted Subsidiaries of the Company shall not exceed the greater of

(1) $10 million and

(2) 5% of Consolidated Net Tangible Assets determined as of the end of the Company's most recently computed fiscal quarter for which internal financial statements are available, and

(f) Investments in stock, obligations or securities received in settlement of any debts owing to the Company or any Restricted Subsidiary of the Company as a result of bankruptcy or insolvency proceedings or upon the foreclosure, perfection or enforcement of any Lien in favor of the Company or any Restricted Subsidiary of the Company, in each case as to any debt owing to the Company or any Restricted Subsidiary of the Company, that arose in the ordinary course of business of the Company or any such Restricted Subsidiary.

"Permitted Liens" means

(a) Liens securing Indebtedness incurred pursuant to clause (a) of the second paragraph of the covenant entitled "-- Incurrence of Indebtedness and Issuance of Preferred Stock",

(b) Liens in favor of the Company and its Restricted Subsidiaries,

(c) Liens on property of a Person existing at the time such Person is merged into or consolidated with the Company or any Restricted Subsidiary of the Company, provided that such Liens were in existence prior to its contemplation of such merger or consolidation and do not extend to any property other than those of the Person merged into or consolidated with the Company or any of its Restricted Subsidiaries,

(d) Liens on property existing at the time of acquisition thereof by the Company or any Restricted Subsidiary of the Company, provided that such Liens were in existence prior to its contemplation of such acquisition and do not extend to any other property of the Company or any of its Restricted Subsidiaries,

(e) Liens securing the performance of tenders, bids, statutory obligations, surety, appeal, return-of-money or performance bonds, government contracts, insurance obligations or other obligations of a like nature incurred in the ordinary course of business,

(f) Liens securing Hedging Obligations,

(g) Liens existing on the Issue Date,

(h) Liens securing Non-Recourse Debt,

(i) any interest or title of a lessor under a Capital Lease Obligation or an operating lease,

(j) Liens arising by reason of deposits necessary to obtain standby letters of credit in the ordinary course of business,

(k) Liens on real or personal property or assets of the Company or a Restricted Subsidiary of the Company thereof to secure Indebtedness incurred for the purpose of

(1) financing all or any part of the purchase price of such property or assets incurred prior to, at the time of, or within 120 days after, completion of the acquisition of such property or assets or

(2) financing all or any part of the cost of construction or improvement of any such property or assets,

provided that the amount of any such financing shall not exceed the amount expended in the acquisition of, or the construction or improvement of, such property or assets and such Liens shall not extend to any other property or assets of the Company or a Restricted Subsidiary of the Company (other than any associated accounts, contracts and insurance proceeds),

(l) Liens securing Permitted Refinancing Indebtedness with respect to any Indebtedness referred to in clauses (c), (d), (g) and (k) above and in this clause (l),

(m) Liens securing Indebtedness of the Company or any Restricted Subsidiary of the Company that does not exceed $10 million at any one time outstanding,

(n) Liens on assets of the Company or any Restricted Subsidiary of the Company that were substituted or exchanged as collateral for other assets of the Company or any Restricted Subsidiary of the Company that are referred to in any of the preceding clauses (c), (d) and (k) of this definition, provided that the fair market value of the substituted or exchanged assets substantially approximates, at the time of the substitution or exchange, the fair market value of the other assets so referred to,

(o) judgment Liens not giving rise to an Event of Default so long as any appropriate legal proceeding that may have been duly initiated for the review of such judgment has not been finally terminated or the period within which such proceeding may be initiated has not expired,

(p) rights of banks to set off deposits against Indebtedness owed to said banks,

(q) Liens upon specific items of inventory or other goods and proceeds of the Company or its Restricted Subsidiaries securing the Company's or any such Restricted Subsidiary's obligations in respect of bankers' acceptances issued or created for the account of any such Person to facilitate the purchase, shipment or storage of such inventory or other goods in the ordinary course of business, and

(r) legal or equitable Liens deemed to exist by reason of negative pledge covenants and other covenants or undertakings of a like nature.

"Permitted Refinancing Indebtedness" means any Indebtedness of the Company or any of its Restricted Subsidiaries issued in exchange for, or the net proceeds of which are used to extend, refinance, renew, replace, defease or refund other Indebtedness of the Company or any of its Restricted Subsidiaries; provided, however, that

(a) the principal amount of such Permitted Refinancing Indebtedness does not exceed the principal amount of, plus premium, if any, and accrued interest on, the Indebtedness so extended, refinanced, renewed, replaced, defeased or refunded (plus the amount of reasonable expenses incurred in connection therewith),

(b) such Permitted Refinancing Indebtedness has a final maturity date no earlier than the final maturity date of, and has a Weighted Average Life to Maturity equal to or greater than the Weighted Average Life to Maturity of, the Indebtedness being extended, refinanced, renewed, replaced, defeased or refunded,

(c) if the Indebtedness being extended, refinanced, renewed, replaced, defeased or refunded is subordinated in right of payment to the Notes or the Subsidiary Guarantees, such Permitted Refinancing Indebtedness is subordinated in right of payment to the Notes or the Subsidiary Guarantees, as the case may be, on terms at least as favorable, taken as a whole, to the holders of Notes as those contained in the documentation governing the Indebtedness being extended, refinanced, renewed, replaced, defeased or refunded and

(d) such Indebtedness is incurred either by the Company or by the Restricted Subsidiary that is the obligor on the Indebtedness being extended, refinanced, renewed, replaced, defeased or refunded;

provided, however, that a Restricted Subsidiary may guarantee Permitted Refinancing Indebtedness incurred by the Company, whether or not such Restricted Subsidiary was an obligor or guarantor of the Indebtedness being extended, refinanced, renewed, replaced, defeased or refunded; provided further, however, that if such Permitted Refinancing Indebtedness is subordinated to the Notes, such guarantee shall be subordinated to such Restricted Subsidiary's Subsidiary Guarantee to at least the same extent.

"Productive Assets" means Vessels or other assets (other than assets that would be classified as current assets in accordance with GAAP) of the kind used or usable by the Company or its Restricted Subsidiaries in the business of providing marine transportation services (or any other business that is reasonably complementary or related thereto as determined in good faith by the Board of Directors).

"Qualified Equity Offering" means

(a) any sale of Equity Interests (other than Disqualified Stock) of the Company for cash pursuant to an underwritten offering registered under the Securities Act or

(b) any other sale of Equity Interests (other than Disqualified Stock) of the Company for cash,

in each case so long as such sale does not result in a Change of Control.

"Qualified Services Contract" means, with respect to any newly constructed offshore supply vessel delivered to the Company or any of its Restricted Subsidiaries, a contract that the Board of Directors of the Company, acting in good faith, designates as a "Qualified Services Contract" pursuant to a resolution of the Board of Directors, which contract:

(a) is between the Company or one of its Restricted Subsidiaries, on the one hand, and (1) a Person or a Subsidiary of a Person with a rating of either a BBB- or higher from S&P or Baa3 or higher from Moody's, or if such ratings are not available, then a similar investment grade rating from another nationally recognized statistical rating agency or (2) any other Person provided such contract is supported by letters of credit, performance bonds or guarantees, from an entity that has an investment grade rating, for the full amount of the remaining contracted payments over the contract term;

(b) provides for services to be performed by the Company or one of its Restricted Subsidiaries involving the use of such vessel or a charter (bareboat or otherwise) of such vessel by the Company or one of its Restricted Subsidiaries, in either case for a minimum period of at least one year;

(c) provides for a fixed dayrate for such vessel; and

(d) provides for commencement of the payments of the dayrate referred to in clause (c) of this definition within 60 days of the date the Company or one of its Restricted Subsidiaries has entered into the contract.

"Restricted Investment" means an Investment other than a Permitted Investment.

"Restricted Subsidiary" of a Person means any Subsidiary of such Person that is not an Unrestricted Subsidiary.

"S&P" means Standard & Poors Ratings Services, a division of The McGraw-Hill Companies, Inc., or any successor to its rating agency business.

"Significant Subsidiary" means

(a) any Restricted Subsidiary of the Company that would be a "significant subsidiary" as defined in Article 1, Rule 1-02 of Regulation S-X, promulgated pursuant to the Securities Act, as such Regulation is in effect on the Issue Date,

(b) any other Restricted Subsidiary of the Company that (1) represents more than 5% of the Consolidated Net Tangible Assets of the Company, based upon the most recent internal financial statements of the Company, and (2) provides a guarantee under the Credit Facility or incurs any Funded Indebtedness and

(c) their respective successors and assigns.

"Stated Maturity" means, with respect to any installment of interest or principal on any series of Indebtedness, the date on which such payment of interest or principal was scheduled to be paid in the original documentation governing such Indebtedness, and shall not include any contingent obligations to repay, redeem or repurchase any such interest or principal prior to the date originally scheduled for the payment thereof.

"Subordinated Notes" means any debt securities of the Company issued either in satisfaction of the Company's payment obligations under the Trutta/JEDI Warrants or in lieu of cash interest payments on outstanding Subordinated Notes, provided that all such Subordinated Notes

(a) have a final maturity date at least one year following the final maturity date of the Notes,

(b) are subordinated in right of payment to all senior indebtedness of the Company, including the Notes,

(c) provide for quarterly payments of interest at a rate per annum not in excess of 30-day LIBOR plus 5%,

(d) provide for quarterly installments of principal equal to 1/44th of the aggregate principal amount of the Subordinated Notes (plus any previously deferred quarterly principal payments), provided that any such quarterly principal payment (including previously deferred amounts) will be deferred to the succeeding quarter (or quarters) to the extent such payment, and after giving pro forma effect thereto, would cause or result in a violation of the Indenture (including, without limitation, the "Restricted Payments" covenant) or the terms of any other indebtedness of the Company, and

(e) do not obligate the Company to make any interest payment in cash except to the extent that the Company would, at the time of such payment and after giving pro forma effect thereto as if such payment had been made at the beginning of the applicable four-quarter period, have been permitted to incur at least $1.00 of additional Indebtedness pursuant to the Consolidated Interest Coverage Ratio test set forth in the first paragraph of the covenant described under the caption "-- Incurrence of Indebtedness and Issuance of Preferred Stock."

"Subsidiary" means, with respect to any Person,

(a) any corporation, association or other business entity of which more than 50% of the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person (or a combination thereof),

(b) any partnership (1) the sole general partner or the managing general partner of which is such Person or a Subsidiary of such Person or (2) the only general partners of which are such Person or of one or more Subsidiaries of such Person (or any combination thereof) and

(c) any other Person whose results for financial reporting purposes are consolidated with those of such Person in accordance with GAAP.

"Treasury Rate" means, as of any redemption date in respect to the Notes, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15(519) that has become publicly available at least two business days prior to the redemption date, or if such Statistical Release is no longer published, any publicly available source of similar market data) most nearly equal to the period from the redemption date to August 1, 2005; provided, however, that if the period from the redemption date to August 1, 2005 is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year shall be used.

"Trutta/JEDI Warrants" means, collectively, the warrants to purchase 5,250,000 shares of Common Stock that are exercisable and warrants to purchase 702,380 shares of Common Stock that are not presently exercisable each held by ECTMI Trutta Holdings L.P. and warrants to purchase 5,250,000 shares of Common Stock that are exercisable and warrants to purchase 702,381 shares of Common Stock that are not presently exercisable each held by Joint Energy Development Investments II Limited Partnership, as such warrants are in effect on the Issue Date.

"Unrestricted Subsidiary" means any Subsidiary of the Company that is designated by the Board of Directors as an Unrestricted Subsidiary pursuant to a Board Resolution and any Subsidiary of an Unrestricted Subsidiary. The Board of Directors may designate a Subsidiary as an Unrestricted Subsidiary only to the extent that such Subsidiary at the time of such designation

(a) has no Indebtedness other than Non-Recourse Debt,

(b) is not party to any agreement, contract, arrangement or understanding with the Company or any Restricted Subsidiary of the Company unless such agreement, contract, arrangement or understanding does not violate the terms of the Indenture described under the caption "-- Certain Covenants -- Transactions with Affiliates," and

(c) is a Person with respect to which neither the Company nor any of its Restricted Subsidiaries has any direct or indirect obligation

(1) to subscribe for additional Equity Interests or

(2) to maintain or preserve such Person's financial condition or to cause such Person to achieve any specified levels of operating results.

Any such designation by the Board of Directors shall be evidenced to the Trustee by filing with the Trustee a certified copy of the Board Resolution giving effect to such designation and an Officers' Certificate certifying that such designation complied with the preceding conditions and was permitted by the covenant described above under the caption "-- Certain Covenants -- Restricted Payments." If, at any time, any Unrestricted Subsidiary would fail to meet the preceding requirements as an Unrestricted Subsidiary, it shall thereafter cease to be an Unrestricted Subsidiary for purposes of the Indenture and any Indebtedness of such Subsidiary shall be deemed to be incurred by a Restricted Subsidiary of the Company as of such date (and, if such Indebtedness is not permitted to be incurred as of such date under the covenant described under the caption "-- Incurrence of Indebtedness and Issuance of Preferred Stock," the Company shall be in default of such covenant). The Board of Directors of the Company may at any time designate any Unrestricted Subsidiary to be a Restricted Subsidiary, provided that such designation shall be deemed to be an incurrence of

Indebtedness by a Restricted Subsidiary of the Company of any outstanding Indebtedness of such Unrestricted Subsidiary and such designation shall only be permitted if:

(A) such Indebtedness is permitted under the covenant described under the caption "-- Incurrence of Indebtedness and Issuance of Preferred Stock," calculated on a pro forma basis as if such designation had occurred at the beginning of the four-quarter reference period, and

(B) no Default or Event of Default would be in existence following such designation.

"Voting Stock" of a Person as of any date means the Capital Stock of such Person that is at the time entitled to vote in the election of the board of directors, managers or trustees of such Person.

"Weighted Average Life to Maturity" means, when applied to any Indebtedness at any date, the number of years obtained by dividing

(a) the sum of the products obtained by multiplying

(1) the amount of each then remaining installment, sinking fund, serial maturity or other required payments of principal, including payment at final maturity, in respect thereof, by

(2) the number of years (calculated to the nearest one twelfth) that will elapse between such date and the making of such payment, by

(b) the then outstanding principal amount of such Indebtedness.

"Wholly Owned Restricted Subsidiary" of any Person means a Restricted Subsidiary of such Person to the extent that

(a) all of the outstanding Capital Stock of which (other than directors' qualifying shares and Capital Stock held by other statutorily required minority shareholders) shall at the time be owned directly or indirectly by such Person or

(b) such Restricted Subsidiary is organized in a foreign jurisdiction and is required by the applicable laws and regulations of such foreign jurisdiction to be partially owned by the government of such foreign jurisdiction or individual or corporate citizens of such foreign jurisdiction in order for such Restricted Subsidiary to transact business in such foreign jurisdiction,

provided that such Person, directly or indirectly, owns the remaining Capital Stock in such Restricted Subsidiary and, by contract or otherwise, controls the management and business of such Restricted Subsidiary to substantially the same extent as if such Restricted Subsidiary were a wholly owned Restricted Subsidiary.

UNITED STATES FEDERAL INCOME TAX CONSEQUENCES

The following summary describes the material United States federal income tax consequences of the exchange offer and the ownership and disposition of Series B notes as of the date of this prospectus. Except where noted, it deals only with the holders of Series B notes who are the initial holders of the Series A notes who acquired such Series A notes as part of the initial distributions of such notes at their issue price and does not deal with special situations, such as those of dealers in securities or currencies, financial institutions, tax-exempt entities, insurance companies, persons who hold the notes through partnerships or other pass-through entities, persons holding notes as a part of a hedging, integrated, conversion, or constructive sale transaction or a straddle, traders in securities that elect to use a mark-to-market method of accounting for their securities holdings, persons liable for alternative minimum tax or holders of notes whose "functional currency" is not the U.S. dollar. Furthermore, the discussion below is based upon the provisions of the Internal Revenue Code of 1986, as amended (the "Code"), and regulations, rulings and judicial decisions thereunder as of the date hereof, and such authorities may be repealed, revoked or modified so as to result in United States federal income tax consequences different from those discussed below. Persons considering participating in the exchange offer or the ownership or disposition of notes should consult their own tax advisors concerning the United States federal income tax consequences in light of their particular situations as well as any consequences arising under the laws of any other taxing jurisdiction.

As used herein, a "U.S. Holder" means a beneficial owner of a note who purchased such note pursuant to private placement of the Series A notes that is (i) a citizen or resident of the United States, (ii) a corporation, or other entity taxable as a corporation for U.S. federal income tax purposes, that was created or organized in or under the laws of the United States or any political subdivision thereof, (iii) an estate the income of which is subject to United States federal income taxation regardless of its source or (iv) a trust (X) that is subject to the supervision of a court within the United States and the control of one or more United States persons as described in section 7701(a)(30) of the Code or (Y) that has a valid election in effect under applicable U.S. Treasury regulations to be treated as a United States person. A "Non-U.S. Holder" is a beneficial owner of a note who purchased such note pursuant to private placement of the Series A notes that is not a U.S. Holder. If a partnership holds our notes, the tax treatment of a partner will generally depend upon the status of the partner and the activities of the partnership. If you are a partner of a partnership holding our notes, you should consult your tax advisors.

YOU SHOULD CONSULT YOUR OWN TAX ADVISORS AS TO THE PARTICULAR TAX CONSEQUENCES TO YOU OF THE ACQUISITION, OWNERSHIP AND DISPOSITION OF THE NOTES, INCLUDING THE EFFECT AND APPLICABILITY OF STATE, LOCAL OR FOREIGN TAX LAWS.

THE EXCHANGE OFFER

We believe that the exchange of Series A notes for Series B notes should not be an exchange or otherwise a taxable event to a holder for United States federal income tax purposes. Accordingly, a holder should have the same adjusted issue price, adjusted basis and holding period in the Series B notes as it had in the Series A notes immediately before the exchange.

PAYMENTS OF INTEREST

Stated interest on a Series B note will continue to be taxable to a U.S. Holder as ordinary income at the time it is paid or accrued in accordance with the U.S. Holder's method of accounting for tax purposes in the same manner applicable to the Series A notes.

ORIGINAL ISSUE DISCOUNT ON THE NOTES

The Series A notes were issued at a discount from their principal amount at maturity. For U.S. federal income tax purposes, the excess of the principal amount of a note over its issue price constitutes original issue discount ("OID"). Since the Series A notes were subject to OID rules, the Series B notes will also be subject to OID rules and, as a holder of a Series B note, you will continue to be required to include OID in income as it accrues, in accordance with a constant yield method, before receipt of the cash attributable to such income,

regardless of your regular method of accounting for U.S. federal income tax purposes. Under these rules, you will have to continue to include in gross income increasingly greater amounts of OID in each successive accrual period. Your original tax basis for determining gain or loss on the sale or other disposition of a Series B note will be increased by any accrued OID included in your gross income.

For the taxable year in which you acquired the Series A notes, you may elect, subject to certain limitations, to include all interest that accrues on any Series B note you receive in the exchange offer in gross income on a constant yield basis. For purposes of this election, interest includes stated interest and OID. When applying the constant yield method to a Series B note for which this election has been made, the issue price of the Series B note will equal your basis in the Series B note immediately after its acquisition and the issue date of the Series B note will be the date of its acquisition by you. This election generally will apply only to the Series B note with respect to which it is made and may not be revoked without IRS consent. If this election was made with respect to your Series A note, then any Series B notes you receive in the exchange offer will be subject to such previously made election.

We do not intend to treat the possibility of an optional redemption or repurchase of the Series B notes as affecting the determination of the yield to maturity of the Series B notes or giving rise to any additional accrual of OID or recognition of ordinary income upon redemption, sale or exchange of the Series B notes.

SALE, EXCHANGE AND RETIREMENT OF SERIES B NOTES

A U.S. Holder's tax basis in a Series B note will, in general, be the U.S. Holder's cost for the original Series A notes, reduced by any cash payments on such holder's Series A notes or Series B notes other than qualified stated interest. Upon the sale, exchange, retirement or other disposition of a Series B note, a U.S. Holder will recognize gain or loss equal to the difference between the amount realized upon the sale, exchange, retirement or other disposition (less any accrued qualified stated interest, which will be taxable as such) and the adjusted tax basis of the Series B note. Such gain or loss will be capital gain or loss.

NON-U.S. HOLDERS

Under present United States federal income and estate tax law, and subject to the discussion below concerning backup withholding:

(a) no withholding of United States federal income tax will be required with respect to the payment by us or any paying agent of principal or interest on a Series B note owned by a Non-U.S. Holder, provided (i) that the beneficial owner does not actually or constructively own 10% or more of the total combined voting power of all classes of our stock entitled to vote within the meaning of section 871(h)(3) of the Code and the regulations thereunder, (ii) the beneficial owner is not a controlled foreign corporation that is related to us through stock ownership, (iii) the beneficial owner is not a bank whose receipt of interest on a note is described in section 881(c)(3)(A) of the Code, and (iv) the beneficial owner satisfies the statement requirement (described generally below) set forth in section 871(h) and section 881(c) of the Code and the regulations thereunder;

(b) no withholding of United States federal income tax will be required with respect to any gain or income realized by a Non-U.S. Holder upon the sale, exchange, retirement or other disposition of a Series B note; and

(c) a Series B note beneficially owned by an individual who at the time of death is a Non-U.S. Holder will not be subject to United States federal estate tax as a result of such individual's death, provided that such individual does not actually or constructively own 10% or more of the total combined voting power of all classes of our stock entitled to vote within the meaning of section 871(h)(3) of the Code and provided that the interest payments with respect to such Series B note would not have been, if received at the time of such individual's death, effectively connected with the conduct of a United States trade or business by such individual.

(d) To satisfy the requirement referred to in (a)(iv) above, the beneficial owner of such Series B note, (1) must provide his name and address on an IRS Form W-8BEN (or successor form), and certify,

under penalties of perjury, that he is not a United States person, or (2) if he holds the note through certain foreign intermediaries or certain foreign partnerships, he satisfies the certification requirements of applicable United States Treasury regulations. Special certification rules apply to certain Non-U.S. Holders that are entities rather than individuals.

If a Non-U.S. Holder cannot satisfy the requirements of the "portfolio interest" exception described in (a) above, payments of interest made to such Non-U.S. Holder will be subject to a 30% withholding tax unless the beneficial owner of the Series B note provides us or our paying agent, as the case may be, with a properly executed (1) IRS Form W-8BEN claiming an exemption from or reduction in withholding under the benefit of a tax treaty or (2) IRS Form W-8ECI stating that interest paid on the Series B note is not subject to withholding tax because it is effectively connected with the beneficial owner's conduct of a trade or business in the United States. Alternative documentation may be applicable in certain situations.

If a Non-U.S. Holder is engaged in a trade or business in the United States and interest on the Series B note is effectively connected with the conduct of such trade or business, the Non-U.S. Holder, although exempt from the withholding tax discussed above, will be subject to United States federal income tax on such interest on a net income basis in the same manner as if it were a U.S. Holder. In addition, if such holder is a foreign corporation, it may be subject to a branch profits tax equal to 30% (or lesser rate under an applicable tax treaty) of its effectively connected earnings and profits for the taxable year, subject to adjustments. For this purpose, interest on a Series B note will be included in such foreign corporation's earnings and profits.

Any gain or income realized upon the sale, exchange, retirement or other disposition of a Series B note generally will not be subject to United States federal income tax unless (i) such gain or income is effectively connected with a trade or business in the United States of the Non-U.S. Holder, or (ii) in the case of a Non-U.S. Holder who is an individual, such individual is present in the United States for 183 days or more in the taxable year of such sale, exchange, retirement or other disposition, and certain other conditions are met.

Special Rules may apply to certain Non-U.S. Holders, such as "controlled foreign corporations," "passive foreign investment companies" and "foreign personal holding companies," that are subject to special treatment under the Code. Such entities should consult their own tax advisors to determine the U.S. federal, state, local and other tax consequences that may be relevant to them.

INFORMATION REPORTING AND BACKUP WITHHOLDING

U.S. Holders. Information reporting will apply to payments of principal and interest (including the amount of OID accrued) made by us on, or the proceeds of the sale or other disposition of, the Series B notes with respect to certain noncorporate U.S. Holders, and backup withholding may apply unless the recipient of such payment provides the appropriate intermediary with a taxpayer identification number, certified under penalties of perjury, as well as certain other information or otherwise establishes an exemption from backup withholding. Any amount withheld under the backup withholding rules is allowable as a credit against the U.S. Holder's federal income tax, provided the required information is provided to the IRS.

Non-U.S. Holders. Backup withholding and information reporting will not apply to payments of principal and interest on the Series B notes to a Non-U.S. Holder if he has certified or certifies as to his Non-U.S. Holder status under penalties of perjury or otherwise qualifies for an exemption (provided that neither our company nor its agent knows or has reason to know that he is a U.S. person or that the conditions of any other exemptions are not in fact satisfied).

The payment of the proceeds of the disposition of Series B notes to or through the U.S. office of a U.S. or foreign broker will be subject to information reporting and backup withholding unless the Non-U.S. Holder provides the certification described above or otherwise qualifies for an exemption. The proceeds of a disposition effected outside the United States by a Non-U.S. Holder to or through a foreign office of a broker generally will not be subject to backup withholding or information reporting. However, if such broker is a U.S. person, a controlled foreign corporation for U.S. tax purposes, a foreign person 50% or more of whose gross income from all sources for certain periods is effectively connected with a trade or business in the United States, or a foreign partnership that is engaged in the conduct of a trade or business in the United States or

that has one or more partners that are U.S. persons who in the aggregate hold more than 50 percent of the income or capital interests in the partnership, information reporting requirements will apply unless such broker has documentary evidence in its files of the holder's non-U.S. status and has no actual knowledge or reason to know to the contrary or unless the holder otherwise qualifies for an exemption. Any amount withheld under the backup withholding rules will be refunded or is allowable as a credit against the Non-U.S. Holder's federal income tax liability, if any, provided the required information or appropriate claim for refund is provided to the IRS.

PLAN OF DISTRIBUTION

Based on interpretations by the staff of the Securities and Exchange Commission in no action letters issued to third parties, we believe that you may transfer Series B notes issued under the exchange offer in exchange for the Series A notes if:

- you acquire the Series B notes in the ordinary course of your business; and

- you are not engaged in, do not intend to engage in and have no arrangement or understanding with any person to participate in a distribution of such Series B notes.

You may not participate in the exchange offer if you are:

- our "affiliate" within the meaning of Rule 405 under the Securities Act of 1933; or

- a broker-dealer that acquired outstanding notes directly from us.

Each broker-dealer that receives Series B notes for its own account pursuant to the exchange offer must acknowledge that it will deliver a prospectus in connection with any resale of such Series B notes. To date, the staff of the Commission has taken the position that broker-dealers may fulfill their prospectus delivery requirements with respect to transactions involving an exchange of securities such as this exchange offer, other than a resale of an unsold allotment from the original sale of the Series A notes, with the prospectus contained in this registration statement. This prospectus, as it may be amended or supplemented from time to time, may be used by a broker-dealer in connection with resales of Series B notes received in exchange for Series A notes where such Series A notes were acquired as a result of market-making activities or other trading activities. We have agreed that, for a period of up to 180 days after the effective date of this registration statement, we will make this prospectus, as amended or supplemented, available to any broker-dealer for use in connection with any such resale. In addition, until such date, all dealers effecting transactions in new notes may be required to deliver a prospectus.

If you wish to exchange Series B notes for your Series A notes in the exchange offer, you will be required to make representations to us as described in "Exchange Offer -- Purpose and Effect of the Exchange Offer" and "-- Procedures for Tendering -- Your Representations to Us" in this prospectus and in the letter of transmittal. In addition, if you are a broker-dealer who receives Series B notes for your own account in exchange for Series A notes that were acquired by you as a result of market-making activities or other trading activities, you will be required to acknowledge that you will deliver a prospectus in connection with any resale by you of such Series B notes.

We will not receive any proceeds from any sale of Series B notes by broker-dealers. Series B notes received by broker-dealers for their own account pursuant to the exchange offer may be sold from time to time in one or more transactions in the over-the-counter market:

- in negotiated transactions;

- through the writing of options on the new notes or a combination of such methods of resale;

- at market prices prevailing at the time of resale; and

- at prices related to such prevailing market prices or negotiated prices.

Any such resale may be made directly to purchasers or to or through brokers or dealers who may receive compensation in the form of commissions or concessions from any such broker-dealer or the purchasers of any such Series B notes. Any broker-dealer that resells Series B notes that were received by it for its own account pursuant to the exchange offer and any broker or dealer that participates in a distribution of such Series B notes may be deemed to be an "underwriter" within the meaning of the Securities Act of 1933. The letter of transmittal states that by acknowledging that it will deliver and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act of 1933.

For a period of 180 days after the effective date of this registration statement, we will promptly send additional copies of this prospectus and any amendment or supplement to this prospectus to any broker-dealer that requests such documents in the letter of transmittal. We have agreed to pay all expenses incident to the exchange offer (including the expenses of one counsel for the holders of the outstanding notes) other than commissions or concessions of any broker-dealers and will indemnify the holders of the outstanding notes (including any broker-dealers) against certain liabilities, including liabilities under the Securities Act of 1933.

LEGAL MATTERS

Certain legal matters in connection with the validity of the Series B notes offered in this exchange offer will be passed on for us by Winstead Sechrest & Minick P.C., Houston, Texas in reliance on the opinion of Burke & Mayer, A Professional Corporation, with respect to matters of Louisiana law. R. Clyde Parker, Jr., a shareholder in such firm, is a nonvoting advisory director to our Board of Directors.

EXPERTS

The consolidated financial statements of HORNBECK-LEEVAC Marine Services, Inc. and its consolidated subsidiaries as of December 31, 1999, and 2000 and for each of the three years in the period ended December 31, 2000 and the combined financial statements of the Spentonbush/Red Star Group for the same periods, included in this prospectus and elsewhere in the registration statement have been audited by Arthur Andersen LLP, independent public accountants, as indicated in their reports with respect thereto, and are included herein in reliance upon the authority of said firm as experts in accounting and auditing.

INDEX TO FINANCIAL STATEMENTS

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(IN THOUSANDS, EXCEPT RATIOS AND PER SHARE INFORMATION)

The following unaudited pro forma condensed consolidated financial statements are derived from our historical consolidated financial statements as set forth elsewhere in this prospectus and from the historical combined financial statements of the Spentonbush/Red Star Group included elsewhere in this prospectus with pro forma adjustments based on assumptions we have deemed appropriate. The unaudited pro forma combined financial information gives effect to the acquisition of the Spentonbush/Red Star Group tug and tank barge fleet and the application of the net proceeds from the private placement of the Series A notes as described in "The Private Placement and Use of Proceeds." The pro forma statements of operations are presented as if the transactions had occurred on January 1, 2000. The pro forma balance sheet is presented as if the private placement of the Series A notes and the application of the net proceeds therefrom occurred on June 30, 2001. The transactions and the related adjustments are described in the accompanying notes. In the opinion of management, all adjustments have been made that are necessary to present fairly the pro forma condensed consolidated financial statements.

The following unaudited pro forma condensed consolidated financial statements are presented for illustrative purposes only. They do not purport to be indicative of the financial position or results of operations that would actually have occurred if the transaction described had occurred as presented in such statements or that may be obtained in the future. In addition, future results may vary significantly from the results reflected in such statements due to factors described in "Risk Factors" included elsewhere in this prospectus.

The following unaudited pro forma condensed consolidated financial statements should be read in conjunction with the historical consolidated financial statements of the Company and the notes thereto and the combined financial statements of the Spentonbush/Red Star Group and the notes thereto included elsewhere in this prospectus.

The pro forma financial information does not give effect to any contribution from the HOS Innovator prior to delivery on April 27, 2001, or the anticipated delivery of five additional offshore supply vessels, except for the two months of actual operations of the HOS Innovator that is included only in the six months ended June 30, 2001. The five additional offshore supply vessels are scheduled to be delivered as follows: one in October 2001, one in January 2002, one in March 2002 and two in April 2002. The HOS Innovator and the HOS Blue Ray to be delivered in October 2001, are contracted for three and five years, respectively. We believe, based on current market supply and demand conditions, that the other four vessels will be fully utilized. In addition, based on current dayrates for comparable vessels and current customer inquiries, we believe dayrates in the range of $12,500 to $15,000 or more will be achieved for each of these vessels and that long-term contracts at such rates would be available. This anticipated dayrate level is less than the average dayrate for our recently contracted offshore supply vessels of comparable size.

HORNBECK-LEEVAC MARINE SERVICES, INC.

PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 2000

(UNAUDITED)
(DOLLARS IN THOUSANDS)

HISTORICAL	SPENTONBUSH/ RED STAR ACQUISITION	PRO FORMA ADJUSTMENTS	OFFERING AS ADJUSTED	COMPANY GROUP	ADJUSTMENTS	FORMA
Revenue	$36,102	$40,848	$ 1,248(a)	$78,198	$ --	$ 78,198
Operating expenses	15,246	25,997	(1,967)(b)	39,276	--	39,276
General and administrative expenses	3,355	5,092	(563)(c)	7,884	--	7,884
Depreciation and amortization	5,164	162	4,091(d)	9,417	--	9,417
Operating income (expense)	12,337	9,597	(313)	21,621	--	21,621
Interest expense	(7,911)	--	(1,926)(e)	(9,837)	(10,442)(g)	(20,279)
Other income (expense), net	(138)	4	--	(134)	--	(134)
Income before income taxes	4,288	9,601	(2,239)	11,650	(10,442)	1,208
Income tax (expense) benefit	(1,550)	(3,405)	850(f)	(4,105)	3,679(h)	(426)
Net income	$ 2,738	$ 6,196	$(1,389)	$ 7,545	$ (6,763)	$ 782

NOTES TO PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 2000

The following notes set forth the adjustments made in preparing the unaudited Pro Forma Condensed Consolidated Statement of Operations for the year ended December 31, 2000. The pro forma adjustments are based on estimates made by us using information currently available and upon certain assumptions that we believe are reasonable.

ACQUISITION ADJUSTMENTS

(a) Reflects a decrease in operating revenues of $2,478 to remove the revenues associated with two vessels owned by the Spentonbush/Red Star Group which were not purchased by the Company; a net increase of $812 to adjust revenue to the terms of the contract of affreightment entered into with Amerada Hess in connection with the acquisition from the Spentonbush/Red Star Group; and an increase of $2,914 to reflect the revenue from a contract obtained from Amerada Hess for work in the southeastern United States (the "Southeast Revenues") not previously performed by the Spentonbush/Red Star Group but by another affiliate of Amerada Hess.

(b) Reflects a decrease in operating expenses of $2,245 to remove expenses for the two vessels owned by the Spentonbush/Red Star Group which were not purchased by the Company; an increase of $2,852 to record expenses related to the Southeast Revenues associated with the contract obtained from Amerada Hess in connection with the acquisition from the Spentonbush/Red Star Group; and a decrease of $2,574 to remove drydocking costs accrued by the Spentonbush/Red Star Group.

(c) Reflects a decrease in general and administrative expenses of $563 to remove the expenses associated with the two vessels owned by the Spentonbush/Red Star Group which were not purchased by the Company.

(d) Reflects a net increase in depreciation expense of $2,251 associated with the vessels acquired from the Spentonbush/Red Star Group at the allocated purchase price based on the fair value of the acquired vessels; a reduction of $162 to remove the depreciation expense recorded on these vessels by the Spentonbush/ Red Star Group; and an increase of $2,002 to record amortization expense for vessels acquired from the Spentonbush/Red Star Group that were drydocked during 1998, 1999, and 2000 and have not been fully amortized.

(e) Represents an increase in interest expense of $1,926 as a result of the incurrence of indebtedness to finance the Spentonbush/Red Star Group acquisition.

(f) Represents an income tax benefit of $850 calculated at a statutory rate of 35%.

OFFERING ADJUSTMENTS

(g) Reflects a decrease in interest expense of $9,737 due to the prepayment of all outstanding debt under existing credit facilities; an increase in interest expense of $19,250 as a result of the issuance of the notes; and an increase of $929 to record the amortization of underwriting discounts and commissions and other costs of issuance of the notes.

(h) Represents an income tax benefit of $3,679 calculated at a statutory rate of 35%.

Pro forma information does not include approximately $2.95 million of extraordinary loss due to the write-off of unamortized deferred financing costs from early extinguishment of debt through the use of proceeds of this offering.

HORNBECK-LEEVAC MARINE SERVICES, INC.

PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
SIX MONTHS ENDED JUNE 30, 2001

(UNAUDITED)
(DOLLARS IN THOUSANDS)

HISTORICAL	SPENTONBUSH/ RED STAR ACQUISITION PRO FORMA ADJUSTMENTS	OFFERING AS ADJUSTED	COMPANY GROUP	GROUP PRO FORMA ADJUSTMENTS	
	(UNAUDITED) (DOLLARS IN THOUSANDS)				
Revenue.....	$25,694	$19,149	$1,358(a)	$46,201	$ -- $ 46,201
Operating expenses.....	8,542	12,252	(708)(b)	20,086	-- 20,086
General and administrative expenses.....	3,740	1,874	(189)(c)	5,425	-- 5,425
Depreciation and amortization.....	2,975	68	1,543(d)	4,586	-- 4,586
- Operating income.....	10,437	4,955	712	16,104	-- 16,104
Interest expense.....	(2,565)	--	(752)(e)	(3,317)	(6,822)(g) (10,139)
Other income (expense).....	-- 2	-- 2	--	2	-- 2
Income before income taxes.....	7,872	4,957	(40)	12,789	(6,822) 5,967
Income tax (expense) benefit.....	(2,992)	(1,762)	15(f)	(4,739)	2,528(h) (2,211)
Net income.....	$ 4,880	$ 3,195	$ (25)	$ 8,050	$(4,294) $ 3,756

NOTES TO PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
SIX MONTHS ENDED JUNE 30, 2001

The following notes set forth the adjustments made in preparing the unaudited Pro Forma Condensed Consolidated Statement of Operations for the six months ended June 30, 2001. The pro forma adjustments are based on estimates made by us using information currently available and upon certain assumptions that we believe are reasonable.

ACQUISITION ADJUSTMENTS

(a) Reflects a decrease in operating revenues of $1,223 to remove the revenues associated with two vessels owned by the Spentonbush/Red Star Group which were not purchased by the Company; a net increase of $1,373 to adjust to the terms of the contract of affreightment entered into with Amerada Hess in connection with the acquisition from the Spentonbush/Red Star Group; and an increase of $1,208 to reflect the Southeast Revenues associated with a contract obtained from Amerada Hess in connection with the acquisition from the Spentonbush/Red Star Group.

(b) Reflects a decrease in operating expense of $872 to remove expenses for the two vessels owned by the Spentonbush/Red Star Group which were not purchased by the Company; an increase of $1,179 to record expenses related to the Southeast Revenues associated with the contract obtained from Amerada Hess in connection with the acquisition from the Spentonbush/Red Star Group; and a decrease of $1,015 to remove drydocking costs accrued by the Spentonbush/Red Star Group.

(c) Reflects a decrease in general and administrative expenses of $189 to remove the expenses associated with the two vessels owned by the Spentonbush/Red Star Group which were not purchased by the Company.

(d) Reflects a net increase in depreciation expense of $938 associated with the vessels acquired from the Spentonbush/Red Star Group at the allocated purchase price based on the fair value of the acquired vessels; a reduction of $68 to remove the depreciation expense recorded on these vessels by the Spentonbush/Red Star Group; and an increase of $673 as a result of amortization expense for vessels acquired from the Spentonbush/ Red Star Group that were drydocked during 1998, 1999, 2000 and the first five months of 2001 and have not been fully amortized.

(e) Represents an increase in interest expense of $752 as a result of the incurrence of indebtedness to finance the Spentonbush/Red Star Group acquisition.

(f) Represents an income tax benefit of $15 calculated at a statutory rate of 37%.

OFFERING ADJUSTMENTS

(g) Reflects a decrease in interest expense of $3,267 due to the prepayment of all outstanding debt under existing credit facilities; an increase in interest expense of $9,625 as a result of the issuance of the Series A notes; and an increase of $464 to record the amortization of the underwriting discounts and commissions and other costs of issuance of the Series A notes.

(h) Represents an income tax benefit of $2,528 calculated at a statutory rate of 37%.

Pro forma information does not include approximately $2.95 million of extraordinary loss due to the write-off of unamortized deferred financing costs from early extinguishment of debt through the use of proceeds of this offering.

HORNBECK-LEEVAC MARINE SERVICES, INC.

PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET
JUNE 30, 2001

(UNAUDITED)
(DOLLARS IN THOUSANDS)

HISTORICAL	OFFERING AS ADJUSTMENTS		COMPANY ADJUSTED
ASSETS			
Current Assets:			
Cash and cash equivalents	$ 22,026	$ 40,483(a)	$ 62,509
Accounts and claims receivable	9,379	--	9,379
Other current assets	1,615	--	1,615
Total current assets	33,020	40,483	73,503
Property, plant and equipment	163,832	--	163,832
Accumulated depreciation	10,476	--	10,476
Net fixed assets	153,356	--	153,356
Other assets	7,594	9,662(b)	17,256
Total assets	$193,970	$ 50,145	$244,115
LIABILITIES AND EQUITY			
Current Liabilities:			
Notes payable, current	$ 10,482	$ (9,515)(c)	$ 967
Accounts payable	2,846	--	2,846
Other accrued liabilities	3,887	--	3,887
Total current liabilities	17,215	(9,515)	7,700
Long-term debt	115,340	59,660(d)	175,000
Other long-term liabilities	6,790	--	6,790
Total liabilities	139,345	50,145	189,490
Common stock	246	--	246
Additional paid-in-capital	50,137	--	50,137
Retained earnings	4,242	--	4,242
Treasury stock	-	--	--
Total stockholders' equity	54,625	-	54,625
Total liabilities and stockholders' equity	$193,970	$ 50,145	$244,115

NOTES TO PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET

The following is to set forth the adjustments made in preparing the unaudited Pro Forma Condensed Consolidated Balance Sheet as of June 30, 2001. The pro forma adjustments are based on estimates made by us using information currently available and upon certain assumptions that we believe are reasonable.

OFFERING ADJUSTMENTS

(a) Reflects an increase to record gross proceeds from the private placement of the Series A notes in the amount of $171,838; a decrease to record prepayment of long-term debt outstanding under existing credit facilities with proceeds from the private placement of the Series A notes in the amount of $115,340; a decrease to record underwriters' discount on the notes of $5,250 and estimated offering expenses of $1,250; and a decrease to record the reduction of notes payable, current, that were paid with proceeds from the private placement of the Series A notes in the amount of $9,515.

(b) Represents an increase to record an underwriters' discount of $5,250; and estimated offering expenses of $1,250 with regard to the Series A notes; and an original issue discount on the Series A notes of $3,162.

(c) Represents a decrease to record the reduction of notes payable, current, that were paid with proceeds from the private placement of the Series A notes in the amount of $9,515.

(d) Reflects an increase to record debt incurred in the private placement of the Series A notes in the amount of $175,000, and a decrease to record the payment of long-term debt from the proceeds of the private placement of the Series A notes in the amount of $115,340.

Pro forma information does not include approximately $2.95 million of extraordinary loss due to the write-off of unamortized deferred financing costs from early extinguishment of debt through the use of proceeds of the offering.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors and Stockholders of
HORNBECK-LEEVAC Marine Services, Inc.

We have audited the accompanying consolidated balance sheets of HORNBECK-LEEVAC Marine Services, Inc. and subsidiaries (formerly HV Marine Services, Inc.) as of December 31, 1999 and 2000 and the related consolidated statements of operations, changes in stockholders' equity and cash flows for each of the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of HORNBECK-LEEVAC Marine Services, Inc. and subsidiaries as of December 31, 1999 and 2000, and the results of their operations, changes in stockholders' equity and their cash flows for each of the three years in the period ended December 31, 2000 in conformity with accounting principles generally accepted in the United States.

ARTHUR ANDERSEN LLP

New Orleans, Louisiana,
January 23, 2001

HORNBECK-LEEVAC MARINE SERVICES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(DOLLARS AND SHARES IN THOUSANDS)

DECEMBER 31, ---------- JUNE 30, 1999 2000
2001 -------- -------- ----------- (UNAUDITED)
ASSETS Current assets: Cash and cash
equivalents..... $
6,144 $ 32,988 $ 22,026 Accounts and claims
receivable, net of allowance for doubtful accounts
of $86, $55 and $5, respectively..... 3,221 6,349
9,379 Prepaid
insurance.....
576 668 1,235 Other current
assets..... 287
333 380 -------- -------- -------- Total current
assets..... 10,228 40,338
33,020 -------- -------- -------- Property, plant
and equipment, net..... 85,700
98,935 153,356 Goodwill, net of accumulated
amortization of $369, $495 and $558,
respectively..... 2,881
2,755 2,692 Deferred charges,
net..... 3,417
5,120 4,902 Investment in unconsolidated
entity..... 1,260 -- -- --------
-------- -------- Total
assets.....
$103,486 $147,148 $193,970 ======== ========
======== LIABILITIES AND STOCKHOLDERS' EQUITY
Current Liabilities: Accounts
payable..... $
2,608 $ 1,492 $ 2,846 Current portion of long-term
debt..... 4,878 6,834 10,482
Other accrued
liabilities..... 885
2,488 3,887 -------- -------- -------- Total
current liabilities..... 8,371
10,814 17,125 -------- -------- -------- Long-term
debt.....
79,076 82,557 115,340 Deferred tax liabilities,
net..... 2,325 3,875 6,670
Other
liabilities.....
234 157 120 -------- -------- -------- Total
liabilities..... 90,006
97,403 139,345 -------- -------- --------
Stockholders' Equity: Preferred stock; $0.01 par
value; 5,000 shares authorized; no shares issued
and outstanding..... -- -- --
Common stock: $0.01 par value; 100,000 shares
authorized; 11,367, 24,575 and 24,575 shares issued
and outstanding,
respectively..... 114 246
246 Additional paid-in
capital..... 13,646
48,301 50,137 Retained
earnings(deficit).....
(280) 1,198 4,242 -------- -------- -------- Total
stockholders' equity..... 13,480
49,745 54,625 -------- -------- -------- Total
liabilities and stockholders' equity.....
$103,486 $147,148 $193,970 ======== ========
========

The accompanying notes are an integral part of these consolidated statements.

HORNBECK-LEEVAC MARINE SERVICES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
(DOLLARS IN THOUSANDS)

	SIX MONTHS ENDED JUNE 30,		YEAR ENDED DECEMBER 31,		
	1998	1999	2000	2000	2001
				(UNAUDITED)	
Revenue	$12,952	$25,723	$36,102	$16,319	$25,694
Costs and Expenses: Operating expenses	10,701	17,275	20,410	9,926	11,517
General and administrative expenses	1,699	2,467	3,355	1,451	3,740
	12,400	19,742	23,765	11,377	15,257
Operating income	552	5,981	12,337	4,942	10,437
Other Income (Expense):					
Interest expense	(1,155)	(5,092)	(7,911)	(4,217)	(2,565)
Other income (expense), net	544	(20)	(138)	3	--
	(611)	(5,112)	(8,049)	(4,214)	(2,565)
Income (loss) before income taxes and cumulative effect of change in accounting principle	(59)	869	4,288	728	7,872
Income tax (expense)benefit	156	(341)	(1,550)	(264)	(2,992)
Income before cumulative effect of change in accounting principle	97	528	2,738	464	4,880
Cumulative effect on prior years of change in accounting for start-up costs, net of taxes of $55	--	(108)	--	--	--
Net income	$ 97	$ 420	$ 2,738	$ 464	$ 4,880

The accompanying notes are an integral part of these consolidated statements.

HORNBECK-LEEVAC MARINE SERVICES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(DOLLARS AND SHARES IN THOUSANDS)

	CAPITAL STOCK		ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS (DEFICIT)	TOTAL STOCKHOLDERS' EQUITY
	SHARES	AMOUNT			
BALANCE AT DECEMBER 31, 1997	11,300	$113	$12,417	$ (180)	$12,350
Issuance of common stock	67	1	112	--	113
Issuance of warrants	--	--	500	--	500
Net income	--	--	--	97	97
BALANCE AT DECEMBER 31, 1998	11,367	114	13,029	(83)	13,060
Amortization of put feature of warrants	--	--	617	(617)	--
Net income	--	--	--	420	420
BALANCE AT DECEMBER 31, 1999	11,367	114	13,646	(280)	13,480
Shares issued	13,208	132	33,395	--	33,527
Amortization of put feature of warrants	--	--	1,260	(1,260)	--
Net income	--	--	--	2,738	2,738
BALANCE AT DECEMBER 31, 2000	24,575	246	48,301	1,198	49,745
Amortization of put feature of warrants	--	--	1,836	(1,836)	--
Net income	--	--	--	4,880	4,880
BALANCE AT JUNE 30, 2001 (Unaudited)	24,575	$246	$50,137	$ 4,242	$54,625

The accompanying notes are an integral part of these consolidated statements.

HORNBECK-LEEVAC MARINE SERVICES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(DOLLARS IN THOUSANDS)

SIX MONTHS ENDED JUNE 30,	YEAR ENDED DECEMBER 31,				
1998	1999	2000	2000	2001	
(UNAUDITED)					
Cash Flows From Operating Activities:					
Net income	$ 97	$ 420	$ 2,738	$ 464	$ 4,880
Adjustments to reconcile net income to net cash provided by operating activities:					
Depreciation and amortization	1,338	3,724	5,164	2,465	2,975
Provision for bad debts	30	78	(77)	34	5
Deferred tax expense	124	286	1,550	264	2,955
Gain on sale of assets	(1,284)	--	(3)	(3)	--
Amortization of financing costs and initial warrant valuation	161	391	496	253	343
Changes in operating assets and liabilities:					
Accounts and claims receivable	(323)	(1,570)	(3,051)	(2,109)	(3,035)
Prepaid expenses	(201)	(513)	(50)	(244)	(567)
Deferred charges and other assets	(3,149)	(1,718)	(2,975)	(1,070)	(716)
Accounts payable and deferred revenue	6,484	(191)	(1,002)	(1,540)	2,753
Other liabilities	316	652	1,413	(169)	(40)
Net cash provided by (used in) operating activities	3,593	1,559	4,203	(1,655)	9,551
Cash Flows From Investing Activities:					
Capital expenditures	(33,492)	(42,293)	(16,224)	(3,003)	(28,865)
Acquisition of tugs and tank barges from Spentonbush/ Red Star Group	--	--	--	--	(28,030)
Proceeds from involuntary conversion of vessel	2,800	--	--	--	--
Net cash used in investing activities	(30,692)	(42,293)	(16,224)	(3,003)	(56,895)
Cash Flows From Financing Activities:					
Proceeds from borrowings under debt agreements	44,071	43,695	8,329	2,516	41,213
Payments on long-term debt	(18,523)	--	(2,991)	(793)	(4,831)
Proceeds from issuance of common stock	113	--	33,527	--	--
Net cash provided by (used in) financing activities	25,661	43,695	38,865	1,723	36,382
Net increase (decrease) in cash and cash equivalents	(1,438)	2,961	26,844	(2,935)	(10,962)
Cash and cash equivalents at beginning of period	4,621	3,183	6,144	6,144	32,988
Cash and cash equivalents at end of period	$ 3,183	$ 6,144	$ 32,988	$ 3,209	$ 22,026
Supplemental Disclosures Of Cash Flow Activities:					
Interest paid	$ 418	$ 4,495	$ 7,145	$ 3,593	$ 4,415

The accompanying notes are an integral part of these consolidated statements.

HORNBECK-LEEVAC MARINE SERVICES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(DOLLARS AND SHARES IN THOUSANDS)

1. ORGANIZATION AND BASIS OF PRESENTATION

FORMATION

HORNBECK-LEEVAC Marine Services, Inc. (formerly HV Marine Services, Inc. and referred to in these financial statements as the Company) is incorporated in the state of Delaware. The Company wholly owns LEEVAC Marine, Inc., Hornbeck Offshore Services, Inc., HORNBECK-LEEVAC Marine Operators, Inc, and Energy Services Puerto Rico, Inc. The accompanying financial statements include the accounts of the Company and its wholly owned subsidiaries. All significant intercompany accounts and transactions have been eliminated.

NATURE OF OPERATIONS

Hornbeck Offshore Services, Inc. (HOS) operates offshore supply vessels to furnish support to the offshore oil and gas exploration and production industry, primarily in the United States Gulf of Mexico, and to provide specialty services. HOS operated one vessel for two months in 1998. At various times during 1999 five vessels were added, with one additional vessel being added during 2000. LEEVAC Marine, Inc. (LMI) operates ocean-going tugs and tank barges which provide vessel and barge charters for the transportation of petroleum products. Since 1998, LMI has operated an average of seven ocean-going tank barges and associated tugs. HORNBECK-LEEVAC Marine Operators, Inc. (HLMOI) is a service subsidiary that provides administrative and personnel support to the other subsidiaries. The Company created Energy Services Puerto Rico, Inc. (ESPRI) in 1999 to provide administrative and personnel support to employees residing in Puerto Rico.

INTERIM FINANCIAL STATEMENTS

The accompanying unaudited consolidated financial statements as of and for the six months ended June 30, 2000 and 2001 have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting only of normal and recurring adjustments) necessary to present a fair statement of the Company's financial position and results of operations for the interim periods included herein have been made, and the disclosures contained herein are adequate to make the information presented not misleading. Operating results for the six months ended June 30, 2001 are not necessarily indicative of the results that may be expected for the year ended December 31, 2001.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REVENUE RECOGNITION

HOS contracts its offshore supply vessels to clients under time charters based on a daily rate of hire and recognizes revenue as earned on a daily basis during the contract period of the specific vessel.

Commencing in 1999, LMI also began to contract its vessels to clients under time charters based on a daily rate of hire. Revenue is recognized on such contracts as earned on a daily basis during the contract period of the specific vessel. Under other contracts, primarily contracts of affreightment, revenue is recognized based on the percentage of days incurred for the voyage to total estimated days applied to total estimated revenues. Voyage related costs are expensed as incurred. Substantially all voyages under these contracts are less than 10 days in length.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are recorded at cost. Depreciation and amortization of equipment and leasehold improvements are computed using the straight-line method based on the estimated useful lives of the related assets, ranging from three to twenty-five years. Improvements and major repairs that extend the useful life of the related asset are capitalized. Gains and losses from retirements or other dispositions are recognized currently.

DEFERRED CHARGES

The Company's tank barges, tugs and offshore supply vessels are required by regulation to be recertified after certain periods of time. The Company defers certain costs related to the recertification of the vessels. Deferred recertification costs are amortized over the length of time in which the improvement made during the recertification is expected to last (generally thirty or sixty months). Financing charges are amortized over the term of the related debt using the interest method.

INCOME TAXES

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. The Company's temporary differences primarily relate to depreciation and deferred drydocking costs.

Deferred tax assets and liabilities are measured using currently enacted tax rates. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. The provision for income taxes includes provisions for both federal and state income taxes.

USE OF ESTIMATES

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

ACCOUNTS RECEIVABLE

Customers are primarily major domestic and international oil companies. The Company's customers are granted credit on a short-term basis and related credit risks are considered minimal.

GOODWILL

Goodwill reflects the excess of cost over the estimated fair value of the net assets acquired. Goodwill is being amortized on a straight-line basis over its estimated useful life of 25 years. Realization of goodwill is periodically assessed by management based on the expected future profitability and undiscounted future cash flows of acquired entities and their contribution to the overall operations of the Company. Should the review indicate that the carrying value is not recoverable, the excess of the carrying value over the undiscounted cash flow would be recognized as an impairment loss.

RECENT ACCOUNTING PRONOUNCEMENTS

In early 1998, the American Institute of Certified Public Accountants ("AICPA") issued Statement of Position ("SOP") 98-5, "Reporting on the Costs of Start-Up Activities." The SOP is effective for fiscal years beginning after December 15, 1998 and requires costs of start-up activities and organization costs to be

expensed as incurred. The unamortized costs were written off and reflected as a cumulative effect of a change in accounting principle during 1999.

In June 1998, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities," which establishes accounting and reporting standards that every derivative instrument be recorded in the balance sheet as either an asset or liability measured at its fair value. In June 1999, the FASB delayed SFAS 133's effective date by one year to fiscal years beginning after June 15, 2000 with earlier application permitted. The Company adopted SFAS 133 effective January 1, 2001; however, adoption will not have a material impact on its financial position as the Company has not entered into any derivative instruments.

In July 2001, the Financial Accounting Standards Board ("FASB") issued Financial Accounting Standards Statement No. 141, Business Combinations ("SFAS 141") and Financial Accounting Standards Statement No. 142, Goodwill and Other Intangible Assets ("SFAS 142"). SFAS 141 eliminates the pooling-of-interests method of accounting for business combinations except for qualifying business combinations that were initiated prior to July 1, 2001. The purchase method of accounting is required to be used for all business combinations initiated after June 30, 2001. SFAS 141 also requires separate recognition of intangible assets that meet certain criteria.

Under SFAS 142, goodwill and indefinite-lived intangible assets are no longer amortized but are reviewed for impairment annually, or more frequently if circumstances indicate potential impairment. Separable intangible assets that are not deemed to have an indefinite life will continue to be amortized over their useful lives. For goodwill and indefinite-lived intangible assets acquired prior to July 1, 2001, goodwill will continue to be amortized through the remainder of 2001 at which time amortization will cease and a transitional goodwill impairment test will be performed. Any impairment charges resulting from the initial application of the new rules will be classified as a cumulative change in accounting principle. The Company will adopt SFAS 142 effective January 1, 2002. Management is currently evaluating the impact of the new accounting standards on existing goodwill and other intangible assets. Goodwill amortization for the six months ended June 30, 2001 and the year ended December 31, 2000 was $63 and $126, respectively.

3. DEFINED CONTRIBUTION PLAN

HLMOI is a participating employer in a defined contribution plan with a cash or deferred arrangement pursuant to Section 401(k) of the Internal Revenue Code, which is sponsored by an affiliate. Employees must be at least twenty-one years of age and have completed one year of service to be eligible for participation. Participants may elect to defer up to 20% of their compensation, subject to certain statutorily established limits. The Company may elect to make annual matching and/or profit sharing contributions to the plan. During the years ended December 31, 1998, 1999 and 2000 the Company made contributions of $5, $6, and $6 respectively.

4. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consisted of the following:

DECEMBER 31, 1999	2000	JUNE 30, 2001
(UNAUDITED)		
Barges, tugs and supply vessels	$79,720	$93,825
$135,304	Construction in progress	8,710
12,294	27,625	Machinery and equipment
1,050	818	903
Less: Accumulated depreciation	(3,780)	(8,002)
(10,476)		$85,700
$98,935	$153,356	

Interest expense of $1,628, $365 and $966 was capitalized for each of the periods ended December 31, 1999 and 2000 and June 30, 2001, respectively.

5. INVESTMENT IN UNCONSOLIDATED ENTITY

In prior years and for over ten months in 2000 the Company had a 60% limited partner interest in a partnership. The other 40% was owned by an entity in which the Company's Chairman and Chief Executive Officer had a minority interest. The partnership's only asset was a barge which was leased by the Company on a short-term basis. The Company accounted for this investment using the cost-method of accounting because it did not exert significant influence over the operations of the partnership. Monthly lease payments were charged to expense, and partnership profit distributions were netted against the lease expense. During the years ended December 31, 1998, 1999 and 2000 LMI's lease expense, net of distributions, related to this partnership was approximately $106, $105 and $88, respectively. In November 2000 the Company purchased the company that owned the remaining 40% of the partnership through the issuance of 339,624 shares of common stock at a per share price of $2.65 for aggregate consideration of $900. The price represented 40% of the value of the tank barge based on an independent appraisal. As a result, the barge was recorded as an asset in the Company's consolidated property, plant and equipment.

6. LONG-TERM DEBT

On June 5, 1998, the Company entered into a $43,000 line of credit agreement with two banks (Facility A) and $15,000 and $20,000 line of credit agreements (Facility B and C, respectively) with two venture capital companies. These "Credit Agreements" were used to refinance existing indebtedness and partially finance the construction of offshore supply vessels (see Note 8). Facilities A and B converted to term loans on the completion of the last offshore supply vessel. In connection with Facility C, the Company issued detachable warrants to purchase 11,905 shares of common stock. The warrants were assigned an estimated market value of $500. The warrants for the purchase of 10,500 shares of common stock are currently exercisable with an exercise price of $1.68 per share. The remaining warrants become exercisable only on the occurrence of an event of default under Facility C, the Company filing for bankruptcy or if the indebtedness under Facility C has not been discharged in full by June 5, 2003. All of the warrants issued in connection with the establishment of Facility C provide the holders with a put option whereby the holders have the right, if the Company's stock is not publicly traded by June 5, 2003, to require the Company to repurchase the warrants at their fair market value. The Company is amortizing, through retained earnings, the fair market value of the warrants through June 5, 2003, the first date on which the put may be exercised. The warrants are revalued each period end with changes in value accounted for prospectively.

If Facility C is not repaid by June, 2002, 2003 or 2004, the exercise price is adjusted to $1.63, $1.58 and $1.53 per share, respectively. The indebtedness under the Credit Agreements is collateralized by substantially all of the assets of the Company other than those collateralizing Facility D discussed below. The Credit Agreements require the Company, on a consolidated basis, to maintain a minimum net worth and EBITDA to debt service ratio (as defined in the Credit Agreements). The Credit Agreements also contain other covenants, which, among other things, restrict capital expenditures and the payment of dividends.

On March 5, 1999, the Facility A credit agreement was amended by the Company with the two banks by which it was then maintained. The commitment was increased from $43,000 to $49,400 along with an extension of the outside date for conversion of construction loans to term loans. The conversion date occurred at the delivery of the last offshore supply vessel in March 2000.

In July and November, 2000, the Company entered into two new credit facilities (collectively, Facility D) totaling $41,400 with a new lender. Of the proceeds, $15,000 was used to repay in full Facility B. The remaining amounts are being used to pay the construction costs of additional offshore supply vessels. At December 31, 2000, Facility D was collateralized by two existing vessels and four vessels under construction.

In November 2000, the Facility A credit agreement was amended by the Company. The commitment was increased from $49,400 to $69,000. These additional funds are being used to build additional vessels.

As of the dates indicated, the Company had the following outstanding long-term debt:

DECEMBER 31, ---------- JUNE 30, 1999 2000 2001 ------- ------- ----------- (UNAUDITED) ------ ----- Non-revolving line of credit payable to two banks at 9.9% (Facility A) due 2004, with interest paid at libor traunch renewals, but no greater than 90 days..... $45,895 $44,869 $ 60,037 Non-revolving line of credit payable to two venture capital companies at 12% (Facility B)..... 15,000 -- -- Senior subordinated notes, payable to two venture capital companies at 7% (Facility C) due 2005, with interest paid quarterly..... 23,018 23,542 23,542 Term note, payable to a financing company at 10.3% (Facility D) due 2013, with interest paid monthly... -- 20,700 41,450 Insurance notes payable and other..... 368 506 967 ------- ------- -------- 84,281 89,617 125,996 Less: Debt discount, 7% senior subordinated notes due 2005..... (327) (226) (174) ------- ------- -------- 83,954 89,391 125,822 Less: Current maturities..... 4,878 6,834 10,482 ------- ------- -------- $79,076 $82,557 $115,340 ======= ======= ========

Annual maturities of long-term debt during each year ending December 31, are as follows:

2001	$ 6,834
2002	7,334
2003	7,334
2004	7,334
2005	30,876
Thereafter	29,905
	$89,617

On July 24, 2001, the Company issued $175,000 in principal amount of Senior Notes. The Company realized net proceeds of approximately $165,000 which was used to repay and fully extinguish all of the above notes except for the $967 of insurance notes payable. See note 15.

7. STOCK OPTION PLANS

SFAS No. 123, "Accounting for Stock-Based Compensation," which became effective January 1, 1996, established financial accounting and reporting standards for stock-based compensation plans. The Company's plan includes all arrangements by which employees and directors receive shares of stock or other equity instruments of the Company, or the Company incurs liabilities to employees or directors in amounts based on the price of the stock. SFAS No. 123 defines a fair-value-based method of accounting for stock-based compensation. SFAS No. 123, however, also allows an entity to continue to measure stock-based compensation cost using the intrinsic value method of APB Opinion No. 25, "Accounting for Stock Issued to

Employees." Entities electing to retain the accounting prescribed in APB No. 25 must make pro forma disclosures of net income assuming dilution as if the fair-value-based method of accounting defined in SFAS No. 123 had been applied. The Company retained the provisions of APB No. 25 for expense recognition purposes. Under APB No. 25, where the exercise price of the Company's stock options equals the market price of the underlying stock on the date of grant, no compensation expense is recognized.

The Company established an incentive stock option plan which provides that options for a maximum of 3,500 shares of common stock may be granted by the Company. The purchase price of the stock subject to each option is determined by the Board of Directors of the Company and cannot be less than the fair market value of the stock at the date of grant. No options have been exercised to date. All options granted expire 5-10 years after vesting, have an exercise price equal to or greater than the estimated market price of the Company's stock at the date of grant and vest over a 3 to 4 year period.

The following summarizes the option activity in the plans during each of the periods as indicated:

SIX MONTHS ENDED JUNE 30, 1998 1999 2000 2001	NUMBER OF OPTIONS	AVERAGE PRICE PER SHARE	NUMBER OF OPTIONS	AVERAGE PRICE PER SHARE	NUMBER OF OPTIONS	AVERAGE PRICE PER SHARE	NUMBER OF OPTIONS	AVERAGE PRICE PER SHARE
Balance, beginning of year	--	$ --	52.5	$1.85	150	$1.85	386	$1.97
Granted	52.5	1.85	97.5	1.85	236	2.04	1,382.8	2.65
Cancelled	--	--	--	--	--	--	(19)	1.85
Balance, end of year	52.5	$1.85	150.0	$1.85	386	$1.97	1,749.8	$2.51

There were 2, 76, 196 and 350 options exercisable at December 31, 1998, 1999, 2000 and June 30, 2001, respectively.

Had compensation cost for the Company's stock options been determined based on the fair value at the grant date consistent with the method under SFAS No. 123, the Company's income available to common stockholders for the years ended December 31, 1998, 1999 and 2000 and the six-month period ended June 30, 2001, would have been the pro forma amounts indicated below:

DECEMBER 31,			JUNE 30, 1998
1999	2000	2001	
Income available to common stockholders -- As reported	$97	$420	$2,738	$4,880
Pro forma	95	405	2,697	4,812

The weighted average fair value at the date of grant for options granted during the periods presented was $.61, $.38, and $.52 and $.74 for December 31, 1998, 1999, 2000 and June 30, 2001, respectively.

The fair value of the options granted under the Company's stock option plan during the year ended December 31, 2000, was estimated using the Black-Scholes Pricing Model with the following assumptions used: risk-free interest rate of six percent, expected life of five to seven years, no volatility and no expected dividends.

The Company also issued, during 1998, warrants for the purchase of a total of 11,905 shares of common stock with an exercise price of $1.68 per share. The warrants have no expiration date. The fair value of the warrants at the issue date was $500.

8. INCOME TAXES

The net long-term deferred tax liabilities (assets) in the accompanying balance sheets include the following components:

	1999	2000
Deferred tax liabilities: Fixed assets	$ 5,215	$ 8,605
Deferred charges	471	711
Total deferred tax liabilities	5,686	9,316
Assets: Net operating loss carryforward	(3,313)	(5,422)
Allowance for doubtful accounts	(53)	(19)
Other	(87)	(92)
Total deferred tax assets	(3,453)	(5,533)
Valuation allowance	92	92
Total deferred tax liabilities, net	$ 2,325	$ 3,875

The components of the income tax benefit follow:

	1998	1999	2000
Current tax expense	$ --	$ 55	$ --
Deferred tax expense (benefit)	(156)	286	1,550
Income tax expense (benefit)	$(156)	$341	$1,550

At December 31, 1998, 1999 and 2000, the Company had federal net operating loss carryforwards of approximately $1,300, $9,500 and $15,700, respectively. The carryforward benefit from the federal operating carryforwards loss begin to expire in 2017. These carryforwards can only be utilized if the Company generates taxable income in the appropriate tax jurisdiction. The Company had state net operating loss carryforwards of approximately $1,515. A valuation allowance has been established to fully offset the deferred tax asset related to the state carryforward.

The following table reconciles the difference between the statutory federal income tax rate for the Company to the effective income tax rate:

	1999	2000
Statutory Rate	34.0%	34.0%
State Taxes	2.0%	1.0%
Non-deductible expense	2.0%	1.0%
Other	1.0%	0.0%
	39.0%	36.0%

The reconciliation of the statutory federal income tax rate for the Company to the effective income tax rate was not meaningful for 1998 due to the Company's net operating loss of $59 and other non-deductible expenses of $101.

9. COMMITMENTS

OPERATING LEASES

The Company is obligated under certain long-term operating leases for marine vessels used in operations, office space and vehicles. The office space lease provides for a term of five years with five one-year renewal options.

Future minimum payments under noncancelable leases for years subsequent to 2000 follow:

YEAR ENDED DECEMBER 31,	
2001	$107
2002	43
2003	7
	$157

In addition, the Company leases marine vessels used in its operations under short-term operating lease agreements. See Note 5 for information regarding a short-term vessel operating lease from an affiliate. The Company is also obligated under several month-to-month leases for various purposes. Total rent expense related to leases was $4,101, $3,104 and $1,758 during the years ended December 31, 1998, 1999 and 2000, respectively.

VESSEL CONSTRUCTION

At December 31, 2000, the Company was committed under a vessel construction contract with a shipyard affiliated with the Company's Chairman of the Board and Chief Executive Officer to construct four additional offshore supply vessels. At that date, the remaining amount expected to be expended to complete construction was $42,000. At December 31, 2000, the Company was also committed under a vessel construction contract with another shipyard to construct two additional offshore supply vessels. At that date, the remaining amount expected to be expended to complete construction was $31,000.

10. DEFERRED CHARGES:

Deferred charges include the following:

DECEMBER 31,	JUNE 30, 1999	2000	2001
	(UNAUDITED)		
Deferred loan costs, net of accumulated amortization of $552, $889 and $1,182, respectively	$2,034	$3,004	$2,953
Deferred drydockings costs, net of accumulated amortization of $589, $1,372 and $1,796, respectively	1,383	2,086	1,923
Other	30	26	
Total	$3,417	$5,120	$4,902

11. RELATED PARTY TRANSACTIONS

The Company utilizes the services of a law firm and a venture capital company, certain members of which are related parties of the Company. During the year ended December 31, 1998, the Company paid approximately $264 and $104 for these services, respectively. During the year ended December 31, 1999, the Company paid approximately $123 and $351 for these services, respectively. During the year ended December 31, 2000, the Company paid approximately $475 to the law firm and no amounts to the venture

capital company for these services. As discussed in Notes 1 and 9, the Company was committed under a vessel construction contract to construct four offshore supply vessels with a shipyard affiliated with the Company's Chairman of the Board and Chief Executive Officer. The Company used another shipyard affiliated with the Company's Chairman of the Board and Chief Executive Officer to complete construction of three of its seven completed offshore supply vessels. See Note 5 for additional information.

12. MAJOR CUSTOMERS

In the years ended December 31, 1998, 1999 and 2000 revenue from three, three, and two customers respectively individually exceeded ten percent of total revenue.

13. SEGMENT INFORMATION

The Company provides marine transportation services through two business segments. The Company operates newly constructed deepwater offshore supply vessels in the Gulf of Mexico through its offshore supply vessel segment. The offshore supply vessels principally support offshore drilling and production operations in the deepwater regions of the Gulf of Mexico by transporting cargo to offshore drilling rigs and production facilities and provide support for specialty services. The tug and tank barge segment operates ocean-going tugs and tank barges in the northeastern United States and in Puerto Rico. The ocean-going tugs and tank barges provide coastwise transportation of refined and bunker grade petroleum products from one port to another. The following shows reportable segment information for the years ended December 31, 1998, 1999 and 2000 and for the interim periods ended June 30, 2000 and 2001 reconciled to consolidated totals and prepared on the same basis as the Company's consolidated financial statements.

	SIX MONTHS ENDED JUNE 30,		YEAR ENDED DECEMBER 31,	
	2000	2001	1998	1999	2000
OPERATING REVENUE:					
Offshore supply vessels	$ 392	$ 9,492	$19,626	$ 8,182	$14,522
Tugs and tank barges	12,560	16,231	16,476	8,137	11,172
Total	$12,952	$25,723	$36,102	$16,319	$25,694
OPERATING EXPENSES:					
Offshore supply vessels	$ 163	$ 5,263	$ 9,291	$ 4,315	$ 5,161
Tugs and tank barges	10,538	12,012	11,119	5,610	6,356
Total	$10,701	$17,275	$20,410	$ 9,925	$11,517
OPERATING INCOME:					
Offshore supply vessels	$ 216	$ 3,498	$ 8,784	$ 3,245	$ 7,507
Tugs and tank barges	336	2,483	3,553	1,697	2,931
Total	$ 552	$ 5,981	$12,337	$ 4,942	$10,438
CAPITAL EXPENDITURES:					
Offshore supply vessels	$31,523	$35,136	$14,473	$ 2,737	$28,323
Tugs and tank barges	1,841	6,979	1,609	228	28,509
Corporate	128	178	142	38	63
Total	$33,492	$42,293	$16,224	$ 3,003	$56,895

SIX MONTHS ENDED DECEMBER 31,		YEAR ENDED JUNE 30,			
1998	1999	2000	2000	2001	
DEPRECIATION AND AMORTIZATION:					
Offshore supply vessels	$ 177	$ 1,685	$ 2,823	$ 1,367	$ 1,605
Tugs and tank barges	1,161	2,039	2,341	1,098	1,370
Total	$ 1,338	$ 3,724	$ 5,164	$ 2,465	$ 2,975

AS OF DECEMBER 31,			AS OF JUNE 30,	
1998	1999	2000	2001	
IDENTIFIABLE ASSETS:				
Offshore supply vessels	$34,543	$ 74,407	$ 87,866	$ 11,832
Tugs and tank barges	19,161	28,472	28,569	12,583
Corporate	4,512	607	30,713	16,353
Total	$58,216	$103,486	$147,148	$ 40,768
LONG-LIVED ASSETS:				
Offshore supply vessels	$32,691	$ 66,380	$ 78,143	$104,959
Tugs and tank barges	12,966	19,040	20,449	48,037
Corporate	162	280	343	360
	-	$45,819	$ 85,700	$ 98,935
	$153,356			

14. SPENTONBUSH/RED STAR GROUP ACQUISITION (UNAUDITED)

On May 31, 2001, the Company purchased a fleet of nine ocean-going tugs and nine ocean-going tank barges and the related coastwise transportation businesses from the Spentonbush/Red Star Group for approximately $28 million in cash. As part of the acquisition, the Company entered into a contract of affreightment with Amerada Hess as its exclusive marine logistics provider and coastwise transporter of petroleum products in the northeastern United States. The contract became effective on June 1, 2001 and its initial term continues through March 31, 2006. The Company also entered into a letter of intent to purchase the Brooklyn marine facility of Amerada Hess where the tug and tank barge operations that were acquired are based from and from which such operations will be conducted. The Company incurred approximately $600 in acquisition cost.

The purchase method was used to account for the acquisition of the tugs and tank barges from the Spentonbush/Red Star Group. There was no goodwill recorded as a result of the acquisition. The purchase price was allocated to the acquired assets based on the estimated fair value as of May 31, 2001 as follows (in thousands):

Property, Plant and Equipment	$27,030
Other Assets	1,000
Purchase Price	$28,030

The following summarized unaudited pro-forma income statement data reflects the impact the Spentonbush/Red Star Group acquisition would have had on 2000, had the acquisition taken place at the beginning of the fiscal year (in thousands):

UNAUDITED PRO-FORMA RESULTS FOR THE YEAR ENDED DECEMBER 31, 2000	SIX MONTHS ENDED JUNE 30, 2001
Revenue	$78,198	$46,201
Operating income	21,621	16,104
Net Income	7,546	8,050

15. SUBSEQUENT EVENTS (UNAUDITED)

Repurchase of Outstanding Warrants; Equity Offering. On August 9, 2001, the Company was notified by its warrantholders that they intend to sell their outstanding warrants. The Company has exercised a right of first offer to purchase the outstanding warrants at an aggregate purchase price of $14.5 million. To finance the repurchase of the warrants, the Company intends to offer to each of its existing stockholders an opportunity to purchase its pro rata share of 5,472 shares of the Company's common stock at a price of $2.65 per share. The Company has received a signed subscription agreement from one of its stockholders pursuant to which that stockholder has been issued 274 shares of common stock for a total purchase price of $725. The Company has used these proceeds to pay the non-refundable deposit to the warrantholders as a deposit toward the repurchase of the warrants. The stockholder has also agreed to purchase the balance of the offered shares not subscribed for by the other existing stockholders.

Private Placement of Notes and Use of Proceeds. On July 24, 2001, the Company issued $175,000 in principal of 10 5/8% senior notes due 2008. Interest on the notes is due February 1, and August 1 of each year until maturity. The Company realized approximate net proceeds of $165 million which was used to repay and fully extinguish substantially all of the Company's outstanding indebtedness under its existing credit facilities.

New Credit Facility. The Company has received and is evaluating a commitment letter from one of its former lenders regarding a new senior secured revolving line of credit of $50 million. Pursuant to the proposed terms for the new senior secured revolving credit facility, the Company's borrowings under this facility will be limited to $25 million unless it has obtained the lender's concurrence to the use of proceeds of borrowings in excess of $25 million and it meets certain ratios. Pursuant to the indenture governing the notes, the level of permitted borrowings under this facility initially will be limited to $25 million plus 15% of the increase in the Company's consolidated net tangible assets.

Signing of Significant Tank Barge Contract. On June 27, 2001, the Company signed an agreement to contract one of our newly acquired tank barges with a large refining and marketing company under a one-year time charter with a one-year renewal option at a fixed dayrate of $17 which is substantially higher than the average dayrate currently being generated by that vessel. The agreement to contract provides for commencement of operations in July 2001.

Delivery of the HOS Innovator and Signing of Multi-year Specialty Service Contracts. On April 27, 2001, the Company took delivery of the HOS Innovator, a 240' class offshore supply vessel, which is the only U.S.-flagged offshore supply vessel to date to receive Dynamic Positioning Class II certification from the American Bureau of Shipping. The HOS Innovator was immediately employed under a three-year contract with a large oilfield service company to provide support for remotely operated vehicles, as well as inspection, maintenance, repair, subsea intervention, trenching, diving, cargo transportation and cable- and pipe-laying services. In addition, the Company recently signed a five-year contract for one of our offshore supply vessels currently under construction that will be employed by another large oilfield service company to support well stimulation services.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors and Stockholder of the
Spentonbush/Red Star Group:

We have audited the accompanying combined balance sheets of Spentonbush/Red Star Group (as discussed in Note 1) as of December 31, 1999 and 2000 and the related combined statements of income and retained earnings and cash flows for each of the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Group's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of the Spentonbush/Red Star Group as of December 31, 1999 and 2000 and the combined results of their income and their cash flows for each of the three years in the period ended December 31, 2000 in conformity with accounting principles generally accepted in the United States.

ARTHUR ANDERSEN LLP

Roseland, New Jersey
March 30, 2001

SPENTONBUSH/RED STAR GROUP

COMBINED BALANCE SHEETS

DECEMBER 31, ---------- MARCH 31, 1999 2000 2001 -------- -------- ---------- (UNAUDITED) (DOLLARS IN THOUSANDS) ASSETS Current Assets: Cash..... $ 2 $ 2 $ 2 Accounts receivable -- trade..... 1,214 1,034 1,367 -- other..... 99 47 58 Prepaid expenses..... 613 792 2,034 Deferred income taxes..... 1,224 1,730 1,910 -------- -------- -------- Total current assets..... 3,152 3,605 5,371 -- ------ -------- -------- Property, Plant and Equipment, at cost: Barges..... 26,682 26,682 26,682 Tugs..... 16,930 16,930 16,930 Other..... 108 108 108 -------- -------- -------- 43,720 43,720 43,720 Less -- reserve for depreciation..... (43,434) (43,596) (43,637) -------- -------- -------- Property, plant and equipment, net..... 286 124 83 -------- - ------- -------- Other Assets: Deferred income taxes..... 33 66 72 ----- --- -------- -------- Total assets..... $ 3,471 $ 3,795 $ 5,526 ======== ======== ======== LIABILITIES AND STOCKHOLDER'S DEFICIT Current Liabilities: Accounts payable..... $ 1,326 $ 1,328 $ 2,706 Accrued liabilities..... 7,038 8,828 9,356 Income taxes payable..... 1,256 3,922 1,561 -------- -------- -------- Total current liabilities..... 9,620 14,078 13,623 -------- -------- -------- Stockholder's Deficit: Common stock -- Spentonbush/Red Star Companies Inc., authorized and issued -- 1,000 shares; par value $8..... 8 8 8 Hygrade Operators, Inc., authorized and issued -- 200 shares; par value $10..... 2 2 2 Red Star Towing and Transportation Company, authorized and issued -- 400 shares; par value $125..... 50 50 50 Sheridan Towing, Co., Inc., authorized -- 600 shares; issued -- 300 shares; par value $100..... 30 30 30 Capital in excess of par value..... 13,199 13,199 13,199 Retained earnings..... 2,488 1,684 4,172 Accounts receivable -- affiliates (Note 3)..... (21,149) (24,479) (24,781) Treasury stock -- at cost (300 shares)..... (777) (777) (777) -------- -------- -------- Total stockholder's deficit..... (6,149) (10,283) (8,097) -------- -------- -------- Total liabilities and stockholder's deficit..... $ 3,471 $ 3,795 $ 5,526 ======== ======== ========

The accompanying notes are an integral part of these combined statements.

SPENTONBUSH/RED STAR GROUP

STATEMENT OF COMBINED INCOME AND RETAINED EARNINGS
(DOLLARS IN THOUSANDS)

THREE MONTHS ENDED MARCH 31,	YEAR ENDED DECEMBER 31,			
	1998	1999	2000	2000	2001
(UNAUDITED)					
Revenue:					
Marine transportation -- affiliates	$27,165	$24,962	$34,120	$ 8,715	$10,546
Marine transportation -- third party	5,648	5,258	6,728	2,661	2,437
Other	1,398	279	4	1	1
Total revenues	34,211	30,499	40,852	11,377	12,984
Costs and Expenses:					
Operating expenses	24,047	21,096	25,997	6,536	7,989
Depreciation	792	162	162	40	41
General and administrative	4,004	3,936	5,092	1,300	1,099
Total costs and expenses	28,843	25,194	31,251	7,876	9,129
Income before income taxes	5,368	5,305	9,601	3,501	3,855
Provision for income taxes -- federal	1,884	1,845	3,363	1,220	1,346
-- state	28	78	42	20	21
Net Income	3,456	3,382	6,196	2,261	2,488
Retained earnings at beginning of period	1,577	1,833	2,488	2,488	1,684
Dividends paid	(3,200)	(2,727)	(7,000)	--	--
Retained earnings at end of period	$ 1,833	$ 2,488	$ 1,684	$ 4,749	$ 4,172

The accompanying notes are an integral part of these combined statements.

SPENTONBUSH/RED STAR GROUP

COMBINED STATEMENTS OF CASH FLOWS
(DOLLARS IN THOUSANDS)

THREE MONTHS ENDED MARCH 31,		YEAR ENDED DECEMBER 31,				
1998	1999	2000	2000	2001		
(UNAUDITED)						
Cash Flows From Operating Activities:						
Net income	$ 3,456	$ 3,382	$ 6,196	$ 2,261	$ 2,488	
Adjustments to reconcile net income to net cash provided by operating activities --						
Depreciation	792	162	162	40	41	
Change in deferred income taxes	(83)	620	(539)	--	--	
(Increase) Decrease in accounts receivable	361	20	232	(218)	(186)	
Increase (decrease) in accounts payable	284	(53)	2	(3,776)	(646)	
Increase (decrease) in accrued liabilities	1,081	(953)	1,790	1,167	1,378	
(Increase) decrease in other assets and liabilities	914	(965)	2,487	1,426	528	
Gain on sale of vessel	(1,400)	(274)	--	(900)	(3,603)	
Net cash provided by operating activities	5,405	1,939	10,330	--	--	
Cash Flows From Investing Activities:						
Capital expenditures	(52)	(16)	--	--	--	
Proceeds from sale of vessel	1,400	274	--	--	--	
Net cash provided by investing activities	1,348	258	--	--	--	
Cash Flows From Financing Activities:						
Dividends paid	(3,200)	(2,727)	(7,000)	--	--	
Amounts advanced under accounts receivable -- affiliates	(3,553)	530	(3,330)	--	--	
Net cash used in investing activities	(6,753)	(2,197)	(10,330)	--	--	
Net change in cash	--	--	--	--	--	
Cash at beginning of period	2	2	2	2	2	
Cash at end of period	$ 2	$ 2	$ 2	$ 2	$ 2	
Cash paid for income taxes	$ 1,106	$ 2,007	$ 1,256	$ --	$ --	

The accompanying notes are an integral part of these combined statements.

SPENTONBUSH/RED STAR GROUP

NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 1998, 1999, AND 2000
(DOLLARS IN THOUSANDS)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF FINANCIAL STATEMENTS

The Spentonbush/Red Star Group (the "Group") is comprised of the following three New York corporations and one Delaware corporation:

Spentonbush/Red Star Companies, Inc. (New York)

Hygrade Operators, Inc. (New York)

Red Star Towing & Transportation Company (New York)

Sheridan Towing Co., Inc. (Delaware)

Each is an indirect wholly owned subsidiary of Amerada Hess Corporation ("Parent") and is included in its Parent's consolidated financial statements. The Group is an owner and operator of vessels engaged in tug and tank barge operations. A significant portion of the Group's business is transacted with the Parent and its affiliates (see Note 3).

PRINCIPLES OF COMBINATION

The combined financial statements include the accounts of the Group. All intergroup transactions have been eliminated.

BASIS OF PRESENTATION -- INTERIM FINANCIAL STATEMENTS

The accompanying unaudited combined financial statements as of and for the three months ended March 31, 2000 and 2001 have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting only of normal and recurring adjustments) necessary to present a fair statement of the Group's financial position and results of operations for the interim periods included herein have been made and the disclosures contained herein are adequate to make the information presented not misleading. Operating results for the three months ended March 31, 2001 are not necessarily indicative of the results that may be expected for the year ended December 31, 2001.

REVENUE RECOGNITION

Revenues and related voyage expenses are recognized on an accrual basis.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are recorded at cost. Depreciation of property, plant and equipment is computed using the straight-line method based on the estimated useful lives of the related assets. Improvements that extend the useful life of the related asset are capitalized; all other expenditures for maintenance and repairs, excluding drydock, are expensed as incurred. Gains and losses from retirements or other dispositions are recognized as incurred.

DRYDOCK RESERVES

The Group's vessels are required to be recertified by the United States Coast Guard after certain periods of time. The Group maintains a drydock reserve to accrue for estimated drydocking costs over the operating period preceding each scheduled drydocking. Drydocking expenses are recognized as the reserves are accrued and the reserves are included in accrued liabilities.

INCOME TAXES

The Group is included in the consolidated federal income tax return of the Parent. In 1998, 1999 and 2000, the Parent allocated federal income tax expense at a rate of 35%. This allocation is comparable to the amount that would be provided for income taxes if the provision was determined on a stand-alone basis. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using currently enacted tax rates. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. INCOME TAXES

The components of income tax expense (benefit) were as follows:

	1998	1999	2000
Current	$2,026	$1,303	$3,935
Deferred	(114)	620	(530)
Total	$1,912	$1,923	$3,405

Total income tax expense for 2000, 1999 and 1998 was different from the amount computed by applying the statutory federal income tax rate due primarily to state income taxes and certain non-deductible travel and entertainment expenses. The tax effect of significant temporary differences that give rise to the net deferred tax assets are differences in the basis of property, plant and equipment and drydock reserves.

The current taxes payable of the Group which are owed to its Parent are $1,225 and $3,893 at December 31, 1999 and 2000, respectively.

3. TRANSACTIONS WITH AFFILIATES

Following is a summary of material transactions between the Group and its Parent and other affiliates:

YEAR ENDED	1998	1999	2000
Vessel income	$27,165	$24,962	$34,120
Vessel operating expenses	235	747	702
Selling, general and administrative expenses	1,001	998	1,874

DECEMBER 31,	1999	2000
Accounts receivable -- affiliates	$21,149	$24,479
Current taxes payable	(1,225)	(3,893)

Effective January 1, 2000, the Group entered into Service Level Agreements with its Parent. Under these agreements the Parent provides information systems services, human resources, risk management and other administrative related functions to the Group. The fee charged for these services is based upon estimated level of time expended for human resources, risk management and other administrative functions plus volume-related charges for information systems activities. Prior to January 1, 2000, the Parent allocated an amount to the Group for the services provided. The fees allocated for these services are reported as selling, general and administrative expenses in the table above and in the accompanying statement of income and retained earnings.

During the years ended December 31, 1998, 1999 and 2000, affiliates of the Group provided certain vessel operating expenses which included fuel costs and insurance related to vessel operations.

Accounts receivable from affiliates represent non-interest bearing advances of cash to the Parent. Accordingly, affiliate receivables are recorded as a component of stockholder's equity in the accompanying combined balance sheet.

4. DRYDOCK RESERVES

Drydock reserves are in accrued liabilities and the rollforward of these reserves as of the periods indicated are as follows:

DECEMBER 31,				
MARCH 31,	1998	1999	2000	2001
(UNAUDITED) Drydock reserve, beginning of period	$ 3,647	$ 3,913	$ 2,588	$4,108
Drydock expense	1,880	2,095	2,927	686
Payments on completed drydock costs	(1,614)	(3,420)	(1,407)	--
Drydock reserve, end of period	$ 3,913	$ 2,588	$ 4,108	$4,794

YOU SHOULD RELY ONLY ON THE INFORMATION CONTAINED OR INCORPORATED BY REFERENCE IN THIS PROSPECTUS. WE HAVE NOT AUTHORIZED ANYONE TO PROVIDE YOU WITH DIFFERENT INFORMATION. WE ARE NOT OFFERING THE SERIES B NOTES IN ANY JURISDICTION WHERE THE OFFER IS NOT PERMITTED. WE DO NOT CLAIM THE INFORMATION IN THIS PROSPECTUS IS ACCURATE AS OF ANY DATE OTHER THAN THE DATE STATED ON THE COVER.

$175,000,000

HORNBECK-LEEVAC MARINE SERVICES, INC.

OFFER TO EXCHANGE
10 5/8% SERIES B SENIOR NOTES DUE 2008
REGISTERED UNDER THE SECURITIES ACT OF 1933
FOR
10 5/8% SERIES A SENIOR NOTES DUE 2008

PROSPECTUS

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 20. INDEMNIFICATION OF DIRECTORS AND OFFICERS

The General Corporation Law of Delaware, under which HORNBECK-LEEVAC is incorporated, authorizes the indemnification of directors and officers under the circumstances described below. To the extent a present or former director or officer of HORNBECK-LEEVAC is successful on the merits or otherwise in defense of any action, suit or proceeding described below, the General Corporation Law of Delaware requires that such person be indemnified against expenses, including attorneys' fees, actually and reasonably incurred by such person in connection with such action, suit or proceeding. Article VIII of the Certificate of Incorporation of HORNBECK-LEEVAC requires indemnification of its directors and officers to the extent permitted by law. Section 6.10 of the bylaws of HORNBECK-LEEVAC provides for, and sets forth the procedures for obtaining, such indemnification. These provisions may be sufficiently broad to indemnify such persons for liabilities under the Securities Act of 1933. In addition, HORNBECK-LEEVAC maintains insurance which insures its directors and officers against certain liabilities.

The General Corporation Law of Delaware gives HORNBECK-LEEVAC the power to indemnify each of its officers and directors against expenses, including attorneys' fees, and judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with any action, suit or proceeding by reason of such person being or having been a director, officer, employee or agent of HORNBECK-LEEVAC, or of any other corporation, partnership, joint venture, trust or other enterprise at the request of HORNBECK-LEEVAC. To be entitled to such indemnification, such person must have acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interest of HORNBECK-LEEVAC and, if a criminal proceeding, had no reasonable cause to believe that the conduct was unlawful. The General Corporation Law of Delaware also gives HORNBECK-LEEVAC the power to indemnify each of its officers and directors against expenses, including attorneys' fees, actually and reasonably incurred by such person in connection with the defense or settlement of any action or suit by or in the right of HORNBECK-LEEVAC to procure a judgment in its favor by reason of such person being or having been a director, officer, employee or agent of HORNBECK-LEEVAC, or of any other corporation, partnership, joint venture, trust or other enterprise at the request of HORNBECK-LEEVAC, except that HORNBECK-LEEVAC may not indemnify such person with respect to any claim, issue or matter as to which such person was adjudged to be liable to HORNBECK-LEEVAC in the absence of a determination by the court that, despite the adjudication of liability, such person is fairly and reasonably entitled to indemnity. To be entitled to such indemnification, such person must have acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interest of HORNBECK-LEEVAC.

ITEM 21. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) The following exhibits are filed herewith:

EXHIBIT NUMBER	DESCRIPTION OF EXHIBIT
1.1	Purchase Agreement dated July 19, 2001 among the Company, RBC Dominion Securities Corporation and Merrill Lynch, Pierce, Fenner & Smith Incorporated.
3.1	Restated Certificate of Incorporation of HORNBECK-LEEVAC Marine Services, Inc. filed with the Secretary of State of the State of Delaware on December 13, 1997.
3.2	Certificate of Amendment of the Restated

Certificate of Incorporation of HORNBECK-LEEVAC Marine Services, Inc. filed with the Secretary of State of Delaware on December 1, 1999. 3.3 -- Certificate of Amendment of the Restated Certificate of Incorporation of HORNBECK-LEEVAC Marine Services, Inc. filed with the Secretary of State of the State of Delaware on October 23, 2000.

EXHIBIT NUMBER	DESCRIPTION OF EXHIBIT
3.4	Certificate of Correction to Certificate of Amendment of the Restated Certificate of Incorporation of HORNBECK-LEEVAC Marine Services, Inc. filed with the Secretary of State of the State of Delaware on November 14, 2000.
3.5	Second Restated Bylaws of HORNBECK-LEEVAC Marine Services, Inc., adopted October 4, 2000.
3.6	Certificate of Incorporation of HORNBECK-LEEVAC Marine Operators, Inc. filed with the Secretary of State of the State of Delaware on June 2, 1997.
3.7	Certificate of Amendment of the Certificate of Incorporation of HORNBECK-LEEVAC Marine Operators, Inc. filed with the Secretary of State of the State of Delaware on December 1, 1999.
3.8	Bylaws of HORNBECK-LEEVAC Marine Operators, Inc. adopted June 5, 1997.
3.9	Certificate of Incorporation of Hornbeck Offshore Services, Inc. filed with the Secretary of State of the State of Delaware on March 18, 1996.
3.10	Amended and Restated Bylaws of Hornbeck Offshore Services,

Inc., adopted February 27, 1998. 3.11 -- Restated Articles of Incorporation of LEEVAC Marine, Inc. filed with the Secretary of State of the State of Louisiana on March 4, 1998. 3.12 -- Amended and Restated Bylaws of LEEVAC Marine, Inc. adopted February 27, 1998. 3.13 -- Articles of Incorporation of Energy Services Puerto Rico, Inc. filed with the Secretary of State of the State of Louisiana on February 10, 1999. *3.14 -- Bylaws of Energy Services Puerto Rico, Inc. 4.1 -- Indenture dated as of July 24, 2001, between Wells Fargo Bank Minnesota, National Association (as Trustee) and the Company, including table of contents and cross-reference sheet. 4.2 -- Specimen 10 5/8% Series A Senior Note due 2008. 4.3 -- Specimen 10 5/8% Series A Regulation S Temporary Global Note due 2008. 4.4 -- Specimen 10 5/8% Series B Senior Note due 2008. 4.5 -- Registration Rights Agreement dated as of July 24, 2001 among the Company, RBC Dominion Securities Corporation and Merrill Lynch, Pierce, Fenner & Smith Incorporated. *5.1 -- Legal Opinion of Winstead Sechrest & Minick P.C. *5.2 -- Legal

Opinion of Burke & Mayer, A Professional Law Corporation. 10.1 -- Employment Agreement dated effective January 1, 2001 by and between Christian G. Vaccari and the Company. 10.2 -- Employment Agreement dated effective January 1, 2001 by and between Todd M. Hornbeck and the Company. 10.3 -- Employment Agreement dated effective January 1, 2001 by and between Carl Annessa and the Company. 10.4 -- Employment Agreement dated effective January 1, 2001 by and between Paul M. Ordogne and the Company. 10.5 -- Employment Agreement dated effective January 1, 2001 by and between James O. Harp, Jr. and the Company. 10.6 -- Incentive Compensation Plan. 10.7 -- Amendment No. 1 to Incentive Compensation Plan. 10.8 -- Asset Purchase Agreement dated as of May 31, 2001 among LEEVAC Marine, Inc., Hygrade Operators, Inc., Red Star Towing and Transportation Company, Inc., Sheridan Towing Co., Inc., R.S. Bushey & Sons, Inc., and Amerada Hess Corporation.

EXHIBIT NUMBER	DESCRIPTION OF EXHIBIT
10.9	Contract of Affreightment dated as of May 31, 2001 among LEEVAC Marine, Inc. and Amerada Hess Corporation (certain portions omitted based on a request for confidential treatment filed separately with the Commission).
12	Calculation of Ratio of Earnings to Fixed Charges.
21	Subsidiaries of HORNBECK-LEEVAC Marine Services, Inc.
*23.1	Consent of Winstead Sechrest & Minick P.C.
*23.2	Consent of Burke & Mayer, A Professional Law Corporation.
23.3	Consent of Arthur Andersen L.L.P.
24	Powers of Attorney(5).
25	Statement of Eligibility of Wells Fargo Bank Minnesota, National Association.
99.1	Form of Letter of Transmittal.
99.2	Form of Notice of Guaranteed Delivery.
99.3	Form of Letter to Registered Holders and Depository Trust Company Participants.
99.4	Form of Letter to Clients, including Instructions to Registered Holder and/or Book Entry Transfer Participant from Beneficial Owner.
99.5	Guidelines for Certificate

of Taxpayer Identification Number on Substitute Form W-9.

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* To be filed by amendment.

(b) Financial Statement Schedules.

None.

ITEM 22. UNDERTAKINGS

(i) The undersigned co-registrants hereby undertake as follows: that prior to any public reoffering of the securities registered hereunder through use of a prospectus which is a part of this registration statement, by any person or party who is deemed to be an underwriter within the meaning of Rule 145(c), the issuer undertakes that such reoffering prospectus will contain the information called for by the applicable registration form with respect to reofferings by persons who may be deemed underwriters, in addition to the information called for by the other items of the applicable form.

(ii) The co-registrants undertake that every prospectus (i) that is filed pursuant to paragraph (i) immediately preceding, or (ii) that purports to meet the requirements of section 10(a)(3) of the Securities Act and is used in connection with an offering of securities subject to Rule 415, will be filed as a part of an amendment to the registration statement and will not be used until such amendment is effective, and that, for purposes of determining liability under the Securities Act, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(iii) The undersigned co-registrants hereby undertake to respond to requests for information that is incorporated by reference into the prospectus pursuant to Item 4, 10(b), 11 or 13 of this form, within one business day of receipt of such request, and to send the incorporated documents by first class mail or other equally prompt means. This includes information contained in documents filed subsequent to the effective date of the registration statement through the date of responding to the request.

(iv) The undersigned co-registrants hereby undertake to supply by means of a post-effective amendment all information concerning a transaction, and the company being acquired involved therein, that was not the subject of and included in the registration statement when it became effective.

(v) Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the registrant pursuant to the provisions described in Item 20 above, or otherwise, the co-registrants have been advised that in the opinion of the Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the co-registrants of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the co-registrants will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Houston, the State of Texas, on September 21, 2001.

HORNBECK-LEEVAC MARINE SERVICES, INC.

By: /s/ CHRISTIAN G. VACCARI
Christian G. Vaccari
Chairman of the Board and
Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1933, this report has been signed by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

SIGNATURE	TITLE	DATE
/s/ CHRISTIAN G. VACCARI	Chairman of the Board and Chief Executive Officer (Christian G. Vaccari) (Principal Executive Officer)	September 21, 2001
/s/ TODD M. HORNBECK	President, Chief Operating Officer, Secretary and Director (Principal Executive Officer)	September 21, 2001
/s/ JAMES O. HARP, JR.	Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	September 21, 2001
/s/ RICHARD W. CRYAR	Director	September 21, 2001

(Richard W. Cryar)		
/s/ LARRY D. HORNBECK	Director	September 21, 2001
(Larry D. Hornbeck)		
/s/ BRUCE W. HUNT	Director	September 21, 2001
(Bruce W. Hunt)		
/s/ JESSE E. NEYMAN	Director	September 21, 2001
(Jesse E. Neyman)		
/s/ ANDREW L. WAITE	Director	September 21, 2001
(Andrew L. Waite)		

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Pursuant to the requirements of the Securities Act of 1933, as amended, the registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Houston, the State of Texas, on September 21, 2001.

HORNBECK-LEEVAC MARINE OPERATORS, INC.

By: /s/ CHRISTIAN G. VACCARI

Christian G. Vaccari
Chairman of the Board and
Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1933, this report has been signed by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

SIGNATURE	TITLE	DATE
/s/ CHRISTIAN G. VACCARI	Chairman of the Board and Chief Executive Officer (Principal Executive Officer)	September 21, 2001
/s/ TODD M. HORNBECK	President, Chief Operating Officer, Secretary and Director (Principal Executive Officer)	September 21, 2001
/s/ JAMES O. HARP, JR.	Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	September 21, 2001

Pursuant to the requirements of the Securities Act of 1933, as amended, the registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Houston, the State of Texas, on September 21, 2001.

HORNBECK OFFSHORE SERVICES, INC.

BY: /s/ CHRISTIAN G. VACCARI

Christian G. Vaccari
Chairman of the Board and
Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1933, this report has been signed by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

SIGNATURE	TITLE	DATE
/s/ CHRISTIAN G. VACCARI	Chairman of the Board and - Chief Executive Officer (Christian G. Vaccari) (Principal Executive Officer)	September 21, 2001
/s/ TODD M. HORNBECK	President, Chief Operating Officer, Secretary and Director (Principal Executive Officer)	September 21, 2001
/s/ JAMES O. HARP, JR.	Vice President and Chief Financial Officer (James O. Harp, Jr.) (Principal Financial and Accounting Officer)	September 21, 2001

Pursuant to the requirements of the Securities Act of 1933, as amended, the registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Houston, the State of Texas, on September 21, 2001.

LEEVAC MARINE, INC.

BY: /s/ CHRISTIAN G. VACCARI

Christian G. Vaccari
Chairman of the Board and
Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1933, this report has been signed by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

SIGNATURE	TITLE	DATE
/s/ CHRISTIAN G. VACCARI	Chairman of the Board and - Chief Executive Officer (Christian G. Vaccari) (Principal Executive Officer)	September 21, 2001
/s/ TODD M. HORNBECK	President, Chief Operating Officer, Secretary and Director (Principal Executive Officer)	September 21, 2001
/s/ JAMES O. HARP, JR.	Vice President and Chief Financial Officer (James O. Harp, Jr.) (Principal Financial and Accounting Officer)	September 21, 2001

Pursuant to the requirements of the Securities Act of 1933, as amended, the registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Houston, the State of Texas, on September 21, 2001.

ENERGY SERVICES PUERTO RICO, INC.

By: /s/ CHRISTIAN G. VACCARI

Christian G. Vaccari
Chairman of the Board and
Chief Executive Officer

SIGNATURE	TITLE	DATE
/s/ CHRISTIAN G. VACCARI	Chairman of the Board and Chief Executive Officer (Principal Executive Officer) (Christian G. Vaccari)	September 21, 2001
/s/ TODD M. HORNBECK	President, Chief Operating Officer, Secretary and Director (Todd M. Hornbeck) (Principal Executive Officer)	September 21, 2001
/s/ JAMES O. HARP, JR.	Vice President and Chief Financial Officer (Principal (James O. Harp, Jr.) Financial and Accounting Officer)	September 21, 2001

EXHIBIT INDEX

EXHIBIT NUMBER	DESCRIPTION OF EXHIBIT
1.1	Purchase Agreement dated July 19, 2001 among the Company, RBC Dominion Securities Corporation and Merrill Lynch, Pierce, Fenner & Smith Incorporated.
3.1	Restated Certificate of Incorporation of HORNBECK-LEEVAC Marine Services, Inc. filed with the Secretary of State of the State of Delaware on December 13, 1997.
3.2	Certificate of Amendment of the Restated Certificate of Incorporation of HORNBECK-LEEVAC Marine Services, Inc. filed with the Secretary of State of Delaware on December 1, 1999.
3.3	Certificate of Amendment of the Restated Certificate of Incorporation of HORNBECK-LEEVAC Marine Services, Inc. filed with the Secretary of State of the State of Delaware on October 23, 2000.
3.4	Certificate of Correction to Certificate of Amendment of the Restated Certificate of Incorporation of HORNBECK-LEEVAC Marine Services, Inc. filed with the

Secretary of State of the State of Delaware on November 14, 2000. 3.5 -- Second Restated Bylaws of HORNBECK-LEEVAC Marine Services, Inc., adopted October 4, 2000. 3.6 -- Certificate of Incorporation of HORNBECK-LEEVAC Marine Operators, Inc. filed with the Secretary of State of the State of Delaware on June 2, 1997. 3.7 -- Certificate of Amendment of the Certificate of Incorporation of HORNBECK-LEEVAC Marine Operators, Inc. filed with the Secretary of State of the State of Delaware on December 1, 1999. 3.8 -- Bylaws of HORNBECK-LEEVAC Marine Operators, Inc. adopted June 5, 1997. 3.9 -- Certificate of Incorporation of Hornbeck Offshore Services, Inc. filed with the Secretary of State of the State of Delaware on March 18, 1996. 3.10 -- Amended and Restated Bylaws of Hornbeck Offshore Services, Inc., adopted February 27, 1998. 3.11 -- Restated Articles of Incorporation of LEEVAC Marine, Inc. filed with the Secretary of State of the State of Louisiana on March 4, 1998. 3.12 -- Amended and Restated Bylaws of

LEEVAC Marine, Inc. adopted February 27, 1998. 3.13 -- Articles of Incorporation of Energy Services Puerto Rico, Inc. filed with the Secretary of State of the State of Louisiana on February 10, 1999. *3.14 -- Bylaws of Energy Services Puerto Rico, Inc. 4.1 -- Indenture dated as of July 24, 2001, between Wells Fargo Bank Minnesota, National Association (as Trustee) and the Company, including table of contents and cross-reference sheet. 4.2 -- Specimen 10 5/8% Series A Senior Note due 2008. 4.3 -- Specimen 10 5/8% Series A Regulation S Temporary Global Note due 2008. 4.4 -- Specimen 10 5/8% Series B Senior Note due 2008. 4.5 -- Registration Rights Agreement dated as of July 24, 2001 among the Company, RBC Dominion Securities Corporation and Merrill Lynch, Pierce, Fenner & Smith Incorporated. *5.1 -- Legal Opinion of Winstead Sechrest & Minick P.C. *5.2 -- Legal Opinion of Burke & Mayer, A Professional Law Corporation. 10.1 -- Employment Agreement dated effective January 1, 2001 by and

	between Christian G. Vaccari and the Company.
10.2 --	Employment Agreement dated effective January 1, 2001 by and between Todd M. Hornbeck and the Company.
10.3 --	Employment Agreement dated effective January 1, 2001 by and between Carl Annessa and the Company.

EXHIBIT NUMBER	DESCRIPTION OF EXHIBIT
10.4	Employment Agreement dated effective January 1, 2001 by and between Paul M. Ordogne and the Company.
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10.6	Incentive Compensation Plan.
10.7	Amendment No. 1 to Incentive Compensation Plan.
10.8	Asset Purchase Agreement dated as of May 31, 2001 among LEEVAC Marine, Inc., Hygrade Operators, Inc., Red Star Towing and Transportation Company, Inc., Sheridan Towing Co., Inc., R.S. Bushey & Sons, Inc., and Amerada Hess Corporation.
10.9	Contract of Affreightment dated as of May 31, 2001 among LEEVAC Marine, Inc. and Amerada Hess Corporation (certain portions omitted based on a request for confidential treatment and filed separately with the Commission).
12	Calculation of Ratio of Earnings to Fixed Charges.
21	Subsidiaries of HORNBECK-LEEVAC Marine Services, Inc..
*23.1	Consent of Winstead Sechrest & Minick P.C.
*23.2	

Consent of Burke & Mayer, A Professional Law Corporation. 23.3 -- Consent of Arthur Andersen L.L.P. 24 -- Powers of Attorney(5). 25 -- Statement of Eligibility of Wells Fargo Bank Minnesota, National Association. 99.1 -- Form of Letter of Transmittal. 99.2 -- Form of Notice of Guaranteed Delivery. 99.3 -- Form of Letter to Registered Holders and Depository Trust Company Participants. 99.4 -- Form of Letter to Clients, including Instructions to Registered Holder and/or Book Entry Transfer Participant from Beneficial Owner. 99.5 -- Guidelines for Certificate of Taxpayer Identification Number on Substitute Form W-9.

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* To be filed by amendment.

EXHIBIT 1.1

HORNBECK-LEEVAC MARINE SERVICES, INC.

$175,000,000 10 5/8% SENIOR NOTES DUE 2008

PURCHASE AGREEMENT

July 19, 2001

RBC DOMINION SECURITIES CORPORATION
MERRILL LYNCH, PIERCE, FENNER & SMITH
INCORPORATED
c/o RBC Dominion Securities Corporation
One Liberty Plaza
New York, New York 10016

Ladies and Gentlemen:

HORNBECK-LEEVAC Marine Services, Inc., a Delaware corporation (the "Company"), and the undersigned subsidiaries of the Company (the "Guarantors"), hereby confirm their agreement with you (the "Initial Purchasers") as set forth below.

1. The Securities. On the basis of the representations, warranties, agreements and covenants herein contained and subject to the terms and conditions herein set forth, the Company shall issue and sell to the Initial Purchasers an aggregate of $175,000,000 principal amount of its 10 5/8% Series A Senior Notes due 2008 (the "Senior Notes"). The Senior Notes are to be issued under an indenture (the "Indenture") to be dated as of the Closing Date (as defined in Section 3 below) by and among the Company, the Guarantors and Wells Fargo Bank Minnesota, National Association, as trustee (the "Trustee"). The Guarantors will guarantee the Senior Notes on a senior unsecured basis (the "Guarantees"). The Senior Notes and the Guarantees are sometimes referred to herein collectively as the "Securities."

The Securities are being offered and sold to the Initial Purchasers without being registered under the United States Securities Act of 1933, as amended (the "Act") in reliance on exemptions therefrom.

In connection with the sale of the Securities, the Company has prepared a preliminary offering memorandum dated July 2, 2001 (the "Preliminary Memorandum"), and a final offering memorandum dated the date hereof (the "Final Memorandum"; the Preliminary Memorandum and the Final Memorandum each herein being referred to as a "Memorandum"), setting forth or including, among other things, a description of the terms of the Securities, the terms of the offering of the Securities and a description of the business of the Company and any material developments relating to the Company occurring after the date of the most recent historical financial statements included therein.

The Initial Purchasers and their direct and indirect transferees of the Securities will be entitled to the benefits of a Registration Rights Agreement to be dated as of the Closing Date (the "Registration Rights Agreement"), pursuant to which the Company and the Guarantors shall agree, among other things, to file with the Securities and Exchange Commission (the "Commission"), under the circumstances set forth therein, (i) a registration statement under the Act (the "Exchange Offer Registration Statement") relating to $175,000,000 principal amount of 10 5/8% Series B Senior Notes due 2008 of the Company (the "Exchange Notes") to be guaranteed by the Guarantors on a senior unsecured basis and offered in exchange (the "Exchange Offer") for the Senior Notes, and (ii) as and to the extent required by the Registration Rights Agreement, a shelf registration statement pursuant to Rule 415 under the Act (the "Shelf Registration Statement" and, together with the Exchange Offer Registration Statement, the "Registration Statements"), relating to the resale by certain holders of the Senior Notes, and to use their reasonable best efforts to cause such Registration Statements to be declared effective. This Purchase Agreement (this "Agreement"), the Securities, the Exchange Notes, the Indenture and the Registration Rights Agreement are hereinafter referred to collectively as the "Operative Documents."

2. Representations and Warranties. The Company and the Guarantors jointly and severally represent and warrant to and agree with the Initial Purchasers that:

(a) As of its date, the Preliminary Memorandum did not, and on the date of this Agreement and on the Closing Date, the Final Memorandum does not and will not, and any amendment or supplement thereto will not, contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, except that the representations and warranties set forth in this Section 2(a) do not apply to statements or omissions made in reliance upon and in conformity with information relating to the Initial Purchasers finished to the Company in writing by any of the Initial Purchasers expressly for use in the Final Memorandum or any amendment or supplement thereto.

(b) The Company has the authorized, issued and outstanding equity capitalization as set forth in the Final Memorandum; each subsidiary, direct or indirect, of the Company is listed on Exhibit A hereto (each, a "Subsidiary" and collectively, the "Subsidiaries"); all of the outstanding shares of capital stock of the Company, and all of the outstanding shares of capital stock of, or other equity interests in, each of the Subsidiaries, have been duly authorized and validly issued, are fully paid and non-assessable and were not issued in violation of any preemptive or similar rights; except as set forth on Exhibit A hereto, all of the outstanding shares of capital stock of, or other equity interests in, each Subsidiary are owned by the Company, directly or indirectly through one or more other Subsidiaries, free and clear of all liens, encumbrances, other adverse claims or restrictions on transferability (other than those imposed by the Act and the securities or "Blue Sky" laws of certain jurisdictions) or voting, except as described in the Final Memorandum; and except as set forth in the Final Memorandum, there are no outstanding (i) options, warrants or other rights to purchase, (ii) agreements or other obligations of the Company to issue or (iii) other rights to convert any obligation into, or exchange any securities for, shares of capital stock of or other equity interests in the Company or any of its Subsidiaries. Except for the Subsidiaries, neither the Company nor any of its Subsidiaries owns, directly or indirectly, any shares of capital stock or any other equity securities or has any equity interest in any firm, partnership, joint venture or other entity.

(c) Each of the Company and its Subsidiaries is duly incorporated (or otherwise organized), validly existing and in good standing, as applicable, under the laws of its jurisdiction of organization, with all requisite corporate or similar power and authority to own its properties and to conduct its business as now conducted and as described in the Final Memorandum; each of the Company and its Subsidiaries is duly qualified to do business as a foreign corporation, limited partnership or limited liability company (as the case may be) in good standing, as applicable, in all other jurisdictions where the ownership or leasing of its properties or the conduct of its business requires such qualification, except where the failure to be so qualified or in good standing would not, individually or in the aggregate, have a material adverse effect on the business, condition (financial or otherwise), prospects or results of operations of the Company and its Subsidiaries, taken as a whole (any such event, a "Material Adverse Effect").

(d) Each of the Company and the Guarantors has all requisite corporate or similar power and authority to execute, deliver and perform its obligations under this Agreement and the other Operative Documents to which it is a party and to consummate the transactions contemplated hereby and thereby, including, without limitation, the power and authority to issue, sell and deliver the Securities as contemplated by this Agreement.

(e) This Agreement has been duly and validly authorized, executed and delivered by the Company and the Guarantors and is the legally valid and binding agreement of each of the Company and the Guarantors, enforceable against it in accordance with its terms, subject to applicable bankruptcy, insolvency, fraudulent transfer or conveyance, reorganization, moratorium and other similar laws of general applicability relating to or affecting creditors' rights and to general equity principles and except that rights to indemnification and contribution thereunder may be, limited by federal or state securities laws or public policy relating thereto.

(f) The Senior Notes and the Guarantees have been duly and validly authorized for issuance and sale to the Initial Purchasers by the Company and the Guarantors, respectively, pursuant to this Agreement and, when each global certificate representing the Senior Notes has been issued and authenticated in accordance with the terms of the Indenture and delivered against payment therefor in accordance with the terms hereof, the Senior Notes and the Guarantees will be the legally valid and binding obligations of the Company and the Guarantors, respectively, entitled to the benefits of the Indenture and enforceable against them in accordance with their respective terms, subject to applicable bankruptcy, insolvency, fraudulent transfer or conveyance, reorganization, moratorium and other similar laws of general applicability relating to or affecting creditors' rights and to general equity principles.

(g) The Exchange Notes and the related guarantees have been duly and validly authorized for issuance by the Company and the Guarantors, respectively, and, when the global certificate representing the Exchange Notes has been issued and authenticated in accordance with the terms of the Indenture, the Registration Rights Agreement and the Exchange Offer, the Exchange Notes and the related guarantees will be the legally valid and binding obligations of the Company and the Guarantors, respectively, entitled to the benefits of the Indenture and enforceable against them in accordance with their respective terms, subject to applicable bankruptcy, insolvency, fraudulent transfer or conveyance, reorganization, moratorium and other similar laws of general applicability relating to or affecting creditors' rights and to general equity principles.

(h) The Indenture has been duly and validly authorized by the Company and the Guarantors and, when duly executed and delivered by them (assuming the due authorization, execution and delivery thereof by the Trustee), will be the legally valid and binding agreement of each of the Company and the Guarantors, enforceable against it in accordance with its terms, subject to applicable bankruptcy, insolvency, fraudulent transfer or conveyance, reorganization, moratorium and other similar laws of general applicability relating to or affecting creditors' rights and to general equity principles.

(i) The Registration Rights Agreement has been duly and validly authorized by the Company and the Guarantors and, when duly executed and delivered by them (assuming the due authorization, execution and delivery thereof by the Initial Purchasers), will be the legally valid and binding agreement of each of the Company and the Guarantors, enforceable against it in accordance with its terms, subject to applicable bankruptcy, insolvency, fraudulent transfer or conveyance, reorganization, moratorium and other similar laws of general applicability relating to or affecting creditors' rights and to general equity principles and except that rights to indemnification and contribution thereunder may be limited by federal or state securities laws or public policy relating thereto.

(j) Upon payment of outstanding bank indebtedness, which will be accomplished on the Closing Date, no consent, waiver, approval, authorization or order of or filing, registration, qualification, license or permit of or with any court or governmental agency or body, or third party is required for the issuance and sale by the Company and the Guarantors of the Securities to the Initial Purchasers or the consummation by the Company and the Guarantors of each of the other transactions contemplated hereby or by any of the other Operative Documents, except, in each case, such as have been or, prior to the Closing Date, will be obtained, and other than such as may be required under state securities or "Blue Sky" laws in connection with the purchase and resale of the Securities by the Initial Purchasers and the receipt by the Company and the Guarantors of an order from the Commission declaring the Exchange Offer Registration Statement and/or the Shelf Registration Statement effective. Neither the Company nor any of its Subsidiaries is (A) in violation of its charter or bylaws (or similar organizational document), (B) in breach or violation of any statute (including, without limitation, the Foreign Corrupt Practices Act), judgment, decree, order, rule or regulation applicable to any of them or any of their respective properties or assets, except for any such breach or violation which would be likely not to, individually or in the aggregate, have a Material Adverse Effect, or (C) in breach of or default under (nor has any event occurred which, with notice or passage of time or both, would constitute a default under) or in violation of any of the terms or provisions of any indenture, mortgage, deed of trust, loan agreement, note, lease, license, permit, certificate, contract or other agreement or instrument to which any of them is a party or to which any of them or their respective properties or assets is subject (collectively, "Contracts"), except for any such breach, default, violation or event which would not, individually or in the aggregate, have a Material Adverse Effect.

(k) The execution, delivery and performance by the Company and the Guarantors of this Agreement and each of the other Operative Documents and the consummation of the transactions contemplated hereby and thereby (including, without limitation, the issuance and sale of the Securities to the Initial Purchasers and the issuance of the Exchange Notes in the Exchange Offer), do not and will not violate, conflict with or constitute or result in a breach of or a default under (or constitute an event which with notice or passage of time or both would constitute a default under)

or cause an acceleration of any obligation under, or (except for the transactions contemplated hereby) result in the imposition or creation of (or the obligation to create or impose) any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including any conditional sale or other title retention agreement or lease in the nature thereof), on any properties or assets of either the Company or any Subsidiary with respect to (A) the terms or provisions of any Contract, except for any such conflict, breach, violation, default or event which would not, individually or in the aggregate, have a Material Adverse Effect, (B) the charter or bylaws (or similar organizational document) of the Company or any of its Subsidiaries, or (C) (assuming compliance with all applicable state securities or "Blue Sky" laws and assuming the accuracy of the representations and warranties of the Initial Purchasers in Section 8 hereof) any statute, judgment, decree, order, rule or regulation applicable to the Company or any of its Subsidiaries or any of their respective properties or assets, except for any such conflict, breach or violation which would not, individually or in the aggregate, have a Material Adverse Effect.

(l) Arthur Andersen LLP, who are reporting on the audited financial statements of both the Company and the Spentonbush/Red Star Group included in each Memorandum, are independent public accountants within the meaning of Regulation S-X under the Act and the rules and regulations promulgated thereunder. The audited financial statements of the Company and the Spentonbush/Red Star Group and related notes thereto included in the Final Memorandum present fairly in all material respects the consolidated financial position of the Company and the Spentonbush/Red Star Group, respectively, as of the dates indicated, and the consolidated results of their operations and cash flows for the periods specified, in accordance with generally accepted accounting principles in the United States ("GAAP") consistently applied throughout such periods, except as otherwise stated therein. The summary and selected historical financial and statistical data included in the Final Memorandum present fairly in all material respects the information shown therein and have been prepared and compiled on a basis consistent with the audited financial statements of the Company included therein, except as stated therein.

(m) Except as disclosed in the Final Memorandum, there is not pending or, to the knowledge of the Company or any of the Guarantors, threatened any action, suit, proceeding, inquiry or investigation to which the Company or any of its Subsidiaries is a party, or to which the property or assets of the Company or any of its Subsidiaries is subject, before or brought by any court, arbitrator or governmental agency or body which (A) if determined adversely to the Company or any of its Subsidiaries, would, individually or in the aggregate, have a Material Adverse Effect, (B) seeks to restrain, enjoin, prevent the consummation of or otherwise challenge the issuance or sale of the Securities to be sold hereunder or the consummation of the other transactions described in the Final Memorandum, or (C) would be required to be described in a prospectus pursuant to the Act; and there are no material contracts or other documents which would be required to be described in a prospectus pursuant to the Act that are not described in the Final Memorandum.

(n) Each of the Company and its Subsidiaries owns or possesses adequate licenses or other rights to use all trademarks, service marks, trade names and know-how necessary to conduct the businesses now or proposed to be operated by it as described in the Final Memorandum, and neither the Company nor any of its Subsidiaries has received any notice of conflict with (or knows of any such conflict with) asserted rights of others with respect to any trademarks, service marks, trade names or know-how which, if such assertion of conflict were sustained, would, individually or in the aggregate, have a Material Adverse Effect.

(o) Each of the Company and its Subsidiaries possesses all licenses, permits, certificates, consents, orders, approvals and other authorizations from, and has made all declarations and filings with, all federal, state, local and other governmental authorities, the American Bureau of Shipping and all courts and other tribunals, including without limitation under any applicable Environmental Laws (as defined below), currently required or necessary to own or lease, as the case may be, and to operate its properties and to carry on its business as now or proposed to be conducted as set forth in the Final Memorandum ("Permits"), except where the failure to obtain such Permits would not, individually or in the aggregate, have a Material Adverse Effect; each of the Company and its Subsidiaries has fulfilled and performed all of its obligations with respect to such Permits and no event has occurred which allows, or after notice or lapse of time would allow, revocation or termination thereof or results in any other material impairment of the rights of the holder of any such Permit, except where the failure to perform such obligations or the occurrence of such event would not have a Material Adverse Effect; and neither the Company nor any of its Subsidiaries has received any notice of any proceeding relating to revocation or modification of any such Permit, except as described in the Final Memorandum and except where such revocation or modification would not, individually or in the aggregate, have a Material Adverse Effect.

(p) Since the respective dates as to which information is given in the Final Memorandum, except as described therein and except for the transactions contemplated hereby, neither the Company nor any Subsidiary has incurred any liabilities or obligations, direct or contingent (other than in the ordinary course of business), that are material to the Company and its Subsidiaries, taken as a whole, or entered into any transactions or contracts (written or oral) not in the ordinary course of business that are material to the business, condition (financial or other) or results of operations or prospects of the Company and its Subsidiaries, taken as a whole; there has not been any adverse change in the capital stock or long-term indebtedness of the Company or any Subsidiary that is material to the business, condition (financial or other) or results of operations or prospects of the Company and its Subsidiaries, taken as a whole; and neither the Company nor any of its Subsidiaries has purchased any of its outstanding capital stock (other than with respect to any Subsidiary, the purchase of capital stock owned by the Company).

(q) Each of the Company and its Subsidiaries has filed all necessary federal, state and foreign income and franchise tax returns or has timely requested extensions thereof and has paid all taxes shown as due thereon or made adequate reserve or provision therefor; and other than tax deficiencies which the Company or any Subsidiary of the Company is contesting in good faith and for which the Company or such Subsidiary has provided adequate reserves, there is no tax deficiency that has been asserted against the Company or any Subsidiary of the Company that would, individually or in the aggregate, have a Material Adverse Effect.

(r) To the Company's knowledge, the statistical and market-related data included in the Final Memorandum are based on or derived from sources which are reliable and accurate.

(s) Except as described in the Final Memorandum, each of the Company and the Subsidiaries has good and marketable title to all real property and good title to all barges, tugs and other vessels (collectively, "Vessels") and other personal property described in the Final Memorandum as being owned by it and good and marketable title to a leasehold estate in the real and personal property described in the Final Memorandum as being leased by it, free and clear of all liens, charges, encumbrances or restrictions with such exceptions as are either described in the

Final Memorandum or are not material and do not interfere with the use made and proposed to be made of such property by the Company or its Subsidiaries.

(t) Except as described in the Final Memorandum or as would not, individually or in the aggregate, have a Material Adverse Effect (A) each of the Company and its Subsidiaries is in compliance with and not subject to any known liability under applicable Environmental Laws (as defined below), (B) each of the Company and its Subsidiaries has made all filings and provided all notices required under any applicable Environmental Laws, and has, and is in compliance with, all Permits required under any applicable Environmental Laws and each of them is in full force and effect, (C) there is no civil, criminal or administrative action, suit, demand, claim, hearing, notice of violation, investigation, proceeding, notice or demand letter or request for information pending or, to the knowledge of the Company and the Guarantors, threatened against the Company or its Subsidiaries under any Environmental Law, (D) no lien, charge, encumbrance or restriction has been recorded under any Environmental Law with respect to any assets, facility or property owned, operated, leased or controlled by the Company or any of its Subsidiaries, (E) neither the Company nor any of its Subsidiaries has received notice that it has been identified as a potentially responsible party under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended ("CERCLA"), or any comparable state law, (F) no property or facility of the Company or any of its Subsidiaries is (i) listed or, to the knowledge of the Company and the Guarantors, proposed for listing on the National Priorities List under CERCLA or (ii) listed in the Comprehensive Environmental Response, Compensation, Liability Information System List promulgated pursuant to CERCLA, or on any comparable list maintained by any state or local governmental authority and (G) each Vessel complies with the Federal Water Pollution Control Act, as amended, and has secured and carries on board a current U.S. Coast Guard Certificate of Financial Responsibility (Water Pollution).

For purposes of this Agreement, "Environmental Laws" means the common law, all federal treaties and all applicable federal, state and local laws or regulations, codes, orders, decrees, judgments or injunctions issued, promulgated, approved or entered thereunder, relating to pollution or protection of public or employee health and safety or the environment, including, without limitation, laws relating to (i) emissions, discharges, releases or threatened releases of hazardous materials into the environment (including, without limitation, ambient air, surface water, ground water, sea water, land surface or subsurface strata), (ii) the manufacture, processing, distribution, use, generation, treatment, storage, disposal, transport or handling of hazardous materials, and (iii) underground and above ground storage tanks and related piping, and emissions, discharges, releases or threatened releases therefrom.

(u) There is no strike, labor dispute, slowdown or work stoppage with the employees of the Company or any of its Subsidiaries which is pending or, to the knowledge of the Company, threatened. Neither the Company nor any Subsidiary is a party to or has any obligation under any collective bargaining agreement or other labor union contract, white paper or side agreement with any labor union or organization. Except as described in the Final Memorandum, to the knowledge of the Company and the Guarantors, no collective bargaining organizing activities are taking place with respect to the Company or any of its Subsidiaries. The Company has a policy on drug and alcohol abuse applicable to each of the Vessels that meets or exceeds the standards contained in the current edition of the Oil Companies International Marine Forum Guidelines for the Control of Drugs and Alcohol Onboard Ship.

(v) Each of the Company or its Subsidiaries carries insurance in such amounts and covering such risks as in its determination is adequate for the conduct of its business or the value of its properties.

(w) None of the Company or its Subsidiaries has any liability for any prohibited transaction or funding deficiency or any complete or partial withdrawal liability with respect to any pension, profit sharing, 401(k) plan or other plan which is subject to the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), to which the Company or any Subsidiary makes or ever has made a contribution and in which any employee of the Company or any Subsidiary is or has ever been a participant, except for such liabilities which would not, individually or in the aggregate, have a Material Adverse Effect. With respect to such plans, the Company and each Subsidiary is in compliance in all material respects with all applicable provisions of ERISA.

(x) The Company is not, and after giving effect to the offering and sale of the Senior Notes will not be, an "investment company," as such term is defined in, and that is or is required to be registered under Section 8 of, the Investment Company Act of 1940, as amended.

(y) The Securities, the Exchange Notes, the Indenture and the Registration Rights Agreement conform in all material respects to the descriptions thereof in the Final Memorandum.

(z) No holder of securities of the Company or any Subsidiary will be entitled to have such securities registered under the Registration Statements required to be filed by the Company pursuant to the Registration Rights Agreement other than as expressly permitted thereby.

(aa) Neither the Company, any of its affiliates (as defined in Rule 501 under the Act) nor any person acting on its behalf (excluding the Initial Purchasers as to which no representation or warranty is made) has offered or sold the Securities by means of any general solicitation or general advertising within the meaning of Rule 502(c) under the Act or, with respect to Securities sold outside the United States to non-U.S. persons (as defined in Rule 902 under the Act), by means of any directed selling efforts within the meaning of Rule 902 under the Act, and the Company, any affiliate of the Company and any person acting on its or their behalf (other than the Initial Purchasers) have complied with and will implement the "offering restriction" within the meaning of Rule 902 under the Act.

(bb) Except as disclosed in the Final Memorandum, within the six months preceding the date hereof, neither the Company nor any other person acting on behalf of the Company has offered or sold to any person any Securities, or any securities of the same or a similar class as the Securities, other than Securities offered or sold to the Initial Purchasers hereunder; and the Company will take reasonable precautions designed to insure that any offer or sale, direct or indirect, in the United States or to any U.S. person (as defined in Rule 902 under the Act) of any Securities or any substantially similar security issued by the Company, within six months subsequent to the date on which the distribution of the Securities has been completed (as notified to the Company by the Initial Purchasers), is made under restrictions and other circumstances reasonably designed not to affect the status of the offer and sale of the Securities in the United States and to U.S. persons contemplated by this Agreement as transactions exempt from the registration provisions of the Act.

(cc) When the Securities are issued and delivered pursuant to this Agreement, the Securities will not be of the same class (within the meaning of Rule 144A under the Act) as any other securities of the Company or any Subsidiary of the Company that are listed on a national securities exchange registered under Section 6 of the Securities Exchange Act of 1934, as amended ("Exchange Act") or that are quoted in a United States automated inter-dealer quotation system.

(dd) Assuming the accuracy of the representations and warranties of the Initial Purchasers in Section 8 hereof, it is not necessary in connection with the offer, sale and delivery of the Securities to the Initial Purchasers in the manner contemplated by this Agreement to register any of the Securities under the Act or to qualify the Indenture under the Trust Indenture Act of 1939, as amended (the "TIA").

(ee) The Company and each of its Subsidiaries is a "citizen of the United States" within the meaning of that term under Section 2 of the Shipping Act of 1916, as amended.

(ff) The Company is, and immediately after the Closing Date will be, Solvent. As used herein, the term "Solvent" means, with respect to the Company on a particular date, that on such date (A) the fair market value of the assets of the Company is greater than the total amount of liabilities (including contingent liabilities) of the Company, (B) the present fair salable value of the assets of the Company is greater than the amount that will be required to pay the probable liabilities of the Company on its debts as they become absolute and matured, (C) the Company is able to realize upon its assets and pay its debts and other liabilities, including contingent obligations, as they mature, and (D) the Company does not have unreasonably small capital.

(gg) Neither the Company, any of its Subsidiaries, nor any of its officers, directors or controlling persons has taken, directly or indirectly, any action designed to cause or to result in, or that has constituted or which could reasonably be expected to constitute, the stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of the Securities.

Any certificate signed by any officer of the Company or any of the Guarantors and delivered to the Initial Purchasers or to counsel for the Initial Purchasers shall be deemed a representation and warranty by the Company and the Guarantors to the Initial Purchasers as to the matters covered thereby.

3. Purchase, Sale and Delivery of the Securities. On the basis of the representations, warranties, agreements and covenants herein contained and subject to the terms and conditions herein set forth, the Company agrees to issue and sell to the Initial Purchasers, and each Initial Purchaser severally agrees to purchase from the Company, that principal amount of Senior Notes as is set forth opposite such Initial Purchaser's name on Schedule I hereto at 95.193% of their principal amount, plus accrued and unpaid interest thereon, if any, from July 24, 2001. One or more certificates in definitive global form for the Securities that the Initial Purchasers have agreed to purchase hereunder, with Securities to be sold pursuant to Rule 144A under the Act to be represented by a different global certificate than the global certificate representing any Securities to be sold pursuant to Regulation S under the Act, shall be delivered by or on behalf of the Company to the Initial Purchasers through the facilities of The Depository Trust Company ("DTC") against payment by or on behalf of the Initial Purchasers of the purchase price therefor in United States dollars, by

wire transfer (immediately available funds) to such bank account or accounts in the United States as the Company shall specify prior to the Closing Date. Such delivery of and payment for the Securities shall be made at 10:00 a.m., New York time, on July 24, 2001, at Winstead Sechrest & Minick P.C., 910 Travis, Suite 2400, Houston, Texas 77002, or at such other place, time or date as the Initial Purchasers, on the one hand, and the Company, on the other hand, may agree upon, such time and date of delivery against payment being herein referred to as the "Closing Date." The global Securities in book-entry form will be deposited on the Closing Date, by or on behalf of the Company, with the Trustee as custodian for DTC, and registered in the name of Cede & Co.

4. Offering by the Initial Purchasers. The Initial Purchasers propose to make an offering of the Securities at the price and upon the terms set forth in the Final Memorandum, as soon as practicable after this Agreement is entered into and as in the judgment of the Initial Purchasers is advisable.

5. Covenants of the Company. The Company covenants and agrees with the Initial Purchasers that:

(a) The Company shall not make any amendment or supplement to the Final Memorandum of which the Initial Purchasers shall not previously have been advised and furnished a copy for a reasonable period of time prior to the proposed amendment or supplement and as to which the Initial Purchasers shall not have given their consent. The Company shall promptly, upon the reasonable request of the Initial Purchasers, make any amendments or supplements to the Final Memorandum that may be necessary or advisable in connection with the resale of the Securities by the Initial Purchasers.

(b) The Company shall cooperate with the Initial Purchasers in arranging for the qualification of the Securities for offering and sale under the securities or "Blue Sky" laws of such jurisdictions as the Initial Purchasers may reasonably designate and shall continue such qualifications in effect for as long as may be necessary to complete the resale of the Securities; provided, however, that in connection therewith, the Company shall not be required to qualify as a foreign corporation or to execute a general consent to service of process in any jurisdiction or subject itself to taxation in excess of a nominal dollar amount in any such jurisdiction where it is not then so subject.

(c) If, at any time prior to the earlier of (1) consummation of the exchange offer and (2) completion of the initial resale by the Initial Purchasers of the Securities to persons other than affiliates of the Initial Purchasers (as determined by the Initial Purchasers), any event occurs as a result of which it is necessary, in the reasonable opinion of any of the Company, its counsel, the Initial Purchasers or counsel for the Initial Purchasers, to amend or supplement the Final Memorandum in order that the Final Memorandum does not include any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, or to comply with applicable law, the Company will promptly prepare an amendment or supplement to the Final Memorandum (in form and substance reasonably satisfactory to counsel for the Initial Purchasers) so that, as so amended or supplemented, the Final Memorandum does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, or to effect such compliance with applicable law.

(d) The Company will, without charge, provide to the Initial Purchasers and to counsel for the Initial Purchasers as many copies of the Final Memorandum or any amendment or supplement thereto as the Initial Purchasers may reasonably request.

(e) The Company will apply the net proceeds from this offering as set forth under "Use of Proceeds" in the Final Memorandum.

(f) For so long as any of the Securities remain outstanding, the Company will furnish to the Initial Purchasers copies of all reports and other communications (financial or otherwise) furnished by the Company to the Trustee or to the holders of the Senior Notes and, as soon as available, copies of any reports or financial statements furnished to or filed by the Company with the Securities and Exchange Commission (the "Commission") or any U.S. national securities exchange on which any class of securities of the Company may be listed.

(g) Prior to the Closing Date, the Company will furnish to the Initial Purchasers, as soon as they have been prepared, if at all, a copy of any unaudited interim financial statements of the Company for any period subsequent to the period covered by the most recent financial statements appearing in the Final Memorandum.

(h) Neither the Company nor any of its affiliates will sell, offer for sale or solicit offers to buy or otherwise negotiate in respect of any "security" (as defined in the Act) which could be integrated with the sale of the Securities in a manner which would require the registration under the Act of the Securities.

(i) Neither the Company, any of its affiliates (as defined in Rule 501 under the Act) nor any person acting on its behalf (excluding the Initial Purchasers) will offer or sell the Securities by means of any general solicitation or general advertising within the meaning of Rule 502(c) under the Act or, with respect to Securities sold outside the United States to non-U.S. persons (as defined in Rule 902 under the Act), by means of any directed selling efforts within the meaning of Rule 902 under the Act.

(j) For so long as any of the Securities remain outstanding, the Company will make available, upon request, to any seller or prospective purchaser designated by such seller of such Securities the information specified in Rule 144A(d)(4) under the Act, unless the Company is then subject to Section 13 or 15(d) of the Exchange Act.

(k) The Company will (i) cooperate with the Initial Purchasers in their efforts to permit the Securities to be designated PORTAL securities in accordance with the rules and regulations adopted by the NASD relating to trading in The Portal Market and (ii) use its reasonable best efforts to permit the Securities to be eligible for clearance and settlement through DTC, including preparation and filing with DTC of a Letter of Representations signed by the Company and the Trustee.

(l) The Company shall use its reasonable best efforts to do and perform, or to cause the Guarantors to do and perform, all things required or necessary to be done and performed under this Agreement by the Company or any Guarantor prior to the Closing Date and to satisfy all conditions precedent to the delivery of the Securities.

6. Expenses. The Company and each of the Guarantors jointly and severally agree to pay all costs and expenses incident to the performance of their obligations under this Agreement, whether or not the transactions contemplated herein are consummated or this Agreement is terminated pursuant to Section 11 hereof, including all costs and expenses incident to (i) the printing, word processing or other production of documents with respect to the transactions contemplated hereby, including any costs of printing the Preliminary Memorandum and the Final Memorandum and any amendment or supplement thereto, (ii) all arrangements relating to the delivery to the Initial Purchasers of copies of the foregoing documents, (iii) the fees and disbursements of the counsel, the accountants and any other experts or advisors retained by the Company, (iv) preparation, issuance and delivery to the Initial Purchasers of the Securities, (v) the qualification of the Securities under state securities and "Blue Sky" laws, including filing fees and reasonable fees and disbursements of counsel incurred by the Initial Purchasers relating thereto, (vi) expenses in connection with any meetings with prospective investors in the Securities, including "road show" expenses but excluding air transportation expenses, which shall be paid 50% by the Initial Purchasers and 50% by the Company, (vii) fees and expenses incurred by the Trustee and reasonable fees and expenses incurred by its counsel, (viii) all expenses and listing fees incurred in connection with the application for quotation of the Securities on The Portal Market, and (ix) all fees charged by investment rating agencies for the rating of the Securities. If the sale of the Securities provided for herein is not consummated because any condition to the obligations of the Initial Purchasers set forth in Section 7 hereof is not satisfied, because this Agreement is terminated or because of any failure, refusal or inability on the part of the Company or any Guarantor to perform all obligations and satisfy all conditions on its part to be performed or satisfied hereunder (other than solely by reason of a default by an Initial Purchaser on its obligations hereunder after all conditions hereunder have been satisfied in accordance herewith, in which event neither the Company nor the Guarantors shall have any obligation to reimburse the Initial Purchasers for the out-of-pocket expenses of the Initial Purchasers indicated below), the Company and each of the Guarantors jointly and severally agree to promptly reimburse the Initial Purchasers upon demand for all reasonable out-of-pocket expenses (including reasonable fees, disbursements and charges of Vinson & Elkins L.L.P., counsel for the Initial Purchasers) that shall have been incurred by the Initial Purchasers in connection with the proposed purchase and sale of the Securities. Neither the Company nor any of the Guarantors shall be liable to the Initial Purchasers for loss of contemplated profits from the transactions covered by this Agreement. Other than as set forth in this Section 6, each of the parties hereto shall bear all out-of-pocket costs and expenses incurred by it.

7. Conditions of the Initial Purchasers' Obligations. The obligation of the Initial Purchasers to purchase and pay for the Securities shall, in their sole discretion, be subject to the satisfaction or waiver of the following conditions on or prior to the Closing Date:

(a) On the Closing Date, the Initial Purchasers shall have received the opinion, dated as of the Closing Date and addressed to the Initial Purchasers, of Winstead Sechrest & Minick P.C., counsel for the Company, substantially in the form set forth in Exhibit B. In rendering such opinion, Winstead Sechrest & Minick P.C. may assume that the laws of the State of New York are the same as the laws of the State of Texas and may rely, as to all matters not governed by the laws of the State of Texas, the Delaware General Corporation Law or the federal law of the United States, upon opinions of other counsel reasonably satisfactory to the Initial Purchasers. Such counsel may also state that insofar as such opinion involves factual matters, they have relied, to the extent they

deemed proper, upon certificates of officers of the Company or any Guarantor and certificates of public officials.

(b) On the Closing Date, the Initial Purchasers shall have received the opinion, in form and substance satisfactory to the Initial Purchasers, dated as of the Closing Date and addressed to the Initial Purchasers, of Vinson & Elkins L.L.P., counsel for the Initial Purchasers, with respect to certain legal matters relating to this Agreement and such other related matters as the Initial Purchasers may require. In rendering such opinion, Vinson & Elkins L.L.P. may rely, as to all matters not governed by the laws of the State of Texas or the State of New York, the Delaware General Corporation Law or the federal law of the United States, upon opinions of other counsel reasonably satisfactory to the Initial Purchasers. Such counsel may also state that insofar as such opinion involves factual matters, they have relied, to the extent they deemed proper, upon certificates of officers of the Company or any Guarantor and certificates of public officials.

(c) The Initial Purchasers shall have received from Arthur Andersen LLP one or more comfort letters dated the date hereof and dated as of the closing date, in form and substance satisfactory to the Initial Purchasers.

(d) The representations and warranties of the Company and the Guarantors contained in this Agreement shall be true and correct in all material respects on and as of the date hereof and on and as of the Closing Date as if made on and as of the Closing Date (except for the representations and warranties which were true and correct as of a certain specified date which shall continue to be true and correct as of such date); the statements of the Company's or any Guarantor's officers made pursuant to any certificate delivered in accordance with the provisions hereof shall be true and correct in all material respects on and as of the date made and on and as of the Closing Date; each of the Company and the Guarantors shall have complied in all material respects with all agreements and satisfied all conditions on its part to be performed or satisfied hereunder at or prior to the Closing Date; and, except as described in the Final Memorandum (exclusive of any amendment or supplement thereto after the date hereof), subsequent to the date of the most recent financial statements in such Final Memorandum, there shall have been no development that, singly or in the aggregate, is reasonably likely to have a Material Adverse Effect.

(e) The sale of the Securities hereunder shall not be enjoined (temporarily or permanently) on the Closing Date.

(f) Subsequent to the date of the most recent financial statements in the Final Memorandum (exclusive of any amendment or supplement thereto after the date hereof), other than as described in such Final Memorandum or contemplated hereby, neither the Company nor any Subsidiary shall have incurred any liabilities or obligations, direct or contingent (other than in the ordinary course of business), that are material to the Company and its Subsidiaries, taken as a whole, or entered into any transactions or contracts (written or oral) not in the ordinary course of business that are material to the business, condition (financial or other) or results of operations or prospects of the Company and its Subsidiaries, taken as a whole; there shall not have been any adverse change in the capital stock or long-term indebtedness of the Company or any Subsidiary that is material to the business, condition (financial or other) or results of operations or prospects of the Company and its Subsidiaries, taken as a whole; and neither the Company nor any of its Subsidiaries shall have

purchased any of its outstanding capital stock (other than with respect to any Subsidiary, the purchase of capital stock owned by the Company).

(g) Subsequent to the date of the most recent financial statements in the Final Memorandum (exclusive of any amendment or supplement thereto after the date hereof), neither the Company nor any of its Subsidiaries shall have sustained any loss or interference with respect to its businesses or properties from fire, flood, hurricane, accident or other calamity, whether or not covered by insurance, or from any strike, labor dispute, slow down or work stoppage or any legal or governmental proceeding, which loss or interference, would have a Material Adverse Effect, nor shall there have been any material adverse change, or any development which may reasonably be expected to involve a material adverse change, in the properties, business, results of operations, condition (financial or otherwise), operations or prospects of the Company and its Subsidiaries taken as a whole (any such event, a "Material Adverse Change"), or any event or development involving or reasonably likely to cause or result in a Material Adverse Effect (including without limitation a change in management or control of the Company), except in each case as described in the Final Memorandum (exclusive of any amendment or supplement thereto).

(h) The Initial Purchasers shall have received a certificate of the Company, dated the Closing Date, signed on behalf of the Company by its Chief Executive Officer and its Chief Financial Officer, to the effect that:

(i) the representations and warranties of the Company and the Guarantors contained in this Agreement are true and correct in all material respects as of the date hereof and as of the Closing Date (except for the representations and warranties which were true and correct as of a certain specified date which shall continue to be true and correct as of such date), and each of the Company and the Guarantors has performed all covenants and agreements and satisfied hereunder all conditions on its part to be performed or satisfied hereunder at or prior to the Closing Date;

(ii) at the Closing Date, since the date hereof or since the date of the most recent financial statements in the Final Memorandum (exclusive of any amendment or supplement thereto after the date hereof), no event or events have occurred, no information has become known nor does any condition exist that, individually or in the aggregate, would have a Material Adverse Effect;

(iii) since the date hereof or since the date of the most recent financial statements in the Final Memorandum (exclusive of any amendment or supplement thereto after the date hereof), other than as described in the Final Memorandum or contemplated hereby, neither the Company nor any Subsidiary has incurred any liabilities or obligations, direct or contingent (other than in the ordinary course of business), that are material to the Company and its Subsidiaries, taken as a whole, or entered into any transactions or contracts (written or oral) not in the ordinary course of business that are material to the business, condition (financial or other) or results of operations or prospects of the Company and its Subsidiaries, taken as a whole; there has not been any change in the capital stock or long-term indebtedness of the Company or any Subsidiary that is material to the business, condition (financial or other) or results of operations or prospects of the Company and its Subsidiaries, taken as a whole; and neither the Company nor any of its Subsidiaries has purchased any of its outstanding capital stock (other than with respect to any Subsidiary, the purchase of capital stock owned by the Company).

(iv) the sale of the Securities hereunder has not been enjoined (temporarily or permanently).

(i) On the Closing Date, the Initial Purchasers shall have received a counterpart, as executed, of the Indenture which shall have been entered into by the Company, the Guarantors and the Trustee.

(j) On the Closing Date, the Initial Purchasers shall have received the Registration Rights Agreement duly executed by the Company and the Guarantors.

(k) At the Closing Date, the Securities shall be rated at least B1 by Moody's Investors Service, Inc. and B+ by Standard & Poor's.

(l) At the Closing Date, the Securities shall have been designated for trading on The Portal Market and cleared for settlement at DTC.

On or before the Closing Date, the Initial Purchasers and counsel for the Initial Purchasers shall have received such further documents, opinions, certificates, letters and schedules or instruments relating to the business, corporate, legal and financial affairs of the Company and the Guarantors as they shall have heretofore reasonably requested from the Company.

All such documents, opinions, certificates, letters, schedules or instruments delivered pursuant to this Agreement will comply with the provisions hereof only if they are reasonably satisfactory in all material respects to the Initial Purchasers and counsel for the Initial Purchasers. The Company shall furnish to the Initial Purchasers such conformed copies of such documents, opinions, certificates, letters, schedules and instruments in such quantities as the Initial Purchasers shall reasonably request.

8. Representations and Warranties by the Initial Purchasers. Each of the Initial Purchasers represents and warrants that it has duly authorized, executed and delivered this Agreement. Each of the Initial Purchasers hereby acknowledges that the Securities have not been registered under the Act; they are being offered and sold pursuant to an exemption from registration contained in the Act based in part on such Initial Purchaser's representations contained in this Agreement, including, without limitation, the following: it has substantial experience in evaluating and investing in private placement transactions of securities in companies similar to the Company so that it is capable of evaluating the merits and risks of its investment in the Company; it acknowledges that it must bear the economic risk of this investment indefinitely unless the Securities are registered under the Act or an exemption from registration is available; it is an "accredited investor" within the meaning of Rule 501(a) promulgated under the Act and a qualified institutional buyer ("QIB"); it has received and read the Final Memorandum, in particular the information set forth in the sections entitled "Forward-Looking Statements," "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Investor Representations," and has had an opportunity to discuss the Company's business, management and financial affairs with directors, officers and other management of the Company and its Subsidiaries and ask questions of, and receive answers from, the Company and its management regarding the terms and conditions of its investment in the Company. Each of the Initial Purchasers agrees with the Company that (a) neither it, any of its affiliates (as defined in Rule 501 under the Act) nor any

person acting on its behalf has offered or sold or will offer or sell the Securities by means of any general solicitation or general advertising within the meaning of Rule 502(c) under the Act or, with respect to Securities sold outside the United States to non-U.S. persons (as defined in Rule 902 under the Act), by means of any directed selling efforts within the meaning of Rule 902 under the Act, or in any manner involving a public offering within the meaning of Section 4(2) of the Act and the rules and regulations promulgated thereunder, and (b) it has and will solicit offers for the Securities only from, and will offer the Securities only to (A) in the case of offers inside the United States or to U.S. persons, persons whom such Initial Purchaser reasonably believes to be QIBs, if any such person is buying for one or more institutional accounts for which such person is acting as fiduciary or agent, only when such person has represented to such Initial Purchaser that each such account is a QIB, to whom notice has been given that such sale or delivery is being made in reliance on Rule 144A under the Act, and, in each case, in transactions under Rule 144A and (B) in the case of offers outside the United States, persons other than U.S. persons ("foreign purchaser"), which term shall include dealers or other professional fiduciaries in the United States acting on a discretionary basis for foreign beneficial owners (other than an estate or trust) in offshore transactions within the meaning of Rule 902 under the Act; provided, however, that, in the case of this clause (b), in purchasing such Securities, such persons are deemed to have represented and agreed as provided under the caption "Investor Representations" contained in the Final Memorandum. Each of the Initial Purchasers acknowledges and agrees that, except as permitted by this Agreement, it will not offer, sell or deliver any Securities (i) as part of the distribution at any time or (ii) otherwise until 40 days (or such longer period as may be provided under Regulation S, as amended) after the later of the commencement of the offering of the Securities and the original issue date of the Senior Notes, within the United States or to, or for the account or benefit of, U.S. persons, and in any case only in accordance with Rule 903 under the Act, and that it will send to each dealer or other person receiving a selling concession, fee or other remuneration to which it sells Securities in reliance on Regulation S during the restricted period a confirmation or other notice setting forth the restrictions on offers and sales of the Securities within the United States or to, or for the account or benefit of, U.S. persons (terms used in this paragraph having the meanings given to them by Regulation S under the Act). Each of the Initial Purchasers further represents, warrants and agrees that (i) it has not offered or sold, and prior to the date six months after the date of issue of the Securities, will not offer or sell, any Securities to persons in the United Kingdom, except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995, (ii) it has complied, and will comply, with all applicable provisions of the Financial Services Act 1986 of Great Britain with respect to anything done by it in relation to the Securities in, from or otherwise involving the United Kingdom, and (iii) it has only issued or passed on, and will only issue or pass on, in the United Kingdom, any document received by it in connection with the issuance of the Securities to a person who is of a kind described in Article 11(3) of the Financial Services Act 1986 (Investment Advertisements) (Exemptions) Order 1996 of Great Britain or is a person to whom the document may otherwise lawfully be issued or passed on. Each of the Initial Purchasers agrees that it will not offer, sell or deliver any of the Securities in any jurisdiction outside the United States, its territories and possessions except under circumstances that will result in compliance with the provisions of Regulation S promulgated under the Act and the applicable laws of such jurisdiction, and that it will take at its own risk and expense whatever action is required to permit its purchase and resale of the Securities in such jurisdictions. Each of the Initial

Purchasers agrees not to cause any advertisement of the Securities to be published in any newspaper or periodical or posted in any public place and not to issue any circular relating to the Securities, except in any such case with the consent of the Company. Each of the Initial Purchasers agrees to send and give a copy of the Final Memorandum (as the same may be supplemented or amended) to each purchaser of the Senior Notes at or prior to the written confirmation of the sale of the Senior Notes to such person.

9. Indemnification and Contribution.

(a) The Company and each of the Guarantors shall jointly and severally indemnify and hold harmless each Initial Purchaser, its officers, employees, representatives and agents and each person, if any, who controls any Initial Purchaser within the meaning of the Act or the Exchange Act (collectively the "Initial Purchaser Indemnified Parties" and, each an "Initial Purchaser Indemnified Party") against any loss, claim, damage or liability, joint or several, or any action in respect thereof, to which that Initial Purchaser Indemnified Party may become subject, under the Act, the Exchange Act, any other federal or state statutory law or regulation, at common law or otherwise, insofar as such loss, claim, damage, liability or action arises out of or is based upon (i) any untrue statement or alleged untrue statement of a material fact contained in any Memorandum or in any amendment or supplement thereto or (ii) the omission or alleged omission to state in any Memorandum or in any amendment or supplement thereto a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; and shall reimburse each Initial Purchaser Indemnified Party promptly upon demand for any legal or other expenses reasonably incurred by that Initial Purchaser Indemnified Party in connection with investigating or preparing to defend or defending against or appearing as a third party witness in connection with any such loss, claim, damage, liability or action as such expenses are incurred; provided, however, that the Company and the Guarantors shall not be liable in any such case to the extent that any such loss, claim, damage, liability or action arises out of or is based upon an untrue statement or alleged untrue statement in or omission or alleged omission from a Memorandum or any such amendment or supplement in reliance upon and in conformity with written information furnished to the Company by or on behalf of any Initial Purchaser specifically for use therein, which information the parties hereto agree is limited to that information specified as being provided by the Initial Purchasers in Section 12 hereof. This indemnity agreement is not exclusive and will be in addition to any liability that the Company and the Guarantors may otherwise have and shall not limit any rights or remedies which may otherwise be available at law or in equity to the Initial Purchaser Indemnified Parties.

(b) Each Initial Purchaser, severally and not jointly, shall indemnify and hold harmless the Company, each Guarantor, their respective officers, employees, representatives and agents, each of their respective directors and each person, if any, who controls the Company within the meaning of the Act or the Exchange Act (collectively the "Company Indemnified Parties" and each a "Company Indemnified Party") against any loss, claim, damage or liability, joint or several, or any action in respect thereof, to which the Company Indemnified Parties may become subject, under the Act, the Exchange Act, any other federal or state statutory law or regulation, at common law or otherwise, insofar as such loss, claim, damage, liability or action arises out of or is based upon (i) any untrue statement or alleged untrue statement of a material fact contained in any Memorandum or in any amendment or supplement thereto or (ii) the omission or alleged omission to state therein

a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, but in each case only to the extent that the untrue statement or alleged untrue statement or omission or alleged omission was made in reliance upon and in conformity with written information furnished to the Company by or on behalf of that Initial Purchaser specifically for use therein, and shall reimburse the Company Indemnified Parties for any legal or other expenses reasonably incurred by such parties in connection with investigating or preparing to defend or defending against or appearing as third party witness in connection with any such loss, claim, damage, liability or action as such expenses are incurred; provided that the parties hereto hereby agree that such written information provided by the Initial Purchasers consists solely of the information identified as such in Section 12 hereto. This indemnity agreement is not exclusive and will be in addition to any liability that the Initial Purchasers might otherwise have and shall not limit any rights or remedies which may otherwise be available at law or in equity to the Company Indemnified Parties.

(c) Promptly after receipt by an indemnified party under this Section 9 of notice of any claim or the commencement of any action, the indemnified party shall, if a claim in respect thereof is to be made against the indemnifying party under this Section 9, notify the indemnifying party in writing of the claim or the commencement of that action; provided, however, that the failure to notify the indemnifying party shall not relieve it from any liability which it may have under this Section 9 except to the extent it has been materially prejudiced (through the forfeiture of substantive rights or defenses) by such failure; and, provided, further, that the failure to notify the indemnifying party shall not relieve it from any liability which it may have to an indemnified party otherwise than under this Section 9. If any such claim or action shall be brought against an indemnified party, and it shall notify the indemnifying party thereof, the indemnifying party shall be entitled to participate therein and, to the extent that it wishes, jointly with any other similarly notified indemnifying party, to assume the defense thereof with counsel reasonably satisfactory to the indemnified party. After notice from the indemnifying party to the indemnified party of its election to assume the defense of such claim or action, the indemnifying party shall not be liable to the indemnified party under this Section 9 for any legal or other expenses subsequently incurred by the indemnified party in connection with the defense thereof other than reasonable costs of investigation; provided, however, that any indemnified party shall have the right to employ separate counsel in any such action and to participate in the defense thereof but the fees and expenses of such counsel shall be at the expense of such indemnified party unless (i) the employment thereof has been specifically authorized by the indemnifying party in writing, (ii) such indemnified party shall have been advised by its counsel that there may be one or more legal defenses available to it which are different from or additional to those available to the indemnifying party and in the reasonable judgment of its counsel it is advisable for such indemnified party to employ separate counsel, (iii) a conflict or potential conflict exists (based upon advice of counsel to the indemnified party) between the indemnified party and the indemnifying party or (iv) the indemnifying party has failed to assume the defense of such action and employ counsel reasonably satisfactory to the indemnified party, in which case, if such indemnified party notifies the indemnifying party in writing that it elects to employ separate counsel at the expense of the indemnifying party, the indemnifying party shall not have the right to assume the defense of such action on behalf of such indemnified party, it being understood, however, that the indemnifying party shall not, in connection with any one such action or separate but substantially similar or related actions in the same jurisdiction arising out of the same general allegations or circumstances, be liable for the reasonable fees and expenses of more than one separate firm of attorneys (in addition to local counsel) at any time for all such indemnified parties, which firm shall

be designated in writing by RBC Dominion Securities Corporation, if the indemnified parties under this Section 9 consist of any Initial Purchaser Indemnified Party, or by the Company, if the indemnified parties under this Section 9 consist of any Company Indemnified Parties. Each indemnified party, as a condition of the indemnity agreements contained in Section 9(a) and 9(b), shall use all reasonable efforts to cooperate with the indemnifying party in the defense of any such action or claim. Subject to the provisions of Section 9(d) below, no indemnifying party shall be liable for any settlement of any such action effected without its written consent (which consent shall not be unreasonably withheld), but if settled with its written consent or if there be a final judgment for the plaintiff in any such action, the indemnifying party agrees to indemnify and hold harmless any indemnified party from and against any loss or liability by reason of such settlement or judgment. No indemnifying party shall, without the prior written consent of the indemnified party (which consent shall not be unreasonably withheld), effect any settlement of any pending or threatened proceeding in respect of which any indemnified party is or could have been a party and indemnity could have been sought hereunder by such indemnified party unless such settlement includes an unconditional release of such indemnified party from all liability on claims that are the subject matter of such proceedings.

(d) If at any time an indemnified party shall have requested that an indemnifying party reimburse the indemnified party for fees and expenses of counsel, such indemnifying party agrees that it shall be liable for any settlement of the nature contemplated by this Section 9 effected without its written consent if (i) such settlement is entered into more than 45 days after receipt by such indemnifying party of the request for reimbursement, (ii) such indemnifying party shall have received notice of the terms of such settlement at least 30 days prior to such settlement being entered into and (iii) such indemnifying party shall not have reimbursed such indemnified party in accordance with such request prior to the date of such settlement.

(e) If the indemnification provided for in this Section 9 is unavailable or insufficient to hold harmless an indemnified party under Section 9(a) or 9(b), then each indemnifying party shall, in lieu of indemnifying such indemnified party, contribute to the amount paid or payable by such indemnified party as a result of such loss, claim, damage or liability, or action in respect thereof, (i) in such proportion as shall be appropriate to reflect the relative benefits received by the Company and the Guarantors on the one hand and the Initial Purchasers on the other from the offering of the Securities or (ii) if the allocation provided by clause (i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the Company and the Guarantors on the one hand and the Initial Purchasers on the other with respect to the statements or omissions which resulted in such loss, claim, damage or liability, or action in respect thereof, as well as any other relevant equitable considerations. The relative benefits received by the Company and the Guarantors on the one hand and the Initial Purchasers on the other with respect to such offering shall be deemed to be in the same proportion as the total net proceeds from the offering of the Securities purchased under this Agreement (before deducting expenses) received by the Company bear to the total discounts and commissions received by the Initial Purchasers with respect to the Securities purchased under this Agreement, in each case as set forth in the table on the cover page of the Final Memorandum. The relative fault shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company or any of the Guarantors on the one hand or the Initial Purchasers on the other, the intent of the parties and their relative knowledge, access to information

Purchasers understands that no action has been taken to permit a public offering of the Securities in any jurisdiction within or without the United States where action would be required for such purpose. Each of the Initial and opportunity to correct or prevent such untrue statement or omission; provided that the parties hereto agree that the written information furnished to the Company by the Initial Purchasers for use in the Memorandum consists solely of the information identified as such in Section 12 hereof. The Company, the Guarantors and the Initial Purchasers agree that it would not be just and equitable if contributions pursuant to this Section 9(e) were to be determined by pro rata allocation (even if the Initial Purchasers were treated as one entity for such purpose) or by any other method of allocation which does not take into account the equitable considerations referred to herein. The amount paid or payable by an indemnified party as a result of the loss, claim, damage or liability, or action in respect thereof, referred to above in this Section 9(e) shall be deemed to include, for purposes of this Section 9(e), any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this Section 9(e), no Initial Purchaser shall be required to contribute any amount in excess of the total discounts, commissions and other compensation received by such Initial Purchaser under this Agreement less the amount of any damages which such Initial Purchaser has otherwise paid or become liable to pay by reason of any untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The Initial Purchasers' obligations to contribute as provided in this Section 9(e) are several in proportion to their respective underwriting obligations and not joint.

10. Survival Clause. The respective representations, warranties, agreements, covenants, indemnities and other statements of the Company and the Guarantors, their respective officers and the Initial Purchasers set forth in this Agreement or made by or on behalf of them pursuant to this Agreement shall remain in full force and effect, regardless of (i) any investigation made by or on behalf of the Company or any of the Guarantors, any of their respective officers or directors, the Initial Purchasers or any controlling person referred to in Section 9 hereof and (ii) delivery of and payment for the Securities. The respective agreements, covenants, indemnities and other statements set forth in Sections 6, 9 and 11 through 16 hereof shall remain in full force and effect, regardless of any termination or cancellation of this Agreement.

11. Termination. (a) This Agreement may be terminated in the sole discretion of the Initial Purchasers by notice to the Company given prior to the Closing Date in the event that the Company or any Guarantor shall have failed, refused or been unable to perform all obligations and satisfy all conditions on its part to be performed or satisfied hereunder at or prior thereto or, if at or prior to the Closing Date:

(i) either the Company or any of its Subsidiaries shall have sustained any loss or interference with respect to its businesses or properties from fire, flood, hurricane, accident or other calamity, whether or not covered by insurance, or from any strike, labor dispute, slow down or work stoppage or any legal or governmental proceeding, which loss or interference, in the sole judgment of the Initial Purchasers, has had or has a Material Adverse Effect, or there shall have been, in the sole judgment of the Initial Purchasers, any Material Adverse Change, or any event or development involving or reasonably likely to cause or result in a Material Adverse Effect (including without limitation a change in management or control of the Company), except in each case as described in the Final Memorandum (exclusive of any amendment or supplement thereto);

(ii) trading in securities generally on the New York Stock Exchange, American Stock Exchange or the NASDAQ National Market shall have been suspended or minimum or maximum prices shall have been established on any such exchange or market;

(iii) a banking moratorium shall have been declared by New York or United States authorities;

(iv) there shall have been (A) an outbreak or escalation of hostilities between the United States and any foreign power, or (B) an outbreak or escalation of any other insurrection or armed conflict involving the United States or any other national or international calamity or emergency, or (C) any material change in the financial markets of the United States which, in the case of clause (A), (B) or (C) and in the sole judgment of the Initial Purchasers, makes it impracticable or inadvisable to proceed with the private offering or the delivery of the Securities as contemplated by the Final Memorandum; or

(v) since the date of this Agreement any securities of the Company shall have been downgraded or placed on any "watch list" for possible downgrading by any nationally recognized statistical rating organization, as such term is defined by the Commission for purposes of Rule 436(g)(2) under the Act.

(b) Termination of this Agreement pursuant to this Section 11 shall be without liability of any party to any other party except as provided in Section 10 hereof.

(c) If on the Closing Date one of the Initial Purchasers shall fail or refuse to purchase the Senior Notes which it has agreed to purchase hereunder on such date and the aggregate principal amount of the Senior Notes which such defaulting Initial Purchaser agreed but failed or refused to purchase is not more than one-tenth of the aggregate principal amount of the Senior Notes to be purchased on such date by all of the Initial Purchasers, the non-defaulting Initial Purchasers shall be obligated to purchase the Senior Notes which such defaulting Initial Purchaser agreed but failed or refused to purchase on such date in such proportions as are indicated in Schedule I hereto; provided that in no event shall the aggregate principal amount of the Senior Notes which any Initial Purchaser has agreed to purchase pursuant to this Agreement hereof be increased pursuant to this Section 11 by an amount in excess of one-ninth of such principal amount of the Senior Notes without the written consent of such Initial Purchaser. If on the Closing Date an Initial Purchaser shall fail or refuse to purchase Senior Notes and the aggregate principal amount of the Senior Notes with respect to which such default occurs is more than one-tenth of the aggregate principal amount of the Senior Notes to be purchased by all of the Initial Purchasers and arrangements satisfactory to the other Initial Purchasers and the Company for purchase of such Senior Notes are not made within 48 hours after such default, this Agreement will terminate without liability on the part of the non-defaulting Initial Purchasers or the Company. In any such case which does not result in termination of this Agreement, either the non-defaulting Initial Purchasers or the Company shall have the right to postpone the Closing Date, but in no event for longer than seven days, in order that the required changes, if any, in the Offering Memorandum or any other documents or arrangements may be effected. Any action taken under this paragraph shall not relieve any defaulting Initial Purchaser from liability in respect of any default of such Initial Purchaser under this Agreement.

12. Information Supplied by the Initial Purchasers. The statements concerning the Initial Purchasers set forth in paragraph 4 on page ii and paragraphs 2, 3, 5, 7 and 8 under the heading "Plan of Distribution" in the Memorandum (to the extent such statements relate to the Initial Purchasers) constitute the only information furnished by the Initial Purchasers to the Company for the purposes of Sections 2(a) and 9 hereof.

13. Notices. All communications hereunder shall be in writing in the English language and, if sent to the Initial Purchasers, shall be mailed or delivered or telecopied and confirmed in writing to RBC Dominion Securities Corporation, One Liberty Plaza, New York, New York 10016, Attention: Roger Blissett, Facsimile No. (212) 858-7000; and if sent to the Company or any of the Guarantors, shall be mailed or delivered or telecopied and confirmed in writing to it at 414 North Causeway Boulevard, Mandeville, Louisiana 70448, Attention: Chief Financial Officer, Facsimile No. (985) 727-2006, with a copy (which shall not constitute notice to the Company) by mail or telecopy transmission to Winstead Sechrest & Minick P.C., 910 Travis, Suite 2400, Houston, Texas 77002, Attention: Mark Eisenbraun, Facsimile No. (713) 650-2400.

All such notices and communications shall be deemed to have been duly given: when delivered by hand, if personally delivered; five business days after being deposited in the United States mail, postage prepaid, if mailed; one business day after being timely delivered to a next-day air courier; and when receipt is acknowledged by the addressee, if telecopied.

14. Successors. This Agreement shall inure to the benefit of and be binding upon the Initial Purchasers, the Guarantors and the Company and their respective successors and legal representatives, and nothing expressed or mentioned in this Agreement is intended or shall be construed to give any other person any legal or equitable right, remedy or claim under or in respect of this Agreement, or any provisions herein contained, this Agreement and all conditions and provisions hereof being intended to be and being for the sole and exclusive benefit of such persons and for the benefit of no other person except that (i) the indemnities of the Company and the Guarantors contained in Section 9 of this Agreement shall also be for the benefit of the officers, employers, representatives and agents of each Initial Purchaser and any person or persons who control such Initial Purchaser within the meaning of Section 15 of the Act or Section 20 of the Exchange Act and (ii) the indemnities of the Initial Purchasers contained in Section 9 of this Agreement shall also be for the benefit of the officers, employees, representatives and agents of the Company or any Guarantor, the respective directors of the Company and the Guarantors and any person or persons who control the Company within the meaning of Section 15 of the Act or Section 20 of the Exchange Act. No purchaser of Securities from the Initial Purchasers will be deemed a successor because of such purchase.

15. APPLICABLE LAW. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

16. Consent to Jurisdiction. Each of the Company and the Guarantors hereby (a) irrevocably agrees that any suit, action or proceeding against it brought by the Initial Purchasers or by any person who controls any of the Initial Purchasers, arising out of or based upon this Agreement or the transactions contemplated hereby may be instituted in any competent state or federal court in the State of New York sitting in the Borough of Manhattan in the City of New York and (b) irrevocably waives, to the fullest extent permitted by law, any objection that it may now or

hereafter have to the laying of venue of any such suit, action or proceeding brought in such a court and any claim that any such suit, action or proceeding brought in such a court has been brought in any inconvenient forum, and irrevocably submits to the nonexclusive jurisdiction of such courts in any such suit, action or proceeding.

Nothing in this Section shall limit the right of the Initial Purchasers or any person who controls an Initial Purchaser to bring proceedings against the Company or any Guarantor in the courts of any other jurisdiction.

17. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

18. Authorization. Each of the Initial Purchasers irrevocably authorizes RBC Dominion Securities Corporation to execute and deliver the Registration Rights Agreement on its behalf.

*****

[Signature pages follow.]

If the foregoing correctly sets forth our understanding, please indicate your acceptance thereof in the space provided below for that purpose, whereupon this letter shall constitute a binding agreement among the Company, the Guarantors and the Initial Purchasers.

Very truly yours,

COMPANY:

HORNBECK-LEEVAC MARINE SERVICES, INC.

By: /s/ CHRISTIAN G. VACCARI

Christian G. Vaccari
Chief Executive Officer

GUARANTORS:

HORNBECK-LEEVAC MARINE OPERATORS, INC.

By: /s/ CHRISTIAN G. VACCARI

Christian G. Vaccari
Chief Executive Officer

HORNBECK OFFSHORE SERVICES, INC.

By: /s/ CHRISTIAN G. VACCARI

Christian G. Vaccari
Chief Executive Officers

LEEVAC MARINE, INC.

By: /s/ CHRISTIAN G. VACCARI

Christian G. Vaccari
Chief Executive Officer

ENERGY SERVICES PUERTO RICO, INC.

By: /s/ CHRISTIAN G. VACCARI

Christian G. Vaccari
Chief Executive Officer

The foregoing Agreement is hereby
confirmed and accepted in New York, New York,
as of the date first above written.

RBC DOMINION SECURITIES CORPORATION

By: /s/ SHAUVIK KUNDAGRAMI

Shauvik Kundagrami
Managing Director

MERRILL LYNCH, PIERCE, FENNER
& SMITH INCORPORATED

By:

Alan Blackburn
Managing Director

The foregoing Agreement is hereby
confirmed and accepted in New York, New York,
as of the date first above written.

RBC DOMINION SECURITIES CORPORATION

By:

Shauvik Kundagrami
Managing Director

MERRILL LYNCH, PIERCE, FENNER
& SMITH INCORPORATED

By: /s/ JOSEPH C. GATTO

Joseph C. Gatto
Vice President

SCHEDULE I

HORNBECK-LEEVAC MARINE SERVICES, INC.

PRINCIPAL AMOUNT OF INITIAL PURCHASER SENIOR NOTES	
RBC Dominion Securities Corporation	$ 122,500,000
Merrill Lynch, Pierce, Fenner & Smith Incorporated	52,500,000
Total	$ 175,000,000

EXHIBIT A

SUBSIDIARIES

SUBSIDIARIES	STATE OF INCORPORATION	% OF INTEREST
LEEVAC Marine, Inc	Louisiana	100.0
Hornbeck Offshore Services, Inc.	Delaware	100.0
HORNBECK-LEEVAC Marine Operators, Inc.	Delaware	100.0
Energy Services Puerto Rico, Inc.	Louisiana	100.0

EXHIBIT B

FORM OF OPINION OF COUNSEL FOR THE COMPANY AND THE GUARANTORS

Winstead Sechrest & Minick P.C. shall have furnished to the Initial Purchasers their written opinion, as counsel to the Company and the Guarantors, addressed to the Initial Purchasers and dated the Closing Date, to the effect set forth below:

(i) the Company has been duly incorporated and is validly existing as a corporation in good standing under the laws of the State of Delaware, is duly qualified to do business and is in good standing as a foreign corporation in each jurisdiction in which its ownership or lease of property or the conduct of its businesses requires such qualification (except where the failure to so qualify or to be in good standing would not have a Material Adverse Effect), and has all corporate power and authority necessary to own its properties and to conduct the businesses in which it is engaged as described in the Final Memorandum;

(ii) the Company has an authorized, issued and outstanding equity capitalization as set forth in the Final Memorandum;

(iii) each of the subsidiaries of the Company listed on Exhibit A to the Purchase Agreement (the "Designated Subsidiaries") that is a corporation is validly existing as a corporation in good standing under the laws of the jurisdiction of its incorporation, has corporate power and authority to own its properties and to conduct its business as described in the Final Memorandum and is duly qualified as a foreign corporation to transact business and is in good standing in each jurisdiction in which such qualification is required, whether by reason of the ownership or leasing of property or the conduct of business, except where the failure so to qualify or to be in good standing would not result in a Material Adverse Effect; all of the issued and outstanding capital stock or other equity interests of each Designated Subsidiary have been duly authorized and validly issued, are fully paid and nonassessable and, to such counsel's knowledge, are owned by the Company, directly or through other Designated Subsidiaries, free and clear of all liens, encumbrances, other adverse claims or restrictions on transferability (other than those imposed by the Act and the securities or "Blue Sky" laws of certain jurisdictions) or voting, other than as described in the Final Memorandum; and each Designated Subsidiary that is a partnership or limited liability company is validly existing in good standing under the laws of the jurisdiction of its organization, has power and authority to own its properties and to conduct its business as described in the Final Memorandum and is duly qualified to transact business and is in good standing in each jurisdiction in which such qualification is required, whether by reason of the ownership or leasing of property or the conduct of business, except where the failure so to qualify or to be in good standing would not result in a Material Adverse Effect;

(iv) the statements in the Final Memorandum under the headings "Description of Certain Indebtedness," "Description of the Notes" and "United States Federal Income Tax Consequences," to the extent that they constitute summaries of matters of law or legal conclusions, have been reviewed by such counsel and accurately summarize the matters described therein in all material respects; to such counsel's knowledge, there are no franchises, contracts, indentures, mortgages, loan agreements, notes, leases or other

instruments that would be required to be described in the Final Memorandum if the Final Memorandum were a prospectus included in a registration statement on Form S-1 that are not described or referred to in the Final Memorandum other than those described or referred to therein, and the descriptions thereof or references thereto are correct in all material respects; and such counsel does not know of any current or pending legal or governmental actions, suits or proceedings which would be required to be described in the Final Memorandum if the Final Memorandum were a prospectus included in a registration statement on Form S-1 which are not described as so required;

(v) the Indenture conforms in all material respects with the requirements of the TIA and the rules and regulations of the Commission applicable to an indenture which is qualified thereunder;

(vi) each of the Company and the Guarantors has all requisite corporate or similar power and authority to execute and deliver each of the Operative Documents to which it is a party, to perform its obligations thereunder and to consummate the transactions contemplated thereby;

(vii) each of the Purchase Agreement and the Registration Rights Agreement has been duly authorized, executed and delivered by the Company and each Guarantor;

(viii) the Indenture has been duly authorized, executed and delivered by the Company and each Guarantor and, assuming that the Indenture is the valid and legally binding obligation of the Trustee, constitutes a valid and legally binding agreement of the Company and each Guarantor enforceable against the Company and each Guarantor in accordance with its terms, except to the extent that such enforceability may be limited by applicable bankruptcy, insolvency, fraudulent transfer or conveyance, reorganization, moratorium and other similar laws of general applicability relating to or affecting creditors' rights and by general equity principles, and a Texas court or a federal court sitting in Texas would recognize the choice of law of the State of New York in the Indenture as the law governing the construction and enforcement of the Indenture, the Senior Notes and the Guarantees;

(ix) the Senior Notes and the Guarantees have been duly and validly authorized and issued by the Company and each Guarantor, respectively, and, assuming each global certificate representing the Senior Notes has been authenticated as provided in the Indenture. The Securities constitute legally valid and binding obligations of the Company, as issuer, and each Guarantor, as guarantor, entitled to the benefits of the Indenture and enforceable against the Company, as issuer, and each Guarantor, as guarantor, in accordance with their respective terms, except to the extent that such enforceability may be limited by applicable bankruptcy, insolvency, fraudulent transfer or conveyance, reorganization, moratorium and other similar laws of general applicability relating to or affecting creditors' rights generally and by general equity principles;

(x) the Exchange Securities and the guarantees have been duly and validly authorized by the Company and each Guarantor, respectively, and, when the global certificate representing the Exchange Notes has been issued and authenticated in accordance

with the terms of the Indenture, the Registration Rights Agreement and the Exchange Offer, will constitute legally valid and binding obligations of the Company, as issuer, and each Guarantor, as guarantor, entitled to the benefits of the Indenture and enforceable against the Company, as issuer, and each Guarantor, as guarantor, in accordance with their respective terms, except to the extent that such enforceability may be limited by applicable bankruptcy, insolvency, fraudulent transfer or conveyance, reorganization, moratorium and other similar laws affecting creditors' rights generally and by general equity principles;

(xi) the execution, delivery and performance by the Company of each of the Operative Documents and by each Guarantor of each Operative Document to which it is a party and the consummation of the transactions contemplated by the Operative Documents do not and will not violate, conflict with or constitute or result in a breach of or a default under (or constitute an event which with notice or passage of time or both would constitute a default under) or cause an acceleration of any obligation under, or (except for the transactions contemplated thereby) result in the imposition or creation of (or the obligation to create or impose) any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including any conditional sale or other title retention agreement or lease in the nature thereof), on any properties or assets of either the Company or any Subsidiary with respect to (A) the terms or provisions of any Contract, except for any such conflict, breach, violation, default or event which would not, individually or in the aggregate, have a Material Adverse Effect, (B) the charter or bylaws (or similar organizational document) of the Company or any of its Subsidiaries, or (C) (assuming compliance with all applicable state securities or "Blue Sky" laws and assuming the accuracy of the representations and warranties of the Initial Purchasers in Section 8 of the Purchase Agreement) any statute, judgment, decree, order, rule or regulation applicable to the Company or any of its Subsidiaries or any of their respective properties or assets, except for any such conflict, breach or violation which would not, individually or in the aggregate, have a Material Adverse Effect;

(xii) the Company is not an "investment company" or a company "controlled by" an investment company within the meaning of the Investment Company Act of 1940, as amended, and the rules and regulations of the Commission thereunder; and

(xiii) assuming the accuracy of the representations, warranties and agreements of the Company and the Guarantors and of the Initial Purchasers contained in the Purchase Agreement, no registration of the Securities under the Act or qualification of the Indenture under the TIA is required in connection with the issuance and sale of the Securities by the Company and the Guarantors and the offer, resale and delivery of the Securities by the Initial Purchasers in the manner contemplated by the Purchase Agreement and the Final Memorandum.

Because the primary purpose of such counsel's engagement was not to establish factual matters and many of the statements in the Final Memorandum are wholly or partially non-legal in character, such counsel is not (except as aforesaid in paragraph (iv)) passing upon and does not assume any responsibility for the accuracy, completeness or fairness of the statements contained therein. Such counsel has participated, however, in conferences with officers and other representatives of the Company, its independent public accountants and the Initial Purchasers at

which the contents of the Final Memorandum and related matters were discussed. On the basis of the foregoing, such counsel advises you that no facts have come to its attention that would lead it to believe that the Final Memorandum, as of its date or at the date hereof, included or includes an untrue statement of a material fact or omitted or omits to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. Such counsel expresses no view, belief or comment with respect to the form, accuracy, completeness or fairness of the financial statements, notes or schedules thereto, or other financial data or accounting information included in the Final Memorandum.

EXHIBIT 3.1

RESTATED CERTIFICATE OF INCORPORATION
OF
HV MARINE SERVICES, INC.

ARTICLE ONE

The name of the Corporation is HV Marine Services, Inc.

ARTICLE TWO

The street address of its initial registered office in Delaware is 1209 Orange Street, Wilmington, Delaware 19805 and the name of its initial registered agent at such address is The Corporation Trust Company.

ARTICLE THREE

The nature of the business or purpose to be conducted or promoted is to engage in any lawful act or activities for which corporations may be organized under the General Corporation Law of the State of Delaware.

ARTICLE FOUR

Section 1. General.

The aggregate number of shares of all classes of stock which the Corporation shall have authority to issue is 35,000,000 shares, of which 30,000,000 will be shares of common stock, par value $.01 per share ("Common Stock"), and 5,000,000 will be shares of preferred stock, par value $.01 per share ("Preferred Stock").

The designations and the powers, preferences and rights, and the qualifications, limitations or restrictions, of Common Stock and Preferred Stock are as follows:

Section 2. Common Stock.

2.1 Dividend Rights. Subject to provisions of law and the preferences of Preferred Stock and of any other stock ranking prior to Common Stock as to dividends, the holders of Common Stock will be entitled to received dividends when, as and if declared by the board of directors.

2.2 Voting Rights. Except as provided by law and pursuant to this Article Four, the holders of Common Stock will have one vote for each share on each matter submitted to a vote of the stockholders of the Corporation. Except as otherwise provided by law, by the certificate of incorporation or by resolution or resolutions of the board of directors providing for the issue of any series of Preferred Stock, the holders of Common Stock will have sole voting power.

2.3 Liquidation Rights. In the event of any liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, after payment or provisions for payment of the debts and other liabilities of the Corporation and the preferential amounts of which the holders of any stock ranking prior to Common Stock in the distribution of assets are entitled upon liquidation, the holders of Common Stock and the holders of any other stock ranking on a parity with Common Stock in the distribution of assets upon liquidation will be entitled to share in the remaining assets of the Corporation according to their respective interests.

Section 3. Preferred Stock.

3.1 Authority of the Board of Directors to Issue in Series. Preferred Stock may be issued from time to time in one or more series. All shares of any one series of Preferred Stock will be identical except as to the dates of issue and the dates from which dividends on shares of the series issued on different dates will cumulate, if cumulative. Authority is hereby expressly granted to the Board of Directors to authorize the issue of one or more series of Preferred Stock, and to fix by resolution or resolutions providing for the issue of each such series the voting powers, designations, preferences and relative, participating, optional or other special rights, and qualifications, limitations or restrictions thereof, of such series, to the full extent now or hereafter permitted by law, including, but not limited to, the following:

(a) The number of shares of such series, which may subsequently be increased, except as otherwise provided by the resolution or resolutions of the Board of Directors providing for the issuance of such series, or decreased, to a number not less than the number of shares then outstanding, by resolution or resolutions of the Board of Directors, and the distinctive designation thereof;

(b) The dividend rights of such series, the preferences, if any, over any other class or series of stock, or of any other class or series of stock over such series, as to dividends, the extent, if any to which shares of such series will be entitled to participate in dividends with shares of any other series or class of stock, whether dividends on shares of such series will be fully, partially or conditionally cumulative, or a combination thereof, and any limitations, restrictions or conditions on the payment of such dividends.

(c) The rights of such series, and the preferences, if any, over any other class or series of stock, or of any other class or series of stock over such series, in the event of any voluntary or involuntary liquidation, dissolution or winding up of the Corporation and the extent, if any, to which shares of any such series will be entitled to participate in such event with any other series or class of stock;

(d) The time or times during which, the price or prices at which, and the terms and conditions on which, the shares of such series may be redeemed;

(e) The terms of any purchase, retirement or sinking fund which may be provided for the shares of such series;

(f) The terms and conditions, if any, upon which the shares of such series will

be convertible into or exchangeable for shares of any other series, class or classes, or any other securities, to the full extent now or hereafter permitted by law;

(g) The voting powers, if any, of such series in addition to the voting powers provided by law.

3.2 Limitation on Dividend. No holders of any series of Preferred Stock will be entitled to receive any dividends thereon other than those specifically provided for by the certificate of incorporation or the resolution or resolutions of the board of directors providing for the issue of such series of Preferred Stock, nor will any accumulative dividends on Preferred Stock bear any interest.

3.3 Limitation on Liquidation Distributions. In the event of any liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, the holders of Preferred Stock of each series will be entitled to receive only such amount or amounts as will have been fixed by the certificate of incorporation or by the resolution or resolutions of the board of directors providing for the issuance of such series. A consolidation or merger of the Corporation with or into one or more other corporations or a sale, lease or exchange of all or substantially all of the assets of the Corporation will not be deemed to be a voluntary or involuntary liquidation, dissolution or winding up, within the meaning of this article.

ARTICLE FIVE

The number of directors constituting the Board of Directors shall be fixed from time to time as provided in the Restated Bylaws or amendments thereto.

No more than twenty-five percent of the directors of the Corporation may be non-United States citizens.

The Board of Directors shall be divided into three (3) classes, each class to be as nearly equal in number as possible. The terms of office of directors of the first class are to expire at the first annual meeting of stockholders after their election or appointment, that of the second class is to expire at the second annual meeting after their election or appointment, and that of the third class is to expire at the third annual meeting after their election or appointment. Thereafter, each director shall serve for a term ending on the date of the third annual meeting of stockholders following the annual meeting at which such director was elected.

This classified board provision shall not be altered or repealed without the affirmative vote of the holders of at least 80% of the shares entitled to vote in the election of directors. The Directors may not amend or repeal the classified board provision.

ARTICLE SIX

The period of duration of the Corporation is perpetual.

ARTICLE SEVEN

The initial Bylaws of the Corporation shall be adopted by its Board of Directors. The Restated Bylaws, as effective upon the filing of this Restated Certificate of Incorporation, may be altered, amended or repealed, or new bylaws may be adopted by the Board of Directors, subject to the right of the stockholders to alter and/or repeal the Restated Bylaws or adopt new bylaws and provided that the following language of the Restated Bylaws shall only be altered, amended, repealed or replaced by new bylaws by the affirmative vote of the holders of at least 80% of the Corporation's capital stock entitled to vote thereon: Section 3.1 Annual Meeting; Section 3.2 Special Meetings; Section 3.12 No Action Without Meeting; Section 4.1 Number, Qualification and Term; Section 4.2 Removal (or in each case any successor or replacement language addressing substantially the same topic).

ARTICLE EIGHT

The Corporation shall indemnify its officers and directors under the circumstances and to the full extent permitted by law.

ARTICLE NINE

Meetings of stockholders may be held within or without the State of Delaware, as the Restated Bylaws may provide. The books of the Corporation may be kept (subject to any provisions of the Delaware General Corporation Law) outside the State of Delaware at such place or places as may be designated from time to time by the Board of Directors or in the Restated Bylaws of the Corporation.

ARTICLE TEN

The Corporation reserves the right to amend, alter, change or repeal any provisions contained in the Certificate of Incorporation, in the manner now or hereafter prescribed by statute, and all rights conferred upon stockholders herein are granted subject to this reservation.

ARTICLE ELEVEN

The affirmative vote or consent of the holders of not less than 66-2/3% of each class of the outstanding stock of the Corporation entitled to vote in elections of directors of the Corporation is required to approve or authorize any (i) merger or consolidation of the Corporation with any other corporation or (ii) sale, lease, exchange or other disposition of all or substantially all of the assets of the Corporation to any other corporation, person, or entity; or (iii) the liquidation of the Corporation.

ARTICLE TWELVE

Section 1. Purpose and effectiveness.

The purpose of this Article Twelve is to limit ownership and control of shares of any class of capital stock of the Corporation by Aliens in order to permit the Corporation and/or its Subsidiaries or Controlled Persons to conduct their business as U.S. Maritime Companies.

Section 2. Restriction on transfers.

Any transfer, or attempted or purported transfer, of any shares of any class of capital stock issued by the Corporation or any interest therein or right thereof, which would result in the ownership or control by one or more Aliens of an aggregate percentage of the shares of any class of capital stock of the Corporation or of any interest therein or right thereof in excess of the Permitted Percentage will, until such excess no longer exists, be void and will be ineffective as against the Corporation and the Corporation will not recognize, to the extent of such excess, the purported transferee as a stockholder of the Corporation for any purpose other than the transfer of such excess to a person who is not an Alien; provided, however, that such shares, to the extent of such excess, may nevertheless be deemed to be Alien owned shares for the purposes of this Article Twelve.

The Board of Directors is hereby authorized to adopt such bylaws and resolutions, and to effect any and all other measures reasonably necessary or desirable (consistent with applicable law and the provisions of the Certificate of Incorporation) to fulfill the purpose and implement the provisions of this Article Twelve, including without limitation, obtaining, as a condition precedent to the transfer of shares on the records of the Corporation, representations and other proof as to the identity of existing or prospective stockholders and persons on whose behalf shares of any class of capital stock of the Corporation or any interest therein or right thereof are or are to be held or establishing and maintaining a dual stock certificate system under which different forms of stock certificates, representing outstanding shares of Common Stock or Preferred Stock of the Corporation, are issued to the holders of record of the shares represented thereby to indicate whether or not such shares or any interest therein or right thereof is owned or controlled by an Alien.

Section 3. Suspension of voting, dividend and distribution rights with respect to alien owned stock.

No shares of the outstanding capital stock of the Corporation or any class thereof determined to be in excess of the Permitted Percentage in accordance with this Section 3 of this Article Twelve will, until such excess no longer exists, be entitled to receive or accrue any rights with respect to any dividends or other distributions of assets declared payable or paid to the holders of such capital stock during such period. Furthermore, no shares in excess of the Permitted Percentage held by or for the benefit of any Alien will be entitled to vote with respect to any matter submitted to stockholders of the Corporation so long as such excess exists. If Alien ownership exists. If Alien ownership of the outstanding capital stock of the Corporation or any class thereof is in excess of the Permitted Percentage, the shares deemed included in such

excess for purposes of this Section 3 of this Article Twelve will be those Alien owned shares that the Board of Directors determines became so owned most recently.

Section 4. Definitions.

"Alien" means (1) any person (including an individual, a partnership, a corporation or an association) who is not a United States citizen, within the meaning of Section 2 of the Shipping Act, 1916, as amended or as it may hereafter be amended; (2) any foreign government or representative thereof; (3) any corporation, the president, chief executive officer or chairman of the board of directors of which is an Alien, or of which more than a minority of the number of its directors necessary to constitute a quorum are Aliens; (4) any corporation organized under the laws of any foreign government; (5) any corporation of which 25% or greater interest is owned beneficially or of record, or may be voted by, an Alien or Aliens, or which by any other means whatsoever is controlled by or in which control is permitted to be exercised by an Alien or Aliens (the Board of Directors being authorized to determine reasonably the meaning of "control" for this purpose); (6) any partnership or association which is controlled by an Alien or Aliens; or (7) any person (including an individual, partnership, corporation or association) who acts as representative of or fiduciary for any person described in clauses (1) through (6) above.

"Controlled Person" means any corporation or partnership of which the Corporation or any Subsidiary owns or controls an interest in excess of 25%.

"Permitted Percentage" means four percent of the outstanding shares of the capital stock of the Corporation, or any class thereof.

"Subsidiary" means any corporation more than 50% of the outstanding capital stock of which is owned by the Corporation or any Subsidiary of the Corporation.

"U.S. Maritime Company" means any corporation or other entity which, directly or indirectly (1) owns or operates vessels in the United States coastwise trade, intercoastal trade or noncontiguous domestic trade; (2) owns or operates any vessel built with construction differential subsidies from the United States Government (or any agency thereof); (3) is a party to an operating differential subsidy agreement with the United States Government (or any agency thereof) on account of ships owned, charted or operated by it; (4) owns any vessel on which there is a preferred mortgage issued in connection with Title XI of the Merchant Marine Act, 1936, as amended; (5) operates vessels under agreement with the United States Government (or any agency thereof); (6) conducts any activity, takes any action or receives any benefit which would be adversely affected under any provision of the U.S. maritime, shipping or vessel documentation laws by virtue of Alien ownership of its stock; or (7) maintains a Capital Construction Fund under the provisions of Section 607 of the Merchant Marine Act of 1936, as amended."

ARTICLE THIRTEEN

The Certificate of Incorporation of the Corporation can only be amended or repealed by the affirmative vote of the holders of at least 66-2/3% of the shares entitled to vote thereon unless a greater percentage is stated herein.

In witness whereof, we have signed this Restated Certificate of Incorporation this the ___ day of December 24, 1997.

HV MARINE SERVICES, INC.,
a Delaware corporation

By: /s/ TODD M. HORNBECK

Todd M. Hornbeck, President

EXHIBIT 3.2

[STAMP]

CERTIFICATE OF AMENDMENT
OF
CERTIFICATE OF INCORPORATION
OF
HV MARINE SERVICES, INC.

Pursuant to Section 242 of the Delaware General Corporation Law, HV Marine Services, Inc., a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware (the "Corporation"), does hereby certify:

FIRST: The Certificate of Incorporation of the Corporation is hereby amended so that Article One reads as follows:

"ARTICLE ONE

The name of the corporation is HORNBECK-LEEVAC Marine Services, Inc."

SECOND: The amendment to the Certificate of Incorporation herein certified has been duly adopted in accordance with the provisions of Section 242 of the Delaware General Corporation Law.

IN WITNESS WHEREOF, said HV Marine Services, Inc., has caused this certificate to be signed by Christian G. Vaccari, its Chief Executive Officer, and attested by Todd M. Hornbeck, its Secretary, this 31 day of October, 1999.

HV MARINE SERVICES, INC.

ATTEST:

By: /s/ TODD M. HORNBECK
Todd M. Hornbeck, Secretary

By: /s/ CHRISTIAN G. VACCARI
Christian G. Vaccari, Chief Executive Officer

EXHIBIT 3.3

[STAMP]

CERTIFICATE OF AMENDMENT OF
CERTIFICATE OF INCORPORATION OF
HORNBECK-LEEVAC MARINE SERVICES, INC.

Pursuant to section 242 of Title 8 of the Delaware General Corporation Law, HORNBECK-LEEVAC Marine Services, Inc., a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware (the "Corporation"), does hereby certify:

FIRST: The Certificate of Incorporation of the Corporation is hereby amended so that the first paragraph of Article Four, Section 1 reads in its entirety as follows:

> The aggregate number of shares of all classes of stock which the Corporation shall have authority to issue is one hundred five million (105,000,000) shares, of which one hundred million (100,000,000) will be shares of common stock, par value $.01 per share ("Common Stock"), and five million (5,000,000) will be shares of preferred stock, par value $.01 per share ("Preferred Stock").

SECOND: The Certificate of Incorporation of the Corporation is hereby amended so that Article Seven shall read in its entirety as follows:

ARTICLE SEVEN

> The initial Bylaws of the Corporation shall be adopted by its Board of Directors. The Restated Bylaws, as effective upon the filing of this Restated Certificate of Incorporation on December 30, 1997, may be altered, amended or repealed, or new bylaws may be adopted by the Board of Directors, subject to the right of the stockholders to alter and/or repeal the Restated Bylaws or adopt new bylaws and provided that the following language of the Restated Bylaws shall only be altered, amended, repealed or replaced by new bylaws by the affirmative vote of the holders of at least eighty percent (80%) of the Corporation's capital stock entitled to vote thereon: Section 3.1 Annual Meeting; Section 3.2 Special Meetings; Section 4.1 Number, Qualification and Term; Section 4.2 Removal (or in each case any successor or replacement language addressing substantially the same topic).

THIRD: The Certificate of Incorporation of the Corporation is hereby amended so that Article Eleven shall read in its entirety as follows:

Any action required or permitted to be taken by stockholders of the Corporation must be effected at a duly called annual or special meeting of such stockholders and may not be effected by consent in writing by such stockholders.

FOURTH: These amendments to the Certificate of Incorporation of the Corporation have been duly adopted in accordance with the provisions of Section 242 of the Delaware General Corporation Law.

IN WITNESS WHEREOF, HORNBECK-LEEVAC Marine Services, Inc. has caused this certificate to be signed by Todd M. Hornbeck, its President, on this 20th day of October, 2000.

/s/ TODD M. HORNBECK

Todd M. Hornbeck
President

EXHIBIT 3.4
[STAMP]

CERTIFICATE OF CORRECTION TO
CERTIFICATE OF AMENDMENT OF
CERTIFICATE OF INCORPORATION OF
HORNBECK-LEEVAC MARINE SERVICES, INC.

HORNBECK-LEEVAC Marine Services. Inc., a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware.

DOES HEREBY CERTIFY:

1. The name of the Corporation is HORNBECK-LEEVAC Marine Services. Inc.

2. That a Certificate of Amendment of Incorporation was filed by the Secretary of State of Delaware on October 23, 2000, and that said Certificate of Amendment requires correction as permitted by Section 103 of the General Corporation Law of the State of Delaware.

3. The inaccuracy or defect of said Certificate of Amendment to be corrected is as follows: Article Eleven of the Certificate of Incorporation should have been amended to add a second paragraph rather than replace an existing paragraph.

4. Paragraph "THIRD" of the Certificate of Amendment is corrected to read in its entirety as follows:

THIRD: The Certificate of Incorporation of the Corporation is hereby amended by adding a second paragraph to Article Eleven, so that, as amended, Article Eleven shall read in its entirety as follows:

ARTICLE ELEVEN

The affirmative vote or consent of the holders of not less than 66-2/3% of each class of the outstanding stock of the Corporation entitled to vote in elections of directors of the Corporation is required to approve or authorize any (i) merger or consolidation of the Corporation with any other corporation or (ii) sale, lease, exchange or other disposition of all or substantially all of the assets of the Corporation to any other corporation, person, or entity; or (iii) the liquidation of the Corporation.

Any action required or permitted to be taken by stockholders of the Corporation must be effected at a duly called annual or special meeting of such stockholders and may not be effected by consent in writing by such stockholders.

IN WITNESS WHEREOF, HORNBECK-LEEVAC Marine Services, Inc., has caused this certificate to be signed by Todd M. Hornbeck. President, this 13th day of November, 2000.

HORNBECK-LEEVAC MARINE SERVICES, INC.

By: /s/ TODD M. HORNBECK

Todd M. Hornbeck, President

EXHIBIT 3.5

SECOND RESTATED BYLAWS OF HORNBECK-LEEVAC MARINE SERVICES, INC.

Adopted by the Board of Directors: October 4, 2000
As Authorized by Resolution of the Board of Directors
Effective: October 4, 2000

HORNBECK-LEEVAC MARINE SERVICES, INC.
(THE "CORPORATION")
SECOND RESTATED BYLAWS

ARTICLE I

OFFICES

Section 1.1. Offices. The registered office of the Corporation shall be at 1209 Orange Street, Wilmington, Delaware 19805. The Corporation may have such other offices within or without the State of Delaware as the Board of Directors may from time to time establish.

ARTICLE II

CAPITAL STOCK

Section 2.1. Certificate Representing Shares. Shares of the classes of capital stock of the Corporation shall be represented by certificates in such form or forms as the Board of Directors may approve; provided that, such form or forms shall comply with all applicable requirements of law or of the Certificate of Incorporation. Such certificates shall be signed by the Chief Executive Officer, President or a vice president, and by the secretary or an assistant secretary, of the Corporation and may be sealed with the seal of the Corporation or imprinted or otherwise marked with a facsimile of such seal. In the case of any certificate countersigned by any transfer agent or registrar, provided such countersigner is not the Corporation itself or an employee thereof, the signature of any or all of the foregoing officers of the Corporation may be represented by a printed facsimile thereof. If any officer whose signature, or a facsimile thereof, shall have been set upon any certificate shall cease, prior to the issuance of such certificate, to occupy the position in right of which his signature, or facsimile thereof, was so set upon such certificate, the Corporation may nevertheless adopt and issue such certificate with the same effect as if such officer occupied such position as of such date of issuance; and, issuance and delivery of such certificate by the Corporation shall constitute adoption thereof by the Corporation. The certificates shall be consecutively numbered, and as they are issued, a record of such issuance shall be entered in the books of the Corporation.

Section 2.2. Stock Certificate Book and Stockholders of Record. The secretary of the Corporation shall maintain, among other records, a stock certificate book, the stubs in which shall set forth the names and addresses of the holders of all issued shares of the Corporation, the number of shares held by each, the number of certificates representing such shares, the date of issue of such certificates, and whether or not such shares originate from original issue or from transfer. The names and addresses of stockholders as they appear on the stock certificate book shall be the official list of stockholders of record of the Corporation for all purposes. The Corporation shall be entitled to treat the holder of record of any shares as the owner thereof for all purposes, and shall not be bound to recognize any equitable or other claim to, or interest in, such shares or any rights deriving from such shares on the part of any other person, including, but without limitation, a purchaser, assignee, or transferee, unless and until

such other person becomes the holder of record of such shares, whether or not the Corporation shall have either actual or constructive notice of the interest of such other person.

Section 2.3. Stockholder's Change of Name or Address. Each stockholder shall promptly notify the secretary of the Corporation, at its principal business office, by written notice sent by certified mail, return receipt requested, of any change in name or address of the stockholder from that as it appears upon the official list of stockholders of record of the Corporation. The secretary of the Corporation shall then enter such changes into all affected Corporation records, including, but not limited to, the official list of stockholders of record.

Section 2.4. Transfer of Stock. The shares represented by any certificate of the Corporation are transferable only on the books of the Corporation by the holder of record thereof or by his duly authorized attorney or legal representative upon surrender of the certificate for such shares, properly endorsed or assigned. The Board of Directors may make such rules and regulations concerning the issue, transfer, registration and replacement of certificates as they deem desirable or necessary.

Section 2.5. Transfer Agent and Registrar. The Board of Directors may appoint one or more transfer agents or registrars of the shares, or both, and may require all share certificates to bear the signature of a transfer agent or registrar, or both.

Section 2.6. Lost, Stolen or Destroyed Certificates. The Corporation may issue a new certificate for shares of stock in the place of any certificate theretofore issued and alleged to have been lost, stolen or destroyed; but, the Board of Directors may require the owner of such lost, stolen or destroyed certificate, or his legal representative, to furnish an affidavit as to such loss, theft, or destruction and to give a bond in such form and substance, and with such surety or sureties, with fixed or open penalty, as the board may direct, in order to indemnify the Corporation and its transfer agents and registrars, if any, against any claim that may be made on account of the alleged loss, theft or destruction of such certificate.

Section 2.7. Fractional Shares. Only whole shares of the stock of the Corporation shall be issued. In case of any transaction by reason of which a fractional share might otherwise be issued, the directors, or the officers in the exercise of powers delegated by the directors, shall take such measures consistent with the law, the Certificate of Incorporation and these Bylaws, including (for example, and not by way of limitation) the payment in cash of an amount equal to the fair value of any fractional share, as they may deem proper to avoid the issuance of any fractional share.

ARTICLE III

THE STOCKHOLDERS

Section 3.1. Annual Meeting. Commencing in the calendar year 1998, the annual meeting of the stockholders, for the election of directors and for the transaction of such other business as may properly come before the meeting, shall be held at the principal office of the Corporation, at 10:00 a.m. local time, on the 10th day of May of each year unless such day is a legal holiday, in which case such meeting shall be held at such hour on the first day thereafter

which is not a legal holiday; or, at such other place and time as may be designated by the Board of Directors. Failure to hold any annual meeting or meetings shall not work a forfeiture or dissolution of the Corporation. If a stockholder intends to bring up items of business or nominate directors at any annual meeting, notice of such intent must be received at the Corporation's principal executive offices on the date that is at least the number of days before the annual meeting that is required from time to time under federal securities laws with respect to companies registered under the Securities Exchange Act of 1934.

Section 3.2. Special Meetings. Except as otherwise provided by law or by the Certificate of Incorporation, special meetings of the stockholders may be called by the chairman of the Board of Directors, the Chief Executive Officer, President, a majority of the directors, or the holders of not less than twenty-five percent (25%) of all the shares having voting power at such meeting, and shall be held at the principal office of the Corporation or at such other place, and at such time, as may be stated in the notice calling such meeting. Business transacted at any special meeting of stockholders shall be limited to the purpose stated in the notice of such meeting given in accordance with the terms of section 3.3.

Section 3.3. Notice of Meetings - Waiver. Written notice of each meeting of stockholders, stating the place, day and hour of any meeting and, in case of a special stockholders' meeting, the purpose or purposes for which the meeting is called, shall be delivered not less than ten nor more than sixty days before the date of such meeting, either personally or by mail, by or at the direction of the Chief Executive Officer, President, the secretary, or the persons calling the meeting, to each stockholder of record entitled to vote at such meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail addressed to the stockholder at his address as it appears on the stock transfer books of the Corporation, with postage thereon prepaid. Such further or earlier notice shall be given as may be required by law. The signing by a stockholder of a written waiver of notice of any stockholders' meeting, whether before or after the time stated in such waiver, shall be equivalent to the receiving by him of all notice required to be given with respect to such meeting. Attendance by a person at a stockholders' meeting shall constitute a waiver of notice of such meeting except when a person attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. No notice of any adjournment of any meeting shall be required.

Section 3.4. Closing of Transfer Books and Fixing of Record Date. In order that the Corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or adjournment thereof, or to express consent to corporate action in writing without a meeting, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the Board of Directors may fix, in advance, a record date, which shall not be more than sixty nor less than ten days before the date of such meeting, nor more than sixty days prior to any other action. If no record date is fixed, the record date shall be as follows: the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held; the record date for determining stockholders entitled to express consent to corporate action in writing without a meeting, when

no prior action by the Board of Directors is necessary, shall be the day on which the first written consent is expressed; and, the record date for determining stockholders for any other purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution relating thereto.

Section 3.5. Voting List. The officer or agent having charge of the stock transfer books for shares of the Corporation shall make, at least ten days before each meeting of stockholders, a complete list of the stockholders entitled to vote at such meeting or any adjournment thereof, arranged in alphabetical order, with the address of and the number of shares held by each, which list, for a period of ten days prior to such meeting, shall be kept on file at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be held. The list shall be subject to lawful inspection by any stockholder at any time during the usual business hours. Such list shall also be produced and kept open at the time and place of the meeting and shall be subject to the inspection of any stockholders during the whole time of the meeting.

Section 3.6. Quorum and Officers. Except as otherwise provided by law, by the Certificate of Incorporation or by these bylaws, the holders of a majority of the shares entitled to vote and represented in person or by proxy shall constitute a quorum at a meeting of stockholders, but the stockholders present at any meeting, although representing less than a quorum, may from time to time adjourn the meeting to some other day and hour, without notice other than announcement at the meeting. The stockholders present at a duly organized meeting may continue to transact business until adjournment, notwithstanding the withdrawal of enough stockholders to leave less than a quorum. The vote of the holders of a majority of the shares entitled to vote and thus represented at a meeting at which a quorum is present shall be the act of the stockholders' meeting, unless the vote of a greater number is required by law. The chairman of the board shall preside at, and the secretary shall keep the records of, each meeting of stockholders, and in the absence of either such officer, his duties shall be performed by any other officer authorized by these bylaws or any person appointed by resolution duly adopted at the meeting.

Section 3.7. Voting at Meetings. Each outstanding share shall be entitled to one vote on each matter submitted to a vote at a meeting of stockholders except to the extent that the Certificate of Incorporation or the laws of the State of Delaware provide otherwise.

Section 3.8. Proxies. A stockholder may vote either in person or by proxy executed in writing by the stockholder; but, no such proxy shall be voted or acted upon after three years from its date, unless the proxy provides for a longer period. A duly executed proxy shall be irrevocable if it states that it is irrevocable and if, and only as long as, it is coupled with an interest sufficient in law to support an irrevocable power. A proxy may be made irrevocable regardless of whether the interest with which it is coupled is an interest in the stock itself or an interest in the Corporation generally.

Section 3.9. Balloting. All elections of directors shall be by written ballot. Upon the demand of any stockholder, the vote upon any other question before the meeting shall be by ballot. At each meeting, inspectors of election may be appointed by the presiding officer of the meeting; and, at any meeting for the election of directors, inspectors shall be so appointed

on the demand of any stockholder present or represented by proxy and entitled to vote in such election of directors. No director or candidate for the office of director shall be appointed as such inspector. The number of votes cast by shares in the election of directors shall be recorded in the minutes.

Section 3.10. Voting Rights Prohibition of Cumulative Voting for Directors. Each outstanding share of common stock shall be entitled to one (1) vote upon each matter submitted to a vote at a meeting of stockholders. No stockholder shall have the right to cumulate his votes for the election of directors but each share shall be entitled to one vote in the election of each director. In the case of any contested election for any directorship, the candidate for such position receiving a plurality of the votes cast in such election shall be elected to such position.

Section 3.11. Record of Stockholders. The Corporation shall keep at its principal business office, or the office of its transfer agents or registrars, a record of its stockholders, giving the names and addresses of all stockholders and the number and class of the shares held by each.

ARTICLE IV

THE BOARD OF DIRECTORS

Section 4.1. Number, Qualifications and Term. The business and affairs of the Corporation shall be managed or be under the direction of the Board of Directors; and, subject to any restrictions imposed by law, by the Certificate of Incorporation, or by these Bylaws, the Board of Directors may exercise all the powers of the Corporation. The Board of Directors shall consist of at least four (4) members but no more than nine (9) members, as such number is determined from time to time by a vote of at least 66-2/3% of the directors then in office. The number may be decreased below four (4) or increased above nine (9) only by (a) the vote of holders of at least eighty percent (80%) of the shares entitled to vote thereon, or (b) the unanimous vote of the Board of Directors. No decrease in number of directors shall shorten the term of any incumbent director. Directors need not be residents of Delaware but shall be stockholders of the Corporation. Except as otherwise provided in Section 4.3 of these Bylaws, the Board of Directors shall be divided into three classes, each class to be as nearly equal in number as possible. The terms of office of directors of the first class are to expire at the first annual meeting of stockholders after their election or appointment, that of the second class is to expire at the second annual meeting after their election or appointment, and that of the third class is to expire at the third annual meeting after their election or appointment. Thereafter, each director shall serve for a term ending on the date of the third annual meeting of stockholders following the annual meeting at which such director was elected. Any such election shall be conducted in accordance with Section 3.10 of these Bylaws. Each person elected a director shall hold office until his successor is duly elected and qualified or until his earlier resignation or removal in accordance with Section 4.2 of these Bylaws. To alter or repeal this classified board provision, the affirmative vote of the holders of at least eighty percent (80%) of the shares entitled to vote thereon is required; provided, however, that if any person is entitled to designate one or more new directors to the Board of Directors under the terms of an agreement among stockholders holding a majority of the stock of the Corporation entitled to vote in an election of directors at the time such agreement was executed, which agreement was entered into on June 5,

1998, and the appointment of the person so designated would expand the size of the Board of Directors beyond the then-current maximum, then the size of the Board shall be increased as necessary to permit the appointment of such new director or directors.

Section 4.2. Removal. Any director or the entire Board of Directors may be removed from office, at any time, but only for cause, at any meeting of stockholders by the affirmative vote of at least 80% of the shares of the stockholders entitled to vote at such meeting, if notice of the intention to act upon such matter shall have been given in the notice calling such meeting. If the notice calling such meeting shall have been so provided, the vacancy caused by such removal may be filled at such meeting by the affirmative vote of at least 80% of the shares of the stockholders present in person or by proxy and entitled to vote. "Cause" is defined to include only: Conviction of a felony; declaration of unsound mind by order of court; gross dereliction of duty; commission of an action involving moral turpitude; or commission of an action which constitutes intentional misconduct or a knowing violation of law if such action in either event results both in an improper substantial personal benefit and a material injury to the Corporation; PROVIDED, HOWEVER THAT IF THE DIRECTOR THAT WAS REMOVED WAS ELECTED PURSUANT TO THE TERMS OF AN AGREEMENT AMONG STOCKHOLDERS HOLDING A MAJORITY OF THE STOCK OF THE COMPANY ENTITLED TO VOTE IN AN ELECTION OF DIRECTORS WHICH AGREEMENT WAS ENTERED INTO ON JUNE 5, 1998, THEN SUCH VACANCY SHALL BE FILLED IN ACCORDANCE WITH THE TERMS OF SUCH AGREEMENT AND BY A VOTE OF A MAJORITY OF THE SHARES PRESENT AND ENTITLED TO VOTE IN A DULY CONSTITUTED MEETING OF STOCKHOLDERS.

Section 4.3. Vacancies. Vacancies and newly created directorships resulting from any increase in the authorized number of directors may be filled by a majority of the directors then in office, although less than a quorum, or by a sole remaining director; provided, however, that if such vacancy is or newly created directorships are occasioned by or in connection with an agreement among stockholders holding a majority of the stock of the Company entitled to vote in an election of directors at the time such agreement was executed, which agreement was entered into on June 5, 1998, then such vacancy or newly created directorships shall be filled in accordance with the terms of such agreement and by the affirmative vote of a majority of the shares present and entitled to vote in a duly constituted meeting of stockholders. When one or more directors shall die, resign, or be removed from the board, a majority of the directors then in office, including, if applicable, those who have so resigned effective at a future date, shall have power to fill such vacancy or vacancies, the vote thereon to take effect when such resignation or resignations shall become effective, and each director so chosen shall hold office as provided in this section in the filling of other vacancies. A director elected to fill a vacancy shall be elected for the unexpired term of his predecessor in office; provided, however, that if such director held office under the terms of an agreement among stockholders holding a majority of the stock of the Company entitled to vote in an election of directors at the time such agreement was executed, which agreement was entered into on June 5, 1998, the vacancy shall be filled in accordance with the terms of such agreement and by the affirmative vote of a majority of the shares present and entitled to vote in a duly constituted meeting of stockholders.

Section 4.4. Regular Meetings. Regular meetings of the Board of Directors shall be held immediately following each annual meeting of stockholders, at the place of such meeting, and at such other times and places as the Board of Directors shall determine. Ten days

notice of any kind of such regular meetings (other than the meeting immediately following the annual meeting) needs to be given to either old or new members of the Board of Directors.

Section 4.5. Special Meetings. Special meetings of the Board of Directors shall be held at any time by call of the chairman of the board, the Chief Executive Officer, the President, or a majority of the Board of Directors. The secretary shall give notice of each special meeting to each director at his usual business or residence address by mail at least three days before the meeting or by telegraph or telephone at least one day before such meeting. Except as otherwise provided by law, by the Certificate of Incorporation, or by these bylaws, such notice need not specify the business to be transacted at, or the purpose of, such meeting. No notice shall be necessary for any adjournment of any meeting. The signing of a written waiver of notice of any special meeting by the person or persons entitled to such notice, whether before or after the time stated therein, shall be equivalent to the receiving of such notice. Attendance of a director at a meeting shall also constitute a waiver of notice of such meeting, except where a director attends a meeting for the express and announced purpose of objecting, at the beginning of the meeting, to the transaction of any business on the ground that the meeting is not lawfully called or convened.

Section 4.6. Quorum. A majority of the number of directors fixed by or in accordance with these bylaws shall constitute a quorum for the transaction of business and the act of not less than a majority of such quorum of the directors shall be required in order to constitute the act of the Board of Directors, unless the act of a greater number shall be required by law, by the Certificate of Incorporation or by these bylaws, or by other agreement or contract.

Section 4.7. Procedure at Meetings. The Board of Directors, at each regular meeting held immediately following the annual meeting of stockholders, shall appoint one of their number as chairman of the Board of Directors. The chairman of the board shall preside at meetings of the board. In his absence at any meeting, any officer authorized by these bylaws or any member of the board selected by the members present shall preside. The secretary of the Corporation shall act as secretary at all meetings of the board. In his absence, the presiding officer of the meeting may designate any person to act as secretary. At meetings of the Board of Directors, the business shall be transacted in an orderly manner in accordance with those procedures set forth in Appendix A attached hereto. At any meeting, by a majority vote of the Board of Directors, the Board of Directors may adopt the Robert's Rules of Order to govern the conduct of such meeting.

Section 4.8. Presumption of Assent. Any director of the Corporation who is present at a meeting of the Board of Directors at which action on any corporate matter is taken shall be presumed to have assented to the action taken unless his dissent shall be entered in the minutes of the meeting or unless he shall file his written dissent to such action with the person acting as the secretary of the meeting before adjournment thereof or shall forward such dissent by registered mail to the secretary of the Corporation immediately after the adjournment of the meeting. Such right to dissent shall not apply to a director who voted in favor of such action.

Section 4.9. Action Without a Meeting. Any action required by statute or permitted to be taken at a meeting of the directors of the Corporation, or of any committee thereof, may be taken without a meeting if a consent in writing, setting forth the action so taken,

shall be signed by all directors or all committee members as the case may be, and if the consent in writing shall be filed with the minutes of the proceedings of the board or committee.

Section 4.10. Compensation. As determined from time to time by resolution of the Board of Directors, directors may receive stated annual director's fees for their service payable in one or more installments, and a fixed sum and reimbursement for reasonable expenses of attendance, if any, that may be allowed for attendance at each regular or special meeting of the Board of Directors or at any meeting of the executive committee of directors, if any, to which such director may be elected in accordance with the following section 4.11; but, nothing herein shall preclude any director from serving the Corporation in any other capacity or receiving compensation therefor.

Section 4.11. Executive Committee. The Board of Directors, by resolution adopted by a majority of the number of directors fixed by these bylaws, may designate an executive committee, which committee shall consist of two or more of the directors of the Corporation. Such executive committee may exercise such authority of the Board of Directors in the business and affairs of the Corporation as the Board of Directors may by resolution duly delegate to it except as prohibited by law. The designation of such committee and the delegation thereto of authority shall not operate to relieve the Board of Directors, or any member thereof, of any responsibility imposed upon it or him by law. Any member of the executive committee may be removed by the Board of Directors by the affirmative vote of a majority of the number of directors fixed by or in accordance with the bylaws whenever in the judgment of the board the best interests of the Corporation will be served thereby.

The executive committee shall keep regular minutes of its proceedings and report the same to the Board of Directors when required. The minutes of the proceedings of the executive committee shall be placed in the minute book of the Corporation. Each member of the executive committee shall receive such compensation for executive committee membership and participation in executive committee meetings, including reimbursement for reasonable expenses actually incurred by him by reason of such membership, as may be approved from time to time by the Board of Directors. The Board of Directors may by resolution passed by a majority of the Board of Directors, designate additional committees, which committees shall have such power and authority and will perform such functions as may be provided in such resolution.

Section 4.12. Advisory Committees. The Board of Directors shall appoint an audit committee and compensation committee, and may for its convenience, and at its discretion, appoint one or more other advisory committees of two or more directors each; but, no such committees (other than the compensation committee) shall have any power or authority except to advise the Board of Directors, any such committee shall exist solely at the pleasure of the Board of Directors, regular minutes of the proceedings of any such committee may, at the discretion of the committee, be kept and, to the extent kept, shall be reported to the Board of Directors when required. Any minutes of the proceedings of such committees shall be placed in the minute books of the Corporation. Each member of any such committee shall receive such compensation for such committee membership and participation in committee meetings, including reimbursement for reasonable expenses actually incurred by him by reason of such membership, as may be approved from time to time by the Board of Directors.

ARTICLE V

OFFICERS

Section 5.1. Number. The officers of the Corporation shall be chosen by the Board of Directors and shall include a Chief Executive Officer, a President, and a Secretary, each of whom shall be elected by the Board of Directors. Such other officers (including vice presidents) and assistant officers as may be deemed necessary, may be elected or appointed by the Board of Directors. Any two (2) or more offices may be held by the same person.

Section 5.2. Election; Term; Qualification. Officers shall be chosen by the Board of Directors annually at the meeting of the Board of Directors following the annual stockholders' meeting. Each officer shall hold office until his death, resignation, or removal, subject to reappointment at each annual Board of Directors meeting immediately following the annual stockholders meeting.

Section 5.3. Removal. Any officer or agent elected or appointed by the Board of Directors may be removed by the Board of Directors whenever in its judgment the best interests of the Corporation will be served thereby; but, such removal shall be without prejudice to the contract rights, if any, of the person so removed. Election or appointment of an officer or agent shall not of itself create any contract rights.

Section 5.4. Vacancies. Any vacancy in any office for any cause may be filled by appointment of the Chief Executive Officer or President subject to ratification by the Board of Directors at any meeting.

Section 5.5. Duties. The officers of the Corporation shall have such powers and duties, except as modified by the Board of Directors, as generally pertain to their offices, respectively, as well as such powers and duties as from time to time shall be conferred by the Board of Directors and by these bylaws.

Section 5.6. Chief Executive Officer. The Chief Executive Officer shall be subject to the control of the Board of Directors, and shall in general supervise and control all business and affairs of the Corporation. The Chief Executive Officer may sign, with the Secretary or any other proper officer of the Corporation thereunto authorized by the Board of Directors, certificates for shares of the Corporation, deeds, mortgages, bonds, contracts, and other obligations in the name of the Corporation, which the Board of Directors has authorized to be executed, except in cases where the signing and execution thereof shall be expressly delegated by the Board of Directors or by these Bylaws to some other officer or agent of the Corporation, or shall be required by law to be otherwise signed and executed; and in general shall perform all duties incident to the office of Chief Executive Officer and such other duties as may be prescribed by the Board of Directors from time to time. In the absence of the Chairman, or if the directors neglect or fail to elect a Chairman, then the Chief Executive Officer of the Corporation, if he is a member of the Board of Directors, shall automatically serve as Chairman of the Board of Directors.

Section 5.7. The President. In the absence of the Chief Executive Officer, or in the event of his death or inability to act or refusal to act, the President shall perform the duties of the Chief Executive Officer and when so acting shall have all of the powers of and be subject to all of the restrictions upon the Chief Executive Officer. In general, he shall perform all duties incident to the office of President and such other duties as may be prescribed by the Chief Executive Officer or the Board of Directors from time to time .

Section 5.8. The Vice Presidents. At the request of the Chief Executive Officer, or President, or in their absence or disability, the vice presidents, in the order of their election, shall perform the duties of the Chief Executive Officer and President, and, when so acting, shall have all the powers of, and be subject to all restrictions upon, the President. Any action taken by a vice president in the performance of the duties of the Chief Executive Officer or President shall be conclusive evidence of the absence or inability to act of the President at the time such action was taken. The vice presidents shall perform such other duties as may, from time to time, be assigned to them by the Board of Directors, Chief Executive Officer or the President. A vice president may sign, with the secretary or an assistant secretary, certificates of stock of the Corporation.

Section 5.9. Secretary. The secretary shall keep the minutes of all meetings of the stockholders, of the Board of Directors, and of the executive committee, if any, of the board of directors, in one or more books provided for such purpose and shall see that all notices are duly given in accordance with the provisions of these bylaws or as required by law. He shall be custodian of the corporate records and of the seal (if any) of the Corporation and see, if the Corporation has a seal, that the seal of the Corporation is affixed to all documents the execution of which on behalf of the Corporation under its seal is duly authorized; shall have general charge of the stock certificate books, transfer books and stock ledgers, and such other books and papers of the Corporation as the Board of Directors may direct, all of which shall, at all reasonable times, be open to the examination of any director, upon application at the office of the Corporation during business hours; and in general shall perform all duties and exercise all powers incident to the office of the secretary and such other duties and powers as the Board of Directors or the President from time to time may assign to or confer on him.

Section 5.10. Treasurer. The treasurer shall keep complete and accurate records of account, showing at all times the financial condition of the Corporation. He shall be the legal custodian of all money, notes, securities and other valuables which may from time to time come into the possession of the Corporation. He shall furnish at meetings of the Board of Directors, or whenever requested, a statement of the financial condition of the Corporation, and shall perform such other duties as these bylaws may require or the Board of Directors may prescribe.

Section 5.11. Assistant Officers. Any assistant secretary or assistant treasurer appointed by the Board of Directors shall have power to perform, and shall perform, all duties incumbent upon the secretary or treasurer of the Corporation, respectively, subject to the general direction of such respective officers, and shall perform such other duties as these bylaws may require or the Board of Directors may prescribe.

Section 5.12. Salaries. The salaries or other compensation of the officers shall be fixed from time to time by the Board of Directors or the compensation committee thereof

approved by the Board of Directors. No officer shall be prevented from receiving such salary or other compensation by reason of the fact that he is also a director of the Corporation.

Section 5.13. Bonds of Officers. The Board of Directors may secure the fidelity of any officer of the Corporation by bond or otherwise, on such terms and with such surety or sureties, conditions, penalties or securities as shall be deemed proper by the Board of Directors.

Section 5.14. Delegation. The Board of Directors may delegate temporarily the powers and duties of any officer of the Corporation, in case of his absence or for any other reason, to any other officer, and may authorize the delegation by any officer of the Corporation of any of his powers and duties to any agent or employee, subject to the general supervision of such officer.

ARTICLE VI

MISCELLANEOUS

Section 6.1. Dividends. Dividends on the outstanding shares of the Corporation, subject to the provisions of the Certificate of Incorporation, if any, may be declared by the Board of Directors at any regular or special meeting, pursuant to law. Dividends may be paid by the Corporation in cash, in property, or in the Corporation's own shares, but only out of the surplus of the Corporation, except as otherwise allowed by law and the Certificate of Incorporation.

Subject to limitations upon the authority of the Board of Directors imposed by law or by the Certificate of Incorporation, the declaration of and provision for payment of dividends shall be at the discretion of the Board of Directors.

Section 6.2. Contracts. The Chief Executive Officer and President shall have the power and authority to execute, on behalf of the Corporation, contracts or instruments in the usual and regular course of business, and in addition the Board of Directors may authorize any officer or officers, agent or agents, of the Corporation to enter into any contract or execute and deliver any instrument in the name of and on behalf of the Corporation, and such authority may be general or confined to specific instances. Unless so authorized by the Board of Directors or by these bylaws, no officer, agent or employee shall have any power or authority to bind the Corporation by any contract or engagement, or to pledge its credit or to render it pecuniarily liable for any purpose or in any amount.

Section 6.3. Checks, Drafts, etc. All checks, drafts, or other orders for the payment of money, notes, or other evidences of indebtedness issued in the name of the Corporation shall be signed by such officers or employees of the Corporation as shall from time to time be authorized pursuant to these bylaws or by resolution of the Board of Directors.

Section 6.4. Depositories. All funds of the Corporation shall be deposited from time to time to the credit of the Corporation in such banks or other depositories as the Board of Directors may from time to time designate, and upon such terms and conditions as shall be fixed by the Board of Directors. The Board of Directors may from time to time authorize the opening

and maintaining within any such depository as it may designate, of general and special accounts, and may make such special rules and regulations with respect thereto as it may deem expedient.

Section 6.5. Endorsement of Stock Certificates. Subject to the specific directions of the Board of Directors, any share or shares of stock issued by any corporation and owned by the Corporation, including reacquired shares of the Corporation's own stock, may, for sale or transfer, be endorsed in the name of the Corporation by the Chief Executive Officer, President or any vice president; and such endorsement may be attested or witnessed by the secretary or any assistant secretary either with or without the affixing thereto of the corporate seal.

Section 6.6. Corporate Seal. The corporate seal, if any, shall be in such form as the Board of Directors shall approve, and such seal, or a facsimile thereof, may be impressed on, affixed to, or in any manner reproduced upon, instruments of any nature required to be executed by officers of the Corporation.

Section 6.7. Fiscal Year. The fiscal year of the Corporation shall be the calendar year.

Section 6.8. Books and Records. The Corporation shall keep correct and complete books and records of account and shall keep minutes of the proceedings of its stockholders and Board of Directors, and shall keep at its registered office or principal place of business, or at the office of its transfer agent or registrar, a record of its stockholders, giving the names and addresses of all stockholders and the number and class of the shares held by each.

Section 6.9. Resignations. Any director or officer may resign at any time. Such resignations shall be made in writing and shall take effect at the time specified therein, or, if no time is specified, at the time of its receipt by the President or secretary. The acceptance of a resignation shall not be necessary to make it effective, unless expressly so provided in the resignation.

Section 6.10. Indemnification of Officers, Directors, Employees and Agents.

(a) Mandatory Indemnification. Each person who at any time is or was a director or officer of the Corporation, and is threatened to be or is made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative, arbitrative or investigative (a "Proceeding"), by reason of the fact that such person is or was a director or officer of the Corporation, or is or was serving at the request of the Corporation as a director, officer, partner, venturer, proprietor, member, employee, trustee, agent or similar functionary of another domestic or foreign corporation, partnership, joint venture, sole proprietorship, trust, employee benefit plan or other for-profit or non-profit enterprise (all such persons entitled to indemnification hereunder being referred to as "Indemnitees"), whether the basis of a Proceeding is alleged action in such person's official capacity or in another capacity while holding such office, shall be indemnified and held harmless by the Corporation to the fullest extent authorized by the Delaware General Corporation Law (the "DGCL") or any other applicable law as may from time to time be in effect (but, in the case of any amendment of an existing statute or enactment of a new statute, only to the extent that such amendment or new

statute permits the Corporation to provide broader indemnification rights than law existing prior to such amendment or enactment permitted the Corporation to provide), against all expense, liability and loss (including, without limitation, court costs and attorneys' fees, judgments, fines, excise taxes or penalties, and amounts paid or to be paid in settlement) actually and reasonably incurred or suffered by such person in connection with a Proceeding, so long as a majority of disinterested directors, the stockholders, or independent legal counsel through a written opinion determines that such person acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Corporation, and in the case of a criminal Proceeding, such person had no reasonable cause to believe his conduct was unlawful. Such indemnification shall continue as to a person who has ceased to be a director or officer of the Corporation or a director, officer, partner, venturer, proprietor, member, employee, trustee, agent or similar functionary of another domestic or foreign corporation, partnership, joint venture, sole proprietorship, trust, employee benefit plan or other for-profit or non-profit enterprise, and shall inure to the benefit of such person's heirs, executors and administrators. The Corporation's obligations under this Section 6.10(a) include, but are not limited to, the convening of any meeting and the consideration thereat of any matter which is required by statute to determine the eligibility of any person for indemnification.

(b) Prepayment of Expenses. Expenses incurred by a director or officer of the Corporation in defending a Proceeding shall be paid by the Corporation in advance of the final disposition of such Proceeding to the fullest extent permitted by, and only in compliance with, the DGCL or any other applicable laws as may from time to time be in effect, including, without limitation, any provision of the DGCL which requires, as a condition precedent to such expense advancement, the delivery to the Corporation of an undertaking, by or on behalf of such director or officer, to repay all amounts so advanced if it shall ultimately be determined that such director is not entitled to be indemnified under Section 6.10(a) or otherwise. Repayments of all amounts so advanced shall be upon such terms and conditions, if any, as the Corporation's Board of Directors deems appropriate.

(c) Vesting. The Corporation's obligation to indemnify and to prepay expenses under Sections 6.10(a) and 6.10(b) shall arise, and all rights granted to the Corporation's directors and officers hereunder shall vest, at the time of the occurrence of the transaction or event to which a Proceeding relates, or at the time that the action or conduct to which such Proceeding relates was first taken or engaged in (or omitted to be taken or engaged in), regardless of when such Proceeding is first threatened, commenced or completed (and whether arising out of a transaction or event occurring before or after adoption of this Section 6.10). Notwithstanding any other provision of the Certificate of Incorporation or bylaws of the Corporation, no action taken by the Corporation subsequent to the adoption of this Section 6.10, either by amendment of the Certificate of Incorporation or these bylaws of the Corporation or otherwise, shall diminish or adversely affect any rights to indemnification or prepayment of expenses granted under Sections 6.10(a) and 6.10(b) which shall have become vested as aforesaid prior to the date that such amendment or other corporate action is effective or taken, whichever is later.

(d) Enforcement. If a claim under Section 6.10(a) and/or Section 6.10(b) is not paid in full by the Corporation within 30 days after a written claim has been received by the Corporation, the claimant may at any time thereafter bring suit in a court of competent

jurisdiction against the Corporation to recover the unpaid amount of the claim and, if successful in whole or in part, the claimant shall also be entitled to be paid the expense of prosecuting such claim. It shall be a defense to any such suit (other than a suit brought to enforce a claim for expenses incurred in defending any Proceeding in advance of its final disposition when the required undertaking, if any is required, has been tendered to the Corporation) that the claimant has not met the standards of conduct which make it permissible under the DGCL or other applicable law to indemnify the claimant for the amount claimed, but the burden of proving such defense shall be on the Corporation. The failure of the Corporation (including its Board of Directors, independent legal counsel, or stockholders) to have made a determination prior to the commencement of such suit as to whether indemnification is proper in the circumstances based upon the applicable standard of conduct set forth in the DGCL or other applicable law shall neither be a defense to the action nor create a presumption that the claimant has not met the applicable standard of conduct. The termination of any Proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which such person reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal Proceeding, had reasonable cause to believe that his conduct was unlawful.

(e) Nonexclusive. The indemnification provided by this Section 6.10 shall not be deemed exclusive of any other rights to which a person seeking indemnification may be entitled under any statute, the Corporation's Certificate of Incorporation, other provisions of these bylaws, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in such person's official capacity and as to action in another capacity while holding such office.

(f) Permissive Indemnification. The rights to indemnification and prepayment of expenses which are conferred on the Corporation's directors and officers by Sections 6.10(a) and 6.10(b) may be conferred upon any employee or agent of the Corporation or other person serving at the request of the Corporation if, and to the extent, authorized by the Board of Directors.

(g) Insurance. The Corporation shall have power to purchase and maintain insurance, at its expense, on behalf of any Indemnitee against any expense, liability or loss asserted against such person and incurred by such person in any such capacity, or arising out of such person's status as such, whether or not the Corporation would have the power to indemnify such person against such expense, liability or loss under the Corporation's Certificate of Incorporation, the provisions of this Section 6.10, the DGCL or other applicable law.

Section 6.11. Meetings by Telephone. Subject to the provisions required or permitted by these bylaws or the laws of the State of Delaware for notice of meetings, members of the Board of Directors, or members of any committee designated by the Board of Directors, may participate in and hold any meeting required or permitted under these bylaws by telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other. Participation in a meeting pursuant to this section shall constitute presence in person at such a meeting, except where a person participates in the meeting for the express

purpose of objecting, at the beginning of the meeting, to the transaction of any business on the ground that the meeting is not lawfully called or convened.

Section 6.12. Transactions with Affiliated Parties. Any transaction with affiliated parties must be approved by a majority of the Board of Directors, including a majority of the disinterested members of the Board of Directors, and must be on terms considered by such disinterested directors to be no less favorable than those that the Corporation could obtain from unaffiliated parties.

Section 6.13. Appointment of Auditors. The Board of Directors shall have the authority to select the independent accountants to audit the corporation's financial statements, subject to ratification by the stockholders of the Corporation.

ARTICLE VII

AMENDMENTS

Section 7.1. Amendments. These Bylaws may be altered, amended or repealed or new Bylaws adopted as set forth in the Certificate of Incorporation.

APPENDIX A

The following procedures shall be followed in the conduct of each Board of Directors or committee meeting:

1. Motion is made.

2. Motion is seconded.

3. Free and open discussion.

4. If seconded, after discussion a vote is taken.

5. Record the number of votes for and against the Motion.

6. Record the name of the individual making the Motion.

7. Record the name of the individual seconding the Motion.

8. Record the names of any individual voting against the Motion who acts pursuant to Section 4.9.

9. Declare the vote unanimous if applicable.

EXHIBIT 3.6

CERTIFICATE OF INCORPORATION
OF

HV MARINE OPERATORS, INC.

ARTICLE ONE

The name of the corporation is HV Marine Operators, Inc.

ARTICLE TWO

The street address of its initial registered office in Delaware is 1209 Orange Street, Wilmington, Delaware 19805 and the name of its initial registered agent at such address is The Corporation Trust Company, New Castle County.

ARTICLE THREE

The corporation is to have perpetual existence.

ARTICLE FOUR

The purpose for which the corporation is organized is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of Delaware.

ARTICLE FIVE

The total number of shares of stock which the corporation will have authority to issue is 1,000 shares of common stock, par value $0.10 per share.

ARTICLE SIX

The Corporation shall indemnify its officers and directors under the circumstances and to the full extent permitted by law.

ARTICLE SEVEN

The board of directors is expressly authorized to make, alter, or repeal the bylaws of the corporation or to adopt new bylaws.

ARTICLE EIGHT

The names and addresses of the persons who are to serve as directors until the first annual meeting of stockholders and until their successors are elected and qualified are:

Christian G. Vaccari
716 Tete Lours Drive
Mandeville, Louisiana 70471

Todd M. Hornbeck
139-B James Comeaux Road, No. 810
Lafayette, Louisiana 70508

ARTICLE NINE

The name and address of the incorporator is R. Clyde Parker, Jr., 910 Travis Street, Suite 2400, Houston, Texas 77002.

THE UNDERSIGNED, being the incorporator hereinbefore named, for the purpose of forming a corporation pursuant to the General Corporation Law of the State of Delaware, does make this Certificate, hereby declaring and certifying that this is my act and deed and the facts herein stated are true, and accordingly have hereunto set my hand this 2nd day of June, 1997.

/s/ R. CLYDE PARKER, JR.

R. Clyde Parker, Jr.

EXHIBIT 3.7

CERTIFICATE OF AMENDMENT
OF
CERTIFICATE OF INCORPORATION
OF
HV MARINE OPERATORS, INC.

Pursuant to Section 242 of the Delaware General Corporation Law, HV Marine Operators, Inc., a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware (the "Corporation"), does hereby certify:

FIRST: The Certificate of Incorporation of the Corporation is hereby amended so that Article One reads as follows:

"ARTICLE ONE

The name of the corporation is HORNBECK-LEEVAC Marine Operators, Inc."

SECOND: The amendment to the Certificate of Incorporation herein certified has been duly adopted in accordance with the provisions of Section 242 of the Delaware General Corporation Law.

IN WITNESS WHEREOF, said HV Marine Operators, Inc. has caused this certificate to be signed by Christian G. Vaccari, its Chief Executive Officer, and attested by Todd M. Hornbeck, its Secretary, this 31 day of October, 1999.

HV MARINE OPERATORS, INC.

ATTEST:

By: /s/ TODD M. HORNBECK
Todd M. Hornbeck, Secretary

By: /s/ CHRISTIAN G. VACCARI
Christian G. Vaccari, Chief Executive Officer

EXHIBIT 3.8

HV MARINE OPERATORS, INC.

BY-LAWS

ARTICLE I

Offices

SECTION 1. Registered Office. The registered office of HV Marine Operators, Inc. (the "Company") in the State of Delaware is located at 1209 Orange Street in the City of Wilmington, County of New Castle.

SECTION 2. Principal Office. The principal office of the Company will be in New Orleans, Louisiana, or at such other place as the board of directors may from time to time determine.

SECTION 3. Other Offices. The Company may also have offices at such other places as the board of directors may from time to time determine or the business of the corporation may require.

ARTICLE II

Meeting of Stockholders

SECTION 1. Place of Meetings. All meetings of stockholders will be held at the principal office of the Company, or at such other place as will be determined by the board of directors and specified in the notice of the meeting.

SECTION 2. Annual Meeting. The annual meeting of stockholders will be held at such date and time as will be designated from time to time by the board of directors and stated in the notice of meeting, at which such meeting the stockholders will elect by written ballot a board of directors and transact such other business as may properly be brought before the meeting.

SECTION 3. Notice of Annual Meeting. Written or printed notice of the annual meeting stating the place, day, and hour thereof, will be served upon or mailed to each stockholder entitled to vote thereat at such address as appears on the books of the Company, not less than ten (10) nor more than sixty (60) days before the date of the meeting.

SECTION 4. Special Meeting. Special meetings of stockholders will be called by the chief executive officer or the board of directors, and will be called by the chief executive officer or secretary at the request in writing of the stockholders owning one-third of the outstanding shares of capital stock of the Company. Such request will state the purpose or purposes of the proposed meeting, and any purpose so stated will be conclusively deemed to be a "proper" purpose.

SECTION 5. Notice of Special Meeting. Written or printed notice of a special meeting stating the place, day, and hour thereof, will be served upon or mailed to each stockholder entitled to vote thereat at such address as appears on the books of the Company, not less than ten (10) nor more than sixty (60) days before the date of the meeting.

SECTION 6. Business at Special Meeting. Business transacted at all special meetings of stockholders will be confined to the purpose or purposes stated in the notice.

SECTION 7. Stockholder List. At least ten (10) days before each meeting of stockholders, a complete list of stockholders entitled to vote at each such meeting or in any adjournment thereof, arranged in alphabetical order, with the address of and number of shares held by each, will be prepared by the secretary. Such list will be open to the examination of any stockholder, for any purpose germane to the meeting, during any ordinary business hours for such ten (10) day period either at a place within the city where the meeting is to be held, or, if not so specified, at the place where the meeting is to be held. Such list will also be produced and kept open at the time and place of the meeting and will be subject to the inspection of any stockholder during the whole time of the meeting.

SECTION 8. Quorum. The holders of a majority of the shares of capital stock issued and outstanding and entitled to vote thereat, represented in person or by proxy, will constitute a quorum at all meetings of the stockholders for the transaction of business. The stockholders present may adjourn the meeting despite the absence of a quorum. When a meeting is adjourned for less than thirty days in any one adjournment, it will not be necessary to give any notice of the adjourned meeting if the time and place to which the meeting is adjourned are announced at the meeting at which the adjournment is taken, and at the adjourned meeting any business may be transacted which might have been transacted on the original data of the meeting. When a meeting is adjourned for thirty (30) days or more, notices of the adjourned meeting will be given as in the case of an original meeting.

SECTION 9. Proxies. At any meetings of the stockholders, every stockholder having the right to vote will be entitled to vote in person or by proxy appointed by an instrument in writing subscribed by such stockholder or by his duly authorized attorney-in-fact and bearing a date not more than eleven months prior to said meeting.

SECTION 10. Voting. Unless otherwise provided by statute, each stockholder having the right to vote will be entitled to vote for each share of stock having voting power registered in his name on the books of the Company. Cumulative voting for directors is prohibited.

SECTION 11. Consent of Stockholders in Lieu of Meeting. Any action which may be taken at a special or annual meeting of the stockholders may be taken without a meeting, without prior notice, and without a vote, if a consent in writing, setting forth the action so taken, will be signed by all of the holders of outstanding stock having not less than the minimum number of votes which would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted. Prompt notice of the taking of the

corporate action without a meeting by less than unanimous written consent will be given to those stockholders who have not consented in writing.

ARTICLE III

Board of Directors

SECTION 1. Number of Directors. The number of directors comprising the full board of directors will be not less than one (1) nor more than five (5), but the number of directors may be increased from time to time by action of the stockholders or the board of directors, or, whenever the number of directors comprising the full board exceeds one, decreased (provided such decrease does not shorten the term of any incumbent director), from time to time by amendment to these bylaws.

SECTION 2. Election and Term. Except as provided in Section 3 of this Article, directors will be elected at the annual meeting of the stockholders, and each director will be elected to serve until the next annual meeting or until his successor will have been elected and will qualify. Directors need not be stockholders.

SECTION 3. Vacancies and Newly Created Directorships. Vacancies and newly created directorships resulting from any increase in the authorized number of directorships resulting from any increase in the authorized number of directors may be filled by a majority of the directors, although less than a quorum, except where the vacancies have been created by removal of directors by the owners of a majority of the outstanding shares of capital stock. In the event of such removal, the resulting vacancies will be filled by the owners of the majority of the outstanding shares of capital stock.

SECTION 4. Resignation; Removal. Any director may resign at any time by giving written notice thereof to the board of directors. Any such resignation will take effect as of its date unless some other date is specified therein, in which event it will be effective as of that date. The acceptance of such resignation will not be necessary to make it effective. The board of directors may, by majority vote of the directors then in office, remove a director for cause. The owners of a majority of the outstanding shares of capital stock may remove any director or the entire board of directors, with or without cause, either by a vote at a special meeting or annual meeting, or by written consent.

ARTICLE IV

Meetings of the Board

SECTION 1. First Meeting. Upon the adjournment of the annual meeting of stockholders, the board of directors will meet as soon as practicable to appoint the members of such committees of the board of directors as the board may deem necessary or advisable, to appoint officers for the ensuing year, and to transact such other business as may properly come

before the meeting. No notice of such meeting will be necessary to the newly elected directors in order legally to constitute the meeting provided a quorum will be present.

SECTION 2. Meetings. Meetings of the board of directors will be held whenever called by the chief executive officer or by any director. Notice of each meeting will be given at least one (1) day prior to the date of the meeting either personally, or by telephone or telegraph to each director, and will state the purpose, place, day and hour of the meeting.

SECTION 3. Quorum and Voting. At all meetings of the board of directors (except in the case of a meeting convey for the purpose specified in Article III, Section 3 of these bylaws) a majority of the directors will be necessary and sufficient to constitute a quorum for the transaction of business and the act of a majority of the directors present at any meeting at which there is a quorum will be the act of the board of directors. If a quorum will not be present at any such meeting of directors, the directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum will be present.

SECTION 4. Telephone Meetings. At any meeting of the board of directors, a member may attend by telephone, radio, television, or similar means of communication which permits him to participate in the meeting, and a director so attending will be deemed present at the meeting for all purposes including the determination of whether a quorum is present.

SECTION 5. Action by Written Consent. Any action required or permitted to be taken by the board of directors may be taken without a meeting if a consent in writing, setting forth the action so taken, is signed by all the members of the board.

SECTION 6. Attendance Fees. Directors will not receive any stated salary, as such, for their services, but by resolution of the board of directors a fixed sum and expenses of attendance may be allowed for attendance at each regular or special meeting of the board; however, this provision will not preclude any director from serving the Company in any other capacity and receiving compensation therefor.

ARTICLE V

Committees

SECTION 1. Executive Committee. The board of directors by resolution may designate one or more directors to constitute an Executive Committee, which committee, to the extent provided in such resolution, will have and may exercise all of the powers and authority of the board of directors in the management of the business and affairs of the Company, except where action of the board of directors is required by statute.

SECTION 2. Other Committees. The board of directors may by resolution create other committees for such terms and with such powers and duties as the board will deem appropriate.

SECTION 3. Organization of Committees. The chairman of each committee of the board of directors will be chosen by the members thereof. Each committee will elect a secretary, who will be either a member of the committee or the secretary of the Company. The chairman of each committee will preside at all meetings of such committee.

SECTION 4. Meetings. Regular meetings of each committee may be held without the giving of notice if a day of the week, a time, and a place will have been established by the committee for such meetings. Special meetings (and. if the requirements of the preceding sentence have not been met, regular meetings) will be called as provided in Article IV, Section 3 with respect to notices of special meetings of the board of directors.

SECTION 5. Quorum and Manner of Acting. A majority of the members of each committee will be present either in person or by telephone, radio, television, or similar means of communication, at each meeting of such committee in order to constitute a quorum for the transaction of business. The act of a majority of the members so present at a meeting at which a quorum is present will be the act of such committee. The members of each committee will act only as a committee, and will have no power or authority, as such, by virtue of their membership on the committee.

SECTION 6. Action by Written Consent. Any action required or permitted to be taken by any committee may be taken without a meeting if a consent in writing, setting forth the action so taken, is signed by all the members of the committee.

SECTION 7. Record of Committee Action; Reports. Each committee will maintain a record, which need not be in the form of complete minutes, of the action taken by it at each meeting, which record will include the date, time, and place of the meeting, the names of the members present and absent, the action considered, and the number of votes cast for and against the adoption of the action considered. All action by each committee will be reported to the board of directors at its meeting next succeeding such action, such report to be in sufficient detail as to enable the board to be informed of the conduct of the Company's business and affairs since the last meeting of the board.

SECTION 8. Removal. Any member of any committee may be removed from such committee, either with or without cause, at any time, by resolution adopted by a majority of the whole board of directors at any meeting of the board.

SECTION 9. Vacancies. Any vacancy in any committee will be filled by the board of directors in the manner prescribed by these bylaws for the original appointment of the members of such committee.

ARTICLE VI

Officers

SECTION 1. (a) Appointment and Term of Office. The officers of the Company will consist of a chief executive officer, president, a secretary, and a treasurer, and there may be one or more vice presidents, one or more assistant secretaries, one or more assistant treasurers, and such other officers as may be appointed by the board. One of the directors may also be chosen chairman of the board. Each of such officers (except as may be appointed pursuant to Section 2(h) of this Article), will be chosen annually by the board of directors at its regular meeting immediately following the annual meeting of stockholders and, subject to any earlier resignation or removal, will hold office until the next annual meeting of stockholders or until his successor is elected and qualified. Two or more offices, ocher than the offices of president and secretary, may be held by the same person.

(b) Removal. Any officer or agent elected or appointed by the board of directors may be removed by the board of directors whenever in its judgment the best interests of the corporation will be served thereby, but such removal will be without prejudice to the contract rights, if any, of the person so removed. Election or appointment of an officer or agent will not of itself create contract rights.

(c) Vacancies. A vacancy in the office of any officer may be filled by vote of a majority of the directors for the unexpired portion of the term.

(d) Salaries. The salaries of all officers of the Company will be fixed by the board of directors except as otherwise directed by the board.

SECTION 2. Powers and Duties. The powers and duties of the officers will be those usually pertaining to their respective offices, subject to the general direction and supervision of the board of directors, Such powers and duties will include the following:

(a) Chairman of the Board. The chairman of the board, if there be one, will preside at all meetings of the board of directors and will perform such other duties as will be assigned to him from time to time by the board.

(b) Chief Executive Officer. The chief executive officer shall be subject to the control of the board of directors, and shall in general supervise and control all business and affairs of the Corporation. The chief executive officer may sign, with the secretary or any other proper officer of the Company thereunto authorized by the board of directors, certificates for shares of the Company, deeds, mortgages, bonds, contracts, and other obligations in the name of the Company, which the board of directors has authorized to be executed, except in cases where the signing and execution thereof shall be expressly delegated by the board of directors or by these Bylaws to some other officer or agent of the Company, or shall be required by law to be otherwise signed and executed; and in general shall perform all duties incident to the office of chief executive officer and such other duties as may be prescribed by the board of directors from time to time. In the absence of the Chairman, or if the directors neglect or fail to elect a

Chairman, then the chief executive officer of the Company, if be is a member of the Board of Directors, shall automatically serve as Chairman of the Board of Directors.

(c) President. In the absence of the chief executive officer, or in the event of his death or inability to act or refusal to act, the president shall perform the duties of the chief executive officer and when so acting shall have all of the powers of and be subject to all of the restrictions upon the chief executive officer. In general, he shall perform all duties incident to the office of President and such other duties as may be prescribed by the chief executive officer or the board of directors from time to time.

(d) Vice Chairmen of the Board. Vice chairmen will perform the duties assigned to them by the board of directors, and at the request of the president, will perform as well the duties of the office of the president. Each vice chairman will have power also to execute and deliver in the name and on behalf of the Company, deeds, mortgages, leases, assignments. bonds, contracts or other instruments authorized by the board of directors.

(e) Executive Vice Presidents. Executive vice presidents will perform the duties assigned to them by the board of directors, and, in the order designated by the president, at the request of the president or in the absence of the president will perform as well the duties of the president's office. Each executive vice president will have power also to execute and deliver in the name and on behalf of the Company, deeds, mortgages, leases, assignments, bonds, contracts, or other instruments authorized by the board of directors.

(f) Vice Presidents. Vice presidents will perform the duties assigned to them by the board of directors, and at the request of the president, will perform as well the duties of the president's office. Each vice president will have the power also to execute and deliver in the name and on behalf of the Company, deeds, mortgages, leases, assignments, bonds, contracts, and other instruments authorized by the board of directors.

(g) Secretary. The secretary will keep the minutes of all meetings of the board of directors and the minutes of all meetings of the stockholders and will be the custodian of all corporate records and of the seal of the Company. He will see that all notices required to be given to the stockholders and to the board of directors are duly given in accordance with these bylaws or as required by law.

(h) Treasurer. The treasurer will be the principal financial officer of the Company and will have charge of the corporate funds and securities and will keep a record of the properly and indebtedness of the Company, He will, if required by the board of directors, give bond for the faithful discharge of his duties in such sum and with such surety or sureties as the board may require.

(i) Other Officers. The board of directors may appoint such other officers, agents, or employees as it may deem necessary for the conduct of the business of the Company. In addition, the board may authorize the president or some other officers to appoint such agents or employees as they deem necessary for the conduct of the business of the Company.

SECTION 3. Resignations. Any officer may resign at any time by giving written notice thereof to the board of directors. Any such resignation will take effect as of its date unless some other date is specified therein, in which event it will be effective as of that date. The acceptance of such resignation will not be necessary to make it effective.

SECTION 4. Vacancies. A vacancy in any office arising at any time from any cause, may be filled by the board of directors or by the officer authorized by the board to fill the vacancy in that office.

ARTICLE VII

Shares of Stock and their Transfer; Books

SECTION 1. Forms of Certificates. Shares of the capital stock of the Company will be represented by certificates in such form, not inconsistent with law or with the certificate of incorporation of the Company, as will be approved by the board of directors, and will be signed by the president or a vice president and the secretary or an assistant secretary or the treasurer or an assistant treasurer and sealed with the seal of the Company. Such seal may be facsimile, engraved or printed. Where any such certificate is countersigned by a transfer agent or by a registrar, the signature of such president, vice president, secretary, assistant secretary, treasurer or assistant treasurer upon such certificate may be facsimiles, engraved or printed.

SECTION 2. Transfer of Shares. Shares of stock of the Company will be transferred only on the stock books of the Company by the holder of record thereof in person, or by his duly authorized attorney, upon surrender of the certificate therefor.

SECTION 3. Stockholders of Record. Stockholders of record entitled to vote at any meeting of stockholders or entitled to receive payment of any dividend or to any allotment of rights or to exercise the rights in respect of any change or conversion or exchange of capital stock will be determined according to the Company's record of stockholders and, if so determined by the board of directors in the manner provided by statute, will be such stockholders of record (a) at the date fixed for closing the stock transfer books, or (b) as of the date of record.

SECTION 4. Lost, Stolen or Destroyed Certificates. The board of directors may direct the issuance of new or duplicate stock certificates in place of lost, stolen, or destroyed certificates, upon being furnished with evidence satisfactory to it of the loss, theft, or destruction

and upon being furnished with indemnity satisfactory to it. The board of directors may delegate to any officer authority to administer the provisions of this Section.

SECTION 5. Closing of Transfer Books. The board of directors will have power to close the stock transfer books of the Company for a period not exceeding sixty (60) days preceding the date of any meeting of stockholders, or the date for the payment of any dividend, or the day for the allotment of rights, or the date when change or conversion or exchange of capital stock will go into effect, or for a period not exceeding sixty (60) days in connection with obtaining the consent of stockholders for any purpose; or the board may, in its discretion, fix a date, not more than sixty (60) days before any stockholders' meeting, or the date for the payment of any dividend, or the date for the allotment of rights, or the date when any change or conversion or exchange of capital stock will go into effect as a record date for the determination of the stockholders entitled to notice of, and to vote at, any such meeting and at any adjournment thereof, or entitled to receive payment of say such dividend, or to any such allotment of rights, or to exercise the rights in respect of any such change, conversion, or exchange of capital stock, or to give such consent, and in such case such stockholders and only such stockholders as will be stockholders of record on the date so fixed will be entitled to notice of and to vote at such meeting and at any adjournment thereof, or to receive payment of such dividend, or to exercise rights, or to give such consent as the case may be, notwithstanding any transfer of any stock on the books of the Company after such record date fixed as aforesaid.

SECTION 6. Regulations. The board of directors may make such rules and regulations as it may deem expedient concerning the issuance, transfer, and registration of certificates of stock. It may appoint one or more transfer agents or registrars, or both, and may require all certificates of stock to bear the signature of either or both.

SECTION 7. Examination of Books by Stockholders. The original or duplicate stock ledger of the Company containing the names and addresses of the stockholders and the number of shares held by them and the other books and records of the Company will, at all times during the usual hours of business, be available for inspection at its principal office, and any stockholder, upon compliance with the conditions set forth in and to the extent authorized by ss. 220 of the General Corporation Laws of Delaware, will have the right to inspect such books and records.

ARTICLE VIII

Execution of Instruments

SECTION 1. Contracts, Etc. The board of directors or any committee thereunto duly authorized may authorize any officer or officers, agent or agents, to enter into any contract or to execute and deliver in the name and on behalf of the Company any contract or other instruments, except certificates representing shares of stock of the Company, and such authority may be general or may be confined to specific instances.

SECTION 2. Checks, Drafts, Etc. All checks, drafts or other orders for the payment of money, notes, acceptances or other evidence of indebtedness issued by or in the name of the Company will be signed by such officer or officers, agent or agents of the Company and in such manner as will be determined from time to time by resolution of the board of directors. Unless otherwise provided by resolution of the board, endorsements for deposits to the credit of the Company in any of its duly authorized depositories may be made by hand-stamped legend in the name of the Company or by written endorsement of any officer with countersignature.

SECTION 3. Loans. No loans will be contracted on behalf of the Company unless authorized by the board of directors, but when so authorized, unless a particular officer or agent is directed to negotiate the same, may be negotiated, up to the amount so authorized, by the president or a vice president or the treasurer; and such officers are hereby severally authorized to execute and deliver in the name and on behalf of the Company, notes or other evidences of indebtedness countersigned by the president or a vice president for the amount of such loans and to give security for the payment of any and all loans, advances, and indebtedness by hypothecating, pledging or transferring any part or all of the property of the Company, real or personal, at any time owned by the Company.

SECTION 4. Sale or Transfer of Securities Held by the Company. Stock certificates, bonds, or other securities at any time owned by the Company may be held on behalf of the Company or sold, transferred, or otherwise disposed of pursuant to authorization by the board of directors, or of any committee thereunto duly authorized, and, when so authorized to be sold, transferred, or otherwise disposed of, may be transferred from the name of the Company by the signature of the president or a vice president and the treasurer or the assistant treasurer or the secretary or the assistant secretary.

ARTICLE IX

Miscellaneous

SECTION 1. Fiscal Year. Until otherwise determined by the board of directors, the fiscal year of the Company will be the calendar year.

SECTION 2. Methods of Notice. Whenever any notice is required to be given in writing to any stockholder or director pursuant to any statute, the certificate of incorporation, or these bylaws, it will not be construed to require personal or actual notice, and such notice will be deemed for all purposes to have been sufficiently given at the time the same is deposited in the United States mail with postage thereon prepaid, addressed to the stockholder or director at such address as appears on the books of the company. Whenever any notice may be or is required to be given by telegram to any director, it will be deemed for all purposes to have been sufficiently given at the time the same is filed with the telegraph or cable office, properly addressed.

SECTION 3. Waiver of Notice. The giving of any notice of the time, place, or purpose of holding any meeting of stockholders or directors and any requirement as to publication thereof, whether statutory or otherwise, will be waived by the attendance at such meeting by any parson entitled to receive such notice and may be waived by such person by an instrument in writing executed and filed with the records of the meeting, either before or after the holding thereof.

Dated: June 5, 1997

/s/ TODD M. HORNBECK

Todd M. Hornbeck, Secretary

EXHIBIT 3.9

[STAMP]

CERTIFICATE OF INCORPORATION

OF

HORNBECK OFFSHORE SERVICES, INC.

ARTICLE I

The name of the corporation is HORNBECK OFFSHORE SERVICES, INC.

ARTICLE II

The registered office of the corporation in the State of Delaware is located at 1209 Orange Street in the City of Wilmington, County of New Castle. The name of its registered agent at such address is The Corporation Trust Company.

ARTICLE III

The corporation is to have perpetual existence.

ARTICLE IV

The purpose for which the corporation is organized is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of Delaware.

ARTICLE V

The total number of shares of stock which the corporation will have authority to issue is 1,000 shares of common stock par value $0.10 per share.

ARTICLE VI

The Corporation shall indemnify, to the full extent permitted by Section 145 of the General Corporation Law of Delaware, as amended from time to time, all persons whom it may indemnify pursuant thereto. No director shall be personally liable to the Corporation or any stockholder for monetary damages for breach of fiduciary duty as a director, except for any matter in respect of which such director shall be liable under Section 174 of Title 8 of the General Corporation Law of Delaware or any amendment thereto or successor

provision thereto or shall be liable by reason that, in addition to any and all other requirements for such liability, such director (i) shall have breached his or her duty of loyalty to the Corporation or its stockholders, (ii) shall not have acted in good faith or, in failing to act, shall not have acted in good faith, (iii) shall have acted in a manner involving intentional misconduct or a knowing violation of law, or in failing to act, shall have acted in a manner involving intentional misconduct or a knowing violation of law or (iv) shall have derived an improper personal benefit. Neither the amendment nor repeal of this Article VI nor the adoption of any provision of the Certificate of Incorporation inconsistent with this Article VI, shall eliminate or reduce the effect of this Article VI in respect of any matter occurring, or any cause of action, suit or claim that, but for this Article VI, would accrue or arise, prior to such amendment, repeal or adoption of an inconsistent provision.

ARTICLE VII

The board of directors is expressly authorized to make alter, or repeal the by-laws of the corporation or to adopt new by-laws.

ARTICLE VIII

The name and address of the person who is to serve as director until the first annual meeting of stockholders and until his successor is elected and qualify is:

Name	Address
Larry D. Hornbeck	P. O. Box 191 Port Bolivar, Texas 77650

ARTICLE IX

The name and mailing address of the incorporator is R. Clyde Parker, Jr., 1001 Fannin Street, Suite 1200, Houston, Texas 77002. The powers of the incorporator are to terminate upon the filing of this Certificate of Incorporation.

IN WITNESS WHEREOF, the undersigned, being the incorporator hereinbefore named, for the purpose of forming a corporation pursuant to the General Corporation Law of Delaware, does make this Certificate, hereby declaring and certifying that this is his act and deed and the facts herein stated are true, and accordingly does hereunto set his hand this 18th day of March, 1996.

/s/ R. CLYDE PARKER, JR.

R. CLYDE PARKER, JR.
Incorporator

EXHIBIT 3.10

HORNBECK OFFSHORE SERVICES, INC.

AMENDED AND RESTATED BY-LAWS

February 27, 1998

ARTICLE I

Offices

SECTION 1. Registered Office. The registered office of Hornbeck Offshore Services, Inc. (the "Company") in the State of Delaware is located at 1209 Orange Street in the City of Wilmington, County of New Castle.

SECTION 2. Principal Office. The principal office of the Company will be in Mandeville, Louisiana, or at such other place as the board of directors may from time to time determine.

SECTION 3. Other Offices. The Company may also have offices at such other places as the board of directors may from time to time determine or the business of the corporation may require.

ARTICLE II

Meeting of Stockholders

SECTION 1. Place of Meetings. All meetings of stockholders will be held at the principal office of the Company, or at such other place as will be determined by the board of directors and specified in the notice of the meeting.

SECTION 2. Annual Meeting. The annual meeting of stockholders will be held at such date and time as will be designated from time to time by the board of directors and stated, in the notice of meeting, at which such meeting the stockholders will elect by written ballot a board of directors and transact such other business as may properly be brought before the meeting.

SECTION 3. Notice of Annual Meeting. Written or printed notice of the annual meeting stating the place, day, and hour thereof, will be served upon or mailed to each stockholder entitled to vote thereat at such address as appears on the books of the Company, not less than ten (10) nor more than sixty (50) days before the date of the meeting.

SECTION 4. Special Meeting. Special meetings of stockholders will be called by the chief executive officer or the board of directors, and will be called by the chief executive officer or secretary at the request in writing of the stockholders owning one-third of the outstanding shares of capital stock of the Company. Such request will state the purpose or purposes of the

proposed meeting, and any purpose so stated will be conclusively deemed to be a "proper" purpose.

SECTION 5. Notice of Special Meeting. Written or printed notice of a special meeting stating the place, day, and hour thereof, will be served upon or mailed to each stockholder entitled to vote thereat at such address as appears on the books of the Company, not less than ten (10) nor more than sixty (60) days before the date of the meeting.

SECTION 6. Business at Special Meeting. Business transacted at all special meetings of stockholders will be confined to the purpose or purposes stated in the notice.

SECTION 7. Stockholder List. At least ten (10) days before each meeting of stockholders, a complete list of stockholders entitled to vote at each such meeting or in any adjournment thereof, arranged in alphabetical order, with the address of and number of shares held by each, will be prepared by the secretary. Such list will be open to the examination of any stockholder, for any purpose germane to the meeting, during any ordinary business hours for such ten (10) day period either at a place within the city where the meeting is to be held, or, if not so specified, at the place where the meeting is to be held. Such list will also be produced and kept open at the time and place of the meeting and will be subject to the inspection of any stockholder during the whole time of the meeting.

SECTION 8. Quorum. The holders of a majority of the shares of capital stock issued and outstanding and entitled to vote thereat, represented in person or by proxy, will constitute a quorum at all meetings of the stockholders for the transaction of business. The stockholders present may adjourn the meeting despite the absence of a quorum. When a meeting is adjourned for less than thirty days in any one adjournment, it will not be necessary to give any notice of the adjourned meeting if the time and place to which the meeting is adjourned are announced at the meeting at which the adjournment is taken, and at the adjourned meeting any business may be transacted which might have been transacted on the original date of the meeting. When a meeting is adjourned for thirty (30) days or more, notices of the adjourned meeting will be given as in the case of an original meeting.

SECTION 9. Proxies. At any meetings of the stockholders, every stockholder having the right to vote will be entitled to vote in person or by proxy appointed by an instrument in writing subscribed by such stockholder or by his duly authorized attorney-in-fact and bearing a date not more than eleven months prior to said meeting.

SECTION 10. Voting. Unless otherwise provided by statute, each stockholder having the right to vote will be entitled to vote for each share of stock having voting power registered in his name on the books of the Company. Cumulative voting for directors is prohibited.

SECTION 11. Consent of Stockholders in Lieu of Meeting. Any action which may be taken at a special or annual meeting of the stockholders may be taken without a meeting, without prior notice, and without a vote, if a consent in writing, setting forth the action so taken, will be signed by all of the holders of outstanding stock having not less than the minimum number of votes which would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted. Prompt notice of the taking of the corporate

action without a meeting by less than unanimous written consent will be given to those stockholders who have not consented in writing.

ARTICLE III

Board of Directors

SECTION 1. Number of Directors. The number of directors comprising the full board of directors will be one (1), but the number of directors may be increased from time to time by action of the stockholders or the board of directors, or, whenever the number of directors comprising the full board exceeds one, decreased (provided such decrease does not shorten the term of any incumbent director), from time to time by amendment to these bylaws.

SECTION 2. Election and Term. Except as provided in Section 3 of this Article, directors will be elected at the annual meeting of the stockholders, and each director will be elected to serve until the next annual meeting or until his successor will have been elected and will qualify. Directors need not be stockholders.

SECTION 3. Vacancies and Newly Created Directorships. Vacancies and newly created directorships resulting from any increase in the authorized number of directorships resulting from any increase in the authorized number of directors may be filled by a majority of the directors, although less than a quorum, except where the vacancies have been created by removal of directors by the owners of a majority of the outstanding shares of capital stock. In the event of such removal, the resulting vacancies will be filled by the owners of the majority of the outstanding shares of capital stock.

SECTION 4. Resignation; Removal. Any director may resign at any time by giving written notice thereof to the board of directors. Any such resignation will take effect as of its date unless some other date is specified therein, in which event it will be effective as of that date. The acceptance of such resignation will not be necessary to make it effective. The board of directors may, by majority vote of the directors then in office, remove a director for cause. The owners of a majority of the outstanding shares of capital stock may remove any director or the entire board of directors, with or without cause, either by a vote at a special meeting or annual meeting, or by written consent.

ARTICLE IV

Meetings of the Board

SECTION 1. First Meeting. Upon the adjournment of the annual meeting of stockholders, the board of directors will meet as soon as practicable to appoint the members of such committees of the board of directors as the board may deem necessary or advisable, to appoint officers for the ensuing year, and to transact such other business as may properly come before the meeting. No notice of such meeting will be necessary to the newly elected directors in order legally to constitute the meeting provided a quorum will be present.

SECTION 2. Meetings. Meetings of the board of directors will be held whenever called by the chief executive officer or by any director. Notice of each meeting will be given at least

one (1) day prior to the date of the meeting either personally, or by telephone or telegraph to each director, and will state the purpose, place, day and hour of the meeting.

SECTION 3. Quorum and Voting. At all meetings of the board of directors (except in the case of a meeting convened for the purpose specified in Article III, Section 3 of these bylaws) a majority of the directors will be necessary and sufficient to constitute a quorum for the transaction of business and the act of a majority of the directors present at any meeting at which there is a quorum will be the act of the board of directors. If a quorum will not be present at any such meeting of directors, the directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum will be present.

SECTION 4. Telephone Meetings. At any meeting of the board of directors, a member may attend by telephone, radio, television, or similar means of communication which permits him to participate in the meeting, and a director so attending will be deemed present at the meeting for all purposes including the determination of whether a quorum is present.

SECTION 5. Action by Written Consent. Any action required or permitted to be taken by the board of directors may be taken without a meeting if a consent in writing, setting forth the action so taken, is signed by all the members of the board.

SECTION 6. Attendance Fees. Directors will not receive any stated salary, as such, for their services, but by resolution of the board of directors a fixed sum and expenses of attendance may be allowed for attendance at each regular or special meeting of the board; however, this provision will not preclude any director from serving the Company in any other capacity and receiving compensation therefor.

ARTICLE V

Committees

SECTION 1. Executive Committee. The board of directors by resolution may designate one or more directors to constitute an Executive Committee, which committee, to the extent provided in such resolution, will have and may exercise all of the powers and authority of the board of directors in the management of the business and affairs of the Company, except where action of the board of directors is required by statute.

SECTION 2. Other Committees. The board of directors may by solution create other committees for such terms and with such powers and duties as the board will deem appropriate.

SECTION 3. Organization of Committees. The chairman of each committee of the board of directors will be chosen by the members thereof. Each committee will elect a secretary, who will be either a member of the committee or the secretary of the Company. The chairman of each committee will preside at all meetings of such committee.

SECTION 4. Meetings. Regular meetings of each committee may be held without the giving of notice if a day of the week, a time, and a place will have been established by the committee for such meetings. Special meetings (and, if the requirements of the preceding

sentence have not been met, regular meetings) will be called as provided in Article IV, Section 3 with respect to notices of special meetings of the board of directors.

SECTION 5. Quorum and Manner of Acting. A majority of the members of each committee will be present either in person or by telephone, radio, television, or similar means of communication, at each meeting of such committee in order to constitute a quorum for the transaction of business. The act of a majority of the members so present at a meeting at which a quorum is present will be the act of such committee. The members of each committee will act only as a committee, and will have no power or authority, as such, by virtue of their membership on the committee.

SECTION 6. Action by Written Consent. Any action required or permitted to be taken by any committee may be taken without a meeting if a consent in writing, setting forth the action so taken, is signed by all the members of the committee.

SECTION 7. Record of Committee Action; Reports. Each committee will maintain a record, which need not be in the form of complete minutes, of the action takes by it at each meeting, which record will include the date, time, and place of the meeting, the names of the members present and absent, the action considered, and the number of votes cast for and against the adoption of the action considered, All action by each committee will be reported to the board of directors at its meeting next succeeding such action, such report to be in sufficient detail as to enable the board to be informed of the conduct of the Company's business and affairs since the last meeting of the board.

SECTION 8. Removal. Any member of any committee may be removed from such committee, either with or without cause, at any time, by resolution adopted by a majority of the whole board of directors at any meeting of the board.

SECTION 9. Vacancies. Any vacancy in any committee will be filled by the board of directors in the manner prescribed by these bylaws for the original appointment of the members of such committee.

ARTICLE VI

Officers

SECTION 1.

(a) Appointment and Term of Office. The officers of the Company will consist of a president, a secretary, and a treasurer, and there may be one or more vice presidents, one or more assistant secretaries, one or more assistant treasurers, and such other officers as may be appointed by the board. One of the directors may also be chosen chairman of the board. Each of such officers (except as may be appointed pursuant to Section 2(h) of this Article), will be chosen annually by the board of directors at its regular meeting immediately following the annual meeting of stockholders and, subject to any earlier resignation or removal, will hold office until the next annual meeting of stockholders or until his successor is elected and qualified. Two or more offices, other than the offices of president and secretary, may be held by the same person.

(b) Removal. Any officer or agent elected or appointed by the board of directors may be removed by the board of directors whenever in its judgment the best interests of the corporation will be served thereby, but such removal will be without prejudice to the contract rights, if any, of the person so removed. Election or appointment of an officer or agent will not of itself create contract rights.

(c) Vacancies. A vacancy in the office of any officer may be filled by vote of a majority of the directors for the unexpired portion of the terms.

(d) Salaries. The salaries of all officers of the Company will be fixed by the board of directors except as otherwise directed by the board.

SECTION 2. Power and Duties. The powers and duties of the officers will be those usually pertaining to their respective offices, subject to the general direction and supervision of the board of directors. Such powers and duties will include the following:

(a) Chairman of the Board. The chairman of the board, if there be one, will preside at all meetings of the board of directors and will perform such other duties as will be assigned to him from time to time by the board.

(b) Chief Executive Officer. The chief executive officer shall be subject to the control of the board of directors, and shall in general supervise and control all business and affairs of the Corporation. The chief executive officer may sign, with the secretary or any other proper officer of the Company thereunto authorized by the board of directors, certificates for shares of the Company, deeds, mortgages, bonds, contracts, and other obligations in the name of the Company, which the board of directors has authorized to be executed, except in cases where the signing and execution thereof shall be expressly delegated by the board of directors or by these Bylaws to some other officer or agent of the Company, or shall be required by law to be otherwise signed and executed; and is general shall perform all duties incident to the office of chief executive officer and such other duties as may be prescribed by the board of directors from time to time. In the absence of the Chairman, or if the directors neglect or fail to elect a Chairman, then the chief executive officer of the Company, if he is a member of the Board of Directors, shall automatically serve as Chairman of the Board of Directors.

(c) President. In the absence of the chief executive officer, or in the event of his death or inability to act or refusal to act, the president shall perform the duties of the chief executive officer and when so acting shall have all of the powers of and be subject to all of the restrictions upon the chief executive officer. In general, he shall perform all duties incident to the office of President and such other duties as may be prescribed by the chief executive officer or the board of directors from time to time.

(d) Vice Chairmen of the Board. Vice chairmen will perform the duties assigned to them by the board of directors, and at the request of the president, will perform as well the duties of the office of the president. Each vice chairman will have power also to execute and deliver in the name and on behalf of the Company, deeds,

mortgages, leases, assignments, bonds, contracts or other instruments authorized by the board of directors.

(e) Executive Vice Presidents. Executive vice presidents will perform the duties assigned to them by the board of directors, and, in the order designated by the president, at the request of the president or in the absence of the president will perform as well the duties of the president's office. Each executive vice president will have power also to execute and deliver in the name and on behalf of the Company, deeds, mortgages, leases, assignments, bonds, contracts, or other instruments authorized by the board of directors.

(f) Vice Presidents. Vice presidents will perform the duties assigned to theca by the board of directors, and at the request of the president, will perform as well the duties of the president's office. Each vice president will have the power also to execute and deliver in the name and on behalf of the Company, deeds, mortgages, leases, assignments, bonds, contracts, and other instruments authorized by the board of directors.

(g) Secretary. The secretary will keep the minutes of all meetings of the board of directors and the minutes of all meetings of all stockholders and will be the custodian of all corporate records and of the seal of the Company. He will see that all notices required to be given to the stockholders and to the board of directors are duly given in accordance with these bylaws or as required by law.

(h) Treasurer. The treasurer will be the principal financial officer of the Company and will have charge of the corporate funds and securities and will keep a record of the property and indebtedness of the Company, He will, if required by the board of directors, give bond for the faithful discharge of his duties in such sum and with such surety or sureties as the board may require.

(i) Other Officers. The board of directors may appoint such other officers, agents, or employees as it may deem necessary for the conduct of the business of the Company. In addition, the board may authorize the president or some other officers to appoint such agents or employees as they deem necessary for the conduct of the business of the Company.

SECTION 3. Resignations. Any officer may resign at any time by giving written notice thereof to the board of directors. Any such resignation will take effect as of its date unless some other date is specified therein, in which event it will be effective as of that date. The acceptance of such resignation will not be necessary to make it effective.

SECTION 4. Vacancies. A vacancy in any office arising at any time from any cause, may be filled by the board of directors or by the officer authorized by the board to fill the vacancy in that office.

ARTICLE VII

Shares of Stock and Their Transfer; Books

SECTION 1. Forms of Certificates. Shares of the capital stock of the Company will be represented by certificates in such form, not inconsistent with law or with the certificate of incorporation of the Company, as will be approved by the board of directors, and will be signed by the president or a vice president and the secretary or an assistant secretary or the treasurer or an assistant treasurer and sealed with the seal of the Company. Such seal may be facsimile, engraved or printed. Where any such certificate is countersigned by a transfer agent or by a registrar, the signature of such president, vice president, secretary, assistant secretary, treasurer or assistant treasurer upon such certificate may be facsimiles, engraved or printed.

SECTION 2. Transfer of Shares. Shares of stock of the Company will be transferred only on the stock books of the Company by the holder of record thereof in person, or by his duly authorized attorney, upon surrender of the certificate therefor.

SECTION 3. Stockholders of Record. Stockholders of record entitled to vote at any meeting of stockholders or entitled to receive payment of any dividend or to any allotment of rights or to exercise the rights in respect of any change or conversion or exchange of capital stock will be determined according to the Company's record of stockholders and, if so determined by the board of directors in the manner provided by statute, will be such stockholders of record (a) at the date fixed for closing the stock transfer books, or (b) as of the date of record.

SECTION 4. Lost, Stolen or Destroyed Certificates. The board of directors may direct the issuance of new or duplicate stock certificates in place of lost, stolen, or destroyed certificates, upon being furnished with evidence satisfactory to it of the loss, theft, or destruction and upon being furnished with indemnity satisfactory to it. The board of directors may delegate to any officer authority to administer the provisions of this Section.

SECTION 5. Closing of Transfer Books. The board of directors will have power to close the stock transfer books of the Company for a period not exceeding sixty (60) days preceding the date of any meeting of stockholders, or the date for the payment of any dividend, or the day for the allotment of rights, or the date when change or conversion or exchange of capital stock will go into effect, or for a period not exceeding sixty (60) days in connection with obtaining the consent of stockholders for any purpose; or the board may, in its discretion, fix a date, not more than sixty (60) days before any stockholders' meeting, or the date for the payment of any dividend, or the date for the allotment of rights, or the date when any change or conversion or exchange of capital stock will go into effect as a record date for the determination of the stockholders entitled to notice of, and to vote at, any such meeting and at any adjournment thereof, or entitled to receive payment of any such dividend, or to any such allotment of rights, or to exercise the rights in respect of any such change, conversion, or exchange of capital stock, or to give such consent, and in such case such stockholders and only such stockholders as will be stockholders of record on the date so fixed will be entitled to notice of and to vote at such meeting and at any adjournment thereof, or to receive payment of such dividend, or to exercise rights, or to give such consent as the case may be, notwithstanding any transfer of any stock on the books of the Company after such record date fixed as aforesaid.

SECTION 6. Regulations. The board of directors may make such rules and regulations as it may deem expedient concerning the issuance, transfer, and registration of certificates of stock. It may appoint one or more transfer agents or registrars, or both, and may require all certificates of stock to bear the signature of either or both.

SECTION 7. Examination of Books by Stockholders. The original or duplicate stock ledger of the Company containing the names and addresses of the stockholders and the number of shares held by them and the other books and records of the Company will, at all times during the usual hours of business, be available for inspection at its principal office, and any stockholder, upon compliance with the conditions set forth in and to the extent authorized by ss. 220 of the General Corporation Laws of Delaware, will have the right to inspect such books and records.

ARTICLE VIII

Execution of Instruments

SECTION 1. Contracts, Etc. The board of directors or any committee thereunto duly authorized may authorize any officer or officers, agent or agents, to enter into any contract or to execute and deliver in the name and on behalf of the Company any contract or other instruments, except certificates representing shares of stock of the Company, and such authority may be general or may be confined to specific instances.

SECTION 2. Checks, Drafts, Etc. All checks, drafts or other orders for the payment of money, notes, acceptances or other evidence of indebtedness issued by or in the name of the Company will be signed by such officer or officers, agent or agents of the Company and in such manner as will be determined from time to time by resolution of the board of directors. Unless otherwise provided by resolution of the board, endorsements for deposits to the credit of the Company in any of its duly authorized depositories may be made by hand-stamped legend in the name of the Company or by written endorsement of any officer with countersignature.

SECTION 3. Loans. No loans will be contracted on behalf of the Company unless authorized by the board of directors, but when so authorized, unless a particular officer or agent is directed to negotiate the same, may be negotiated, up to the amount so authorized, by the chief executive officer, the president, a vice president or the treasurer; and such officers are hereby severally authorized to execute and deliver in the name and on behalf of the Company, notes or other evidences of indebtedness for the amount of such loans and to give security for the payment of any and all loans, advances, and indebtedness by hypothecating, pledging or transferring any part or all of the property of the Company, real or personal, at any time owned by the Company.

SECTION 4. Sale or Transfer of Securities Held by the Company. Stock certificates, bonds, or other securities at any time owned by the Company may be held on behalf of the Company or sold, transferred, or otherwise disposed of pursuant to authorization by the board of directors, or of any committee thereunto duly authorized, and, when so authorized to be sold, transferred, or otherwise disposed of, may be transferred from the name of the Company by the

signature of the president or a vice president and the treasurer or the assistant treasurer or the secretary or the assistant secretary.

ARTICLE IX

Miscellaneous

SECTION 1. Fiscal Year. Until otherwise determined by the board of directors, the fiscal year of the Company will be the calendar year.

SECTION 2. Methods of Notice. Whenever any notice is required to be given in writing to any stockholder or director pursuant to any statute, the certificate of incorporation, or these bylaws, it will not be construed to require personal or actual notice, and such notice will be deemed for all purposes to have been sufficiently given at the time the same is deposited in the United States mail with postage thereon prepaid, addressed to the stockholder or director at such address as appears on the books of the Company. Whenever any notice may be or is required to be given by telegram to any director, it will be deemed for all purposes to have been sufficiently given at the time the same is filed with the telegraph or cable office, properly addressed.

SECTION 3. Waiver of Notice. The giving of any notice of the time, place, or purpose of holding any meeting of stockholders or directors and any requirement as to publication thereof, whether statutory or otherwise, will be waived by the attendance at such meeting by any person entitled to receive such notice and may be waived by such person by an instrument in writing executed and filed with the records of the meeting, either before or after the holding thereof.

EXHIBIT 3.11

RESTATED ARTICLES OF INCORPORATION
OF
LEEVAC MARINE, INC.

Pursuant to the provisions of Article 12:34 of the Louisiana Business Corporation Law, Leevac Marine, Inc., a Louisiana corporation (the "Corporation"), adopts Restated Articles of Incorporation which accurately copy the Articles of Incorporation and all amendments thereto that are in effect at the date of restatement without substantive changes.

FIRST

The Restated Articles of Incorporation were adopted by Unanimous Written Consent of the Board of Directors of the Corporation on February 27, 1998.

SECOND

Each amendment has been effected in conformity with law.

THIRD

The Corporation was incorporated on December 13, 1985.

FOURTH

The Articles of Incorporation and all amendments and supplements thereto are hereby superseded by the following Restated Articles of Incorporation which accurately copy the entire text thereof:

RESTATED
ARTICLES OF INCORPORATION
OF
LEEVAC MARINE, INC.

ARTICLE I

The name of the corporation is LEEVAC Marine, Inc.

ARTICLE II

The purpose for which the corporation is organized is to engage in any lawful activity for which corporations may be formed under the Louisiana Business Corporation Law.

ARTICLE III

The corporation is to have perpetual existence.

ARTICLE IV

The total number of shares of stock which the corporation will have authority to issue is 1,000 shares of common stock, par value $0.10 per share.

ARTICLE V

No shareholder of the corporation or other person, shall have any preemptive right to purchase or subscribe to any shares of any class or any noted, debentures, options, warrants or other securities, now or hereafter authorized.

ARTICLE VI

Directors shall be elected by plurality vote. Elections of directors need not be by written ballot unless the Bylaws of the corporation shall so provide. No shareholder of this corporation shall have the right to cumulate his votes.

ARTICLE VII

The corporation shall indemnify its officers and directors under the circumstances and to the full extent permitted by law.

ARTICLE VIII

The taxpayer identification number of the corporation is 721053262.

LEEVAC MARINE, INC.

By: /s/ TODD M. HORNBECK

Todd M. Hornbeck, President/
Secretary

STATE OF LOUISIANA)
)
PARISH OF ST. MARY)

BE IT KNOWN, that on the 27th day of February, 1998, before me, Charles B. Mayer notary public, duly commissioned, qualified and sworn within and for the State and Parish aforesaid, personally came and appeared TODD M. HORNBECK, President of LEEVAC Marine, Inc., to me known to be the identical person who executed the above foregoing, Restated Articles of Incorporation, who declared and acknowledged to me, a notary in the presence of the undersigned, that he executed the above of his own free will, as his own act and deed, for the uses, purposes, and benefits therein expressed.

/s/ TODD M. HORNBECK

Todd M. Hornbeck, President/Secretary

/s/ CHARLES B. MAYER

Notary Public in and for the
State of Louisiana

WITNESSES:

/s/ PAT MURE

/s/ PATTI R. SIGUR

EXHIBIT 3.12

LEEVAC MARINE, INC.

AMENDED AND RESTATED BY-LAWS

FEBRUARY 17, 1998

ARTICLE I

Offices

SECTION 1. Registered Office. The registered office of Leevac Marine, Inc. (the "Company") in the State of Louisiana is located at 8550 United Plaza Blvd., Baton Rouge, Louisiana.

SECTION 2. Principal Office. The principal office of the Company will be in Mandeville, Louisiana, or at such other place as the board of directors may from time to time determine.

SECTION 3. Other Offices. The Company may also have offices at such other places as the board of directors may from time to time determine or the business of the corporation may require.

ARTICLE II

Meeting of Shareholders

SECTION 1. Place of Meetings. All meetings of shareholders will be held at the principal office of the Company, or at such other place as will be determined by the board of directors and specified in the notice of the meeting.

SECTION 2. Annual Meeting. The annual meeting of shareholders will be held at such date and time as will be designated from time to time by the board of directors and stated in the notice of meeting, at which such meeting the shareholders will elect by written ballot a board of directors and transact such other business as may properly be brought before the meeting.

SECTION 3. Notice of Annual Meeting. Written or printed notice of the annual meeting stating the place, day, and hour thereof, will be served upon or mailed to each shareholder entitled to vote thereat at such address as appears on the books of the Company, not less than ten (10) nor more than sixty (60) days before the date of the meeting.

SECTION 4. Special Meeting. Special meetings of shareholders will be called by the chief executive officer or the board of directors, and will be called by the chief executive officer or secretary at the request in writing of the shareholders owning one-third of the outstanding shares of capital stock of the Company. Such request will state the purpose or purposes of the proposed meeting, and any purpose so stated will be conclusively deemed to be a "proper" purpose.

SECTION 5. Notice of Special Meeting. Written or printed notice of a special meeting stating the place, day, and hour thereof, will be served upon or mailed to each shareholder entitled to vote thereat at such address as appears on the books of the Company, not less than fifteen (15) nor more than sixty (60) days before the date of the meeting.

SECTION 6. Business at Special Meeting. Business transacted at all special meetings of shareholders will be confined to the purpose or purposes stated in the notice.

SECTION 7. Shareholder List. At least ten (10) days before each meeting of shareholders, a complete list of shareholders entitled to vote at each such meeting or in any adjournment thereof, arranged in alphabetical order, with the address of and number of shares held by each, will be prepared by the secretary. Such list will be open to the examination of any shareholder, for any purpose germane to the meeting, during any ordinary business hours for such ten (10) day period either at a place within the city where the meeting is to be held, or, if not so specified, at the place where the meeting is to be held. Such list will also be produced and kept open at the time and place of the meeting and will be subject to the inspection of any shareholder during the whole time of the meeting.

SECTION 8. Quorum. The holders of a majority of the shares of capital stock issued and outstanding and entitled to vote thereat, represented in person or by proxy, will constitute a quorum at all meetings of the shareholders for the transaction of business. The shareholders present may adjourn the meeting despite the absence of a quorum. When a meeting is adjourned for less than thirty days in any one adjournment, it will not be necessary to give any notice of the adjourned meeting if the time and place to which the meeting is adjourned are announced at the meeting at which the adjournment is taken, and at the adjourned meeting any business may be transacted which might have been transacted on the original date of the meeting. When a meeting is adjourned for thirty (30) days or more, notices of the adjourned meeting will be given as in the case of an original meeting.

SECTION 9. Proxies. At any meetings of the shareholders, every shareholder having the right to vote will be entitled to vote in person or by proxy appointed by an instrument in writing subscribed by such shareholder or by his duly authorized attorney-in-fact and bearing a date not more than eleven months prior to said meeting.

SECTION 10. Voting. Unless otherwise provided by statute, each shareholder having the right to vote will be entitled to vote for each share of stock having voting power registered in his name on the books of the Company. Cumulative voting for directors is prohibited.

SECTION 11. Comment of Shareholders in Lieu of Meeting. Any action which may be taken at a special or annual meeting of the shareholders may be taken without a meeting, without prior notice, and without a vote, if a consent in writing, setting forth the action so taken, will be signed by all of the holders of outstanding stock having not less than the minimum number of votes which would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were presented and voted. Prompt notice of the taking of the

corporate action without a meeting by less than unanimous written consent will be given to those shareholders who have not consented in writing.

ARTICLE III

Board of Directors

SECTION 1. Number of Directors. The number of directors comprising the full board of directors will be not less than one (1) nor more than five (5), but the number of directors may be increased from time to time by action of the shareholders or the board of directors, or, whenever the number of directors comprising the full board exceeds one, decreased (provided such decrease does not shorten the term of any incumbent director), from time to time by amendment to these bylaws.

SECTION 2. Election and Term. Except as provided in Section 3 of this Article, directors will be elected at the annual meeting of the shareholders, and each director will be elected to serve until the next annual meeting or until his successor will have been elected and will qualify. Directors need not be shareholders.

SECTION 3. Vacancies and Newly Created Directorships. Vacancies and newly created directorships resulting from any increase in the authorized number of directorships resulting from any increase in the authorized number of directors may be filled by a majority of the directors, although less than a quorum, except where the vacancies have been created by removal of directors by the owners of a majority of the outstanding shares of capital stock. In the event of such removal, the resulting vacancies will be filled by the owners of the majority of the outstanding shares of capital stock.

SECTION 4. Resignation; Removal. Any director may resign at any time by giving written notice thereof to the board of directors. Any such resignation will take effect as of its date unless some other date is specified therein, in which event it will be effective as of that date. The acceptance of such resignation will not be necessary to make it effective. The board of directors may, by majority vote of the directors then in office, remove a director for cause. The owners of a majority of the outstanding shares of capital stock may remove any director or the entire board of directors, with or without cause, either by a vote at a special meeting or annual meeting, or by written consent.

ARTICLE IV

Meetings of the Board

SECTION 1. First Meeting. Upon the adjournment of the annual meeting of shareholders, the board of directors will meet as soon as practicable to appoint the members of such committees of the board of directors as the board may deem necessary or advisable, to appoint officers for the ensuing year, and to transact such other business as may properly come

before the meeting. No notice of such meeting will be necessary to the newly elected directors in order legally to constitute the meeting provided a quorum will be present.

SECTION 2. Meetings. Meetings of the board of directors will be held whenever called by the chief executive officer or by any director. Notice of each meeting will be given at least one (1) day prior to the date of the meeting either personally, or by telephone or telegraph to each director, and will state the purpose, place, day and hour of the meeting.

SECTION 3. Quorum and Voting. At all meetings of the board of directors (except in the case of a meeting convened for the purpose specified in Article III, Section 3 of these bylaws) a majority of the directors will be necessary and sufficient to constitute a quorum for the transaction of business and the act of a majority of the directors present at any meeting at which there is a quorum will be the act of the board of directors. If a quorum will not be present at any such meeting of directors, the directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum will be present.

SECTION 4. Telephone Meetings. At any meeting of the board of directors, a member may attend by telephone, radio, television, or similar means of communication which permits him to participate in the meeting, and a director so attending will be deemed present at the meeting for all purposes including the determination of whether a quorum is present.

SECTION 5. Action by Written Consent. Any action required or permitted to be taken by the board of directors may be taken without a meeting if a consent in writing, setting forth the action so taken, is signed by all the members of the board.

SECTION 6. Attendance Fees. Directors will not receive any stated salary, as such, for their services, but by resolution of the board of directors a fixed sum and expenses of attendance may be allowed for attendance at each regular or special meeting of the board; however, this provision will not preclude any director from serving the Company in any other capacity and receiving compensation therefor.

ARTICLE V

Committees

SECTION 1. Executive Committee. The board of directors by resolution may designate one or more directors to constitute an Executive Committee, which committee, to the extent provided in such resolution, will have and may exercise all of the powers and authority of the board of directors in the management of the business and affairs of the Company, except where action of the board of directors is required by statute.

SECTION 2. Other Committees. The board of directors may by resolution create other committees for such terms and with such powers and duties as the board will deem appropriate.

SECTION 3. Organization of Committees. The chairman of each committee of the board of directors will be chosen by the members thereof. Each committee will elect a secretary. who will be either a member of the committee or the secretary of the Company. The chairman of each committee will preside at all meetings of such committee.

SECTION 4. Meetings. Regular meetings of each committee may be held without the giving of notice if a day of the week, a time, and a place will have been established by the committee for such meetings. Special meetings (and, if the requirements of the preceding sentence have not been met, regular meetings) will be called as provided in Article IV, Section 3 with respect to notices of special meetings of the board of directors.

SECTION 5. Quorum and Manner of Acting. A majority of the members of each committee will be present either in person or by telephone, radio, television, or similar means of communication, at each meeting of such committee in order constitute a quorum for the transaction of business. The act of a majority of the members so present at a meeting at which a quorum is present will be the act of such committee. The members of each committee will act only as a committee, and will have no power or authority, as such, by virtue of their membership on the committee.

SECTION 6. Action by Written Consent. Any action required or permitted to be taken by any committee may be taken without a meeting if a consent in writing, setting forth the action so taken, is signed by all the members of the committee.

SECTION 7. Record of Committee Action; Reports. Each committee will maintain a record, which need not be in the form of complete minutes, of the action taken by it at each meeting, which record will include the date, time, and place of the meeting, the names of the members present and absent, the action considered, and the number of votes cast for and against the adoption of the action considered. All action by each committee will be reported to the board of directors at its meeting next succeeding such action, such report to be in sufficient detail as to enable the board to be informed of the conduct of the Company's business and affairs since the last meeting of the board.

SECTION 8. Removal. Any member of any committee may be removed from such committee, either with or without cause, at any time, by resolution adopted by a majority of the whole board of directors at any meeting of the board.

SECTION 9. Vacancies. Any vacancy in any committee will be filled by the board of directors in the manner prescribed by these bylaws for the original appointment of the members of such committee.

ARTICLE VI

Officers

SECTION 1. (a) Appointment and Term of Office. The officers of the Company will consist of a chief executive officer, president, a secretary, and a treasurer, and there may be one or more vice presidents, one or more assistant secretaries, one or more assistant treasurers, and such other officers as may be appointed by the board. One of the directors may also be chosen chairman of the board. Each of such officers (except as may be appointed pursuant to Section 2(h) of this Article), will be chosen annually by the board of directors at its regular meeting immediately following the annual meeting of shareholders and, subject to any earlier resignation or removal, will hold office until the next annual meeting of shareholders or until his successor is elected and qualified. Two or more offices, other than the offices of president and secretary, may be held by the same person.

(b) Removal. Any officer or agent elected or appointed by the board of directors may be removed by the board of directors whenever in its judgment the best interests of the corporation will be served thereby, but such removal will be without prejudice to the contact rights, if any, of the person so removed. Election as appointment of an officer or agent will not of itself create contract rights.

(c) Vacancies. A vacancy in the office of any officer may be filled by vote of a majority of the directors for the unexpired portion of the term.

(d) Salaries. The salaries of all officers of the Company will be fixed by the board of directors except as otherwise directed by the board.

SECTION 2. Power and Duties. The powers and duties of the officers will be those usually pertaining to their respective officers, subject to the general direction and supervision of the board of directors. Such powers and duties will include the following:

(a) Chairman of the Board. The chairman of the board, if there be one, will preside at all meetings of the board of directors and will perform such other duties as will be assigned to him from time to time by the board.

(b) Chief Executive Officer. The chief executive officer shall be subject to the control of the board of directors, and shall in general supervise and control all business and affairs of the Corporation. The chief executive officer may sign, with the secretary or any other proper officer of the Company thereunto authorized by the board of directors, certificates for shares of the Company, deeds, mortgages, bonds, contracts, and other obligations in the name of the Company, which the board of directors has authorized to be executed, except in cases where the signing and execution thereof shall be expressly delegated by the board of directors or by these Bylaws to some other officer or agent of the Company, or shall be required by law to be otherwise signed and executed; and

in general shall perform all duties incident to the office of chief executive officer and such other duties as may be prescribed by the board of directors from time to time. In the absence of the Chairman, or if the directors neglect or fail to elect a Chairman, then the chief executive officer of the Company, if he is a member of the Board of Directors, shall automatically serve as Chairman of the Board of Directors.

(c) President. In the absence of the chief executive officer, or in the event of his death or inability to act or refusal to act, the president shall perform the duties of the chief executive officer and when so acting shall have all of the powers of and be subject to all of the restrictions upon the chief executive officer. In general, he shall perform all duties incident to the office of President and such other duties as may be prescribed by the chief executive or the board of directors from time to time.

(d) Vice Chairmen of the Board. Vice chairmen will perform the duties assigned to them by the board of directors, and at the request of the president, will perform as well the duties of the office of the president. Each vice chairman will have power also to execute and deliver in the name and on behalf of the Company, deeds, mortgages, leases, assignments, bonds, contracts or other instruments authorized by the board of directors.

(e) Executive Vice Presidents. Executive vice presidents will perform the duties assigned to them by the board of directors, and, in the order designated by the president, at the request of the president or in the absence of the president will perform as well the duties of the president's office. Each executive vice president will have power also to execute and deliver in the name and on behalf of the Company, deeds, mortgages, leases, assignments, bonds, contracts, or other instruments authorized by the board of directors.

(f) Vice Presidents. Vice presidents will perform the duties assigned to them by the board of directors, and at the request of the president, will perform as well the duties of the president's office. Each vice president will have the power also to execute and deliver in the name and on behalf of the Company, deeds, mortgages, leases, assignments, bonds, contracts, and other instruments authorized by the board of directors.

(g) Secretary. The secretary will keep the minutes of all meetings of the board of directors and the minutes of all meetings of the stockholders and will be the custodian of all corporate records and of the seal of the Company. He will see that all notices required to be given to the stockholders and to the board of directors are duly given in accordance with these bylaws or as required by law.

(h) Treasurer. The treasurer will be the principal financial officer of the Company and will have charge of the corporate funds and securities and will keep

a record of the property and indebtedness of the Company. He will, if required by the board of directors, give bond for the faithful discharge of his duties in such sum and with such surety or sureties as the board may require.

(i) Other Officers. The board of directors may appoint such other officers, agents, or employees as it may deem necessary for the conduct of the business of the Company. In addition, the board may authorize the president or some other officers to appoint such agents or employees as they deem necessary for the conduct of the business of the Company.

SECTION 3. Resignations. Any officer may at any time by giving written notice thereof to the board of directors. Any such resignation will take effect as of its date unless some other date is specified therein, in which event it will be effective as of that date. The acceptance of such resignation will not be necessary to make it effective.

SECTION 4. Vacancies. A vacancy in any office arising at any time from any cause, may be filled by the board of directors or by the officer authorized by the board to fill the vacancy in that office.

ARTICLE VII

Shares of Stock and Their Transfer; Books

SECTION 1. Forms of Certificates. Shares of the capital stock of the Company will be represented by certificates in such form, not inconsistent with law or with the certificate of incorporation of the Company, as will be approved by the board of directors, and will be signed by the president or a vice president and the secretary or an assistant secretary or the treasurer or an assistant treasurer and sealed with the seal of the Company. Such seal may be facsimile, engraved or printed. Where any such certificate is countersigned by a transfer agent or by a registrar, the signature of such president, vice president, secretary, assistant secretary, treasurer or assistant treasurer upon such certificate may be facsimiles, engraved or printed.

SECTION 2. Transfer of Shares. Shares of stock of the Company will be transferred only on the stock books of the Company by the holder of record thereof in person, or by his duly authorized attorney, upon surrender of the certificate therefor.

SECTION 3. Shareholders of Record. Shareholders of record entitled to vote at any meeting of shareholders or entitled to receive payment of any dividend or to all allotment of rights or to exercise the rights in respect of any change or conversion or exchange of capital stock will be determined according to the Company's record of shareholders and, if so determined by the board of directors in the manner provided by statute, will be such shareholders of record (a) at the date fixed for closing the stock transfer books, or (b) as of the date of record.

SECTION 4. Lost, Stolen or Destroyed Certificates. The board of directors may direct the issuance of new or duplicate stock certificates in place of lost, stolen, or destroyed certificates, upon being furnished with evidence satisfactory to it of the loss, theft, or destruction and upon being furnished with indemnity satisfactory to it. The board of directors may delegate to any officer authority to administer the provisions of this Section.

SECTION 5. Closing of Transfer Books. The board of directors will have power to close the stock transfer books of the Company for a period not exceeding sixty (60) days preceding the date of any meeting of shareholders, or the date for the payment of any dividend, or the day for the allotment of rights, or the date when change or conversion or exchange of capital stock will go into effect, or for a period not exceeding sixty (60) days in connection with obtaining the consent of shareholders for any purpose; or the board may, in its discretion, fix a date, not more than sixty (60) days before any shareholders' meeting, or the date for the payment of any dividend, or the date for the allotment of rights, or the date when any change or conversion or exchange of capital stock will go into effect as a record date for the determination of the shareholders entitled to notice of, and to vote at, any such meeting and at any adjournment thereof, or entitled to receive payment of any such dividend, or to any such allotment of rights, or to exercise the rights in respect of any such change, conversion, or exchange of capital stock, or to give such consent, and in such case such shareholders and only such shareholders as will be shareholders of record on the date so fixed will be entitled to notice of and to vote at such meeting and at any adjournment thereof, or to receive payment of such dividend, or to exercise rights, or to give such consent as the case may be, notwithstanding any transfer of any stock on the books of the Company after such record date fixed as aforesaid.

SECTION 6. Regulations. The board of directors may make such rules and regulations as it may deem expedient concerning the issuance, transfer, and registration of certificates of stock. It may appoint one or more transfer agents or registrars, or both, and may require all certificates of stock to bear the signature of either or both.

SECTION 7. Examination of Books by Shareholders. The original or duplicate stock ledger of the Company containing the names and addresses of the shareholders and the number of shares held by them and the other books and records of the Company will, at all times during the usual hours of business, be available for inspection at its principal office, and any shareholder, upon compliance with the conditions set forth in and to the extent authorized by Section 220 of the General Corporation Laws of Delaware, will have the right to inspect such books and records.

ARTICLE VIII

Execution of Instruments

SECTION 1. Contracts, Etc. The board of directors or any committee thereunto duly authorized may authorize any officer or officers, agent or agents, to enter into any contract or to execute and deliver in the name and on behalf of the Company any contract or other

instruments, except certificates representing shares of stock of the Company, and such authority may be general or may be confined to specific instances.

SECTION 2. Checks, Drafts, Etc. All checks, drafts or other orders for the payment of money, notes acceptances or other evidence of indebtedness issued by or in the name of the Company will be signed by such officer or officers, agent or agents of the Company and in such manner as will be determined from time to time by resolution of the board of directors. Unless otherwise provided by resolution of the board, endorsements for deposits to the credit of the Company in any of its duly authorized depositories may be made by hand-stamped legend in the name of the Company or by written endorsement of any officer with countersignature.

SECTION 3. Loans. No loans will be contracted on behalf of the Company unless authorized by the board of directors, but when so authorized, unless a particular officer or agent is directed to negotiate the same, may be negotiated, up to the amount so authorized, by the chief executive officer, the president, or a vice president or the treasurer; and such officers are hereby severally authorized to execute and deliver in the name and on behalf of the Company, notes or other evidences of indebtedness for the amount of such loans and to give security for the payment of any and all loans, advances, and indebtedness by hypothecating, pledging or transferring any part or all of the property of the Company, real or personal, at any time owned by the Company.

SECTION 4. Sale or Transfer of Securities Held by the Company. Stock certificates, bonds, or other securities at any time owned by the Company may be held on behalf of the Company or sold, transferred, or otherwise disposed of pursuant to authorization by the board of directors, or of any committee thereunto duly authorized, and, when so authorized to be sold, transferred, or otherwise disposed of, may be transferred from the name of the Company by the signature of the president or a vice president and the treasurer or the assistant treasurer or the secretary or the assistant secretary.

ARTICLE IX

Miscellaneous

SECTION 1. Fiscal Year. Until otherwise determined by the board of directors, the fiscal year of the Company will be the calendar year.

SECTION 2. Methods of Notice. Whenever any notice is required to be given in writing to any shareholder or director pursuant to any statute, the certificate of incorporation, or these bylaws, it will not be construed to require personal or actual notice, and such notice will be deemed for all purposes to have been sufficiently given at the time the same is deposited in the United States mail with postage thereon prepaid, addressed to the shareholder or director at such address as appears on the books of the Company. Whenever any notice may be or is required to be given by telegram to any director, it will be deemed for all purposes to have been

sufficiently given at the time the same is filed with the telegraph or cable office, properly addressed.

SECTION 3. Waiver of Notice. The giving of any notice of the time, place, or purpose of holding any meeting of shareholders or directors and any requirement as to publication thereof, whether statutory or otherwise, will be waived by the attendance at such meeting by any person entitled to receive such notice and may be waived by such person by an instrument in writing executed and filed with the records of the meeting, either before or after the holding thereof.

EXHIBIT 3.13

ARTICLES OF INCORPORATION

OF

Energy Services Puerto Rico, Inc.

I.

The name of the corporation is Energy Services Puerto Rico, Inc.

II.

The purpose of the corporation is to engage in any lawful activity for which corporations may be formed under the Business Corporation Law.

III.

The corporation has authority to issue an aggregate of 1000 shares of capital stock, all of which are designated common stock having $0.10 par value per share.

IV.

Shareholders shall have pre-emptive rights.

V.

In the election of directors, each shareholder of record shall have the right to multiply the number of votes to which he is entitled by the number of directors to be elected, and to cast all such votes for one candidate, or distribute them among any two or more candidates.

VI.

If shareholder action or approval is required by law in connection with the amendment of these articles or any merger, consolidation, transfer of corporate assets or dissolution of

or involving the corporation, such action or approval shall be taken or given only upon the affirmative vote of not less than 51% of the number of shares entitled to vote on the particular question.

VII.

Whenever the affirmative vote of the shareholders is required to authorize or constitute corporate action, the consent in writing to such action signed only by shareholders holding the necessary proportion of the total voting power on the question which is required by law or by these Articles of Incorporation, whichever requirement is higher, shall be sufficient for the purpose, without the necessity for a meeting of shareholders.

VIII.

Section 1. Number of Directors. The number of directors of the corporation shall be such number, not less than two nor greater than five, as shall be designated in the by-laws, or if not so designated, as shall be elected from time to time by the shareholders.

Section 2. Director's Proxies. Any director absent from a meeting of the Board of Directors or any committee thereof may be represented by any other director or shareholder, who may cast the vote of the absent director according to the written instructions, general or special, of the absent director.

IX.

Cash, property or share dividends, shares issuable to shareholders in connection with a reclassification of stock and the redemption price of redeemed shares, which are not claimed

by the shareholders entitled thereto within one year after the dividend or redemption price became payable or the shares became issuable, despite reasonable efforts by the corporation to pay the dividend, or redemption price or to deliver the certificates for the shares to such shareholders within such time, shall, at the expiration of such time, revert in full ownership to the corporation and the corporation's obligation to pay such dividend or redemption price or issue such shares, as the case may be, shall thereupon cease; provided that the board of directors may, at any time, for any reason satisfactory to it, but need not, authorize (a) payment of the amount of any cash or property dividend or redemption price or (b) issuance of any shares, ownership of which reverted to the corporation pursuant to this Article IX to the entity who or which would be entitled thereto had such reversion not occurred.

X.

The name and post office address of the incorporator is:

Charles B. Mayer
Energy Centre
1100 Poydras Street
Suite 2000
New Orleans, LA 70163

/s/ CHARLES B. MAYER

CHARLES B. MAYER
Incorporator

ACKNOWLEDGMENT

STATE OF LOUISIANA

PARISH OF ORLEANS

BEFORE ME, the undersigned authority, personally came and appeared Charles B. Mayer, to me known to be the person who signed the foregoing instrument as Incorporator, and who being duly sworn, did acknowledge and declare, in the presence of two witnesses whose names are subscribed to said instrument, that he signed said instrument as his free act and deed for the purposes mentioned therein.

IN WITNESS WHEREOF, the said appearer and witnesses and I have hereunto affixed our hands on this February 9, 1999, at New Orleans, Louisiana.

WITNESSES:

/s/ GINA BOUGEOIS

/s/ SHERRI LESSLIE

/s/ CHARLES B. MAYER

CHARLES B. MAYER

/s/ [ILLEGIBLE]

NOTARY PUBLIC

EXHIBIT 4.1

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HORNBECK-LEEVAC MARINE SERVICES, INC.

AND

THE GUARANTORS PARTY HERETO

SERIES A AND SERIES B

10 5/8% SENIOR NOTES DUE 2008

INDENTURE

DATED AS OF JULY 24, 2001

WELLS FARGO BANK MINNESOTA, NATIONAL ASSOCIATION

TRUSTEE

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CROSS-REFERENCE TABLE*

Trust Indenture Act Section	Indenture Section
310(a)(1)	7.10
(a)(2)	7.10 (a)
(3)	N/A
(a)(4)	N/A (a)
(5)	7.10
(b)	7.10
(c)	N/A
311(a)	7.11
(b)	7.11
(c)	N/A
312(a)	2.05
(b)	11.03
(c)	11.03
313(a)	7.06 (b)
(1)	7.06
(b)(2)	7.06, 7.07
(c)	7.06, 11.02
(d)	7.06
314(a)	4.03, 4.04, 11.02
(b)	N/A (c)
(1)	11.04 (c)
(2)	11.04 (c)
(3)	N/A
(d)	N/A
(e)	11.05
(f)	N/A
315(a)	7.01
(b)	7.05, 11.02 (c)
	7.01
(d)	7.01
(e)	6.11 316(a)(last sentence)
	2.09 (a)
(1)(A)	6.05
(a)(1)(B)	6.04 (a)
(2)	N/A
(b)	6.07
(c)	2.12 317(a)
(1)	6.08
(a)(2)	6.09
(b)	2.04
318(a)	11.01
(b)	N/A
(c)	11.01

N/A means not applicable.

*This Cross-Reference Table is not part of the Indenture.

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EXHIBITS AND ANNEXES

This Indenture, dated as of July 24, 2001, is among HORNBECK-LEEVAC Marine Services, Inc. , a Delaware corporation (the "Company"), the Guarantors (as hereinafter defined) party hereto and Wells Fargo Bank Minnesota, National Association, a national banking association, as trustee (the "Trustee").

RECITAL:

The Company, the Guarantors and the Trustee agree as follows for the benefit of each other and for the equal and ratable benefit of the Holders of the 10 5/8% Series A Senior Notes due 2008 (the "Series A Notes") and the 10 5/8% Series B Senior Notes due 2008 (the "Series B Notes" and, together with the Series A Notes, the "Notes"), without preference of one series of Notes over the other:

ARTICLE 1

DEFINITIONS AND INCORPORATION
BY REFERENCE

SECTION 1.01. DEFINITIONS.

"144A Global Note" means a permanent global senior note that contains the clause referred to in footnote 1, the paragraphs referred to in footnotes 2 and 3 and the additional schedule referred to in footnote 4 to the form of the Note attached hereto as Exhibit A-1, and that is deposited with the Note Custodian and registered in the name of the Depository or its nominee, representing Notes originally issued or transferred in reliance on Rule 144A.

"Acquired Indebtedness" means Indebtedness of a Person (a) existing at the time such Person becomes a Restricted Subsidiary or (b) assumed in connection with acquisitions of properties or assets from such Person. Acquired Indebtedness shall be deemed to be incurred on the date the acquired Person becomes a Restricted Subsidiary or the date of the related acquisition of properties or assets from such Person.

"Affiliate" of any specified Person means an "affiliate" of such Person, as such term is defined for purposes of Rule 144 under the Securities Act.

"Agent" means any Registrar or Paying Agent.

"Applicable Premium" means, with respect to any Note on any redemption date, the greater of:

(a) 1.0% of the principal amount of the Note and

(b) the excess of (1) the present value at such redemption date of (A) the redemption price of the Note at August 1, 2005 (such redemption price being set forth in the table appearing in Section 3.07(b) of this Indenture) plus (B) all required interest payments due on the Note during the period from such redemption date through August 1, 2005 (excluding accrued but unpaid interest),

computed using a discount rate equal to the Treasury Rate as of such redemption date plus 50 basis points over (2) the principal amount of the Note, if greater.

"Applicable Procedures" means, with respect to any transfer or exchange of beneficial interests in a Global Note, the rules and procedures of the Depository, Euroclear or Clearstream that apply to such transfer or exchange.

"Asset Sale" means (a) the sale, lease, conveyance or other disposition (a "disposition") of any properties, assets or rights (including, without limitation, by way of a sale and leaseback), excluding dispositions in the ordinary course of business (provided that the disposition of all or substantially all of the properties or assets of the Company and its Restricted Subsidiaries taken as a whole will be subject to Sections 4.15 and 5.01 of this Indenture and not to the provisions of Section 4.10 hereof), (b) the issue or sale by the Company or any of its Restricted Subsidiaries of Equity Interests of any of the Company's Subsidiaries, and (c) any Event of Loss, whether in the case of clause (a), (b) or (c), in a single transaction or a series of related transactions, provided that such transaction or series of related transactions (i) involves properties, assets or rights having a fair market value in excess of $1,000,000 or (ii) results in the payment of net proceeds (including insurance proceeds from an Event of Loss) in excess of $1,000,000. Notwithstanding the foregoing provisions of this definition, the following transactions will be deemed not to be Asset Sales: (A) a disposition of obsolete or excess equipment or other properties or assets; (B) a disposition of properties or assets (including Equity Interests) by the Company to a Wholly Owned Restricted Subsidiary or by a Restricted Subsidiary to the Company or to a Wholly Owned Restricted Subsidiary; (C) a disposition of cash or Cash Equivalents; (D) disposition of properties or assets (including Equity Interests) that constitutes a Permitted Investment or a Restricted Payment that is permitted by Section 4.07 of this Indenture; (E) any charter or lease of any equipment or other properties or assets entered into in the ordinary course of business and with respect to which the Company or any Restricted Subsidiary thereof is the lessor, except any such charter or lease that provides for the acquisition of such properties or assets by the lessee during or at the end of the term thereof for an amount that is less than the fair market value thereof at the time the right to acquire such properties or assets occurs; and (F) any trade or exchange by the Company or any Restricted Subsidiary of the Company of equipment or other properties or assets for equipment or other properties or assets owned or held by another Person, provided that the fair market value of the properties or assets traded or exchanged by the Company or such Restricted Subsidiary (together with any cash or Cash Equivalents) is reasonably equivalent to the fair market value of the properties or assets (together with any cash or Cash Equivalents) to be received by the Company or such Restricted Subsidiary. The fair market value of any non-cash proceeds of a disposition of properties or assets and of any properties or assets referred to in the foregoing clause (E) of this definition shall be determined in the manner contemplated in the definition of the term "fair market value," the results of which determination shall be set forth in an Officers' Certificate delivered to the Trustee.

"Attributable Indebtedness" in respect of a sale-and-leaseback transaction means, at the time of determination, the present value (discounted at the rate of interest implicit in such transaction, determined in accordance with GAAP) of the obligation of the lessee for net rental payments during the remaining term of the lease included in such sale-and-lease-back transaction (including any period for which such lease has been extended or may, at the option of the lessor, be extended). As used in the preceding sentence, the "net rental payments" under any lease for any such period shall

mean the sum of rental and other payments required to be paid with respect to such period by the lessee thereunder, excluding any amounts required to be paid by such lessee on account of maintenance and repairs, insurance, taxes, assessments, water rates or similar charges. In the case of any lease that is terminable by the lessee upon payment of penalty, such net rental payment shall also include the amount of such penalty, but no rent shall be considered as required to be paid under such lease subsequent to the first date upon which it may be so terminated.

"Bankruptcy Law" means Title 11, United States Code, or any similar federal or state law for the relief of debtors.

"Board of Directors" means the Board of Directors of the Company, or any authorized committee of the Board of Directors.

"Board Resolution" means a copy of a resolution delivered to the Trustee and certified by the Secretary or an Assistant Secretary of the Company to have been duly adopted by the Board of Directors and to be in full force and effect on the date of such certification.

"Business Day" means any day other than a Legal Holiday.

"Capital Lease Obligation" means, at the time any determination thereof is to be made, the amount of the liability in respect of a capital lease that would at such time be required to be capitalized on a balance sheet in accordance with GAAP.

"Capital Stock" means (a) in the case of a corporation, corporate stock, (b) in the case of an association or business entity, any and all shares, interests, participations, rights or other equivalents (however designated) of corporate stock, (c) in the case of a partnership or limited liability company, partnership or membership interests (whether general or limited) and (d) any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of assets of, the issuing Person.

"Cash Equivalents" means (a) securities issued or directly and fully guaranteed or insured by the government of the United States of America or any agency or instrumentality of any such government (provided that the full faith and credit of such government is pledged in support thereof), in each case having maturities of not more than six months from the date of acquisition, (b) certificates of deposit and Eurodollar time deposits with maturities of six months or less from the date of acquisition, bankers' acceptances with maturities not exceeding six months and overnight bank deposits, in each case with or issued by any commercial bank organized under the laws of any country that is a member of the Organization for Economic Cooperation and Development having capital and surplus in excess of $500,000,000 and whose long-term debt securities are rated at least A3 by Moody's and at least A- by S&P, (c) repurchase obligations with a term of not more than seven days for underlying securities of the types described in clauses (a) and (b) above entered into with any financial institution meeting the qualifications specified in clause (b) above, (d) commercial paper having a rating of at least P-1 from Moody's or at least A-1 from S&P and in each case maturing within 270 days after the date of acquisition, (e) deposits available for withdrawal on demand with any commercial bank not meeting the qualifications specified in clause (b) above, provided that all deposits referred to in this clause (e) are made in the ordinary course of business

and do not exceed $2,000,000 in the aggregate at any one time, and (f) money market mutual funds substantially all of the assets of which are of the type described in any of the foregoing clauses (a) through (d).

"Change of Control" means the occurrence of any of the following: (a) the sale, lease, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the properties or assets of the Company and its Subsidiaries, taken as a whole, (b) the adoption of a voluntary plan relating to the liquidation or dissolution of the Company, (c) the consummation of any transaction (including, without limitation, any merger or consolidation, but excluding the effect of any voting arrangement pursuant to any agreement among the Company and any stockholders of the Company as in effect on the Issue Date) the result of which is that any "person" (as such term is used in Section 13(d)(3) of the Exchange Act) becomes the "beneficial owner" (as such term is defined in Rule 13d-3 and Rule 13d-5 under the Exchange Act), directly or indirectly through one or more intermediaries, of more than 50% of the voting power of the outstanding Voting Stock of the Company or (d) the first day on which more than a majority of the members of the Board of Directors are not Continuing Directors; provided, however, that a transaction in which the Company becomes a Subsidiary of another Person (other than a Person that is an individual) shall not constitute a Change of Control if (i) the shareholders of the Company immediately prior to such transaction "beneficially own" (as such term is defined in Rule 13d-3 and Rule 13d-5 under the Exchange Act), directly or indirectly through one or more intermediaries, at least a majority of the voting power of the outstanding Voting Stock of such other Person immediately following the consummation of such transaction and (ii) immediately following the consummation of such transaction, no "person" (as such term is defined above), other than such other Person (but including the holders of the Equity Interests of such other Person), "beneficially owns" (as such term is defined above), directly or indirectly through one or more intermediaries, more than 50% of the voting power of the outstanding Voting Stock of the Company. For purposes of this definition, a time charter of Vessels to customers in the ordinary course of business shall not be deemed a lease under clause (a) above.

"Clearstream" means Clearstream Banking, societe anonyme.

"Common Stock" means the common stock of the Company, par value $.01 per share.

"Company" means the party named as such in the first paragraph of this Indenture until a successor replaces it in accordance with the applicable provisions of this Indenture and thereafter means such successor.

"Consolidated Cash Flow" means, with respect to any Person for any period, the Consolidated Net Income of such Person for such period plus, to the extent deducted or excluded in calculating Consolidated Net Income for such period, (a) an amount equal to any extraordinary loss plus any net loss realized by such Person or any of its Restricted Subsidiaries in connection with an Asset Sale, (b) provision for taxes based on income or profits of such Person and its Restricted Subsidiaries, (c) Consolidated Interest Expense of such Person and its Restricted Subsidiaries, and (d) depreciation and amortization (including amortization of goodwill and other intangibles but excluding amortization of prepaid cash expenses that were paid in a prior period) of such Person and

its Restricted Subsidiaries, in each case, on a consolidated basis and determined in accordance with GAAP.

"Consolidated Interest Coverage Ratio" means, with respect to any Person for any period, the ratio of the Consolidated Cash Flow of such Person for such period to the Consolidated Interest Expense of such Person for such period; provided, however, that the Consolidated Interest Coverage Ratio shall be calculated giving pro forma effect to each of the following transactions as if each such transaction had occurred at the beginning of the applicable four-quarter reference period: (a) any incurrence, assumption, guarantee, repayment, purchase or redemption by such Person or any of its Restricted Subsidiaries of any Indebtedness (other than revolving credit borrowings) subsequent to the commencement of the period for which the Consolidated Interest Coverage Ratio is being calculated but prior to the date on which the event occurred for which the calculation of the Consolidated Interest Coverage Ratio is made (the "Calculation Date"); (b) any acquisition that has been made by such Person or any of its Restricted Subsidiaries, or approved and expected to be consummated within 30 days of the Calculation Date, including, in each case, through a merger or consolidation, and including any related financing transactions, during the four-quarter reference period or subsequent to such reference period and on or prior to the Calculation Date (in which case Consolidated Cash Flow for such reference period shall be calculated without giving effect to clause (c) of the proviso to the definition of Consolidated Net Income); (c) any delivery to such Person or any of its Restricted Subsidiaries of any newly constructed offshore supply vessel (or vessels) after March 31, 2001, that is (or are) subject to a Qualified Services Contract and (d) any other transaction that may be given pro forma effect in accordance with Article 11 of Regulation S-X under the Securities Act as in effect from time to time; provided, further, however, that (i) the Consolidated Cash Flow attributable to discontinued operations, as determined in accordance with GAAP, and operations or businesses disposed of prior to the Calculation Date, shall be excluded and (ii) the Consolidated Interest Expense attributable to discontinued operations, as determined in accordance with GAAP, and operations or businesses disposed of prior to the Calculation Date, shall be excluded, but only to the extent that the obligations giving rise to such Consolidated Interest Expense will not be obligations of the referent Person or any of its Restricted Subsidiaries following the Calculation Date. For purposes of clause (c) of this definition, the amount of Consolidated Cash Flow attributable to such vessel (or vessels) shall be calculated in good faith by a responsible financial or accounting officer of such Person and shall include in the calculation of the Consolidated Interest Coverage Ratio the revenues to be earned pursuant to the Qualified Services Contract relating to such vessel (or vessels) and the estimated expenses related thereto. Such estimated expenses shall be based on the expenses of the most nearly comparable offshore supply vessel in such Person's fleet or, if no such comparable vessel exists, then on the industry average for expenses of comparable offshore supply vessels; provided, however, in determining the estimated expenses attributable to such new vessel (or vessels), the calculation shall give effect to the interest expense attributable to the incurrence, assumption or guarantee of any Indebtedness relating to the construction of such new vessel (or vessels) in accordance with clause (a) of this definition. Notwithstanding the foregoing, in any calculation of Consolidated Interest Coverage Ratio based on the foregoing clause (c): (i) the pro forma inclusion of Consolidated Cash Flow attributable to such Qualified Services Contract for the four-quarter reference period shall be reduced by (a) the actual Consolidated Cash Flow from such Qualified Services Contract previously earned and accounted for in the actual results for the four-quarter reference period and (b) any Consolidated Cash Flow resulting from spot market activities prior to commencement of the Qualified Services Contract, and

(ii) if the contracted dayrate for such new vessel (or vessels) is subject to reduction at any time prior to one year from the commencement of service under such contract then the period for which such pro forma effect shall be given to revenues and related expenses, if any, attributable to such new vessel (or vessels) shall include only that number of days that is equal to the number of days from the commencement of services under such contract to the first date of such potential reduction in rate, provided, however, that the calculation of interest expense pursuant to the proviso in the immediately preceding sentence shall be on the basis of four quarters of interest expense.

"Consolidated Interest Expense" means, with respect to any Person for any period, the sum, without duplication, of (a) the consolidated interest expense of such Person and its Restricted Subsidiaries for such period, whether paid or accrued (including, without limitation, amortization of original issue discount, non-cash interest payments, the interest component of any deferred payment obligations, the interest component of all payments associated with Capital Lease Obligations, commissions, discounts and other fees and charges incurred in respect of letter of credit or bankers' acceptance financings, and net payments (if any) pursuant to Hedging Obligations but excluding amortization of debt issuance costs) and (b) the consolidated interest expense of such Person and its Restricted Subsidiaries that was capitalized during such period.

"Consolidated Net Income" means, with respect to any Person for any period, the aggregate of the Net Income of such Person and its Restricted Subsidiaries for such period, on a consolidated basis, determined in accordance with GAAP, provided that (a) the Net Income (but not loss) of any Person that is not a Restricted Subsidiary or that is accounted for by the equity method of accounting shall be included only to the extent of the amount of dividends or distributions paid in cash to the referent Person or a Wholly Owned Restricted Subsidiary thereof, (b) the Net Income of any Restricted Subsidiary shall be excluded to the extent that the declaration or payment of dividends or similar distributions by that Restricted Subsidiary of that Net Income is not at the date of determination permitted without any prior governmental approval (that has not been obtained) or, directly or indirectly, by operation of the terms of its charter or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to that Restricted Subsidiary or its stockholders, (c) the Net Income of any Person acquired in a pooling of interests transaction for any period prior to the date of such acquisition shall be excluded and (d) the cumulative effect of a change in accounting principles shall be excluded.

"Consolidated Net Tangible Assets" means, with respect to any Person as of any date, the sum of the amounts that would appear on a consolidated balance sheet of such Person and its consolidated Restricted Subsidiaries as the total assets of such Person and its consolidated Restricted Subsidiaries, determined on a consolidated basis in accordance with GAAP and after deducting therefrom, (a) to the extent otherwise included, unamortized debt discount and expenses and other unamortized deferred charges, goodwill, patents, trademarks, service marks, trade names, copyrights, licenses, organization or development expenses and other intangible items and (b) the aggregate amount of liabilities of the Company and its Restricted Subsidiaries which may be properly classified as current liabilities (including tax accrued as estimated), determined on a consolidated basis in accordance with GAAP.

"Consolidated Net Worth" means, with respect to any Person as of any date, the sum of (a) the consolidated equity of the common stockholders of such Person and its consolidated Restricted Subsidiaries as of such date plus (b) the respective amounts reported on such Person's balance sheet as of such date with respect to any series of preferred stock (other than Disqualified Stock) that by its terms is not entitled to the payment of dividends unless such dividends may be declared and paid only out of net earnings in respect of the year of such declaration and payment, but only to the extent of any cash received by such Person upon issuance of such preferred stock, less (1) all write-ups (other than write-ups resulting from foreign currency translations and write-ups of tangible assets of a going concern business made within 12 months after the acquisition of such business) subsequent to the Issue Date in the book value of any asset owned by such Person or a consolidated Restricted Subsidiary of such Person, (2) all investments as of such date in unconsolidated Subsidiaries and in Persons that are not Restricted Subsidiaries and (3) all unamortized debt discount and expense and unamortized deferred charges as of such date, in each case determined in accordance with GAAP.

"Continuing Directors" means, as of any date of determination, any member of the Board of Directors who (a) was a member of the Board of Directors on the Issue Date or (b) was nominated for election to the Board of Directors with the approval of, or whose election to the Board of Directors was ratified by, at least two-thirds of the directors who were members of the Board of Directors on the Issue Date or who were so elected to the Board of Directors thereafter.

"Corporate Trust Office" shall be at the address of the Trustee specified in Section 11.02 hereof or such other address as to which the Trustee may give notice to the Company.

"Credit Facility" means that certain Credit Agreement, to be entered into shortly after the Issue Date, by and among the Company, its Subsidiaries named therein, Hibernia National Bank and the other banks named therein, including any related notes, guarantees, collateral documents, instruments and agreements executed in connection therewith, in each case as amended, restated, modified, supplemented, extended, renewed, replaced, refinanced or restructured from time to time, whether by the same or any other agent or agents, lender or group of lenders, whether represented by one or more agreements and whether one or more Subsidiaries are added or removed as borrowers or guarantors thereunder or as parties thereto.

"Custodian" means any receiver, trustee, assignee, liquidator, sequestrator or similar official under any Bankruptcy Law.

"Default" means any event that is, or with the passage of time or the giving of notice or both would be, an Event of Default.

"Definitive Notes" means Notes that are in the form of Exhibit A-1 attached hereto (but without including the text referred to in footnotes 1,2 and 4 thereto).

"Depository" means, with respect to the Notes issuable or issued in whole or in part in global form, the Person specified in Section 2.03 hereof as the Depository with respect to the Notes, until a successor shall have been appointed and becomes such pursuant to the applicable provision of this Indenture, and, thereafter, "Depository" shall mean or include such successor.

"Disqualified Stock" means any Capital Stock that, by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable), or upon the happening of any event, matures (excluding any maturity as a result of an optional redemption by the issuer thereof) or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or redeemable at the option of the holder thereof, in whole or in part, on or prior to the date that is 91 days after the date on which the Notes mature or are redeemed or retired in full; provided, however, that any Capital Stock that would constitute Disqualified Stock solely because the holders thereof (or of any security into which it is convertible or for which it is exchangeable) have the right to require the issuer to repurchase such Capital Stock (or such security into which it is convertible or for which it is exchangeable) upon the occurrence of any of the events constituting an Asset Sale or a Change of Control shall not constitute Disqualified Stock if such Capital Stock (and all such securities into which it is convertible or for which it is exchangeable) provides that the issuer thereof will not repurchase or redeem any such Capital Stock (or any such security into which it is convertible or for which it is exchangeable) pursuant to such provisions prior to compliance by the Company with Section 4.10 or 4.15 of this Indenture, as the case may be.

"$," "dollars" and "U.S. dollars" denote the lawful currency of the United States of America.

"Equity Interests" means Capital Stock and all warrants, options or other rights to acquire Capital Stock (but excluding any debt security that is convertible into, or exchangeable for, Capital Stock).

"Euroclear" means Euroclear Bank N.V./S.A or its successor as operator of the Euroclear System.

"Event of Loss" means, with respect to any property or asset of the Company or any Restricted Subsidiary, (a) any damage to such property or asset that results in an insurance settlement with respect thereto on the basis of a total loss or a constructive or compromised total loss or (b) the confiscation, condemnation or requisition of title to such property or asset by any government or instrumentality or agency thereof.

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"Exchange Offer" means the offer that may be made by the Company pursuant to a Registration Rights Agreement to issue Series B Notes in exchange for Series A Notes.

"Existing Indebtedness" means Indebtedness of the Company and its Restricted Subsidiaries (other than Indebtedness under the Credit Facility) in existence on the Issue Date, until such amounts are repaid, but shall not include any Indebtedness that is repaid with the proceeds of the Original Notes.

The term "fair market value" means, with respect to any property, asset or Investment, the fair market value of such property asset or Investment at the time of the event requiring such determination, as determined in good faith by the Company, or, with respect to any property asset

or Investment in excess of $10,000,000 (other than cash or Cash Equivalents), as determined by a reputable investment appraisal firm that is, in the judgment of the disinterested members of such Board of Directors, qualified to perform the task for which such firm has been engaged and independent with respect to the Company.

"Funded Indebtedness" means any Indebtedness for money borrowed that by its terms matures at, or is extendable or renewable at the option of the obligor to, a date more than 12 months after the date of the incurrence of such Indebtedness.

"GAAP" means generally accepted accounting principles in the United States, which are in effect from time to time.

"Global Note" means, individually and collectively, the Unrestricted Global Note, the Regulation S Permanent Global Note, the Regulation S Temporary Global Note, the IAI Global Note and the 144A Global Note.

"Guarantor" means (a) each Restricted Subsidiary of the Company named on the signature pages hereof, (b) any other Restricted Subsidiary of the Company that executes a Subsidiary Guarantee in accordance with Sections 4.13 and 10.02 hereof and (c) the respective successors and assigns of such Restricted Subsidiaries, as required under Article 10 hereof, in each case until such time as any such Restricted Subsidiary shall be released and relieved of its obligations pursuant to Section 10.04 or 10.05 hereof.

"Hedging Obligations" means, with respect to any Person, the obligations of such Person under (a) interest rate swap agreements, interest rate cap agreements and interest rate collar agreements, (b) other agreements or arrangements designed to protect such Person against fluctuations in interest rates and (c) any foreign currency futures contract, option or similar agreement or arrangement designed to protect such Person against fluctuations in foreign currency rates, in each case to the extent such obligations are incurred in the ordinary course of business of such Person and not for speculative purposes.

"Holder" means a Person in whose name a Note is registered.

"IAI Global Note" means a permanent global senior note that contains the clause referred to in footnote 1, the paragraphs referred to in footnotes 2 and 3 and the additional schedule referred to in footnote 4 to the form of the Note attached hereto as Exhibit A-1, and that is deposited with the Note Custodian and registered in the name of the Depository or its nominee, representing Notes transferred to Institutional Accredited Investors.

"Indebtedness" means, with respect to any Person, any indebtedness of such Person, whether or not contingent, in respect of (i) borrowed money including, without limitation, any guarantee thereof, or (ii) evidenced by bonds, debentures, notes or similar instruments or letters of credit (or reimbursement agreements in respect thereof) or bankers' acceptances or representing Capital Lease Obligations or the deferred and unpaid purchase price of any property or assets, or representing any Hedging Obligations, if and to the extent any of the foregoing indebtedness (other than letters of credit and Hedging Obligations) would appear as a liability upon a balance sheet of such Person

prepared in accordance with GAAP; provided, however, that any accrued expense or trade payable of such Person shall not constitute Indebtedness. The amount of any Indebtedness outstanding as of any date shall be (a) the accreted value thereof, in the case of any Indebtedness that does not require current payments of interest, and (b) the principal amount thereof, in the case of any other Indebtedness (with letters of credit being deemed to have a principal amount equal to the maximum potential liability of such Person and its Restricted Subsidiaries thereunder).

"Indenture" means this Indenture, as amended or supplemented from time to time.

"Indirect Participant" means a Person who holds an interest through a Participant.

"Initial Purchasers" means RBC Dominion Securities Corporation and Merrill Lynch, Pierce, Fenner & Smith Incorporated.

"Institutional Accredited Investor" means an "accredited investor" as defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act other than a QIB.

"Investments" means, with respect to any Person, all investments by such Person in other Persons (including Affiliates) in the forms of direct or indirect loans (including guarantees by the referent Person of, and Liens on any property or assets of the referent Person securing, Indebtedness or other obligations of other Persons), advances or capital contributions (excluding commission, travel and similar advances to officers and employees made in the ordinary course of business), purchases or other acquisitions for consideration of Indebtedness, Equity Interests or other securities, together with all items that are or would be classified as investments on a balance sheet prepared in accordance with GAAP; provided, however, that the following shall not constitute Investments: (i) extensions of trade credit or other advances to customers on commercially reasonable terms in accordance with normal trade practices or otherwise in the ordinary course of business, (ii) Hedging Obligations and (iii) endorsements of negotiable instruments and documents in the ordinary course of business. If the Company or any Restricted Subsidiary of the Company sells or otherwise disposes of any Equity Interests of any direct or indirect Restricted Subsidiary of the Company such that, after giving effect to any such sale or disposition, such Person is no longer a Restricted Subsidiary of the Company, the Company shall be deemed to have made an Investment on the date of any such sale or disposition equal to the fair market value of the Equity Interests of such Restricted Subsidiary not sold or disposed of in an amount determined as provided in Section 4.07 of this Indenture.

"Issue Date" means the first date on which the Series A Notes are issued hereunder.

"Legal Holiday" means a Saturday, a Sunday or a day on which banking institutions in New Orleans, Louisiana, or at a place of payment with respect to the Notes are authorized by law, regulation or executive order to remain closed. If a payment date is a Legal Holiday at a place of payment, payment may be made at that place on the next succeeding day that is not a Legal Holiday, and no interest shall accrue for the intervening period.

"Lien" means, with respect to any property or asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such property or asset, whether or not filed,

recorded or otherwise perfected under applicable law (including any conditional sale or other title retention agreement, any lease in the nature thereof, any option or other agreement to sell or give a security interest in and any filing of or agreement to give any financing statement under the Uniform Commercial Code (or equivalent statutes) of any jurisdiction other than a precautionary financing statement respecting a lease not intended as a security agreement) or any assignment (or agreement to assign) any right to income or profits from any property or asset by way of security.

"Liquidated Damages" means all liquidated damages then owing pursuant to a Registration Rights Agreement, including any liquidated damages expressed in terms of additional interest on the Series A Notes.

"Moody's" means Moody's Investors Service, Inc. or any successor to the rating agency business thereof.

"Net Income" means, with respect to any Person, the net income (or loss) of such Person, determined in accordance with GAAP and before any reduction in respect of preferred stock dividends, excluding, however, (a) any gain (but not loss), together with any related provision for taxes on such gain (but not loss), realized in connection with (i) any Asset Sale (including, without limitation, dispositions pursuant to sale-and-leaseback transactions) or (ii) the disposition of any securities by such Person or any of its Restricted Subsidiaries or the extinguishment of any Indebtedness of such Person or any of its Restricted Subsidiaries and (b) any extraordinary or nonrecurring gain (but not loss), together with any related provision for taxes on such extraordinary or nonrecurring gain (but not loss).

"Net Proceeds" means the aggregate cash proceeds received by the Company or any of its Restricted Subsidiaries in respect of any Asset Sale (including, without limitation, any cash received upon the sale or other disposition of any non-cash consideration received in any Asset Sale), net of (without duplication) the following: (a) the direct costs relating to such Asset Sale (including, without limitation, legal, accounting and investment banking fees, sales commissions, recording fees, title transfer fees, title insurance premiums, appraiser fees and costs incurred in connection with preparing such asset for sale) and any relocation expenses incurred as a result thereof, (b) taxes paid or estimated to be payable as a result thereof (after taking into account any available tax credits or deductions and any tax sharing arrangements), (c) amounts required to be applied to the repayment of Indebtedness (other than under the Credit Facility) secured by a Lien on the property or assets that were the subject of such Asset Sale and (d) any reserve established in accordance with GAAP or any amount placed in escrow, in either case for adjustment in respect of the sale price of such property or assets, until such time as such reserve is reversed or such escrow arrangement is terminated, in which case Net Proceeds shall include only the amount of the reserve so reversed or the amount returned to the Company or its Restricted Subsidiaries from such escrow arrangement, as the case may be.

"Non-Recourse Debt" means Indebtedness (a) as to which neither the Company nor any of its Restricted Subsidiaries (i) provides credit support of any kind (including any undertaking, agreement or instrument that would constitute Indebtedness) or is otherwise directly or indirectly liable (as a guarantor or otherwise) or (ii) constitutes the lender, (b) no default with respect to which

(including any rights the holders thereof may have to take enforcement action against an Unrestricted Subsidiary) would permit (upon notice, lapse of time or both) the holders of Indebtedness of the Company or any of its Restricted Subsidiaries to declare a default on such Indebtedness or cause the payment thereof to be accelerated or payable prior to its stated maturity and (c) as to which the lenders have been notified in writing that they will not have any recourse to the stock or assets of the Company or any of its Restricted Subsidiaries.

"Notes" has the meaning attributed thereto in the Recital of this Indenture.

"Note Custodian" means the Trustee, as custodian with respect to the Notes in global form, or any successor entity thereto.

"Obligations" means any principal, interest, penalties, fees, indemnifications, reimbursements, damages and other liabilities payable under the documentation governing any Indebtedness.

"Officer" means, with respect to any Person, the Chairman of the Board, the Chief Executive Officer, the President, the Chief Operating Officer, the Chief Financial Officer, the Chief Administrative Officer, the Treasurer, any Assistant Treasurer, the Controller, the Secretary or any Vice President of such Person.

"Officers' Certificate" means a certificate signed on behalf of the Company by two Officers of the Company, one of whom must be, in the case of the Officers' Certificate referred to in Section 4.04(2) hereof, the principal executive officer, the principal financial officer, the treasurer or the principal accounting officer of the Company, that meets the requirements of Section 11.05 hereof.

"Opinion of Counsel" means an opinion from legal counsel who is reasonably acceptable to the Trustee, that meets the requirements of Section 11.05 hereof. Unless otherwise provided in this Indenture, the counsel may be an employee of or counsel to the Company, any Subsidiary of the Company or the Trustee.

"Original Notes" has the meaning set forth in Section 2.02 hereof.

"Pari Passu Indebtedness" means, with respect to any Net Proceeds from Asset Sales, Indebtedness of the Company and its Restricted Subsidiaries the terms of which require the Company or such Restricted Subsidiary to apply such Net Proceeds to offer to repurchase such Indebtedness.

"Participant" means with respect to DTC, Euroclear or Clearstream, a Person who has an account with DTC, Euroclear or Clearstream, respectively (and, with respect to DTC, shall include Euroclear and Clearstream).

"Permitted Investments" means (a) any Investment in the Company (including, without limitation, any acquisition of the Notes) or in a Wholly Owned Restricted Subsidiary of the Company, other than any Investment described in clause (a) of the definition of "Restricted

Payments," (b) any Investment in Cash Equivalents, (c) any Investment by the Company or any Restricted Subsidiary of the Company in a Person if as a result of such Investment (i) such Person becomes a Wholly Owned Restricted Subsidiary of the Company or (ii) such Person is merged or consolidated with or into, or transfers or conveys all or substantially all of its properties or assets to, or is liquidated into, the Company or a Wholly Owned Restricted Subsidiary of the Company, (d) any Investment made as a result of the receipt of non-cash consideration from (i) an Asset Sale that was made pursuant to and in compliance with Section 4.10 hereof or (ii) a disposition of assets that does not constitute an Asset Sale, (e) Investments in a Person engaged principally in the business of providing marine transportation services or other businesses reasonably complementary or related thereto as determined in good faith by the Board of Directors, provided that the aggregate amount of all such Investments at any one time outstanding pursuant to this clause (e) in Persons that are not Restricted Subsidiaries of the Company shall not exceed the greater of (i) $10.0 million and (ii) 5% of Consolidated Net Tangible Assets determined as of the end of the Company's most recently completed fiscal quarter for which internal financial statements are available, and (f) Investments in stock, obligations or securities received in settlement of any debts owing to the Company or any Restricted Subsidiary of the Company as a result of bankruptcy or insolvency proceedings or upon the foreclosure, perfection or enforcement of any Lien in favor of the Company or any Restricted Subsidiary of the Company, in each case as to any debts owing to the Company or any Restricted Subsidiary of the Company that arose in the ordinary course of business of the Company or any such Restricted Subsidiary.

"Permitted Liens" means (a) Liens securing Indebtedness incurred pursuant to clause (a) of the second paragraph of Section 4.09 hereof, (b) Liens in favor of the Company and its Restricted Subsidiaries, (c) Liens on any property or asset of a Person existing at the time such Person is merged into or consolidated with the Company or any Restricted Subsidiary of the Company, provided that such Liens were in existence prior to such merger or consolidation, were not created in contemplation of it and do not extend to any property or asset of the Company or any of its Restricted Subsidiaries other than those of the Person merged into or consolidated with the Company or any of its Restricted Subsidiaries, (d) Liens on any property or asset existing at the time of acquisition thereof by the Company or any Restricted Subsidiary of the Company, provided that such Liens were in existence prior to such acquisition, were not created in contemplation of it and do not extend to any other property or asset of the Company or any of its Restricted Subsidiaries, (e) Liens securing the performance of tenders, bids, statutory obligations, surety, appeal, return-of-money or performance bonds, government contracts, insurance obligations or other obligations of a like nature incurred in the ordinary course of business, (f) Liens securing Hedging Obligations, (g) Liens existing on the Issue Date, (h) Liens securing Non-Recourse Debt, (i) any interest or title of a lessor under an operating lease, (j) Liens arising by reason of deposits necessary to obtain standby letters of credit in the ordinary course of business, (k) Liens on real or personal property or assets of the Company or a Restricted Subsidiary thereof to secure Indebtedness incurred for the purpose of (i) financing all or any part of the purchase price of such property or assets incurred prior to, at the time of, or within 120 days after, completion of the acquisition of such property or assets or (ii) financing all or any part of the cost of construction or improvement of any such property or assets, provided that the amount of any such financing shall not exceed the amount expended in the acquisition of, or the construction or improvement of, such property or assets and such Liens shall not extend to any other property or assets of the Company or a Restricted Subsidiary thereof (other than any associated accounts, contracts and insurance proceeds), (l) Liens securing Permitted

Refinancing Indebtedness with respect to any Indebtedness secured by Liens referred to in clauses (c), (d), (g), and (k) above and in this clause (l), (m) Liens securing Indebtedness of the Company or any Restricted Subsidiary of the Company that does not exceed $10.0 million at any one time outstanding, (n) Liens on any property or assets of the Company or any Restricted Subsidiary of the Company that were substituted or exchanged as collateral for other properties or assets of the Company or any Restricted Subsidiary of the Company that are referred to in any of the preceding clauses (c), (d) and (k) of this definition, provided that the fair market value of the substituted or exchanged properties or assets substantially approximates, at the time of the substitution or exchange, the fair market value of the other properties or assets so referred to, (o) judgment Liens not giving rise to an Event of Default so long as any appropriate legal proceeding that may have been duly initiated for the review of such judgment has not been finally terminated or the period within which such proceeding may be initiated has not expired, (p) rights of banks to set off deposits against Indebtedness owed to said banks, (q) Liens upon specific items of inventory or other goods and proceeds of the Company or its Restricted Subsidiaries securing the Company's or any such Restricted Subsidiary's obligations in respect of bankers' acceptances issued or created for the account of any such Person to facilitate the purchase, shipment or storage of such inventory or other goods in the ordinary course of business, and (r) legal or equitable Liens deemed to exist by reason of negative pledge covenants and other covenants or undertakings of a like nature.

"Permitted Refinancing Indebtedness" means any Indebtedness of the Company or any of its Restricted Subsidiaries issued in exchange for, or the net proceeds of which are used to extend, refinance, renew, replace, defease or refund other Indebtedness of the Company or any of its Restricted Subsidiaries; provided, however, that (a) the principal amount of such Permitted Refinancing Indebtedness does not exceed the principal amount of, plus premium, if any, and accrued interest on, the Indebtedness so extended, refinanced, renewed, replaced, defeased or refunded (plus the amount of reasonable expenses incurred in connection therewith), (b) such Permitted Refinancing Indebtedness has a final maturity date no earlier than the final maturity date of, and has a Weighted Average Life to Maturity equal to or greater than the Weighted Average Life to Maturity of, the Indebtedness being extended, refinanced, renewed, replaced, defeased or refunded, (c) if the Indebtedness being extended, refinanced, renewed, replaced, defeased or refunded is subordinated in right of payment to the Notes or the Subsidiary Guarantees, such Permitted Refinancing Indebtedness is subordinated in right of payment to the Notes or the Subsidiary Guarantees, as the case may be, on terms at least as favorable, taken as a whole, to the Holders of Notes as those contained in the documentation governing the Indebtedness being extended, refinanced, renewed, replaced, defeased or refunded and (d) such Indebtedness is incurred either by the Company or the Restricted Subsidiary that is the obligor on the Indebtedness being extended, refinanced, renewed, replaced, defeased or refunded; provided, however, that a Restricted Subsidiary may guarantee Permitted Refinancing Indebtedness incurred by the Company, whether or not such Restricted Subsidiary was an obligor or guarantor of the Indebtedness being extended, refinanced, renewed, replaced, defeased or refunded; provided, further, however, that if such Permitted Refinancing Indebtedness is subordinated to the Notes, such guarantee shall be subordinated to such Restricted Subsidiary's Subsidiary Guarantee to at least the same extent.

"Person" means any individual, corporation, partnership, limited liability company, joint venture, association, joint-stock company, trust, unincorporated organization or government or

agency or political subdivision thereof (including any subdivision or ongoing business of any such entity or substantially all of the assets of any such entity, subdivision or business).

"Productive Assets" means Vessels or other assets (other than assets that would be classified as current assets in accordance with GAAP) of the kind used or usable by the Company or its Restricted Subsidiaries in the business of providing marine transportation services (or any other business that is reasonably complementary or related thereto as determined in good faith by the Board of Directors).

"QIB" means a "qualified institutional buyer" as defined in Rule 144A under the Securities Act.

"Qualified Equity Offering" means (a) any sale of Equity Interests (other than Disqualified Stock) of the Company for cash pursuant to an underwritten offering registered under the Securities Act or (b) any other sale of Equity Interests (other than Disqualified Stock) of the Company for cash, in each case so long as such sale does not result in a Change of Control.

"Qualified Services Contract" means, with respect to any newly constructed offshore supply vessel delivered to the Company or any of its Restricted Subsidiaries, a contract that the Board of Directors, acting in good faith, designates as a "Qualified Services Contract" pursuant to a Board Resolution, which contract:

(a) is between the Company or one of its Restricted Subsidiaries, on the one hand, and (i) a Person or a Subsidiary of a Person with a rating of either BBB- or higher from S&P or Baa3 or higher from Moody's, or if such ratings are not available, then a similar investment grade rating from another nationally recognized statistical rating agency or (ii) any other Person provided such contract is supported by letters of credit, performance bonds or guarantees, from a Person that has an investment grade rating, for the full amount of the remaining contracted payments over the contract term;

(b) provides for services to be performed by the Company or one of its Restricted Subsidiaries involving the use of such vessel or a charter (bareboat or otherwise) of such vessel by the Company or one of its Restricted Subsidiaries, in either case for a minimum period of at least one year;

(c) provides for a fixed dayrate for such vessel; and

(d) provides for commencement of the payments of the dayrate referred to in clause (c) of this definition within 60 days of the date the Company or one of its Restricted Subsidiaries has entered into the contract.

"Registration Rights Agreement" means (a) the Registration Rights Agreement, dated as of the Issue Date, by and among the Company, the Guarantors and the Initial Purchasers relating to the Original Notes, a copy of which is attached hereto as Annex A, and (b) any similar agreement that

the Company may enter into in relation to any other Series A Notes, in each case as such agreement may be amended, modified or supplemented from time to time.

"Regulation S" means Regulation S under the Securities Act.

"Regulation S Global Note" means a Regulation S Temporary Global Note or Regulation S Permanent Global Note, as appropriate.

"Regulation S Permanent Global Note" means a permanent global senior note that contains the clause referred to in footnote 1, the paragraphs referred to in footnotes 2 and 3 and the additional schedule referred to in footnote 4 to the form of the Note attached hereto as Exhibit A-1, and that is deposited with the Note Custodian and registered in the name of the Depository or its nominee, representing Notes originally issued or transferred in reliance on Regulation S.

"Regulation S Temporary Global Note" means a single temporary global senior note in the form of the Note attached hereto as Exhibit A-2 that is deposited with the Note Custodian and registered in the name of the Depository or its nominee, representing Notes originally issued or transferred in reliance on Regulation S.

"Responsible Officer," when used with respect to the Trustee, means any officer within the Corporate Trust Department of the Trustee (or any successor department of the Trustee) or any other officer of the Trustee customarily performing functions similar to those performed by any of the above designated officers and also means, with respect to a particular corporate trust matter, any other officer to whom such matter is referred because of his knowledge of and familiarity with the particular subject.

"Restricted Beneficial Interest" means any beneficial interest of a Participant or Indirect Participant in a Restricted Global Note.

"Restricted Definitive Notes" means the Definitive Notes that are required to bear the legend set forth in Section 2.06(f) hereof.

"Restricted Global Notes" means the 144A Global Note, the IAI Global Note and the Regulation S Global Note, each of which is required to bear the legend set forth in Section 2.06(f) hereof.

"Restricted Investment" means an Investment other than a Permitted Investment.

"Restricted Subsidiary" of a Person means any Subsidiary of such Person that is not an Unrestricted Subsidiary.

"Rule 144A" means Rule 144A promulgated under the Securities Act.

"S&P" means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., or any successor to the rating agency business thereof.

"SEC" means the Securities and Exchange Commission.

"Securities Act" means the Securities Act of 1933, as amended.

"Series A Notes" has the meaning attributed thereto in the Recital of this Indenture.

"Series B Notes" has the meaning attributed thereto in the Recital of this Indenture.

"Significant Subsidiary" means (a) any Restricted Subsidiary of the Company that would be a "significant subsidiary" as defined in Article 1, Rule 1-02 of Regulation S-X, promulgated pursuant to the Securities Act, as such Regulation is in effect on the Issue Date, (b) any other Restricted Subsidiary of the Company that (i) represents more than 5% of the Consolidated Net Tangible Assets of the Company, based upon the most recent internal financial statements of the Company, and (ii) provides a guarantee under the Credit Facility or incurs any Funded Indebtedness and (c) their respective successors and assigns.

"Stated Maturity" means, with respect to any mandatory sinking fund or other installment of interest or principal on any series of Indebtedness, the date on which such payment of interest or principal was scheduled to be paid in the original documentation governing such Indebtedness, and shall not include any contingent obligations to repay, redeem or repurchase any such interest or principal prior to the date originally scheduled for the payment thereof.

"Subordinated Notes" means any debt securities of the Company issued either in satisfaction of the Company's payment obligations under the Trutta/JEDI Warrants or in lieu of cash interest payments on outstanding Subordinated Notes, provided that all such Subordinated Notes (a) have a final maturity date at least one year following the final maturity date of the Notes, (b) are subordinated in right of payment to all senior indebtedness of the Company, including the Notes, (c) provide for quarterly payments of interest at a rate per annum not in excess of 30-day LIBOR plus 5.0%, (d) provide for quarterly installments of principal equal to 1/44th of the aggregate principal amount of the Subordinated Notes (plus any previously deferred principal payments), provided that any such quarterly principal payment (including previously deferred amounts) will be deferred to the succeeding quarter (or quarters) to the extent such payment, and after giving pro forma effect thereto, would cause or result in a violation of this Indenture (including, without limitation, Section 4.07) or the terms of any other indebtedness of the Company, and (e) do not obligate the Company to make any interest payment in cash except to the extent that the Company would, at the time of such payment and after giving pro forma effect thereto as if such payment had been made at the beginning of the applicable four-quarter period, have been permitted to incur at least $1.00 of additional Indebtedness pursuant to the Consolidated Interest Coverage Ratio test set forth in the first paragraph of Section 4.09 hereof.

"Subsidiary" means, with respect to any Person, (a) any corporation, association or other business entity of which more than 50% of the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person (or a combination thereof), (b) any partnership (i)

the sole general partner or the managing general partner of which is such Person or a Subsidiary of such Person or (ii) the only general partners of which are such Person or of one or more Subsidiaries of such Person (or any combination thereof) and (c) any other Person whose results for financial reporting purposes are consolidated with those of such Person in accordance with GAAP.

"Subsidiary Guarantees" means the joint and several guarantees issued by all of the Guarantors pursuant to Article 10 hereof.

"TIA" means the Trust Indenture Act of 1939 (15 U.S.C. Sections 77aaa-77bbbb) as in effect on the date on which this Indenture is qualified under the TIA.

"Transfer Restricted Securities" means securities that bear or are required to bear the legend set forth in Section 2.06(f) hereof, and includes the Restricted Global Notes and the Restricted Definitive Notes.

"Treasury Rate" means, as of any redemption date in respect of the Notes, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15(519) that has become publicly available at least two business days prior to the redemption date or, if such Statistical Release is no longer published, any publicly available source of similar market data) most nearly equal to the period from the redemption date to August 1, 2005; provided, however, that if the period from the redemption date to August 1, 2005 is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year shall be used.

"Trutta/JEDI Warrants" means, collectively, the warrants to purchase 5,250,000 shares of Common Stock that are exercisable and warrants to purchase 702,380 shares of Common Stock that are not presently exercisable each held by ECTMI Trutta Holdings L.P. and warrants to purchase 5,250,000 shares of Common Stock that are exercisable and warrants to purchase 702,381 shares of Common Stock that are not presently exercisable each held by Joint Energy Development Investments II Limited Partnership, as such warrants are in effect on the Issue Date.

"Trustee" means the party named as such in the first paragraph of this Indenture until a successor replaces it in accordance with the applicable provisions of this Indenture and thereafter means the successor serving hereunder.

"Unrestricted Global Notes" means one or more Global Notes that do not and are not required to bear the legend set forth in Section 2.06(f) hereof.

"Unrestricted Subsidiary" means any Subsidiary of the Company that is designated by the Board of Directors as an Unrestricted Subsidiary pursuant to a Board Resolution and any Subsidiary of an Unrestricted Subsidiary. The Board of Directors may designate a Subsidiary as an Unrestricted Subsidiary only to the extent that such Subsidiary at the time of such designation (a) has no Indebtedness other than Non-Recourse Debt, (b) is not party to any agreement, contract, arrangement or understanding with the Company or any Restricted Subsidiary of the Company unless such

agreement, contract, arrangement or understanding does not violate Section 4.11 hereof, and (c) is a Person with respect to which neither the Company nor any of its Restricted Subsidiaries has any direct or indirect obligation (i) to subscribe for additional Equity Interests or (ii) to maintain or preserve such Person's financial condition or to cause such Person to achieve any specified levels of operating results. Any such designation by the Board of Directors shall be evidenced to the Trustee by filing with the Trustee the Board Resolution giving effect to such designation and an Officers' Certificate certifying that such designation complied with the foregoing conditions and was permitted by Section 4.07 hereof. If, at any time, any Unrestricted Subsidiary would fail to meet the foregoing requirements as an Unrestricted Subsidiary, it shall thereafter cease to be an Unrestricted Subsidiary for purposes of this Indenture and any Indebtedness of such Subsidiary shall be deemed to be incurred by a Restricted Subsidiary of the Company as of such date (and, if such Indebtedness is not permitted to be incurred as of such date pursuant to Section 4.09 hereof, the Company shall be in default of such covenant). The Board of Directors may at any time designate any Unrestricted Subsidiary to be a Restricted Subsidiary, provided that such designation shall be deemed to be an incurrence of Indebtedness by a Restricted Subsidiary of the Company of any outstanding Indebtedness of such Unrestricted Subsidiary and such designation shall only be permitted if: (1) such Indebtedness is permitted under Section 4.09 hereof, calculated on a pro forma basis as if such designation had occurred at the beginning of the four-quarter reference period, and (2) no Default or Event of Default would be in existence following such designation.

"U.S. Dollar Equivalent" means, with respect to any monetary amount in a currency other than the U.S. dollar, at or as of any time for the determination thereof, the amount of U.S. dollars obtained by converting such foreign currency involved in such computation into U.S. dollars at the spot rate for the purchase of U.S. dollars with the applicable foreign currency as quoted by Reuters (or, if Reuters cases to provide such spot quotations, by any other reputable service as is providing such spot quotations, as selected by the Company) at approximately 11:00 a.m. (New York City time) on the date not more than two Business Days prior to such determination.

"U.S. Government Securities" means direct obligations of, or obligations guaranteed by, the United States of America for the payment of which guarantee or obligations the full faith and credit of the United States is pledged.

"Vessels" means marine vessels.

"Voting Stock" of any Person as of any date means the Capital Stock of such Person that is at the time entitled to vote in the election of the board of directors, managers or trustees of such Person.

"Weighted Average Life to Maturity" means, when applied to any Indebtedness at any date, the number of years obtained by dividing (a) the sum of the products obtained by multiplying (i) the amount of each then remaining installment, sinking fund, serial maturity or other required payments of principal, including payment at final maturity, in respect thereof, by (ii) the number of years (calculated to the nearest one-twelfth) that will elapse between such date and the making of such payment, by (b) the then outstanding principal amount of such Indebtedness.

"Wholly Owned Restricted Subsidiary" of any Person means a Restricted Subsidiary of such Person to the extent that (a) all of the outstanding Capital Stock which (other than directors' qualifying shares and Capital Stock held by other statutorily required minority shareholders) shall at the time be owned directly or indirectly by such Person or (b) such Restricted Subsidiary is organized in a foreign jurisdiction and is required by the applicable laws and regulations of such foreign jurisdiction to be partially owned by the government of such foreign jurisdiction or individual or corporate citizens of such foreign jurisdiction in order for such Restricted Subsidiary to transact business in such foreign jurisdiction, provided that such Person, directly or indirectly, owns the remaining Capital Stock in such Restricted Subsidiary and, by contract or otherwise, controls the management and business of such Restricted Subsidiary to substantially the same extent as if such Restricted Subsidiary were a wholly owned Subsidiary.

SECTION 1.02. OTHER DEFINITIONS.

Defined in Term	Section
"Affiliate Transaction"	4.11
"Agreement Currency"	4.20
"Asset Sale Offer"	3.09
"Change of Control Offer"	4.15
"Change of Control Payment"	4.15
"Change of Control Payment Date"	4.15
"Covenant Defeasance"	8.03
"DTC"	2.03
"Event of Default"	6.01
"Excess Proceeds"	4.10
"incur" or "incurrence"	4.09
"Incurrence Time"	4.09
"Judgment Currency"	4.20
"Legal Defeasance"	8.02
"Offer Amount"	3.09
"Offer Period"	3.09
"Paying Agent"	2.03
"Payment Default"	6.01
"Purchase Date"	3.09
"Registrar"	2.03
"Restricted Payments"	4.07

SECTION 1.03. INCORPORATION BY REFERENCE OF TRUST INDENTURE ACT.

Whenever this Indenture refers to a provision of the TIA, the provision is incorporated by reference in and made a part of this Indenture. Any terms incorporated in this Indenture that are defined by the TIA, defined by TIA reference to another statute or defined by SEC rule under the TIA have the meanings so assigned to them.

SECTION 1.04. RULES OF CONSTRUCTION.

Unless the context otherwise requires:

(1) a term has the meaning assigned to it;

(2) an accounting term not otherwise defined has the meaning assigned to it in accordance with GAAP;

(3) "or" is not exclusive;

(4) words in the singular include the plural, and in the plural include the singular;

(5) provisions apply to successive events and transactions;

(6) the term "merger" includes a compulsory share exchange, a conversion of a corporation into another business entity and any other transaction having effects substantially similar to a merger under the General Corporation Law of the State of Delaware; and

(7) references to sections of or rules under the Securities Act or the Exchange Act shall be deemed to include substitute, replacement or successor sections or rules adopted by the SEC from time to time.

Whenever the covenants or default provisions or definitions in this Indenture refer to an amount in U.S. dollars, that amount will be deemed to refer to the U.S. Dollar Equivalent of the amount of any obligation denominated in any other currency or currencies, including composite currencies.

Any determination of U.S. Dollar Equivalent for any purpose under this Indenture will be determined as of a date of determination as described in the definition of "U.S. Dollar Equivalent" in Section 1.01 and, in any case, no subsequent change in the U.S. Dollar Equivalent after the applicable date of determination will cause such determination to be modified.

ARTICLE 2

THE NOTES

SECTION 2.01. FORM AND DATING.

The Notes shall be issued only in registered form. The Notes and the Trustee's certificate of authentication shall be substantially in the form of Exhibit A-1 or A-2 hereto. The Notes may have notations, legends or endorsements required by law, stock exchange rule or usage. Each Note shall be dated the date of its authentication. The Notes shall be issued in denominations of $1,000 and integral multiples thereof.

The Series A Notes and the Series B Notes shall be considered collectively to be a single class for all purposes of this Indenture, including, without limitation, waivers, amendments, redemptions and offers to purchase.

The terms and provisions contained in the Notes shall constitute, and are hereby expressly made, a part of this Indenture and the Company, the Guarantors and the Trustee, by their execution and delivery of this Indenture, expressly agree to such terms and provisions and to be bound thereby. Notwithstanding the foregoing, to the extent any provision of any Note conflicts with the express provisions of this Indenture, the provisions of this Indenture shall govern and be controlling.

(a) Global Notes. Series A Notes offered and sold to QIBs in reliance on Rule 144A shall be issued initially in the form of one or more 144A Global Notes, which shall be deposited on behalf of the purchasers of the Series A Notes represented thereby with the Note Custodian and registered in the name of the Depository or a nominee of the Depository, duly executed by the Company and authenticated by the Trustee as hereinafter provided. If beneficial interests in any such 144A Global Note are transferred to an Institutional Accredited Investor, then, for so long as the Applicable Procedures shall so require, such beneficial interests shall be represented by an IAI Global Note having an initial principal amount equal to the aggregate amount of such beneficial interests, and such IAI Global Note shall be deposited on behalf of the beneficial owners of the Series A Notes represented thereby with the Note Custodian and registered in the name of the Depository or a nominee of the Depository, duly executed by the Company and authenticated by the Trustee as hereinafter provided.

Any Series A Notes offered and sold in reliance on Regulation S shall be issued initially in the form of the Regulation S Temporary Global Note, which shall be deposited on behalf of the purchasers of the Series A Notes represented thereby with the Note Custodian and registered in the name of the Depository or the nominee of the Depository for the accounts of designated agents holding on behalf of Euroclear or Clearstream, duly executed by the Company and authenticated by the Trustee as hereinafter provided. The "40-day restricted period" (as defined in Regulation S) shall be terminated upon the receipt by the Trustee of (i) a written certificate from the Depository, together with copies of certificates from Euroclear and Clearstream certifying that they have received certification of non-United States beneficial ownership of 100% of the aggregate principal amount of the Regulation S Temporary Global Note (except to the extent of any beneficial owners thereof who acquired an interest therein pursuant to another exemption from registration under the Securities Act and who will take delivery of a beneficial ownership interest in a 144A Global Note or IAI Global Note, all as contemplated by Section 2.06(a)(ii) or (iii) hereof), and (ii) an Officers' Certificate from the Company. Following the termination of the 40-day restricted period, beneficial interests in the Regulation S Temporary Global Note shall be exchanged for beneficial interests in one or more Regulation S Permanent Global Notes pursuant to the Applicable Procedures. Simultaneously with the authentication of Regulation S Permanent Global Notes, the Trustee shall cancel the Regulation S Temporary Global Note.

Each Global Note shall represent such of the outstanding Notes as shall be specified therein, and each shall provide that it shall represent the aggregate amount of outstanding Notes from time

to time endorsed thereon and that the aggregate amount of outstanding Notes represented thereby may from time to time be reduced or increased, as appropriate, to reflect exchanges, redemptions, repurchases and transfers of interests. Any endorsement of a Global Note to reflect the amount of any increase or decrease in the amount of outstanding Notes represented thereby shall be made by the Trustee, as Registrar and Note Custodian, in accordance with instructions given by the Holder thereof as required by Section 2.06 hereof.

(b) Book-Entry Provisions. Participants shall have no rights either under this Indenture with respect to any Global Note held on their behalf by the Depository or by the Note Custodian as custodian for the Depository or under such Global Note, and the Depository (or its nominee, if the Depository is not the Holder) may be treated by the Company, the Trustee and any Agent of the Company or the Trustee as the absolute owner of such Global Note for all purposes whatsoever. Notwithstanding the foregoing, nothing herein shall prevent the Company, the Trustee or any Agent of the Company or the Trustee from giving effect to any written certification, proxy or other authorization furnished by the Depository or impair, as between the Depository and its Participants, the operation of customary practices of such Depository governing the exercise of the rights of an owner of a beneficial interest in any Global Note.

SECTION 2.02. EXECUTION AND AUTHENTICATION.

One Officer shall sign the Notes for the Company by manual or facsimile signature. If the Company has a corporate seal, it may be reproduced on the Notes and, if so, it may be in facsimile form.

If an Officer whose signature is on a Note no longer holds that office at the time a Note is authenticated, the Note shall nevertheless be valid.

A Note shall not be valid until authenticated by the manual signature of an authorized signatory of the Trustee. Such signature shall be conclusive evidence that the Note has been authenticated under this Indenture. The form of Trustee's certificate of authentication to be borne by the Notes shall be substantially as set forth in Exhibit A-1 or A-2 hereto.

Each Note shall be dated the date of its authentication.

The Trustee shall authenticate (i) the Series A Notes for original issue on the Issue Date in the aggregate principal amount of $175,000,000 (the "Original Notes"), (ii) additional Series A Notes for original issue from time to time after the Issue Date in such principal amounts as may be set forth in a written order of the Company described in this sentence and (iii) the Series B Notes for original issue from time to time for issue only in exchange for a like principal amount of Series A Notes, in each case upon a written order of the Company signed by one Officer, which written order shall specify (a) the amount of Notes to be authenticated and the date of original issue thereof, (b) whether the Notes are Series A Notes or Series B Notes, and (c) the amount of Notes to be issued in global form or definitive form. The aggregate principal amount of Notes outstanding at any time may not exceed $175,000,000 plus such additional principal amounts as may be issued and authenticated pursuant to clause (ii) of this paragraph, except as provided in Section 2.07 hereof.

The Trustee may appoint an authenticating agent acceptable to the Company to authenticate Notes. An authenticating agent may authenticate Notes whenever the Trustee may do so. Each reference in this Indenture to authentication by the Trustee includes authentication by such agent. An authenticating agent has the same rights as an Agent to deal with the Company, any Guarantor or an Affiliate of the Company.

SECTION 2.03. REGISTRAR AND PAYING AGENT.

The Company shall maintain an office or agency in the continental United States where Notes may be presented for registration of transfer or for exchange ("Registrar") and where Notes may be presented for payment ("Paying Agent"). The Registrar shall keep a register of the Notes and of their transfer and exchange. The Company may appoint one or more co-registrars and one or more additional paying agents. The term "Registrar" includes any co-registrar and the term "Paying Agent" includes any additional paying agent. The Company may change any Paying Agent or Registrar without notice to any Holder. The Company shall notify the Trustee in writing of the name and address of any Agent not named in this Indenture. If the Company fails to appoint or maintain another entity as Registrar or Paying Agent, the Trustee shall act as such. The Company shall enter into an appropriate agency agreement with any Agent not a party to this Indenture, and such agreement shall incorporate the TIA's provisions of this Indenture that relate to such Agent. The Company or any of its Subsidiaries may act as Paying Agent or Registrar.

The Company initially appoints The Depository Trust Company ("DTC") to act as Depository with respect to the Global Notes.

The Company initially appoints the Trustee to act (i) as Registrar and Paying Agent at its Corporate Trust Office and at its office or agency c/o Bankers Trust Company, 16 Wall Street - 4th Floor, New York, New York 10015, Attention: Window No. 42, and (ii) as Note Custodian with respect to the Global Notes.

SECTION 2.04. PAYING AGENT TO HOLD MONEY IN TRUST.

The Company shall require each Paying Agent other than the Trustee to agree in writing that the Paying Agent will hold in trust for the benefit of Holders or the Trustee all money held by the Paying Agent for the payment of principal of or premium, interest or Liquidated Damages, if any, on the Notes, and will notify the Trustee of any default by the Company in making any such payment. While any such default continues, the Trustee may require a Paying Agent to pay all money held by it to the Trustee. The Company at any time may require a Paying Agent to pay all money held by it to the Trustee. Upon payment over to the Trustee, the Paying Agent (if other than the Company or a Subsidiary) shall have no further liability for the money. If the Company or a Subsidiary acts as Paying Agent, it shall segregate and hold in a separate trust fund for the benefit of the Holders all money held by it as Paying Agent. Upon the occurrence and during the continuance of any Event of Default described in clause (h) or (i) of Section 6.01 hereof, the Trustee shall serve as Paying Agent for the Notes.

SECTION 2.05. HOLDER LISTS.

The Trustee shall preserve in as current a form as is reasonably practicable the most recent list available to it of the names and addresses of all Holders and shall otherwise comply with TIA Section 312(a). If the Trustee is not the Registrar, the Company shall furnish to the Trustee at least seven Business Days before each interest payment date and at such other times as the Trustee may request in writing, a list in such form and as of such date as the Trustee may reasonably require of the names and addresses of the Holders of Notes and the Company shall otherwise comply with TIA Section 312(a).

SECTION 2.06. TRANSFER AND EXCHANGE.

(a) Transfer and Exchange of Global Notes. The transfer and exchange of Global Notes or beneficial interests therein shall be effected through the Depository, in accordance with this Indenture and the Applicable Procedures. Transfers of beneficial interests in the Restricted Global Notes shall be permitted as follows:

(i) Restricted Global Note to Regulation S Global Note. If an owner of a beneficial interest in a Restricted Global Note wishes to transfer its beneficial interest in such Restricted Global Note to a Person who is required or permitted to take delivery thereof in the form of an interest in a Regulation S Global Note, such owner shall, subject to the Applicable Procedures, exchange or cause the exchange of such interest for an equivalent beneficial interest in a Regulation S Global Note as provided in this Section 2.06(a)(i). Upon receipt by the Trustee of (A) instructions given in accordance with the Applicable Procedures directing the Trustee, as Registrar and Note Custodian, to credit a beneficial interest in the Regulation S Global Note in an amount equal to the beneficial interest in the Restricted Global Note to be transferred and (B) a certificate substantially in the form of Exhibit B-1 hereto given by the owner of such beneficial interest stating that the transfer of such interest has been made in compliance with the transfer restrictions set forth in the legend in Section 2.06(f) and pursuant to and in accordance with Rule 903 or Rule 904 of Regulation S, then the Trustee, as Registrar and Note Custodian, shall reduce the aggregate principal amount of such Restricted Global Note and increase the aggregate principal amount of the applicable Regulation S Global Note by the principal amount of the beneficial interest in the Restricted Global Note to be transferred.

(ii) Restricted Global Note to 144A Global Note. If an owner of a beneficial interest in a Restricted Global Note wishes to transfer its beneficial interest in such Restricted Global Note to a Person who is required or permitted to take delivery thereof in the form of an interest in a 144A Global Note, such owner shall, subject to the Applicable Procedures, exchange or cause the exchange of such interest for an equivalent beneficial interest in a 144A Global Note as provided in this Section 2.06(a)(ii). Upon receipt by the Trustee of (A) instructions given in accordance with the Applicable Procedures directing the Trustee, as Registrar and Note Custodian, to credit a beneficial interest in the 144A Global Note equal to the beneficial interest in the Restricted Global Note to be transferred and (B) a certificate substantially in the form of Exhibit B-2 attached hereto given by the owner of such beneficial interest stating that the Person transferring such interest in a Restricted Global Note

reasonably believes that the Person acquiring such interest in a 144A Global Note is a QIB and is obtaining such beneficial interest in a transaction meeting the requirements of Rule 144A, then the Trustee, as Registrar and Note Custodian, shall reduce the aggregate principal amount of such Restricted Global Note and increase the aggregate principal amount of the applicable 144A Global Note by the principal amount of the beneficial interest in the Restricted Global Note to be transferred.

(iii) Restricted Global Note to IAI Global Note. If an owner of a beneficial interest in a Restricted Global Note wishes to transfer its beneficial interest in such Restricted Global Note to a Person who is required to take delivery thereof in the form of an interest in an IAI Global Note, such owner shall, subject to the Applicable Procedures, exchange or cause the exchange of such interest for an equivalent beneficial interest in an IAI Global Note as provided in this Section 2.06(a)(iii). Upon receipt by the Trustee of (A) instructions given in accordance with the Applicable Procedures directing the Trustee, as Registrar and Note Custodian, to credit a beneficial interest in the IAI Global Note equal to the beneficial interest in the Restricted Global Note to be transferred and (B) a certificate substantially in the form of Exhibit B-2 hereto from the transferor and a certificate substantially in the form of Exhibit C hereto from the transferee and, if such transfer is in respect of an aggregate principal amount of Notes of less than $250,000, an Opinion of Counsel reasonably acceptable to the Company and the Registrar that such transfer is in compliance with the Securities Act and any applicable blue sky laws of any state of the United States, then the Trustee, as Registrar and Note Custodian, shall reduce the aggregate principal amount of such Restricted Global Note and increase the aggregate principal amount of the applicable IAI Global Note by the principal amount of the beneficial interest in the Restricted Global Note to be transferred.

(iv) Restricted Global Note to Unrestricted Global Note. If an owner of a beneficial interest in a Restricted Global Note wishes to transfer its beneficial interest in such Restricted Global Note to a Person who is required or permitted to take delivery thereof in the form of an interest in an Unrestricted Global Note, such owner shall, subject to the Applicable Procedures, exchange or cause the exchange of such interest for an equivalent beneficial interest in an Unrestricted Global Note as provided in this Section 2.06(a)(iv). Upon receipt by the Trustee of (A) instructions given in accordance with the Applicable Procedures directing the Trustee, as Registrar and Note Custodian, to credit a beneficial interest in an Unrestricted Global Note equal to the beneficial interest in the Restricted Global Note to be transferred and (B) a certificate substantially in the form of Exhibit B?3 attached hereto given by the owner of such beneficial interest stating (1) if the transfer is pursuant to Rule 144, that the transfer complies with the requirements of Rule 144, (2) the transfer is pursuant to an effective registration statement under the Securities Act, or (3) the transfer is to the Company or any of its Subsidiaries, then the Trustee, as Registrar and Note Custodian, shall reduce the aggregate principal amount of such Restricted Global Note and increase the aggregate principal amount of the applicable Unrestricted Global Note by the principal amount of the beneficial interest in the Restricted Global Note to be transferred.

(b) Transfer and Exchange of Definitive Notes. If issued, Definitive Notes may not be exchanged or transferred for beneficial interests in a Global Note, except upon consummation of an Exchange Offer as contemplated by Section 2.06(f)(iv) hereof. When Definitive Notes are presented by a Holder to the Registrar with a request to register the transfer of the Definitive Notes or to exchange such Definitive Notes for an equal principal amount of Definitive Notes of other authorized denominations, the Registrar shall register the transfer or make the exchange as requested only if the Definitive Notes are presented or surrendered for registration of transfer or exchange, are endorsed or accompanied by a written instrument of transfer in form satisfactory to the Registrar duly executed by such Holder or by its attorney, duly authorized in writing, and the Registrar receives the following (all of which may be submitted by facsimile):

(i) in the case of Definitive Notes that are Transfer Restricted Securities, such request shall be accompanied by the following additional information and documents, as applicable:

(A) if such Transfer Restricted Security is being delivered to the Registrar by a Holder for registration in the name of such Holder, without transfer, or such Transfer Restricted Security is being transferred (1) to the Company or any of its Subsidiaries, (2) in a transaction permitted by Rule 144 under the Securities Act or (3) pursuant to an effective registration statement under the Securities Act, a certification to that effect from such Holder (in substantially the form of Exhibit B-3 hereto);

(B) if such Transfer Restricted Security is being transferred to a Person the transferor reasonably believes is a QIB in accordance with Rule 144A under the Securities Act or pursuant to an exemption from registration in accordance with Rule 144 under the Securities Act, a certification to that effect from such Holder (in substantially the form of Exhibit B-3 hereto);

(C) if such Transfer Restricted Security is being transferred to a Non-U.S. Person in an offshore transaction in accordance with Rule 903 or 904 under Regulation S of the Securities Act, a certification to that effect from such Holder (in substantially the form of Exhibit B-3 hereto but containing the certification called for by clauses (1) through (4) of Exhibit B-1 hereto); or

(D) if such Transfer Restricted Security is being transferred to an Institutional Accredited Investor in reliance on an exemption from the registration requirements of the Securities Act other than those listed in subparagraph (B) or (C) above, a certification to that effect from such Holder (in substantially the form of Exhibit B-3 hereto), and a certification substantially in the form of Exhibit C hereto from the transferee, and, if such transfer is in respect of an aggregate principal amount of Notes of less than $250,000, an Opinion of Counsel reasonably acceptable to the Company and the Registrar that such transfer is in compliance with the Securities Act and any applicable blue sky laws of any state of the United States.

(c) [Intentionally omitted.]

(d) Restrictions on Transfer and Exchange of Global Notes. Notwithstanding any other provision of this Indenture, a Global Note may not be transferred as a whole except by the Depository to a nominee of the Depository or by a nominee of the Depository to the Depository or another nominee of the Depository or by the Depository or any such nominee to a successor Depository or a nominee of such successor Depository.

(e) Authentication of Definitive Notes in Absence of Depository or at Company's Election. If at any time (i) the Depository for the Notes notifies the Company that the Depository is unwilling or unable to continue as Depository for the Global Notes or has ceased to be a "clearing agency" registered under the Exchange Act and in either case a successor Depository for the Global Notes is not appointed by the Company within 90 days after delivery of such notice or (ii) the Company, at its option, notifies the Trustee in writing that it elects to terminate such book-entry system and to cause the issuance of Definitive Notes, then the Company shall execute, and the Trustee shall, upon receipt of an authentication order in accordance with Section 2.02 hereof, authenticate and deliver Definitive Notes in an aggregate principal amount equal to the principal amount of the Global Notes in exchange for such Global Notes. Definitive Notes issued in exchange for beneficial interests in the Global Notes pursuant to this Section 2.06(e) shall be registered in such names and in such authorized denominations as the Depository, pursuant to instructions from its direct or Indirect Participants or otherwise, shall instruct the Trustee. The Trustee shall deliver such Definitive Notes to the Persons in whose names such Notes are so registered.

(f) Legends.

(i) Except as permitted by the following paragraphs (ii) and (iv), each Note certificate evidencing a Global Note or a Definitive Note (and all Notes issued in exchange therefor or substitution thereof) shall bear a legend in substantially the following form, until the expiration of the applicable holding period with respect to the Notes set forth in Rule 144(k) promulgated under the Securities Act:

"THIS NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE OR OTHER SECURITIES LAWS. NEITHER THIS NOTE NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS THE TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. THE HOLDER OF THIS NOTE BY ITS ACCEPTANCE HEREOF (1) REPRESENTS THAT (A) IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT), OR (B) AN INSTITUTIONAL "ACCREDITED INVESTOR" WITHIN THE MEANING OF RULE 501(A)(1), (2), (3) OR (7) OF REGULATION D UNDER THE SECURITIES ACT (AN "INSTITUTIONAL ACCREDITED INVESTOR") OR (C) IT IS NOT A U.S. PERSON WHO IS

ACQUIRING THIS NOTE IN AN "OFFSHORE TRANSACTION" PURSUANT TO RULE 903 OR RULE 904 OF REGULATION S, (2) AGREES THAT IT WILL NOT, PRIOR TO THE DATE THAT IS TWO YEARS AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF (OR OF ANY PREDECESSOR OF THIS NOTE) AND THE LAST DATE ON WHICH HORNBECK-LEEVAC MARINE SERVICES, INC. (THE "COMPANY") OR ANY AFFILIATE OF THE COMPANY WAS THE OWNER OF THIS NOTE OR ANY PREDECESSOR OF THIS NOTE, OFFER, SELL OR OTHERWISE TRANSFER THIS NOTE EXCEPT (A) TO THE COMPANY OR ANY OF ITS SUBSIDIARIES, (B) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, (C) FOR SO LONG AS THE NOTES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A, TO A PERSON IT REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) PURSUANT TO OFFERS AND SALES TO NON-U.S. PERSONS THAT OCCUR OUTSIDE THE UNITED STATES WITHIN THE MEANING OF REGULATION S, (E) TO AN INSTITUTIONAL ACCREDITED INVESTOR OR (F) PURSUANT TO RULE 144 UNDER THE SECURITIES ACT OR ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, AND (3) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS NOTE IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND; PROVIDED THAT THE COMPANY AND THE TRUSTEE SHALL HAVE THE RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER (I) PURSUANT TO CLAUSE (F) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM AND (II) IN EACH OF THE FOREGOING CASES, TO REQUIRE THAT A CERTIFICATION OF TRANSFER IN THE FORM APPEARING IN THE INDENTURE IS COMPLETED AND DELIVERED BY THE TRANSFEROR TO THE TRUSTEE."

(ii) Upon any sale or transfer of a Transfer Restricted Security (including any beneficial interest in a Restricted Global Note) pursuant to Rule 144 under the Securities Act or pursuant to an effective registration statement under the Securities Act:

(A) in the case of any Transfer Restricted Security that is a Definitive Note, the Registrar shall permit the Holder thereof to exchange such Transfer Restricted Security for a Definitive Note that does not bear the legend set forth in (i) above and rescind any restriction on the transfer of such Transfer Restricted Security upon certification from the transferring holder substantially in the form of Exhibit B-3 hereto; and

(B) in the case of any beneficial interest in a Restricted Global Note, such interest shall be sold or transferred in compliance with the provisions of Section 2.06(a)(iv) hereof and the Global Note thereafter representing such interest shall not be required to bear the legend set forth in (i) above.

(iii) [Intentionally Omitted.]

(iv) Notwithstanding the foregoing, upon consummation of an Exchange Offer, the Company shall issue and, upon receipt of an authentication order in accordance with Section 2.02 hereof, the Trustee shall authenticate one or more Unrestricted Global Notes in aggregate principal amount equal to the sum of (A) the principal amount of the Restricted Beneficial Interests accepted for exchange in the Exchange Offer and (B) the principal amount of any Restricted Definitive Notes accepted for exchange in the Exchange Offer. Concurrently with the issuance of such Unrestricted Global Notes, the Trustee, as Registrar and Note Custodian, shall reduce accordingly the aggregate principal amount of each applicable Restricted Global Note and cancel any Restricted Definitive Notes accepted for exchange.

(g) Cancellation or Adjustment of Global Notes. At such time as all beneficial interests in Global Notes have been exchanged for Definitive Notes, redeemed, repurchased or cancelled, all Global Notes shall be returned to or retained and cancelled by the Trustee in accordance with Section 2.11 hereof. At any time prior to such cancellation, if any beneficial interest in a Global Note is exchanged for Definitive Notes or a beneficial interest in another Global Note, redeemed, repurchased or cancelled, the principal amount of Notes represented by such Global Note shall be reduced accordingly and an endorsement shall be made on such Global Note by the Trustee, as Registrar and Note Custodian, to reflect such reduction; and if the beneficial interest is being exchanged for or transferred to a Person who will take delivery thereof in the form of a beneficial interest in another Global Note, such other Global Note shall be increased accordingly and an endorsement shall be made on such Global Note by the Trustee, as Registrar and Note Custodian, to reflect such increase.

(h) General Provisions Relating to Transfers and Exchanges.

(i) To permit registrations of transfers and exchanges, subject to this Section 2.06, the Company shall execute and, upon the written order of the Company signed by an Officer of the Company, the Trustee shall authenticate Definitive Notes and Global Notes at the Registrar's request.

(ii) No service charge shall be made to a Holder for any registration of transfer or exchange, but the Company may require payment of a sum sufficient to cover any transfer tax or similar governmental charge payable in connection therewith (other than any such transfer taxes or similar governmental charge payable upon exchange or transfer pursuant to Sections 3.07, 4.10, 4.15 and 9.05 hereof).

(iii) Notwithstanding any other provision of this Section 2.06, prior to 40 days after the later of the commencement of the offering of any Series A Notes and the date of original issuance of such Notes, beneficial interests in a Regulation S Global Note may be held only through Euroclear or Clearstream (as Indirect Participants in DTC), unless transferred to a Person that takes delivery through a 144A Global Note or an IAI Global Note in accordance with Section 2.06(a)(ii) or (iii) hereof.

(iv) All Definitive Notes and Global Notes issued upon any registration of transfer or exchange of Definitive Notes or Global Notes shall be the valid obligations of the Company, evidencing the same debt, and entitled to the same benefits under this Indenture, as the Definitive Notes or Global Notes surrendered upon such registration of transfer or exchange.

(v) The Company and the Registrar shall not be required:

(A) to issue, to register the transfer of or to exchange Notes during a period beginning at the opening of business 15 days before the day of any selection of Notes for redemption under Section 3.02 hereof and ending at the close of business on the day of selection;

(B) to register the transfer of or to exchange any Note so selected for redemption in whole or in part, except the unredeemed portion of any Note being redeemed in part; or

(C) to register the transfer of a Note other than in amounts of $1,000 or multiple integrals thereof.

(vi) Prior to due presentment for the registration of a transfer of any Note, the Trustee, any Agent and the Company may deem and treat the Person in whose name any Note is registered as the absolute owner of such Note for the purpose of receiving payment of principal of, premium, if any, interest and Liquidated Damages, if any, on such Notes, and neither the Trustee, any Agent nor the Company shall be affected by notice to the contrary.

(vii) The Trustee shall authenticate Definitive Notes and Global Notes in accordance with the provisions of Sections 2.02 and 2.06(h)(i) hereof.

SECTION 2.07. REPLACEMENT NOTES.

If any mutilated Note is surrendered to the Trustee or the Company, or the Trustee receives evidence to its satisfaction of the destruction, loss or theft of any Note, the Company shall issue and the Trustee, upon the written order of the Company signed by one Officer of the Company, shall authenticate a replacement Note if the Trustee's requirements are met. If required by the Trustee and the Company, an indemnity bond must be supplied by the Holder that is sufficient in the judgment of the Trustee and the Company to protect the Company, the Trustee, any Agent and any authenticating agent from any loss that any of them may suffer if a Note is replaced. The Company

may charge for its expenses in replacing a Note. If, after the delivery of such replacement Note, a bona fide purchaser of the original Note in lieu of which such replacement Note was issued presents for payment or registration such original Note, the Trustee shall be entitled to recover such replacement Note from the Person to whom it was delivered or any Person taking therefrom, except a bona fide purchaser, and shall be entitled to recover upon the security or indemnity provided therefor to the extent of any loss, damage, cost or expense incurred by the Company, the Trustee, any Agent and any authenticating agent in connection therewith.

Subject to the provisions of the final sentence of the preceding paragraph of this Section 2.07, every replacement Note is an additional obligation of the Company and shall be entitled to all of the benefits of this Indenture equally and proportionately with all other Notes duly issued hereunder.

SECTION 2.08. OUTSTANDING NOTES.

The Notes outstanding at any time are all the Notes authenticated by the Trustee except for those cancelled by it, those delivered to it for cancellation, those reductions in the interests in a Global Note effected by the Trustee in accordance with the provisions hereof, and those described in this Section as not outstanding. Except as set forth in Section 2.09 hereof, a Note does not cease to be outstanding because the Company, any Subsidiary of the Company or an Affiliate of the Company or any Subsidiary of the Company holds the Note.

If a Note is replaced pursuant to Section 2.07 hereof, it ceases to be outstanding unless the Trustee receives proof satisfactory to it that the replaced Note is held by a bona fide purchaser.

If the entire principal of and premium, interest and Liquidated Damages, if any, on any Note are considered paid under Section 4.01 hereof, it ceases to be outstanding and interest and Liquidated Damages, if any, on it cease to accrue as of the date of such payment.

SECTION 2.09. TREASURY NOTES.

In determining whether the Holders of the required principal amount of Notes have concurred in any direction, waiver or consent, Notes owned by the Company, a Subsidiary of the Company or an Affiliate, shall be considered as though not outstanding, except that for the purposes of determining whether the Trustee shall be protected in relying on any such direction, waiver or consent, only Notes that a Trustee knows are so owned shall be so disregarded. Notwithstanding the foregoing, Notes that the Company, a Subsidiary of the Company or an Affiliate offers to purchase or acquires pursuant to an offer, exchange offer, tender offer or otherwise shall not be deemed to be owned by the Company, a Subsidiary of the Company or an Affiliate until legal title to such Notes passes to the Company, such Subsidiary or such Affiliate as the case may be.

SECTION 2.10. TEMPORARY NOTES.

Until definitive Notes are ready for delivery, the Company may prepare and the Trustee shall authenticate temporary Notes upon a written order of the Company signed by one Officer of the

Company. Temporary Notes shall be substantially in the form of definitive Notes but may have variations that the Company considers appropriate for temporary Notes and as shall be reasonably acceptable to the Trustee. Without unreasonable delay, the Company shall prepare and the Trustee shall authenticate definitive Notes in exchange for temporary Notes. Until such exchange, Holders of temporary Notes shall be entitled to all of the benefits of this Indenture.

SECTION 2.11. CANCELLATION.

The Company at any time may deliver Notes to the Trustee for cancellation. The Registrar and Paying Agent shall forward to the Trustee any Notes surrendered to them for registration of transfer, exchange or payment. The Trustee and no one else shall cancel all Notes surrendered for registration of transfer, exchange, payment, replacement or cancellation and, at the request of the Company, shall destroy cancelled Notes (subject to the record retention requirement of the Exchange Act). Certification of the destruction of all cancelled Notes shall be delivered to the Company upon its written request. The Company may not issue new Notes to replace Notes that it has paid or that have been delivered to the Trustee for cancellation, other than as contemplated by the Exchange Offer.

SECTION 2.12. DEFAULTED INTEREST.

If the Company defaults in a payment of interest on the Notes, it shall pay the defaulted interest in any lawful manner plus, to the extent lawful, interest payable on the defaulted interest, to the Persons who are Holders on a subsequent special record date, in each case at the rate provided in the Notes and in Section 4.01 hereof. The Company shall notify the Trustee in writing of the amount of defaulted interest proposed to be paid on each Note and the date of the proposed payment. The Company shall fix or cause to be fixed each such special record date and payment date, provided, however, that no such special record date shall be less than 10 days prior to the related payment date for such defaulted interest. At least 15 days before the special record date, the Company (or, upon the written request of the Company, the Trustee in the name and at the expense of the Company) shall mail or cause to be mailed to Holders a notice that states the special record date, the related payment date and the amount of such interest to be paid.

ARTICLE 3

REDEMPTION AND REPURCHASE

SECTION 3.01. NOTICES TO TRUSTEE.

If the Company elects to redeem Notes pursuant to the optional redemption provisions of Section 3.07 hereof, it shall furnish to the Trustee, at least 30 days but not more than 60 days before a redemption date, an Officers' Certificate setting forth (i) the clause of this Indenture pursuant to which the redemption shall occur, (ii) the redemption date, (iii) the principal amount of Notes to be redeemed and (iv) the redemption price.

SECTION 3.02. SELECTION OF NOTES TO BE REDEEMED.

If less than all of the Notes are to be redeemed at any time, the Trustee shall select the Notes to be redeemed among the Holders of the Notes on a pro rata basis, by lot or in accordance with any other method the Trustee considers fair and appropriate. In the event of partial redemption by lot, the particular Notes to be redeemed shall be selected, unless otherwise provided herein, not less than 30 days nor more than 60 days prior to the redemption date by the Trustee from the outstanding Notes not previously called for redemption.

The Trustee shall promptly notify the Company in writing of the Notes selected for redemption and, in the case of any Note selected for partial redemption, the principal amount thereof to be redeemed. Notes and portions of Notes selected shall be in amounts of $1,000 or whole multiples of $1,000. Provisions of this Indenture that apply to Notes called for redemption also apply to portions of Notes called for redemption.

The provisions of the two preceding paragraphs of this Section 3.02 shall not apply with respect to any redemption affecting only a Global Note, whether such Global Note is to be redeemed in whole or in part. In case of any such redemption in part, the unredeemed portion of the principal amount of the Global Note shall be in an authorized denomination.

SECTION 3.03. NOTICE OF REDEMPTION.

At least 30 days but not more than 60 days before a redemption date, the Company shall mail or cause to be mailed, by first class mail, a notice of redemption to each Holder whose Notes are to be redeemed at its registered address.

The notice shall identify the Notes to be redeemed and shall state:

(a) the redemption date;

(b) the redemption price;

(c) if any Note is being redeemed in part, the portion of the principal amount of such Note to be redeemed and that, after the redemption date upon surrender of such Note, a new Note or Notes in a principal amount equal to the unredeemed portion shall be issued upon cancellation of the original Note;

(d) the name and address of the Paying Agent;

(e) that Notes called for redemption must be surrendered to the Paying Agent to collect the redemption price;

(f) that, unless the Company defaults in making such redemption payment, interest and Liquidated Damages, if any, on Notes called for redemption cease to accrue on and after the redemption date;

(g) the paragraph of the Notes or Section of this Indenture pursuant to which the Notes called for redemption are being redeemed; and

(h) that no representation is made as to the correctness or accuracy of the CUSIP number, if any, listed in such notice or printed on the Notes.

If any of the Notes to be redeemed is in the form of a Global Note, then the Company shall modify such notice to the extent necessary to accord with the procedures of the Depository applicable to redemption.

At the Company's request, the Trustee shall give the notice of redemption in the Company's name and at its expense; provided, however, that the Company shall have delivered to the Trustee, at least 60 days (unless the Company and the Trustee agree to a shorter period) prior to the redemption date, an Officers' Certificate requesting that the Trustee give such notice and setting forth the information to be stated in such notice as provided in the preceding paragraph.

SECTION 3.04. EFFECT OF NOTICE OF REDEMPTION.

Once notice of redemption is mailed in accordance with Section 3.03 hereof, Notes called for redemption become irrevocably due and payable on the redemption date at the redemption price. A notice of redemption may not be conditional.

SECTION 3.05. DEPOSIT OF REDEMPTION PRICE.

No later than 10:00 a.m., New York City time, on the redemption date, the Company shall deposit with the Paying Agent (or, if the Company is acting as its own Paying Agent, segregate and hold in trust as provided in Section 2.04 hereof) money sufficient to pay the redemption price of and accrued interest and Liquidated Damages, if any, on all Notes to be redeemed on that date. The Paying Agent shall promptly return to the Company any money deposited with the Paying Agent by the Company in excess of the amounts necessary to pay the redemption price of and accrued interest and Liquidated Damages, if any, on all Notes to be redeemed.

If the Company complies with the provisions of the preceding paragraph, on and after the redemption date, interest and Liquidated Damages, if any, shall cease to accrue on the Notes or the portions of Notes called for redemption. If a Note is redeemed on or after an interest record date but on or prior to the related interest payment date, then any accrued and unpaid interest and Liquidated Damages, if any, shall be paid to the Person in whose name such Note was registered at the close of business on such record date. If any Note called for redemption shall not be so paid upon surrender for redemption because of the failure of the Company to comply with the preceding paragraph, interest shall be paid on the unpaid principal, from the redemption date until such principal is paid, and to the extent lawful on any interest and Liquidated Damages, if any, not paid on such unpaid principal, in each case at the rate provided in the Notes and in Section 4.01 hereof.

SECTION 3.06. NOTES REDEEMED IN PART.

Upon surrender of a Note that is redeemed in part, the Company shall issue and the Trustee shall authenticate for the Holder at the expense of the Company a new Note equal in principal amount to the unredeemed portion of the Note surrendered.

SECTION 3.07. OPTIONAL REDEMPTION.

(a) At any time prior to August 1, 2005, the Company may redeem the Notes at its option, in whole or in part, at a redemption price equal to 100% of the principal amount thereof plus the Applicable Premium as of, and accrued and unpaid interest and Liquidated Damages, if any, to, the date of redemption.

(b) At any time on or after August 1, 2005, the Company shall have the option to redeem the Notes, in whole or in part, at the redemption prices (expressed as percentages of principal amount) set forth below plus accrued and unpaid interest and Liquidated Damages, if any, thereon, to the applicable redemption date, if redeemed during the twelve-month period beginning on August 1 of the years indicated below:

YEAR	PERCENTAGE
2005	105.3125%
2006	102.6563%
2007 and thereafter	100.0000%

(c) Further, prior to August 1, 2004, the Company may redeem on any one or more occasions Notes representing up to 35% of the aggregate principal amount of Notes originally issued under this Indenture (including any Notes originally issued after the Issue Date but excluding any Series B Notes for purposes of calculating the amount that may be redeemed) at a redemption price of 110.625% of the principal amount thereof, plus accrued and unpaid interest and Liquidated Damages, if any, thereon to the redemption date, with the net cash proceeds of one or more Qualified Equity Offerings, provided that (i) Notes representing at least 65% of the aggregate principal amount of Notes originally issued under this Indenture (including any Notes originally issued after the Issue Date but excluding any Series B Notes for purposes of calculating the amount that may be redeemed) remain outstanding immediately after the occurrence of each such redemption and (ii) such redemption shall occur within 60 days of the date of the closing of each such Qualified Equity Offering.

(d) Any redemption pursuant to this Section 3.07 shall be made pursuant to the provisions of Section 3.01 through Section 3.06 hereof.

SECTION 3.08. MANDATORY REDEMPTION.

Except as set forth under Sections 4.10 and 4.15 hereof, the Company shall not be required to purchase or to make mandatory redemption or sinking fund payments with respect to the Notes.

SECTION 3.09. OFFER TO PURCHASE BY APPLICATION OF EXCESS PROCEEDS.

In the event that, pursuant to Section 4.10 hereof, the Company shall be required to commence an offer to all Holders to purchase Notes (an "Asset Sale Offer"), the Company shall follow the procedures specified below.

The Asset Sale Offer shall remain open for a period of 20 Business Days following its commencement and no longer, except to the extent that a longer period is required by applicable law (the "Offer Period"). No later than five Business Days after the termination of the Offer Period (the "Purchase Date"), the Company shall purchase the principal amount of Notes required to be purchased pursuant to Section 4.10 hereof (the "Offer Amount") or, if less than the Offer Amount has been tendered, all Notes validly tendered in response to the Asset Sale Offer. Payment for any Notes so purchased shall be made in the same manner as principal payments are made at Stated Maturity. Further, the Company shall comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent such laws and regulations are applicable in connection with the purchase of Notes as a result of an Asset Sale Offer. To the extent that the provisions of any securities laws or regulations conflict with the provisions of this Indenture relating to an Asset Sale Offer, the Company shall comply with the applicable securities laws and regulations and shall not be deemed to have breached its obligations described in this Section 3.09 by virtue thereof.

If the Purchase Date is on or after an interest record date and on or before the related interest payment date, any accrued and unpaid interest and Liquidated Damages, if any, shall be paid to the Person in whose name a Note is registered at the close of business on such record date, and no additional interest or Liquidated Damages, if any, shall be payable to Holders who tender Notes pursuant to the Asset Sale Offer.

Upon the commencement of an Asset Sale Offer, the Company shall send, by first class mail, a notice to each of the Holders, with a copy to the Trustee. The notice shall contain all instructions and materials necessary to enable such Holders to tender Notes pursuant to the Asset Sale Offer. The Asset Sale Offer shall be made to all Holders. The notice, which shall govern the terms of the Asset Sale Offer, shall state:

(a) that the Asset Sale Offer is being made pursuant to this Section 3.09 and Section 4.10 hereof and the length of time the Asset Sale Offer shall remain open;

(b) the Offer Amount, the purchase price and the Purchase Date;

(c) that any Note not tendered or accepted for payment shall continue to accrue interest and Liquidated Damages, if any;

(d) that, unless the Company defaults in making such payment, any Note accepted for payment pursuant to the Asset Sale Offer shall cease to accrue interest and Liquidated Damages, if any after the Purchase Date;

(e) that Holders electing to have a Note purchased pursuant to an Asset Sale Offer may only elect to have all of such Note purchased and may not elect to have only a portion of such Note purchased;

(f) that Holders electing to have a Note purchased pursuant to any Asset Sale Offer shall be required to surrender the Note, with the form entitled "Option of Holder to Elect Purchase" on the reverse of the Note completed, to the Company or a Paying Agent at the address specified in the notice at least three days before the Purchase Date;

(g) that Holders shall be entitled to withdraw their election if the Company or the Paying Agent, as the case may be, receives, not later than the expiration of the Offer Period, a telegram, facsimile transmission or letter setting forth the name of the Holder, the principal amount of the Note the Holder delivered for purchase and a statement that such Holder is withdrawing his election to have such Note purchased;

(h) that, if the aggregate principal amount of Notes surrendered by Holders exceeds the Offer Amount, the Trustee shall select the Notes to be purchased on a pro rata basis (with such adjustments as may be deemed appropriate by the Trustee so that only Notes in denominations of $1,000, or integral multiples thereof, shall be purchased); and

(i) that Holders whose Notes were purchased only in part shall be issued new Notes equal in principal amount to the unpurchased portion of the Notes surrendered (or transferred by book-entry transfer).

If any of the Notes subject to an Asset Sale Offer is in the form of a Global Note, then the Company shall modify such notice to the extent necessary to accord with the procedures of the Depository applicable to repurchases.

On or before the Purchase Date, the Company shall, to the extent lawful, accept for payment, on a pro rata basis to the extent necessary, the Offer Amount of Notes or portions thereof tendered pursuant to the Asset Sale Offer, or if less than the Offer Amount has been tendered, all Notes tendered, and shall deliver to the Trustee an Officers' Certificate stating that such Notes or portions thereof were accepted for payment by the Company in accordance with the terms of this Section 3.09. The Company or the Paying Agent, as the case may be, shall promptly (but in any case not later than three days after the Purchase Date) mail or deliver to each tendering Holder an amount equal to the purchase price of the Notes tendered by such Holder and accepted by the Company for purchase, and the Company shall promptly issue a new Note, and the Trustee shall authenticate and mail or deliver such new Note to such Holder, in a principal amount equal to any unpurchased portion of the Note surrendered. Any Note not so accepted shall be promptly mailed or delivered by the Company to the Holder thereof. The Company shall publicly announce the results of the Asset Sale Offer on the Purchase Date.

Other than as specifically provided in this Section 3.09, any purchase pursuant to this Section 3.09 shall be made pursuant to the provisions of Section 3.01 through Section 3.06 hereof.

ARTICLE 4

COVENANTS

SECTION 4.01. PAYMENT OF NOTES.

The Company shall pay or cause to be paid the principal of and premium, interest and Liquidated Damages, if any, on the Notes on the dates and in the manner provided in the Notes. Principal, premium, interest and Liquidated Damages, if any, shall be considered paid on the date due if a Paying Agent, if other than the Company or a Subsidiary thereof, holds as of 10:00 a.m., New York City time, on the due date money deposited by the Company in immediately available funds and designated for and sufficient to pay all principal, premium, interest and Liquidated Damages, if any, then due.

The Company shall pay interest (including post-petition interest in any proceeding under any Bankruptcy Law) on overdue principal and premium, if any, at the rate equal to the interest rate on the Notes to the extent lawful; it shall pay interest (including post-petition interest in any proceeding under any Bankruptcy Law) on overdue installments of interest and Liquidated Damages, if any (without regard to any applicable grace period), at the same rate to the extent lawful.

SECTION 4.02. MAINTENANCE OF OFFICE OR AGENCY.

The Company shall maintain an office or agency in the continental United States where Notes may be presented or surrendered for payment, where Notes may be surrendered for registration of transfer or for exchange and where notices and demands to or upon the Company in respect of the Notes and this Indenture may be served. If at any time the Company shall fail to maintain any such required office or agency or shall fail to furnish the Trustee with the address thereof, such presentations, surrenders, notices and demands may be made or served at the Corporate Trust Office of the Trustee.

The Company may also from time to time designate one or more other offices or agencies where the Notes may be presented or surrendered for any or all such purposes and may from time to time rescind such designations. Further, if at any time there shall be no such office or agency in the continental United States where the Notes may be presented or surrendered for payment, the Company shall forthwith designate and maintain such an office or agency in the continental United States, in order that the Notes shall at all times be payable in the continental United States. The Company shall give prompt written notice to the Trustee of any such designation or rescission and of any change in the location of any such other office or agency.

The Company hereby designates the Corporate Trust Office of the Trustee as one such office or agency of the Company in accordance with Section 2.03.

SECTION 4.03. REPORTS.

(a) Whether or not the Company is required to do so by the rules and regulations of the SEC, so long as any Notes are outstanding, the Company will file with the SEC within the time periods specified in the SEC's rules and regulations (unless the SEC will not accept such a filing) and, within 15 days of filing, or attempting to file, the same with the SEC, furnish to the Holders of the Notes and the Trustee (i) all quarterly and annual financial and other information with respect to the Company and its Subsidiaries that would be required to be contained in a filing with the SEC on Forms 10-Q and 10-K if the Company were required to file such forms, including a "Management's Discussion and Analysis of Financial Condition and Results of Operations" and, with respect to the annual information only, a report thereon by the Company's certified independent accountants, provided that the obligation to file and to furnish such quarterly financial and other information shall commence with respect to the quarterly period ending September 30, 2001, and (ii) all current reports that would be required to be filed with the SEC on Form 8-K if the Company were required to file such reports. The Company shall at all times comply with TIA Section 314(a).

(b) For so long as any Notes remain outstanding, the Company and the Guarantors shall furnish to the Holders of the Notes, prospective purchasers of the Notes and securities analysts, upon their request, the information, if any, required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

SECTION 4.04. COMPLIANCE CERTIFICATE.

(a) The Company shall deliver to the Trustee, within 90 days after the end of each fiscal year, an Officers' Certificate stating that a review of the activities of the Company and its Restricted Subsidiaries during the preceding fiscal year has been made under the supervision of the signing Officers with a view to determining whether the Company has kept, observed, performed and fulfilled its obligations under this Indenture, and further stating, as to each such Officer signing such certificate, that to the best of his or her knowledge the Company has kept, observed, performed and fulfilled each and every covenant contained in this Indenture and is not in default in the performance or observance of any of the terms, provisions and conditions of this Indenture (or, if a Default or Event of Default shall have occurred, describing all such Defaults or Events of Default of which he or she may have knowledge and what action the Company is taking or proposes to take with respect thereto) and that to the best of his or her knowledge no event has occurred and remains in existence by reason of which payments on account of the principal of or interest, if any, on the Notes is prohibited or if such event has occurred, a description of the event and what action the Company is taking or proposes to take with respect thereto.

(b) So long as not contrary to the then current recommendations of the American Institute of Certified Public Accountants, the year-end financial statements delivered pursuant to Section 4.03(a) above shall be accompanied by a written statement of the Company's independent public accountants (who shall be a firm of established national reputation) that in making the examination necessary for certification of such financial statements, nothing has come to their attention that would lead them to believe that the Company has violated any provisions of Article 4 or Article 5 hereof or, if any such violation has occurred, specifying the nature and period of

existence thereof, it being understood that such accountants shall not be liable directly or indirectly to any Person for any failure to obtain knowledge of any such violation.

(c) The Company shall, so long as any of the Notes are outstanding, deliver to the Trustee, forthwith upon any Officer becoming aware of any Default or Event of Default, an Officers' Certificate specifying such Default or Event of Default and what action the Company is taking or proposes to take with respect thereto.

SECTION 4.05. TAXES.

The Company shall pay, and shall cause each of its Subsidiaries to pay, prior to delinquency, all material taxes, assessments, and governmental levies except such as are contested in good faith and by appropriate proceedings or where the failure to effect such payment is not adverse in any material respect to the Holders of the Notes.

SECTION 4.06. STAY, EXTENSION AND USURY LAWS.

The Company covenants (to the extent that it may lawfully do so) that it shall not at any time insist upon, plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay, extension or usury law wherever enacted, now or at any time hereafter in force, that may affect the covenants or the performance of this Indenture; and the Company (to the extent that it may lawfully do so) hereby expressly waives all benefit or advantage of any such law, and covenants that it shall not, by resort to any such law, hinder, delay or impede the execution of any power herein granted to the Trustee, but shall suffer and permit the execution of every such power as though no such law has been enacted.

SECTION 4.07. RESTRICTED PAYMENTS.

The Company shall not, and shall not permit any of its Restricted Subsidiaries to, directly or indirectly, (i) declare or pay any dividend or make any other payment or distribution on account of the Company's or any of its Restricted Subsidiaries' Equity Interests (including, without limitation, any such payment in connection with any merger or consolidation involving the Company) or to the direct or indirect holders of the Company's Equity Interests in their capacity as such (other than dividends or distributions payable in Equity Interests (other than Disqualified Stock) of the Company); (ii) purchase, redeem or otherwise acquire or retire for value (including, without limitation, in connection with any merger or consolidation involving the Company) any Equity Interests of the Company or any of its Restricted Subsidiaries (other than any such Equity Interests owned by the Company or any Wholly Owned Restricted Subsidiary of the Company); (iii) make any payment on or with respect to, or purchase, redeem, defease or otherwise acquire or retire for value, any Indebtedness that is subordinated in right of payment to the Notes or the Subsidiary Guarantees, as the case may be, except a payment of interest or principal at Stated Maturity (other than an interim payment of principal on the Subordinated Notes); or (iv) make any Restricted Investment (all such payments and other actions set forth in clauses (i) through (iv) above being collectively referred to as "Restricted Payments"), unless, at the time of and after giving effect to such Restricted Payment:

(a) no Default or Event of Default shall have occurred and be continuing or would occur as a consequence thereof;

(b) the Company would, at the time of such Restricted Payment and after giving pro forma effect thereto as if such Restricted Payment had been made at the beginning of the applicable four-quarter period, have been permitted to incur at least $1.00 of additional Indebtedness pursuant to the Consolidated Interest Coverage Ratio test set forth in Section 4.09 hereof; and

(c) such Restricted Payment, together with the aggregate amount of all other Restricted Payments made by the Company and its Restricted Subsidiaries after the Issue Date (excluding Restricted Payments permitted by clauses (b), (c), (d), (f), (g), (h) and (i), but including Restricted Payments permitted by clauses (a) and (e) of the next succeeding paragraph), is less than the sum of the following: (A) 50% of the cumulative Consolidated Net Income of the Company for the period (taken as one accounting period) from April 1, 2001 to the end of the Company's most recently ended fiscal quarter for which internal financial statements are available at the time of such Restricted Payment (or, if such Consolidated Net Income for such period is a deficit, less 100% of such deficit), plus (B) subject to clause (b) of the next succeeding paragraph, 100% of the aggregate net cash proceeds received by the Company since the Issue Date from the issue or sale of Equity Interests of the Company (other than Disqualified Stock) or of Disqualified Stock or debt securities of the Company that have been converted into, or exchanged for, such Equity Interests (other than any such Equity Interests, Disqualified Stock or convertible debt securities sold to a Restricted Subsidiary of the Company and other than Disqualified Stock or convertible debt securities that have been converted into, or exchanged for, Disqualified Stock), plus (C) to the extent that any Restricted Investment that was made after the Issue Date is sold for cash or otherwise liquidated or repaid for cash, the lesser of (1) cash return of capital with respect to such Restricted Investment (less the cost of disposition, if any) and (2) the initial amount of such Restricted Investment plus (D) in the event that any Unrestricted Subsidiary is redesignated as a Restricted Subsidiary, the lesser of (1) an amount equal to the fair market value of the Investments previously made by the Company and its Restricted Subsidiaries in such Subsidiary as of the date of redesignation and (2) the amount of such Investments plus (E) $10,000,000.

The foregoing provisions will not prohibit any of the following: (a) the payment of any dividend within 60 days after the date of declaration thereof, if at said date of declaration such payment would have complied with the provisions of this Indenture; (b) the redemption, repurchase, retirement, defeasance or other acquisition of any subordinated Indebtedness of the Company or any Guarantor or any Equity Interests of the Company or any of its Restricted Subsidiaries in exchange for, or out of the net cash proceeds of the substantially concurrent sale (other than to a Restricted Subsidiary of the Company) of, other Equity Interests of the Company (other than any Disqualified Stock), provided that the amount of any such net cash proceeds that are utilized for any such redemption, repurchase, retirement, defeasance or other acquisition shall be excluded from clause (c)(B) of the preceding paragraph; (c) the defeasance, redemption, repurchase, retirement or other

acquisition of subordinated Indebtedness of the Company or any Guarantor with the net cash proceeds from an incurrence of, or in exchange for, Permitted Refinancing Indebtedness; (d) the payment of any dividend or distribution by a Restricted Subsidiary of the Company to the Company or any Wholly Owned Restricted Subsidiary of the Company; (e) so long as no Default or Event of Default has occurred and is continuing, the repurchase, redemption or other acquisition or retirement for value of any Equity Interests of the Company or any Restricted Subsidiary of the Company held by any employee of the Company or any of its Restricted Subsidiaries, provided that the aggregate price paid for all such repurchased, redeemed, acquired or retired Equity Interests shall not exceed $500,000 in any calendar year; (f) the acquisition of Equity Interests by the Company in connection with the exercise of stock options or stock appreciation rights by way of cashless exercise or in connection with the satisfaction of withholding tax obligations; (g) in connection with an acquisition by the Company or by any of its Restricted Subsidiaries, the return to the Company or any of its Restricted Subsidiaries of Equity Interests of the Company or any of its Restricted Subsidiaries constituting a portion of the purchase price consideration in settlement of indemnification claims; (h) the purchase by the Company of fractional shares of Equity Interests arising out of stock dividends, splits or combinations or business combinations; and (i) the acquisition by the Company of any Trutta/JEDI Warrants in exchange for Subordinated Notes.

The Board of Directors may designate any Restricted Subsidiary to be an Unrestricted Subsidiary if such designation would not cause a Default. For purposes of making such designation, all outstanding Investments by the Company and its Restricted Subsidiaries (except to the extent repaid in cash) in the Subsidiary so designated shall be deemed to be Restricted Payments at the time of such designation, in an amount equal to the greater of (a) the net book value of such Investments at the time of such designation and (b) the fair market value of such Investments at the time of such designation. Such designation shall only be permitted if such Restricted Payments would be permitted at such time and if such Restricted Subsidiary otherwise meets the definition of "Unrestricted Subsidiary."

The Board of Directors may also redesignate any Unrestricted Subsidiary to be a Restricted Subsidiary if such redesignation complies with the requirements described in the definition of "Unrestricted Subsidiary." If the aggregate amount of all Restricted Payments calculated for purposes of the first paragraph of this Section 4.07 includes an Investment in an Unrestricted Subsidiary that subsequently becomes a Restricted Subsidiary pursuant to the terms of this paragraph, then the aggregate amount of such Restricted Payments shall be reduced by the lesser of (a) an amount equal to the fair market value of the Investments previously made by the Company and its Restricted Subsidiaries in such Unrestricted Subsidiary at the time it becomes a Restricted Subsidiary and (b) the amount of such Investments.

Any designation or redesignation of a Subsidiary shall be evidenced to the Trustee by filing with the Trustee a Board Resolution giving effect to such action and evidencing the valuation of any Investment relating thereto (as determined in good faith by the Board of Directors) and an Officers' Certificate certifying that such action complied with the terms of the definition of "Unrestricted Subsidiary" set forth in this Indenture and with this Section 4.07.

The amount of all Restricted Payments (other than cash) shall be the fair market value on the date of the Restricted Payment of the asset(s) or securities proposed to be transferred or issued by the Company or such Restricted Subsidiary, as the case may be, pursuant to the Restricted Payment. The fair market value of any non-cash Restricted Payment shall be determined in the manner contemplated by the definition of the term "fair market value," and the results of such determination shall be evidenced by an Officers' Certificate delivered to the Trustee. Not later than the date of making any Restricted Payment (other than a Restricted Payment permitted by clause (b), (c), (d), (f), (g), (h) or (i) of the second full paragraph of this Section 4.07), the Company shall deliver to the Trustee an Officers' Certificate stating that such Restricted Payment is permitted and setting forth the basis upon which the calculations required by this Section 4.07 were computed.

SECTION 4.08. DIVIDEND AND OTHER PAYMENT RESTRICTIONS AFFECTING SUBSIDIARIES.

The Company shall not, and shall not permit any of its Restricted Subsidiaries to, directly or indirectly, create or otherwise cause or suffer to exist or become effective any encumbrance or restriction on the ability of any Restricted Subsidiary to do any of the following: (a)(i) pay dividends or make any other distributions to the Company or any of its Restricted Subsidiaries on its Capital Stock or (ii) pay any Indebtedness owed to the Company or any of its Restricted Subsidiaries; (b) make loans or advances to the Company or any of its Restricted Subsidiaries or (c) transfer any of its properties or assets to the Company or any of its Restricted Subsidiaries, except for such encumbrances or restrictions existing under or by reason of (1) the Credit Facility or Existing Indebtedness, each as in effect on the Issue Date, (2) this Indenture, the Notes and the Subsidiary Guarantees, (3) applicable law, (4) any instrument governing Indebtedness or Capital Stock of a Person acquired by the Company or any of its Restricted Subsidiaries as in effect at the time of such acquisition (except to the extent such Indebtedness was incurred in connection with or in contemplation of such acquisition), which encumbrance or restriction is not applicable to any Person or the assets of any Person, other than the Person, or the assets of the Person, so acquired, provided that, in the case of Indebtedness, such Indebtedness was permitted by the terms of the Indenture to be incurred, (5) by reason of customary non-assignment provisions in leases entered into in the ordinary course of business and consistent with past practices, (6) by reason of customary provisions restricting the transfer of copyrighted or patented materials consistent with industry practice, (7) purchase money obligations for property acquired in the ordinary course of business that impose restrictions of the nature described in clause (c) above on the property so acquired, (8) customary provisions in bona fide contracts for the sale of properties or assets, (9) Permitted Refinancing Indebtedness with respect to any Indebtedness referred to in clauses (1) and (2) above, provided that the restrictions contained in the agreements governing such Permitted Refinancing Indebtedness are not materially more restrictive, taken as a whole, than those contained in the agreements governing the Indebtedness being refinanced or (10) provisions with respect to the disposition or distribution of assets in joint venture agreements, asset sale agreements, stock sale agreements and other similar agreements entered into in the ordinary course of business.

SECTION 4.09. INCURRENCE OF INDEBTEDNESS AND ISSUANCE OF DISQUALIFIED STOCK.

The Company shall not, and shall not permit any of its Restricted Subsidiaries to, directly or indirectly, create, incur, issue, assume, guarantee or otherwise become directly or indirectly liable,

contingently or otherwise, with respect to (collectively, "incur" or an "incurrence") any Indebtedness (including, without limitation, Acquired Indebtedness) and that the Company will not issue any Disqualified Stock and will not permit any of its Restricted Subsidiaries to issue any shares of preferred stock; provided, however, that the Company and its Restricted Subsidiaries may incur Indebtedness, and the Company may issue Disqualified Stock, in each case if the Consolidated Interest Coverage Ratio for the Company's most recently ended four full fiscal quarters for which internal financial statements are available immediately preceding the date on which such additional Indebtedness is incurred or such Disqualified Stock is issued would have been at least as great as the ratio indicated in the following table at the time such additional Indebtedness is incurred or such Disqualified Stock is issued (such time being called the "Incurrence Time"), in each case as determined on a pro forma basis (including a pro forma application of the net proceeds therefrom), as if the additional Indebtedness or Disqualified Stock had been issued or incurred, as the case may be, at the beginning of such four-quarter period.

Incurrence Time	Ratio
When the Notes are rated at least Ba3 by Moody's and at least BB- by S&P	2.50 to 1
At any other time as follows: From the Issue Date through December 31, 2002	2.50 to 1
From January 1, 2003 through June 30, 2004	2.75 to 1
After June 30, 2004	3.00 to 1

The foregoing provisions shall not apply to the incurrence by the Company or any of its Restricted Subsidiaries of any of the following Indebtedness:

(a) Indebtedness under the Credit Facility in an aggregate principal amount at any one time outstanding not to exceed sum of (1) $25.0 million and (2) 15% of the amount of the increase, if any, in Consolidated Net Tangible Assets between (A) the end of the Company's most recently ended fiscal quarter for which internal financial statements are available and (B) March 31, 2001, with the amount of Consolidated Net Tangible Assets at March 31, 2001 to be determined on a pro forma basis to reflect the Company's acquisition on May 31, 2001 of the tugs and tank barges from the Spentonbush/Red Star Group, plus any fees, premiums, expenses (including costs of collection), indemnities and similar amounts payable in connection with such Indebtedness;

(b) Existing Indebtedness;

(c) Hedging Obligations;

(d) Indebtedness represented by the Original Notes, any Series B Notes issued in exchange for Series A Notes pursuant to an Exchange Offer or the Subsidiary Guarantees;

(e) intercompany Indebtedness between or among the Company and any of its Wholly Owned Restricted Subsidiaries, provided that any subsequent issuance or transfer of

Equity Interests that results in any such Indebtedness being held by a Person other than the Company or a Wholly Owned Restricted Subsidiary of the Company, or any sale or other transfer of any such Indebtedness to a Person that is neither the Company nor a Wholly Owned Restricted Subsidiary of the Company, shall be deemed, in each case, to constitute an incurrence of such Indebtedness by the Company or such Restricted Subsidiary, as the case may be, as of the date of such issuance, sale or other transfer that is not permitted by this clause (e);

(f) Indebtedness in respect of bid, performance or surety bonds issued for the account of the Company or any Restricted Subsidiary thereof in the ordinary course of business, including guarantees or obligations of the Company or any Restricted Subsidiary thereof with respect to letters of credit supporting such bid, performance or surety obligations (in each case other than for an obligation for money borrowed);

(g) the guarantee by the Company of Indebtedness of any of its Restricted Subsidiaries or by any Restricted Subsidiary of Indebtedness of the Company or another Restricted Subsidiary, in each case, that was permitted to be incurred by another provision of this Section 4.09;

(h) Permitted Refinancing Indebtedness incurred in exchange for, or the net proceeds of which are used to extend, refinance, renew, replace, defease or refund Indebtedness incurred pursuant to the first paragraph and clause (b), (d) or (h) of the second paragraph of this Section 4.09;

(i) Subordinated Notes; and

(j) any additional Indebtedness in an aggregate principal amount not in excess of $10,000,000 at any one time outstanding.

The Company shall not, and shall not permit any Guarantor to, directly or indirectly, incur any Indebtedness which by its terms (or by the terms of any agreement governing such Indebtedness) is subordinated to any other Indebtedness of the Company or of such Guarantor, as the case may be, unless such Indebtedness is also by its terms (or by the terms of any agreement governing such Indebtedness) made expressly subordinate to the Notes or the Subsidiary Guarantees of such Guarantor, as the case may be, to the same extent and in the same manner as such Indebtedness is subordinated pursuant to subordination provisions that are most favorable to the holders of any other Indebtedness of the Company or of such guarantor, as the case may be; provided, however, that no Indebtedness shall be deemed to be contractually subordinated in right of payment to any other Indebtedness solely by virtue of being unsecured.

For purposes of determining compliance with this Section 4.09, in the event that an item of proposed Indebtedness meets the criteria of more than one of the categories of Indebtedness described in clauses (a) through (j) of the second paragraph, or is entitled to be incurred pursuant to the first paragraph, of this Section 4.09, the Company shall be permitted to classify such item of Indebtedness on the date of its incurrence, or later reclassify all or a portion of such item of

Indebtedness, in any manner that complies with this Section 4.09, and such item of Indebtedness will be treated as having been incurred pursuant to such category.

SECTION 4.10. ASSET SALES.

The Company shall not, and shall not permit any of its Restricted Subsidiaries to, consummate an Asset Sale (excluding for this purpose an Event of Loss) unless (a) the Company or such Restricted Subsidiary, as the case may be, receives consideration at the time of such Asset Sale at least equal to the fair market value (as determined in accordance with the definition of such term, the results of which determination shall be set forth in an Officers' Certificate delivered to the Trustee) of the properties, assets, rights or Equity Interests issued or sold or otherwise disposed of and (b) at least 75% of the consideration therefor received by the Company or such Restricted Subsidiary is in the form of cash or Cash Equivalents; provided, however, that the amount of (i) any liabilities (as shown on the Company's or such Restricted Subsidiary's most recent balance sheet) of the Company or such Restricted Subsidiary (other than contingent liabilities and liabilities that are by their terms subordinated to the Notes or any Subsidiary Guarantee) that are assumed by the transferee of any such assets, properties, rights or Equity Interests pursuant to a customary novation agreement that releases the Company or such Restricted Subsidiary from further liability and (ii) any securities, notes or other obligations received by the Company or such Restricted Subsidiary from such transferee that are converted within 30 days by the Company or such Restricted Subsidiary into cash (to the extent of the cash received in that conversion) shall be deemed to be cash for purposes of this Section 4.10.

Within 365 days after the receipt of any Net Proceeds from an Asset Sale (including, without limitation, any Event of Loss), the Company or any such Restricted Subsidiary may apply such Net Proceeds to (a) permanently repay all or any portion of the principal of any secured Indebtedness (to the extent of the fair value of the assets collateralizing such Indebtedness, as determined by the Board of Directors) or (b) acquire (including by way of a purchase of assets or stock, merger, consolidation or otherwise) Productive Assets, provided that if the Company or such Restricted Subsidiary enters into a binding agreement to acquire such Productive Assets within such 365 day period, but the consummation of the transactions under such agreement has not occurred within such 365 day period, and the agreement has not been terminated, then the 365 day period will be extended to 18 months to permit such consummation; provided further, however, if such consummation does not occur, or such agreement is terminated within such 18 month period, then the Company may apply, or cause such Restricted Subsidiary to apply, within 90 days after the end of the 18 month period or the effective date of such termination, whichever is earlier, such Net Proceeds as provided in clauses (a) and (b) of this paragraph. Pending the final application of any such Net Proceeds, the Company or any such Restricted Subsidiary may temporarily reduce outstanding revolving credit borrowings, including borrowings under the Credit Facility, or otherwise invest such Net Proceeds in any manner that is not prohibited by this Indenture. Any Net Proceeds from Asset Sales that are not applied or invested as provided in clauses (a) and (b) of this paragraph shall be deemed to constitute "Excess Proceeds."

Within 30 days of each date on which the aggregate amount of Excess Proceeds exceeds $10,000,000, the Company shall commence an Asset Sale Offer pursuant to Section 3.09 hereof to

purchase the maximum principal amount of Notes that may be purchased out of Excess Proceeds at an offer price in cash in an amount equal to 100% of the principal amount thereof, plus accrued and unpaid interest and Liquidated Damages, if any, thereon, to the date of purchase, in accordance with the procedures set forth in Section 3.09 hereof; provided, however, that, if the Company is required to apply such Excess Proceeds to purchase, or to offer to purchase, any Pari Passu Indebtedness, the Company shall only be required to offer to purchase the maximum principal amount of Notes that may be purchased out of the amount of such Excess Proceeds multiplied by a fraction, the numerator of which is the aggregate principal amount of Notes outstanding and the denominator of which is the aggregate principal amount of Notes outstanding plus the aggregate principal amount of Pari Passu Indebtedness outstanding. To the extent that the aggregate principal amount of Notes tendered pursuant to an Asset Sale Offer is less than the amount that the Company is required to purchase, the Company may use any remaining Excess Proceeds for general corporate purposes in any manner not prohibited by this Indenture. If the aggregate principal amount of Notes surrendered by holders thereof exceeds the amount that the Company is required to purchase, the Trustee shall select the Notes to be purchased on a pro rata basis (with such adjustments as may be deemed appropriate by the Trustee so that only Notes in denominations of $1,000, or integral multiples thereof, shall be purchased). Upon completion of such offer to purchase, the amount of Excess Proceeds shall be reset at zero.

The Company shall not, and shall not permit any Restricted Subsidiary to, enter into or suffer to exist any agreement (other than any agreement governing the Credit Facility) that would place any restriction of any kind (other than pursuant to law or regulation) on the ability of the Company to make an Asset Sale Offer.

SECTION 4.11. TRANSACTIONS WITH AFFILIATES.

The Company shall not, and shall not permit any of its Restricted Subsidiaries to, make any payment to, or sell, lease, transfer or otherwise dispose of any of its properties or assets to, or purchase any property or assets from, or enter into or make or amend any transaction, contract, agreement, understanding, loan, advance or guarantee with, or for the benefit of, any Affiliate (each of the foregoing, an "Affiliate Transaction"), unless (a) such Affiliate Transaction is on terms that are no less favorable to the Company or the relevant Restricted Subsidiary than those that would have been obtained in a comparable transaction by the Company or such Restricted Subsidiary with an unrelated Person or, if there is no such comparable transaction, on terms that are fair and reasonable to the Company or such Restricted Subsidiary, and (b) the Company delivers to the Trustee (i) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of $1,000,000, a resolution of the Board of Directors set forth in an Officers' Certificate certifying that such Affiliate Transaction complies with clause (a) above and that such Affiliate Transaction has been approved by a majority of the disinterested members of the Board of Directors and (ii) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of $5,000,000, an opinion as to the fairness to the Company or the relevant Subsidiary of such Affiliate Transaction from a financial point of view issued by an accounting, appraisal or investment banking firm that is, in the judgment of the Board of Directors, qualified to render such opinion and is independent with respect to the Company, provided that such opinion will not be required with respect to any Affiliate

Transaction or series of related Affiliate Transactions involving shipyard contracts that are awarded following a competitive bidding process and approved by a majority of the disinterested members of the Board of Directors; provided, however, that the following shall be deemed not to be Affiliate Transactions: (A) any employment agreement or other employee compensation plan or arrangement entered into by the Company or any of its Restricted Subsidiaries in the ordinary course of business of the Company or such Restricted Subsidiary; (B) transactions between or among the Company and its Restricted Subsidiaries; (C) Permitted Investments and Restricted Payments that are permitted by the provisions of Section 4.07 of this Indenture; (D) loans or advances to officers, directors and employees of the Company or any of its Restricted Subsidiaries made in the ordinary course of business and consistent with past practices of the Company and its Restricted Subsidiaries in an aggregate amount not to exceed $500,000 outstanding at any one time; (E) indemnities of officers, directors and employees of the Company or any of its Restricted Subsidiaries permitted by bylaw or statutory provisions; (F) maintenance in the ordinary course of business of customary benefit programs or arrangements for officers, directors and employees of the Company or any Restricted Subsidiary, including without limitation vacation plans, health and life insurance plans, deferred compensation plans, retirement or savings plans and similar plans; (G) registration rights or similar agreements with officers, directors or significant shareholders of the Company or any Restricted Subsidiary; (H) issuance of Equity Interests (other than Disqualified Stock) by the Company; and (I) the payment of reasonable and customary regular fees to directors of the Company or any of its Restricted Subsidiaries who are not employees of the Company or any Affiliate.

SECTION 4.12. LIENS.

The Company shall not, and shall not permit any of its Restricted Subsidiaries to, directly or indirectly, create, incur, assume or suffer to exist any Lien on any property or asset owned on the Issue Date or thereafter acquired, or any income or profits therefrom, except Permitted Liens, to secure (a) any Indebtedness of the Company or such Restricted Subsidiary (if it is not also a Guarantor), unless prior to, or contemporaneously therewith, the Notes are equally and ratably secured, or (b) any Indebtedness of any Guarantor, unless prior to, or contemporaneously therewith, the Subsidiary Guarantees are equally and ratably secured; provided, however, that if such Indebtedness is expressly subordinated to the Notes or the Subsidiary Guarantees, the Lien securing such Indebtedness shall be subordinated and junior to the Lien securing the Notes or the Subsidiary Guarantees, as the case may be, with the same relative priority as such Indebtedness has with respect to the Notes or the Subsidiary Guarantees.

SECTION 4.13. ADDITIONAL SUBSIDIARY GUARANTEES.

If the Company or any of its Restricted Subsidiaries shall, after the Issue Date, acquire or create another Restricted Subsidiary, then such newly acquired or created Restricted Subsidiary shall execute a notation of Subsidiary Guarantee and a supplemental indenture in substantially the form of Exhibit E hereto and deliver an Opinion of Counsel and an Officers' Certificate in accordance with the terms of Section 10.02 of this Indenture.

SECTION 4.14. CORPORATE EXISTENCE.

Subject to Article 5 hereof, the Company shall do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence, and, subject to Article 10 hereof, the corporate, partnership or other existence of each of its Restricted Subsidiaries, in accordance with the respective organizational documents (as the same may be amended from time to time) of the Company or any such Restricted Subsidiary; provided, however, that the Company shall not be required to preserve the existence of any of its Restricted Subsidiaries, if the Company shall determine that the preservation thereof is no longer desirable in the conduct of the business of the Company and its Restricted Subsidiaries, taken as a whole.

Section 4.15. OFFER TO PURCHASE UPON CHANGE OF CONTROL.

(a) Upon the occurrence of a Change of Control, the Company shall make an offer (a "Change of Control Offer") to purchase all or any portion (equal to $1,000 or an integral multiple thereof) of each Holder's Notes, at a purchase price in cash equal to 101% of the aggregate principal amount thereof, plus accrued and unpaid interest and Liquidated Damages, if any, thereon to the date of purchase (the "Change of Control Payment"). Within 30 days following a Change of Control, the Company shall give notice to each Holder and the Trustee stating: (1) that the Change of Control Offer is being made pursuant to this Section 4.15 and that all Notes validly tendered and not withdrawn will be accepted for payment; (2) the purchase price and the purchase date, which shall be no earlier than 30 days but no later than 60 days from the date such notice is given (the "Change of Control Payment Date"); (3) that any Note not tendered will continue to accrue interest and Liquidated Damages, if any; (4) that, unless the Company defaults in the payment of the Change of Control Payment, all Notes accepted for payment pursuant to the Change of Control Offer shall cease to accrue interest and Liquidated Damages, if any, after the Change of Control Payment Date; (5) that Holders electing to have any Notes purchased pursuant to a Change of Control Offer will be required to surrender the Notes, properly endorsed for transfer, together with the form entitled "Option of Holder to Elect Purchase" on the reverse of the Notes completed and such customary documents as the Company may reasonably request, to the Paying Agent at the address specified in the notice prior to the close of business on the third Business Day preceding the Change of Control Payment Date; (6) that Holders will be entitled to withdraw their election if the Paying Agent receives, not later than the close of business on the second Business Day preceding the Change of Control Payment Date, a telegram, facsimile transmission or letter setting forth the name of the Holder, the principal amount of Notes delivered for purchase, and a statement that such Holder is withdrawing his election to have the Notes purchased; and (7) that Holders whose Notes are being purchased only in part will be issued new Notes equal in principal amount to the unpurchased portion of the Notes surrendered, which unpurchased portion must be equal to $1,000 in principal amount or an integral multiple thereof. If any of the Notes subject to a Change of Control Offer is in the form of a Global Note, then the Company shall modify such notice to the extent necessary to accord with the procedures of the Depository applicable to repurchases. Further, the Company shall comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent such laws and regulations are applicable in connection with the purchase of Notes as a result of a Change of Control. To the extent that the provisions of any securities laws or regulations conflict with the provisions relating to the Change of Control Offer,

the Company shall comply with the applicable securities laws and regulations and shall not be deemed to have breached its obligations described in this Section 4.15 by virtue thereof.

(b) On or before 10:00 a.m. New York time on the Change of Control Payment Date, the Company shall, to the extent lawful, (a) accept for payment all Notes or portions thereof properly tendered pursuant to the Change of Control Offer, (b) deposit with the Paying Agent an amount equal to the Change of Control Payment in respect of all Notes or portions thereof so tendered and (c) deliver or cause to be delivered to the Trustee the Notes so accepted together with an Officers' Certificate stating the aggregate principal amount of Notes or portions thereof being purchased by the Company. The Paying Agent shall promptly deliver to each Holder of Notes so tendered the Change of Control Payment for such Notes, and the Trustee shall promptly authenticate and mail (or cause to be transferred by book entry) to each Holder a new Note equal in principal amount to any unpurchased portion of the Notes surrendered, if any; provided, however, that each such new Note will be in a principal amount of $1,000 or an integral multiple thereof. The Company shall publicly announce the results of the Change of Control Offer on or as soon as practicable after the Change of Control Payment Date.

(c) The Change of Control provisions described above shall be applicable whether or nor any other provisions of this Indenture are applicable.

(d) The Company shall not be required to make a Change of Control Offer following a Change of Control if a third party makes the Change of Control Offer in the manner, at the time and otherwise in compliance with the requirements set forth in this Indenture applicable to a Change of Control Offer made by the Company and purchases all Notes validly tendered and not withdrawn under such Change of Control Offer.

SECTION 4.16. ISSUANCES AND SALES OF CAPITAL STOCK OF RESTRICTED SUBSIDIARIES.

The Company (i) shall not, and shall not permit any Restricted Subsidiary of the Company to, transfer, convey, sell or otherwise dispose of any Capital Stock of any Restricted Subsidiary of the Company to any Person (other than the Company or a Wholly Owned Restricted Subsidiary of the Company), unless (a) such transfer, conveyance, sale or other disposition is of all the Capital Stock of such Restricted Subsidiary and (b) the Net Proceeds from such transfer, conveyance, sale or other disposition are applied in accordance with Section 4.10 hereof, and (ii) shall not permit any Restricted Subsidiary of the Company to issue any of its Equity Interests to any Person other than to the Company or a Wholly Owned Restricted Subsidiary of the Company, except, in the case of both clauses (i) and (ii) above, with respect to (1) dispositions or issuances by a Wholly Owned Restricted Subsidiary of the Company as contemplated in clauses (a) and (b) of the definition of "Wholly Owned Restricted Subsidiary" or (2) other dispositions or issuances of up to 35% of the outstanding Capital Stock of a Wholly Owned Restricted Subsidiary of the Company, provided that, after giving pro forma effect thereto, the Investment of the Company and its Wholly Owned Restricted Subsidiaries in all Restricted Subsidiaries that are not Wholly Owned Restricted Subsidiaries of the Company, determined on a consolidated basis in accordance with GAAP, does not exceed 15% of Consolidated Net Tangible Assets of the Company. For purposes of this Section 4.16, the creation or perfection of a Lien on any Capital Stock of a Restricted Subsidiary of the

Company to secure any Indebtedness of the Company or any of its Restricted Subsidiaries shall not be deemed to be a disposition of such Capital Stock; provided, however, any sale by the secured party of such Capital Stock following foreclosure of its Lien shall be subject to this Section 4.16.

SECTION 4.17. SALE-AND-LEASEBACK TRANSACTIONS.

The Company shall not, and shall not permit any of its Restricted Subsidiaries to, enter into any sale-and-leaseback transaction; provided, however, that the Company or any Restricted Subsidiary, as applicable, may enter into a sale-and-leaseback transaction if (i) the Company or such Restricted Subsidiary could have (a) incurred Indebtedness in an amount equal to the Attributable Indebtedness relating to such sale-and-leaseback transaction pursuant to the Consolidated Interest Coverage Ratio test set forth in the first paragraph of Section 4.09 hereof and (b) incurred a Lien to secure such Indebtedness pursuant to Section 4.12 hereof, (ii) the gross cash proceeds of such sale-and-leaseback transaction are at least equal to the fair market value (as determined in accordance with the definition of such term, the results of which determination shall be set forth in an Officers' Certificate delivered to the Trustee) of the properties or assets that are the subject of such sale-and-leaseback transaction and (iii) the transfer of such properties or assets in such sale-and-leaseback transaction is permitted by, and the Company applies the proceeds of such transaction in compliance with, Section 4.10 hereof.

SECTION 4.18. NO INDUCEMENTS.

The Company shall not, and the Company shall not permit any of its Subsidiaries, either directly or indirectly, to pay (or cause to be paid) any consideration, whether by way of interest, fee or otherwise, to any Holder for or as an inducement to any consent, waiver, amendment or supplement of any terms or provisions of this Indenture or the Notes, unless such consideration is offered to be paid (or agreed to be paid) to all Holders which so consent, waive or agree to amend or supplement in the time frame set forth on solicitation documents relating to such consent, waiver, agreement or supplement.

SECTION 4.19 CALCULATION OF ORIGINAL ISSUE DISCOUNT.

The Company shall file with the Trustee promptly at the end of each calendar year (i) a written notice specifying the amount of original issue discount (including daily rates and accrual periods) accrued on the outstanding Notes as of the end of such year and (ii) such other specific information relating to such original issue discount as may then be relevant under the Internal Revenue Code of 1986, as amended.

SECTION 4.20 ENFORCEABILITY OF JUDGMENTS; INDEMNIFICATION FOR FOREIGN CURRENCY JUDGMENTS.

The obligations of the Company to any Holder or the Trustee shall, notwithstanding any judgment in a currency (the "Judgment Currency") other than United States dollars (the "Agreement Currency"), be discharged only to the extent that on the day following receipt by such Holder or the Trustee, as the case may be, of any amount in the Judgment Currency, such Holder or the Trustee

may in accordance with normal banking procedures purchase the Agreement Currency with the Judgment Currency. If the amount of the Agreement Currency so purchased is less than the amount originally to be paid to such Holder or the Trustee, as the case may be, in the Agreement Currency, the Company agrees, as a separate obligation and notwithstanding such judgment, to pay to such Holder or the Trustee, as the case may be, the difference, and if the amount of the Agreement Currency so purchased exceeds the amount originally to be paid to such Holder or the Trustee, as the case may be, such Holder or the Trustee, as the case may be, shall pay to or for the account of the Company such excess, provided that such Holder or the Trustee, as the case may be, shall not have any obligation to pay any such excess as long as a Default has occurred and is continuing, in which case such excess may be applied by such Holder or the Trustee, as the case may be, to such obligations.

SECTION 4.21. CONDUCT OF BUSINESS.

The Company shall not, and shall not permit any of its Restricted Subsidiaries to, engage in the conduct of any business other than the marine transportation business and such other businesses as are complementary or related thereto as determined in good faith by the Board of Directors.

ARTICLE 5

SUCCESSORS

SECTION 5.01. MERGER, CONSOLIDATION OR SALE OF ASSETS.

The Company shall not consolidate or merge with or into (whether or not the Company is the surviving corporation), or sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of its properties or assets in one or more related transactions to, another Person unless (a) the Company is the surviving corporation or the Person formed by or surviving any such consolidation or merger (if other than the Company) or to which such sale, assignment, transfer, lease, conveyance or other disposition shall have been made is a corporation organized or existing under the laws of the United States, any state thereof or the District of Columbia, (b) the Person formed by or surviving any such consolidation or merger (if other than the Company) or the Person to which such sale, assignment, transfer, lease, conveyance or other disposition shall have been made assumes all the obligations of the Company under the Notes and this Indenture pursuant to a supplemental indenture in a form reasonably satisfactory to the Trustee, (c) immediately after such transaction no Default or Event of Default exists and (d) except in the case of a merger of the Company with or into a Wholly Owned Restricted Subsidiary of the Company, the Company or the Person formed by or surviving any such consolidation or merger (if other than the Company), or to which such sale, assignment, transfer, lease, conveyance or other disposition shall have been made (A) will have Consolidated Net Worth immediately after the transaction equal to or greater than the Consolidated Net Worth of the Company immediately preceding the transaction and (B) will, at the time of such transaction and after giving pro forma effect thereto as if such transaction had occurred at the beginning of the applicable four-quarter period, be permitted to incur at least $1.00 of additional Indebtedness pursuant to the Consolidated Interest Coverage Ratio test set forth in the first paragraph of Section 4.09 hereof.

In connection with any consolidation, merger or disposition contemplated by this provision, the Company shall deliver, or cause to be delivered, to the Trustee, in form and substance reasonably satisfactory to the Trustee, (i) an Officers' Certificate stating that such consolidation, merger or disposition and any supplemental indenture in respect thereto comply with this provision and that all conditions precedent in the Indenture provided for relating to such transaction or transactions have been complied with and (ii) an Opinion of Counsel stating that the requirements of Section 5.01(a) and (b) have been satisfied.

SECTION 5.02. SUCCESSOR CORPORATION SUBSTITUTED.

Upon any consolidation or merger, or any sale, assignment, transfer, lease, conveyance or other disposition of all or substantially all of the properties or assets of the Company in accordance with Section 5.01 hereof, the successor corporation formed by such consolidation or into or with which the Company is merged or to which such sale, assignment, transfer, lease, conveyance or other disposition is made shall succeed to, and be substituted for (so that from and after the date of such consolidation, merger, sale, assignment, transfer, lease, conveyance or other disposition, the provisions of this Indenture referring to the "Company" shall refer instead to the successor corporation and not to the Company), and may exercise every right and power of the Company under this Indenture with the same effect as if such successor corporation had been named as the Company herein; provided, however, that the predecessor Company shall not be relieved from its obligations under this Indenture or the Notes in the case of any such lease.

ARTICLE 6

DEFAULTS AND REMEDIES

SECTION 6.01. EVENTS OF DEFAULT.

An "Event of Default" occurs if:

(a) the Company defaults in the payment when due of interest on, or Liquidated Damages, if any, with respect to, the Notes, and such default continues for a period of 30 days;

(b) the Company defaults in the payment when due of principal of or premium, if any, on the Notes;

(c) the Company fails to comply with any of the provisions of Section 4.10, 4.15 or 5.01 hereof;

(d) the Company fails to observe or perform any other covenant or other agreement in this Indenture or the Notes for 60 days after it receives written notice from the Trustee or the Holders of at least 25% in principal amount of the Notes then outstanding of such failure;

(e) a default occurs under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by the Company or any of its Restricted Subsidiaries (or the payment of which is guaranteed by the Company or any of its Restricted Subsidiaries), whether such Indebtedness or guarantee now exists, or is created after the Issue Date, which default (i) is caused by a failure to pay principal of or premium or interest on such Indebtedness prior to the expiration of any grace period provided in such Indebtedness, including any extension thereof (a "Payment Default") or (ii) results in the acceleration of such Indebtedness prior to its express maturity and, in each case, the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a Payment Default or the maturity of which has been so accelerated, aggregates at least $10,000,000; and provided, further, that if such default is cured or waived or any such acceleration rescinded, or such Indebtedness is repaid, within a period of 10 days from the continuation of such default beyond the applicable grace period or the occurrence of such acceleration, as the case may be, an Event of Default and any consequential acceleration of the Notes shall be automatically rescinded, so long as such rescission does not conflict with any judgment or decree;

(f) a final judgment or final judgments for the payment of money are entered by a court or courts of competent jurisdiction against the Company or any of its Restricted Subsidiaries and such judgment or judgments are not paid or discharged for a period (during which execution shall not be effectively stayed) of 60 days, provided that the aggregate of all such undischarged judgments exceeds $10,000,000;

(g) the failure of any Guarantor to perform any covenant set forth in its Subsidiary Guarantee or the repudiation by any Guarantor of its obligations under its Subsidiary Guarantee or the unenforceability of any Subsidiary Guarantee for any reason other than as provided in this Indenture;

(h) the Company or any Significant Subsidiary pursuant to or within the meaning of Bankruptcy Law:

(i) commences a voluntary case,

(ii) consents to the entry of an order for relief against it in an involuntary case,

(iii) consents to the appointment of a Custodian of it or for all or substantially all of its property,

(iv) makes a general assignment for the benefit of its creditors, or

(v) generally is not paying its debts as they become due; or

(i) a court of competent jurisdiction enters an order or decree under any Bankruptcy Law that:

(i) is for relief against the Company or any Significant Subsidiary in an involuntary case;

(ii) appoints a Custodian of the Company or any Significant Subsidiary or for all or substantially all of the property of the Company or any Significant Subsidiary; or

(iii) orders the liquidation of the Company or any Significant Subsidiary;

and the order or decree remains unstayed and in effect for 60 consecutive days.

SECTION 6.02. ACCELERATION.

If any Event of Default occurs and is continuing, the Trustee may, by notice to the Company, or the Holders of at least 25% in principal amount of the then outstanding Notes may, by notice to the Company and the Trustee, and the Trustee shall, upon the request of such Holders, declare all the Notes to be due and payable immediately. Upon any such declaration, the Notes shall become due and payable immediately. Notwithstanding the foregoing, if an Event of Default specified in clause (h) or (i) of Section 6.01 hereof occurs with respect to the Company or any Significant Subsidiary, all outstanding Notes shall be due and payable immediately without further action or notice. The Holders of a majority in principal amount of the then outstanding Notes by written notice to the Trustee may on behalf of all of the Holders rescind an acceleration and its consequences if the rescission would not conflict with any judgment or decree and if all existing Events of Default (except nonpayment of principal, interest, premium or Liquidated Damages, if any, that have become due solely because of such acceleration) have been cured or waived.

If an Event of Default occurs by reason of any willful action (or inaction) taken (or not taken) by or on behalf of the Company with the intention of avoiding payment of the premium that the Company would have had to pay if the Company then had elected to redeem the Notes pursuant to Section 3.07 hereof, then, upon acceleration of the Notes, an equivalent premium shall also become and be immediately due and payable, to the extent permitted by law, anything in this Indenture or in the Notes to the contrary notwithstanding.

SECTION 6.03. OTHER REMEDIES.

If an Event of Default occurs and is continuing, the Trustee may pursue any available remedy to collect the payment of principal of and premium, interest and Liquidated Damages, if any, on the Notes or to enforce the performance of any provision of the Notes or this Indenture.

The Trustee may maintain a proceeding even if it does not possess any of the Notes or does not produce any of them in the proceeding. A delay or omission by the Trustee or any Holder of a

Note in exercising any right or remedy accruing upon an Event of Default shall not impair the right or remedy or constitute a waiver of or acquiescence in the Event of Default. All remedies are cumulative to the extent permitted by law.

SECTION 6.04. WAIVER OF PAST DEFAULTS.

Holders of a majority in principal amount of the then outstanding Notes by notice to the Trustee may on behalf of the Holders of all of the Notes waive any existing Default or Event of Default and its consequences hereunder, except a continuing Default or Event of Default in the payment of the principal of or premium, interest or Liquidated Damages, if any, on the Notes (including in connection with an offer to purchase). Upon any such waiver, such Default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured for every purpose of this Indenture; but no such waiver shall extend to any subsequent or other Default or impair any right consequent thereon.

SECTION 6.05. CONTROL BY MAJORITY.

Holders of a majority in principal amount of the then outstanding Notes may direct the time, method and place of conducting any proceeding for exercising any remedy available to the Trustee or exercising any trust or power conferred on it. However, the Trustee may refuse to follow any direction that conflicts with law or this Indenture or that the Trustee determines may be unduly prejudicial to the rights of other Holders of Notes or that may involve the Trustee in personal liability.

SECTION 6.06. LIMITATION ON SUITS.

A Holder of a Note may pursue a remedy with respect to this Indenture or the Notes only if:

(a) the Holder of a Note gives to the Trustee written notice of a continuing Event of Default;

(b) the Holders of at least 25% in principal amount of the then outstanding Notes make a written request to the Trustee to pursue the remedy;

(c) such Holder of a Note or Holders of Notes offer and, if requested, provide to the Trustee indemnity satisfactory to the Trustee against any loss, liability or expense;

(d) the Trustee does not comply with the request within 60 days after receipt of the request and the offer and, if requested, the provision of indemnity; and

(e) during such 60-day period the Holders of a majority in principal amount of the then outstanding Notes do not give the Trustee a direction inconsistent with the request.

A Holder of a Note may not use this Indenture to prejudice the rights of another Holder of a Note or to obtain a preference or priority over another Holder of a Note.

SECTION 6.07. RIGHTS OF HOLDERS OF NOTES TO RECEIVE PAYMENT.

Notwithstanding any other provision of this Indenture, the right of any Holder of a Note to receive payment of principal of and premium, interest and Liquidated Damages, if any, on the Note, on or after the respective due dates expressed in the Note (including in connection with an offer to purchase), or to bring suit for the enforcement of any such payment on or after such respective dates, shall not be impaired or affected without the consent of such Holder.

SECTION 6.08. COLLECTION SUIT BY TRUSTEE.

If an Event of Default specified in Section 6.01(a) or (b) occurs and is continuing, the Trustee is authorized to recover judgment in its own name and as trustee of an express trust against the Company for the whole amount of principal of, premium, interest and Liquidated Damages, if any, remaining unpaid on the Notes and interest on overdue principal and, to the extent lawful, interest and Liquidated Damages, if any, and such further amount as shall be sufficient to cover the costs and expenses of collection, including the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel.

SECTION 6.09. TRUSTEE MAY FILE PROOFS OF CLAIM.

The Trustee is authorized to file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel) and the Holders of the Notes allowed in any judicial proceedings relative to the Company (or any other obligor upon the Notes), its creditors or its property and shall be entitled and empowered to collect, receive and distribute any money or other property payable or deliverable on any such claims and any custodian in any such judicial proceeding is hereby authorized by each Holder to make such payments to the Trustee, and in the event that the Trustee shall consent to the making of such payments directly to the Holders, to pay to the Trustee any amount due to it for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee under Section 7.07 hereof. To the extent that the payment of any such compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee under Section 7.07 hereof out of the estate in any such proceeding, shall be denied for any reason, payment of the same shall be secured by a Lien on, and shall be paid out of, any and all distributions, dividends, money, securities and other properties that the Holders may be entitled to receive in such proceeding whether in liquidation or under any plan of reorganization or arrangement or otherwise. Nothing herein contained shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Holder any plan of reorganization, arrangement, adjustment or composition affecting the Notes or the rights of any Holder, or to authorize the Trustee to vote in respect of the claim of any Holder in any such proceeding.

SECTION 6.10. PRIORITIES.

If the Trustee collects any money pursuant to this Article, it shall pay out the money in the following order:

First: to the Trustee, its agents and attorneys for amounts due under Section 7.07 hereof, including payment of all compensation, expense and liabilities incurred, and all advances made, by the Trustee and the Trustee's reasonable costs and expenses of collection;

Second: to Holders of Notes for amounts due and unpaid on the Notes for principal, premium, interest and Liquidated Damages, if any, ratably, without preference or priority of any kind, according to the amounts due and payable on the Notes for principal, premium, interest and Liquidated Damages, if any, respectively; and

Third: to the Company or to such party as a court of competent jurisdiction shall direct.

The Trustee may fix a record date and payment date for any payment to Holders of Notes pursuant to this Section 6.10.

SECTION 6.11. UNDERTAKING FOR COSTS.

In any suit for the enforcement of any right or remedy under this Indenture or in any suit against the Trustee for any action taken or omitted by it as a Trustee, a court in its discretion may require the filing by any party litigant in the suit of an undertaking to pay the costs of the suit, and the court in its discretion may assess reasonable costs, including reasonable attorneys' fees, against any party litigant in the suit, having due regard to the merits and good faith of the claims or defenses made by the party litigant. This Section does not apply to a suit by the Trustee, a suit by a Holder of a Note pursuant to Section 6.07 hereof, or a suit by Holders of more than 10% in principal amount of the then outstanding Notes.

ARTICLE 7

TRUSTEE

SECTION 7.01. DUTIES OF TRUSTEE.

(a) If an Event of Default has occurred and is continuing, the Trustee shall exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in its exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

(b) Except during the continuance of an Event of Default:

(i) the duties of the Trustee shall be determined solely by the express provisions of this Indenture and the Trustee need perform only those duties that are specifically set forth in this Indenture and no others, and no implied covenants or obligations shall be read into this Indenture against the Trustee; and

(ii) in the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture. However, the Trustee shall examine the certificates and opinions to determine whether or not they conform to the requirements of this Indenture.

(c) The Trustee may not be relieved from liabilities for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that:

(i) this paragraph does not limit the effect of paragraph (b) of this Section 7.01;

(ii) the Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer, unless it is proved that the Trustee was negligent in ascertaining the pertinent facts; and

(iii) the Trustee shall not be liable with respect to any action it takes or omits to take in good faith in accordance with a direction received by it pursuant to Section 6.05 hereof.

(d) Whether or not therein expressly so provided, every provision of this Indenture that in any way relates to the Trustee is subject to paragraphs (a), (b) and (c) of this Section 7.01.

(e) No provision of this Indenture shall require the Trustee to expend or risk its own funds or incur any liability. The Trustee shall be under no obligation to exercise any of its rights and powers under this Indenture at the request of any Holders, unless such Holder shall have offered to the Trustee security and indemnity satisfactory to it against any loss, liability or expense.

(f) The Trustee shall not be liable for interest on any money received by it except as the Trustee may agree in writing with the Company. Money held in trust by the Trustee need not be segregated from other funds except to the extent required by law.

SECTION 7.02. RIGHTS OF TRUSTEE.

(a) The Trustee may conclusively rely upon any document believed by it to be genuine and to have been signed or presented by the proper Person. The Trustee need not investigate any fact or matter stated in the document.

(b) Before the Trustee acts or refrains from acting, it may require an Officers' Certificate or an Opinion of Counsel or both. The Trustee shall not be liable for any action it takes or omits to take in good faith in reliance on such Officers' Certificate or Opinion of Counsel. The Trustee may consult with counsel and the written advice of such counsel or any Opinion of Counsel shall be full and complete authorization and protection from liability in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon.

(c) The Trustee may act through its attorneys and agents and shall not be responsible for the misconduct or negligence of any agent appointed with due care.

(d) The Trustee shall not be liable for any action it takes or omits to take in good faith that it believes to be authorized or within the rights or powers conferred upon it by this Indenture.

(e) Unless otherwise specifically provided in this Indenture, any demand, request, direction or notice from the Company shall be sufficient if signed by an Officer of the Company.

(f) The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request or direction of any of the Holders unless such Holders shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities that might be incurred by it in compliance with such request or direction.

(g) The Trustee shall have no duty to inquire as to the performance of the Company's covenants in Article 4 hereof. In addition, the Trustee shall not be deemed to have knowledge of any Default or Event of Default except: (1) any Event of Default occurring pursuant to Section 6.01(a) or 6.01(b) hereof; or (2) any Default or Event of Default of which is Responsible Officer shall have received written notification or obtained actual knowledge.

(h) The Trustee is not required to give any bond or surety with respect to the performance of its duties or the exercise of its powers under this Indenture.

(i) In the event the Trustee receives inconsistent or conflicting requests and indemnity from two or more groups of Holders of Notes, each representing less than a majority in aggregate principal amount of the Notes then outstanding, pursuant to the provisions of this Indenture, the Trustee, in its sole discretion, may determine what action, if any, shall be taken.

(j) The permissive right of the Trustee to take the actions permitted by this Indenture shall not be construed as an obligation or duty to do so.

(k) Except for information provided by the Trustee concerning the Trustee, the Trustee shall have no responsibility for any information in any offering memorandum or other disclosure material distributed with respect to the Notes, and the Trustee shall have no responsibility for compliance with any state or federal securities laws in connection with the Notes.

SECTION 7.03. INDIVIDUAL RIGHTS OF TRUSTEE.

The Trustee in its individual or any other capacity may become the owner or pledgee of Notes and may otherwise deal with the Company, any Guarantor or any Affiliate of the Company with the same rights it would have if it were not Trustee. Any Agent may do the same with like rights and duties. The Trustee is also subject to Sections 7.10 and 7.11 hereof.

SECTION 7.04. TRUSTEE'S DISCLAIMER.

The Trustee shall not be responsible for and makes no representation as to the validity or adequacy of this Indenture or the Notes, it shall not be accountable for the Company's use of the proceeds from the Notes or any money paid to the Company or upon the Company's direction under any provision of this Indenture, it shall not be responsible for the use or application of any money received by any Paying Agent other than the Trustee, and it shall not be responsible for any statement or recital herein or any statement in the Notes or any other document in connection with the sale of the Notes or pursuant to this Indenture other than its certificate of authentication.

SECTION 7.05. NOTICE OF DEFAULTS.

If a Default or Event of Default occurs and is continuing and if it is known to the Trustee, the Trustee shall mail to Holders of Notes a notice of the Default or Event of Default within 90 days after it occurs. Except in the case of a Default or Event of Default in payment of principal of, premium, if any, interest or Liquidated Damages, if any, on any Note, the Trustee may withhold the notice if and so long as a committee of its Responsible Officers in good faith determines that withholding the notice is in the interests of the Holders of the Notes.

SECTION 7.06. REPORTS BY TRUSTEE TO HOLDERS OF THE NOTES.

Within 60 days after each May 15 beginning with the May 15 following the date of this Indenture, and for so long as Notes remain outstanding, the Trustee shall mail to the Holders of the Notes a brief report dated as of such reporting date that complies with TIA Section 313(a) (but if no event described in TIA Section 313(a) has occurred within the twelve months preceding the reporting date, no report need be transmitted). The Trustee also shall comply with TIA Section 313(b)(2) and Section 313(b)(1). The Trustee shall also transmit by mail all reports as required by TIA Section 313(c).

Commencing at the time this Indenture is qualified under the TIA, a copy of each report at the time of its mailing to the Holders of Notes shall be mailed to the Company and filed with the SEC and each stock exchange on which the Notes are listed in accordance with TIA Section 313(d). The Company shall promptly notify the Trustee when the Notes are listed on any stock exchange.

SECTION 7.07. COMPENSATION AND INDEMNITY.

The Company shall pay to the Trustee from time to time reasonable compensation for its acceptance of this Indenture and services hereunder. The Trustee's compensation shall not be limited by any law on compensation of a trustee of an express trust. The Company shall reimburse

the Trustee promptly upon request for all reasonable disbursements, advances and expenses incurred or made by it in addition to the compensation for its services. Such expenses shall include the reasonable compensation, disbursements and expenses of the Trustee's agents and counsel.

The Company and the Guarantors shall indemnify the Trustee against any and all losses, liabilities or expenses incurred by it arising out of or in connection with the acceptance or administration of its duties under this Indenture, including the costs and expenses of enforcing this Indenture against the Company (including this Section 7.07) and defending itself against any claim (whether asserted by the Company, any Guarantor or any Holder or any other person) or liability in connection with the exercise or performance of any of its powers or duties hereunder, except to the extent any such loss, liability or expense may be attributable to its negligence, bad faith or willful misconduct. The Trustee shall notify the Company promptly of any claim for which it may seek indemnity. Failure by the Trustee to so notify the Company shall not relieve the Company or the Guarantors of their obligations hereunder. The Company shall defend the claim and the Trustee shall cooperate in the defense. The Trustee may have separate counsel and the Company shall pay the reasonable fees and expenses of one such counsel. The Company need not pay for any settlement made without its consent, which consent shall not be unreasonably withheld.

The obligations of the Company and the Guarantors under this Section 7.07 shall survive the satisfaction and discharge of this Indenture.

To secure the Company's payment obligations in this Section 7.07, the Trustee shall have a Lien prior to the Notes on all money or property held or collected by the Trustee, except that held in trust to pay principal and interest on particular Notes. Such Lien shall survive the satisfaction and discharge of this Indenture.

When the Trustee incurs expenses or renders services after an Event of Default specified in Section 6.01(h) or (i) hereof occurs, the expenses and the compensation for the services (including the fees and expenses of its agents and counsel) are intended to constitute expenses of administration under any applicable bankruptcy law.

The Trustee shall comply with the provisions of TIA Section 313(b)(2) to the extent applicable.

SECTION 7.08. REPLACEMENT OF TRUSTEE.

A resignation or removal of the Trustee and appointment of a successor Trustee shall become effective only upon the successor Trustee's acceptance of appointment as provided in this Section.

The Trustee may resign in writing at any time and be discharged from the trust hereby created by so notifying the Company. The Holders of Notes of a majority in principal amount of the then outstanding Notes may remove the Trustee by so notifying the Trustee and the Company in writing. The Company may remove the Trustee if:

(a) the Trustee fails to comply with Section 7.10 hereof;

(b) the Trustee is adjudged a bankrupt or an insolvent or an order for relief is entered with respect to the Trustee under any applicable bankruptcy law;

(c) a Custodian or public officer takes charge of the Trustee or its property; or

(d) the Trustee becomes incapable of acting.

If the Trustee resigns or is removed or if a vacancy exists in the office of Trustee for any reason, the Company shall promptly appoint a successor Trustee. Within one year after the successor Trustee takes office, the Holders of a majority in principal amount of the then outstanding Notes may appoint a successor Trustee to replace the successor Trustee appointed by the Company.

If a successor Trustee does not take office within 60 days after the retiring Trustee resigns or is removed, the retiring Trustee, the Company, or the Holders of Notes of at least 10% in principal amount of the then outstanding Notes may petition any court of competent jurisdiction for the appointment of a successor Trustee.

If the Trustee, after written request by any Holder of a Note who has been a Holder of a Note for at least six months, fails to comply with Section 7.10 hereof, such Holder of a Note may petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee.

A successor Trustee shall deliver a written acceptance of its appointment to the retiring Trustee and to the Company. Thereupon, the resignation or removal of the retiring Trustee shall become effective, and the successor Trustee shall have all the rights, powers and duties of the Trustee under this Indenture. The successor Trustee shall mail a notice of its succession to Holders of the Notes. The retiring Trustee shall promptly transfer all property held by it as Trustee to the successor Trustee, provided that all sums owing to the Trustee hereunder have been paid and subject to the Lien provided for in Section 7.07 hereof. Notwithstanding replacement of the Trustee pursuant to this Section 7.08, the Company's obligations under Section 7.07 hereof shall continue for the benefit of the retiring Trustee.

SECTION 7.09. SUCCESSOR TRUSTEE BY MERGER, ETC.

If the Trustee consolidates, merges or converts into, or transfers all or substantially all of its corporate trust business to, another corporation, the successor corporation without any further act shall be the successor Trustee. As soon as practicable, the successor Trustee shall mail a notice of its succession to the Company and the Holders of the Notes. Any such successor must nevertheless be eligible and qualified under the provisions of Section 7.10 hereof.

SECTION 7.10. ELIGIBILITY; DISQUALIFICATION.

There shall at all times be a Trustee hereunder that is a corporation organized and doing business under the laws of the United States of America or of any state thereof that is authorized under such laws to exercise corporate trustee power, that is subject to supervision or examination

by federal or state authorities and that has a combined capital and surplus of at least $100,000,000 as set forth in its most recent published annual report of condition.

This Indenture shall always have a Trustee who satisfies the requirements of TIA Section 310(a)(1), (2) and (5). The Trustee is subject to TIA Section 310(b); provided, however, that there shall be excluded from the operation of TIA Section 310(b)(1) any indenture or indentures under which other securities, or certificates of interest or participation in other securities, of the Company are outstanding, if the requirements for such exclusion set forth in TIA Section 310(b)(1) are met.

SECTION 7.11. PREFERENTIAL COLLECTION OF CLAIMS AGAINST COMPANY.

The Trustee is subject to TIA Section 311(a), excluding any creditor relationship listed in TIA Section 311(b). A Trustee who has resigned or been removed shall be subject to TIA Section 311(a) to the extent indicated therein.

ARTICLE 8

LEGAL DEFEASANCE AND COVENANT DEFEASANCE; SATISFACTION AND DISCHARGE

SECTION 8.01. OPTION TO EFFECT LEGAL DEFEASANCE OR COVENANT DEFEASANCE.

The Company may, at the option of its Board of Directors evidenced by a resolution set forth in an Officers' Certificate delivered to the Trustee, at any time, exercise its rights under either Section 8.02 or 8.03 hereof with respect to all outstanding Notes upon compliance with the conditions set forth below in this Article 8.

SECTION 8.02. LEGAL DEFEASANCE AND DISCHARGE.

Upon the Company's exercise under Section 8.01 hereof of the option applicable to this Section 8.02, the Company shall, subject to the satisfaction of the conditions set forth in Section 8.04 hereof, be deemed to have discharged its obligations with respect to all outstanding Notes, and each Guarantor shall be deemed to have discharged its obligations with respect to its Subsidiary Guarantee, on the date the conditions set forth in Section 8.04 below are satisfied (hereinafter, "Legal Defeasance"). For this purpose, Legal Defeasance means that the Company shall be deemed to have paid and discharged the entire Indebtedness represented by the outstanding Notes, and each Guarantor shall be deemed to have paid and discharged its Subsidiary Guarantee (which in each case shall thereafter be deemed to be "outstanding" only for the purposes of Section 8.06 hereof and the other Sections of this Indenture referred to in (a) and (b) below) and to have satisfied all its other obligations under such Notes or Subsidiary Guarantee and this Indenture (and the Trustee, on demand of and at the expense of the Company, shall execute proper instruments acknowledging the same), except for the following provisions which shall survive until otherwise terminated or discharged hereunder: (a) the rights of Holders of outstanding Notes to receive solely from the trust fund described in Section 8.04 hereof, and as more fully set forth in such Section, payments in respect of the principal of and premium, if any, interest and Liquidated Damages, if any, on such

Notes when such payments are due, (b) the Company's obligations with respect to such Notes under Sections 2.03, 2.04, 2.07, 2.10 and 4.02 hereof, (c) the rights, powers, trusts, duties and immunities of the Trustee hereunder and the Company's and any Guarantor's obligations in connection therewith and (d) this Article 8. Subject to compliance with this Article 8, the Company may exercise its option under this Section 8.02 notwithstanding the prior exercise of its option under Section 8.03 hereof.

SECTION 8.03. COVENANT DEFEASANCE.

Upon the Company's exercise under Section 8.01 hereof of the option applicable to this Section 8.03, the Company and each Guarantor shall, subject to the satisfaction of the conditions set forth in Section 8.04 hereof, be released from their respective obligations under the covenants contained in Article 4 (other than those in Sections 4.01, 4.02, 4.06, and 4.14) on and after the date the conditions set forth below are satisfied (hereinafter, "Covenant Defeasance"), and the Notes shall thereafter be deemed not "outstanding" for the purposes of any direction, waiver, consent or declaration or act of Holders (and the consequences of any thereof) in connection with such covenants, but shall continue to be deemed "outstanding" for all other purposes hereunder (it being understood that such Notes shall not be deemed outstanding for accounting purposes). For this purpose, Covenant Defeasance means that, with respect to the outstanding Notes, the Company and any Guarantor may omit to comply with and shall have no liability in respect of any term, condition or limitation set forth in any such covenant, whether directly or indirectly, by reason of any reference elsewhere herein to any such covenant or by reason of any reference in any such covenant to any other provision herein or in any other document and such omission to comply shall not constitute a Default or an Event of Default under Section 6.01 hereof, but, except as specified above, the remainder of this Indenture and such Notes shall be unaffected thereby. In addition, upon the Company's exercise under Section 8.01 hereof of the option applicable to this Section 8.03 hereof, subject to the satisfaction of the conditions set forth in Section 8.04 hereof, Sections 6.01(d) through 6.01(g) hereof shall not constitute Events of Default.

SECTION 8.04. CONDITIONS TO LEGAL OR COVENANT DEFEASANCE.

In order to exercise either Legal Defeasance or Covenant Defeasance:

(a) the Company must irrevocably deposit with the Trustee, in trust, for the benefit of the Holders, cash in dollars, non-callable U.S. Government Securities, or a combination thereof, in such amounts as will be sufficient, in the opinion of a nationally recognized firm of independent public accountants, to pay the principal of and premium, interest and Liquidated Damages, if any, on the outstanding Notes on the Stated Maturity thereof or on the applicable redemption date, as the case may be, and the Company must specify whether the Notes are being defeased to maturity or to a particular redemption date;

(b) in the case of an election under Section 8.02 hereof, the Company shall have delivered to the Trustee an Opinion of Counsel in the United States reasonably acceptable to the Trustee confirming that (A) the Company has received from, or there has been published by, the Internal Revenue Service a ruling or (B) since the Issue Date, there has

been a change in the applicable income tax law, in either case to the effect that, and based thereon such Opinion of Counsel shall confirm that, the Holders of the outstanding Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Legal Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred;

(c) in the case of an election under Section 8.03 hereof, the Company shall have delivered to the Trustee an Opinion of Counsel in the United States reasonably acceptable to the Trustee confirming that the Holders of the outstanding Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Covenant Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred;

(d) no Default or Event of Default shall have occurred and be continuing either (A) on the date of such deposit (other than a Default or Event of Default resulting from the incurrence of Indebtedness or the grant of Liens securing such Indebtedness, all or a portion of the proceeds of which will be used to defease the Notes pursuant to this Article 8 concurrently with such incurrence or within 30 days thereof) or (B) insofar as Events of Default described in Sections 6.01(h) and 6.01(i) are concerned, at any time in the period ending on the 91st day after the date of such deposit;

(e) such Legal Defeasance or Covenant Defeasance shall not result in a breach or violation of, or constitute a default under, any material agreement or instrument (other than this Indenture) to which the Company or any of its Restricted Subsidiaries is a party or by which the Company or any of its Restricted Subsidiaries is bound;

(f) the Company shall have delivered to the Trustee an Opinion of Counsel (which may be based on such solvency certificates or solvency opinions as counsel deems necessary or appropriate) to the effect that, after the 91st day following such deposit, the trust funds will not be subject to the effect of any applicable bankruptcy, insolvency, reorganization or similar laws affecting creditors' rights generally;

(g) the Company shall have delivered to the Trustee an Officers' Certificate stating that the deposit was not made by the Company with the intent of preferring the Holders over any other creditors of the Company or with the intent of defeating, hindering, delaying or defrauding creditors of the Company or others; and

(h) the Company shall have delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent provided for or relating to the Legal Defeasance or the Covenant Defeasance have been complied with.

Concurrently with the satisfaction of the conditions set forth in this Section 8.04, any Liens securing the Notes that were created pursuant to the requirements of Section 4.12 hereof shall

terminate and be released, and the Trustee, on demand and at the expense of the Company, shall execute proper instruments acknowledging such release.

SECTION 8.05. SATISFACTION AND DISCHARGE.

This Indenture shall upon the request of the Company cease to be of further effect with respect to all outstanding Notes (except as to surviving rights of registration of transfer or exchange of Notes herein expressly provided for, the Company's and any Guarantor's obligations under Section 7.07, and the Trustee's and each Paying Agent's obligations under Sections 8.06 and 8.07) and the Trustee, on demand and at the expense of the Company, shall execute proper instruments acknowledging satisfaction and discharge of this Indenture, when:

(a) either

(i) all outstanding Notes theretofore authenticated and delivered (other than (A) Notes which have been destroyed, lost or stolen and which have been replaced or paid as provided in Section 2.07 and (B) Notes for whose payment money has been deposited in trust with the Trustee or any Paying Agent and thereafter repaid to the Company or discharged from such trust) have been delivered to the Trustee for cancellation; or

(ii) all outstanding Notes not theretofore delivered to the Trustee for cancellation

(A) have become due and payable by reason of the giving of a notice of redemption or otherwise; or

(B) shall become due and payable at their Stated Maturity within one year, or

(C) are to be called for redemption within one year under arrangements satisfactory to the Trustee for the giving of notice of redemption by the Trustee in the name, and at the expense, of the Company,

and the Company or any Guarantor, in the case of clause (A), (B) or (C) above, has irrevocably deposited or caused to be irrevocably deposited with the Trustee as trust funds in trust for such purpose cash in U.S. dollars, U.S. Government Securities, or a combination thereof, in an amount sufficient (without consideration of any reinvestment of interest and as certified by an independent public accountant designated by the Company expressed in a written certification thereof delivered to the Trustee) to pay and discharge the entire indebtedness of the Notes not theretofore delivered to the Trustee for cancellation, for principal (and premium, if any), accrued and unpaid interest and Liquidated Damages, if any, to the date of such deposit (in the case of Notes which have become due and payable) or the Stated Maturity or redemption date, as the case may be;

(b) the Company or any Guarantor has paid or caused to be paid all other sums then due and payable hereunder by it under this Indenture;

(c) no Default or Event of Default shall have occurred and be continuing on the date of such deposit and after giving effect to such deposit and such deposit shall not result in a breach or violation of, or constitute a default under, any other instrument to which the Company or any Guarantor is a party or by which the Company or any Guarantor is bound; and

(d) the Company has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent herein provided for relating to the satisfaction and discharge of this Indenture have been complied with.

In order to have money available on a payment date to pay principal (and premium, if any, on), interest or Liquidated Damages, if any, on the Notes, the U.S. Government Securities shall be payable as to principal (and premium, if any) or interest at least one Business Day before such payment date in such amounts as shall provide the necessary money. The U.S. Government Securities shall not be callable at the issuer's option.

SECTION 8.06. DEPOSITED MONEY AND U.S. GOVERNMENT SECURITIES TO BE HELD IN TRUST; OTHER MISCELLANEOUS PROVISIONS.

Subject to Section 8.07 hereof, all money and non-callable U.S. Government Securities (including the proceeds thereof) deposited with the Trustee pursuant to Section 8.04 or 8.05 hereof in respect of the outstanding Notes shall be (i) held in trust, (ii) and, at the written direction of the Company, such money may be invested, prior to maturity of the Notes, in non-callable U.S. Government Securities, and (iii) applied by the Trustee, in accordance with the provisions of such Notes and this Indenture, to the payment, either directly or through any Paying Agent (including the Company acting as Paying Agent) as the Trustee may determine, to the Holders of such Notes of all sums due and to become due thereon in respect of principal, premium, if any, interest and Liquidated Damages, if any, but such money need not be segregated from other funds except to the extent required by law.

The Company shall pay and indemnify the Trustee against any tax, fee or other charge imposed on or assessed against the cash or non-callable U.S. Government Securities deposited pursuant to Section 8.04 or 8.05 hereof or the principal and interest received in respect thereof other than any such tax, fee or other charge which by law is for the account of the Holders of the outstanding Notes.

Anything in this Article 8 to the contrary notwithstanding, the Trustee shall deliver or pay to the Company from time to time upon the request of the Company any money or non-callable Government Securities held by it as provided in Section 8.04 or 8.05 hereof which, in the opinion of a nationally recognized firm of independent public accountants expressed in a written certification thereof delivered to the Trustee (which in the former case may be the opinion delivered under

Section 8.04(a) hereof), are in excess of the amount thereof that would then be required to be deposited to effect an equivalent Legal Defeasance or Covenant Defeasance.

SECTION 8.07. REPAYMENT TO COMPANY.

Subject to applicable escheat and abandoned property laws, any money deposited with the Trustee or any Paying Agent, or then held by the Company, in trust for the payment of the principal of or premium or Liquidated Damages, if any, or interest on any Note and remaining unclaimed for two years after such principal, premium or Liquidated Damages, if any, or interest has become due and payable shall be paid to the Company or (if then held by the Company) shall be discharged from such trust; and the Holder of such Note shall thereafter, as an unsecured general creditor, look only to the Company for payment thereof, and all liability of the Trustee or such Paying Agent with respect to such trust money, and all liability of the Company as trustee thereof, shall thereupon cease; provided, however, that the Trustee or such Paying Agent, before being required to make any such repayment, may at the expense of the Company cause to be published once, in Investor's Business Daily and The Wall Street Journal (national edition), notice that such money remains unclaimed and that, after a date specified therein, which shall not be less than 30 days from the date of such notification or publication, any unclaimed balance of such money then remaining will be repaid to the Company.

Nothing contained in this Section 8.07 shall be deemed to affect any obligation of the Trustee or any Paying Agent to search for lost Holders pursuant to Rule 17Ad-17 under the Exchange Act.

SECTION 8.08. REINSTATEMENT.

If the Trustee or a Paying Agent is unable to apply any dollars or U.S. Government Securities in accordance with Section 8.05 or 8.06 hereof, by reason of any order or judgment of any court or governmental authority enjoining, restraining or otherwise prohibiting such application, then the Company's and the Guarantors' obligations under this Indenture, the Notes and the Subsidiary Guarantees shall be revived and reinstated as though no deposit had occurred pursuant to Section 8.02, 8.03 or 8.05 hereof until such time as the Trustee or such Paying Agent is permitted to apply all such money in accordance with Section 8.05 or 8.06 hereof, as the case may be; provided, however, that, if the Company or any Guarantor makes any payment of principal of, premium, if any, interest or Liquidated Damages, if any, on any Note following the reinstatement of its obligations, then it shall be subrogated to the rights of the Holders of such Notes to receive such payment from the money or U.S. Government Securities held by the Trustee or such Paying Agent.

ARTICLE 9

AMENDMENT, SUPPLEMENT AND WAIVER

SECTION 9.01. WITHOUT CONSENT OF HOLDERS OF NOTES.

Notwithstanding Section 9.02 of this Indenture, the Company, the Guarantors and the Trustee may amend or supplement this Indenture or the Notes without the consent of any Holder of a Note:

(a) to cure any ambiguity, defect or inconsistency;

(b) to provide for uncertificated Notes in addition to or in place of certificated Notes;

(c) to provide for the assumption of the Company's obligations to the Holders of the Notes pursuant to Article 5 hereof;

(d) to secure the Notes pursuant to the requirements of Section 4.12 or otherwise;

(e) to make any change that would provide any additional rights or benefits to the Holders of the Notes or that does not adversely affect the legal rights hereunder of any Holder of the Note;

(f) to add or to release any Guarantor, in each case as provided in Article 10 hereof; or

(g) to comply with requirements of the SEC in order to effect or maintain the qualification of this Indenture under the TIA.

Upon the request of the Company accompanied by a Board Resolution authorizing the execution of any such amended or supplemental indenture, and upon receipt by the Trustee of the documents described in Section 9.06 hereof, the Trustee shall join with the Company and the Guarantors in the execution of any amended or supplemental indenture authorized or permitted by the terms of this Indenture and to make any further appropriate agreements and stipulations that may be therein contained, but the Trustee shall not be obligated to enter into such amended or supplemental Indenture that affects its own rights, duties or immunities under this Indenture or otherwise.

SECTION 9.02. WITH CONSENT OF HOLDERS OF NOTES.

Except as provided below in this Section 9.02, the Company, the Guarantors and the Trustee may amend or supplement this Indenture and the Notes may be amended or supplemented with the consent of the Holders of at least a majority in principal amount of the Notes then outstanding (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for the Notes), and, subject to Sections 6.04 and 6.07 hereof, any existing Default or Event of Default or compliance with any provision of this Indenture or the Notes may be waived with the consent of the Holders of a majority in principal amount of the then outstanding Notes (including, without limitation, consents obtained in connection with a tender offer or exchange offer for the Notes).

Upon the request of the Company accompanied by a Board Resolution authorizing the execution of any such amended or supplemental indenture, and upon the filing with the Trustee of evidence satisfactory to the Trustee of the consent of the Holders of Notes as aforesaid, and upon receipt by the Trustee of the documents described in Section 9.06 hereof, the Trustee shall join with the Company and the Guarantors in the execution of such amended or supplemental indenture unless such amended or supplemental indenture affects the Trustee's own rights, duties or immunities under this Indenture or otherwise, in which case the Trustee may in its discretion, but shall not be obligated to, enter into such amended or supplemental indenture.

It shall not be necessary for the consent of the Holders of Notes under this Section 9.02 to approve the particular form of any proposed amendment, supplement or waiver, but it shall be sufficient if such consent approves the substance thereof.

After an amendment, supplement or waiver under this Section becomes effective, the Company shall mail to the Holders of Notes affected thereby a notice briefly describing the amendment, supplement or waiver. Any failure of the Company to mail such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such amended or supplemental Indenture or waiver. Subject to Sections 6.04 and 6.07 hereof, the Holders of a majority in principal amount of the Notes then outstanding may waive compliance in a particular instance by the Company with any provision of this Indenture or the Notes. However, without the consent of each Holder affected, an amendment, supplement or waiver may not (with respect to any Notes held by a non-consenting Holder):

(a) reduce the principal amount of Notes whose Holders must consent to an amendment, supplement or waiver;

(b) reduce the principal of or change the fixed maturity of any Note or alter any of the provisions with respect to the redemption or purchase of the Notes by the Company (except other than the provisions of Sections 3.09, 4.10 and 4.15 hereof);

(c) reduce the rate of or change the time for payment of interest on any Note;

(d) waive a Default or Event of Default in the payment of principal of or premium, interest or Liquidated Damages, if any, on the Notes (except a rescission of acceleration of the Notes by the Holders of at least a majority in principal amount of the Notes and a waiver of the payment default that resulted from such acceleration);

(e) make any Note payable in money other than that stated in the Notes;

(f) make any change in the provisions of this Indenture relating to waivers of past Defaults or Events of Default or the rights of Holders of Notes to receive payments of principal of or premium, interest or Liquidated Damages, if any, on the Notes (except as permitted in clause (g) below);

(g) waive a redemption or repurchase payment with respect to any Note (other than a payment required by Sections 4.10 and 4.15 hereof);

(h) make any change in the ranking of the Notes relative to other Indebtedness of the Company or in any Subsidiary Guarantee relative to other Indebtedness of the Guarantors, in either case in a manner adverse to the Holders of Notes; or

(i) make any change in the foregoing amendment, supplement and waiver provisions.

SECTION 9.03. COMPLIANCE WITH TRUST INDENTURE ACT.

Every amendment or supplement to this Indenture or the Notes shall be set forth in an amended or supplemental Indenture that complies with the TIA as then in effect.

SECTION 9.04. REVOCATION AND EFFECT OF CONSENTS.

Until an amendment, supplement or waiver becomes effective, a consent to it by a Holder of a Note is a continuing consent by the Holder of a Note and every subsequent Holder of a Note or portion of a Note that evidences the same debt as the consenting Holder's Note, even if notation of the consent is not made on any Note. However, any such Holder of a Note or subsequent Holder of a Note may revoke the consent as to its Note if the Trustee receives written notice of revocation before the date the waiver, supplement or amendment becomes effective. An amendment, supplement or waiver becomes effective in accordance with its terms and thereafter binds every Holder.

SECTION 9.05. NOTATION ON OR EXCHANGE OF NOTES.

The Trustee may place an appropriate notation about an amendment, supplement or waiver on any Note thereafter authenticated. The Company in exchange for all Notes may issue and the Trustee shall authenticate new Notes that reflect the amendment, supplement or waiver.

Failure to make the appropriate notation or issue a new Note shall not affect the validity and effect of such amendment, supplement or waiver.

SECTION 9.06. TRUSTEE TO SIGN AMENDMENTS, ETC.

The Trustee shall sign any amended or supplemental indenture authorized pursuant to this Article 9 if the amendment or supplement does not adversely affect the rights, duties, liabilities or immunities of the Trustee. The Company may not sign an amendment or supplemental indenture until the Board of Directors approves it. In executing any amended or supplemental indenture, the Trustee shall be entitled to receive and (subject to Section 7.01) shall be fully protected in relying upon, an Officers' Certificate and an Opinion of Counsel stating that the execution of such amended or supplemental indenture is authorized or permitted by this Indenture.

ARTICLE 10

GUARANTEES OF NOTES

SECTION 10.01. SUBSIDIARY GUARANTEES.

Subject to Section 10.06 hereof, the Guarantors hereby, jointly and severally, unconditionally guarantee to each Holder of a Note authenticated and delivered by the Trustee and to the Trustee and its successors and assigns, irrespective of the validity and enforceability of this Indenture, the Notes held thereby and the Obligations of the Company hereunder and thereunder, that: (a) the principal of and premium, interest and Liquidated Damages, if any, on the Notes will be promptly paid in full when due, subject to any applicable grace period, whether at maturity, by acceleration, redemption or otherwise, and interest on the overdue principal of and premium, interest (to the extent permitted by law) and Liquidated Damages, if any, on the Notes, and all other payment Obligations of the Company to the Holders or the Trustee hereunder or thereunder will be promptly paid in full and performed, all in accordance with the terms hereof and thereof; and (b) in case of any extension of time of payment or renewal of any Notes or any of such other Obligations, the same will be promptly paid in full when due or performed in accordance with the terms of the extension or renewal, subject to any applicable grace period, whether at stated maturity, by acceleration, redemption or otherwise. Failing payment when so due of any amount so guaranteed or any performance so guaranteed for whatever reason the Guarantors will be jointly and severally obligated to pay the same immediately. An Event of Default under this Indenture or the Notes shall constitute an event of default under the Subsidiary Guarantees, and shall entitle the Holders to accelerate the obligations of the Guarantors hereunder in the same manner and to the same extent as the Obligations of the Company. The Guarantors hereby agree that their obligations hereunder shall be unconditional, irrespective of the validity, regularity or enforceability of the Notes or this Indenture, the absence of any action to enforce the same, any waiver or consent by any Holder with respect to any provisions hereof or thereof, the recovery of any judgment against the Company, any action to enforce the same or any other circumstance (other than complete performance) which might otherwise constitute a legal or equitable discharge or defense of a Guarantor. Each Guarantor further, to the extent permitted by law, hereby waives diligence, presentment, demand of payment, filing of claims with a court in the event of insolvency or bankruptcy of the Company, any right to require a proceeding first against the Company, protest, notice and all demands whatsoever and covenants that its Subsidiary Guarantee will not be discharged except by complete performance of the Obligations contained in the Notes and this Indenture. If any Holder or the Trustee is required by any court or otherwise to return to the Company, the Guarantors, the Trustee or any Custodian in relation to either the Company or the Guarantors, any amount paid by the Company or any Guarantor to the Trustee or such Holder, the Subsidiary Guarantees, to the extent theretofore discharged, shall be reinstated in full force and effect. Each Guarantor agrees that it shall not be entitled to, and hereby waives, any right of subrogation in relation to the Holders in respect of any Obligations guaranteed hereby until payment in full of the Obligations guaranteed hereby. Each Guarantor further agrees that, as between the Guarantors, on the one hand, and the Holders and the Trustee, on the other hand, (a) the maturity of the Obligations guaranteed hereby may be accelerated as provided in Article 6 hereof for the purposes of its Subsidiary Guarantee, notwithstanding any stay, injunction or other prohibition preventing such acceleration in respect of the Obligations guaranteed thereby, and (b) in the event

of any declaration of acceleration of such Obligations as provided in Article 6 hereof, such Obligations (whether or not due and payable) shall forthwith become due and payable by the Guarantor for the purpose of its Subsidiary Guarantee. The Guarantors shall have the right to seek contribution from any non-paying Guarantor so long as the exercise of such right does not impair the rights of the Holders under the Subsidiary Guarantees.

SECTION 10.02. EXECUTION AND DELIVERY OF SUBSIDIARY GUARANTEE.

To evidence its Subsidiary Guarantee set forth in Section 10.01 hereof, each Guarantor hereby agrees that a notation of such Subsidiary Guarantee in substantially the form of Exhibit D hereto may be endorsed by manual or facsimile signature by an Officer of such Guarantor on each Note authenticated and delivered by the Trustee and that the supplemental indenture to this Indenture referred to in the next succeeding paragraph shall be executed on behalf of such Guarantor by an Officer of such Guarantor.

To the extent required by the provisions of Section 4.13 hereof, the Company shall cause each of its Restricted Subsidiaries to execute a notation of Subsidiary Guarantee in substantially the form of Exhibit D hereto. Such notation of Subsidiary Guarantee shall be accompanied by a supplemental indenture in substantially the form of Exhibit E hereto, along with the Opinion of Counsel and Officers' Certificate required under Section 9.06 of this Indenture; provided, however, that any Subsidiary that has been properly designated as an Unrestricted Subsidiary in accordance with this Indenture need not execute a notation of Subsidiary Guarantee or supplemental indenture for so long as it continues to constitute an Unrestricted Subsidiary.

The delivery of any Note by the Trustee, after the authentication thereof hereunder, shall constitute due delivery of the Subsidiary Guarantees on behalf of the Guarantors. Each Guarantor hereby agrees that its Subsidiary Guarantee shall remain in full force and effect notwithstanding any failure to endorse on each Note a notation of such Subsidiary Guarantee.

If an Officer whose signature is on the notation of Subsidiary Guarantee no longer holds that office at the time the Trustee authenticates the Note on which a notation of Subsidiary Guarantee is endorsed, the Subsidiary Guarantee shall be valid nevertheless.

SECTION 10.03. GUARANTORS MAY CONSOLIDATE, ETC., ON CERTAIN TERMS.

(a) Except as set forth in Articles 4 and 5 hereof, nothing contained in this Indenture shall prohibit a merger between a Guarantor and another Guarantor or a merger between a Guarantor and the Company.

(b) No Guarantor shall consolidate with or merge with or into (whether or not such Guarantor is the surviving Person), another Person (other than the Company or another Guarantor), whether or not affiliated with such Guarantor, unless: (i) subject to the provisions of Section 10.04 hereof, the Person formed by or surviving any such consolidation or merger (if other than such Guarantor) assumes all the obligations of such Guarantor under the Notes and this Indenture, pursuant to a supplemental indenture in substantially the form of Exhibit E hereto, accompanied by

a notation of its Subsidiary Guarantee as provided in such supplemental indenture; (ii) immediately after giving effect to such transaction, no Default or Event of Default exists; (iii) such Guarantor, or any Person formed by or surviving any such consolidation or merger, would have a Consolidated Net Worth (immediately after giving effect to such transaction) equal to or greater than the Consolidated Net Worth of such Guarantor immediately preceding the transaction; and (iv) the Company, immediately after giving pro forma effect to such transaction as if such transaction had occurred at the beginning of the applicable four-quarter period, would be permitted to incur at least $1.00 of additional Indebtedness pursuant to the Consolidated Interest Coverage Ratio test set forth in the first paragraph of Section 4.09 hereof.

(c) In the case of any such consolidation or merger and upon the assumption by the successor Person, by supplemental indenture, executed and delivered to the Trustee and substantially in the form of Exhibit E hereto, of the Subsidiary Guarantee and the due and punctual performance of all of the covenants of this Indenture to be performed by the Guarantor, such successor Person shall succeed to and be substituted for the Guarantor with the same effect as if it had been named herein as a Guarantor.

SECTION 10.04. RELEASES FOLLOWING SALE OF GUARANTOR.

In the event of a sale or other disposition of all or substantially all of the properties or assets or all of the Capital Stock of any Guarantor, by way of merger, consolidation or otherwise, then such Guarantor (in the event of a sale or other disposition, by way of such a merger, consolidation or otherwise, of all of the Capital Stock of such Guarantor) or the Person acquiring the properties or assets (in the event of a sale or other disposition of all or substantially all of the properties or assets of such Guarantor) shall be released and relieved of any obligations under its Subsidiary Guarantee and this Indenture; provided, however, that in the event such transaction constitutes an Asset Sale, the Net Proceeds from such sale or other disposition are treated in accordance with the provisions of Section 4.10 hereof. Upon delivery by the Company to the Trustee of an Officers' Certificate to the effect of the foregoing, the Trustee shall execute any documents reasonably required in order to evidence the release of any Guarantor from its obligations under its Subsidiary Guarantee and this Indenture. Any Guarantor not released from its obligations under its Subsidiary Guarantee shall remain liable for the full amount of principal of and premium, interest and Liquidated Damages, if any, on the Notes and for the other Obligations of such Guarantor under this Indenture as provided in this Article 10.

SECTION 10.05. RELEASES FOLLOWING DESIGNATION AS AN UNRESTRICTED SUBSIDIARY.

In the event that the Company designates a Guarantor to be an Unrestricted Subsidiary, then such Guarantor shall be released and relieved of any obligations under its Subsidiary Guarantee and this Indenture; provided, however, that such designation is conducted in accordance with this Indenture. Upon delivery by the Company to the Trustee of an Officers' Certificate to the effect of the foregoing, the Trustee shall execute any documents reasonably required in order to evidence the release of any Guarantor from its obligations under its Subsidiary Guarantee and this Indenture.

SECTION 10.06. LIMITATION ON GUARANTOR LIABILITY.

Each Guarantor and, by its acceptance of Notes, each Holder, hereby confirm that it is the intention of all such parties that the Subsidiary Guarantee of such Guarantor not constitute a fraudulent transfer or conveyance for purposes of any applicable bankruptcy law, the Uniform Fraudulent Conveyance Act, the Uniform Fraudulent Transfer Act or any similar federal, state or foreign law to the extent applicable to any Subsidiary Guarantee. To effectuate the foregoing intention, the Trustee, the Holders and the Guarantors hereby irrevocably agree that the obligations of such Guarantor under its Subsidiary Guarantee and this Article 10 shall be limited to the maximum amount as will, after giving effect to such maximum amount and all other contingent and fixed liabilities of such Guarantor that are relevant under such laws, and after giving effect to any collections from, rights to receive contribution from or payments made by or on behalf of any other Guarantor in respect of the obligations of such other Guarantor under this Article 10, result in the obligations of such Guarantor under its Subsidiary Guarantee not constituting a fraudulent transfer or conveyance.

SECTION 10.07. "TRUSTEE" TO INCLUDE PAYING AGENT

In case at any time any Paying Agent other than the Trustee shall have been appointed by the Company and be then acting hereunder, the term "Trustee" as used in this Article 10 shall in each case (unless the context shall otherwise require) be construed as extending to and including such Paying Agent within its meaning as fully and for all intents and purposes as if such Paying Agent were named in this Article 10 in place of the Trustee.

ARTICLE 11

MISCELLANEOUS

SECTION 11.01. TRUST INDENTURE ACT CONTROLS.

If any provision of this Indenture limits, qualifies or conflicts with the duties imposed by TIA Section 318(c), the imposed duties shall control.

SECTION 11.02. NOTICES.

Any notice or communication by the Company, any Guarantor or the Trustee to the others is duly given if in writing (in the English language) and delivered in person or mailed by first class mail (registered or certified, return receipt requested), telecopier or overnight air courier guaranteeing next day delivery, to the others' address:

If to the Company or the Guarantors:

HORNBECK-LEEVAC Marine Services, Inc.
414 North Causeway Boulevard
Mandeville, Louisiana 70448
Attention: Chief Financial Officer
Telecopy No.: (985) 727-2006

If to the Trustee:

Wells Fargo Bank Minnesota, National Association
213 Court Street, Suite 902
Middletown, Connecticut 06457
Attention: Corporate Trust Services
Telecopy No.: (860) 704-6219

The Company, any of the Guarantors or the Trustee, by notice to the others may designate additional or different addresses for subsequent notices or communications.

Any notice or communication to a Holder shall be mailed by first class mail, certified or registered, return receipt requested, or delivered by overnight air courier guaranteeing next day delivery, in each case to its address shown on the register kept by the Registrar. Any notice or communication shall also be so mailed to any Person described in TIA Section 313(c), to the extent required by the TIA. Failure to provide a notice or communication to a Holder or any defect in it shall not affect its sufficiency with respect to other Holders.

All notices and communications shall be deemed to have been duly given: at the time delivered by hand, if personally delivered; five Business Days after being deposited in the mail, postage prepaid, if mailed; when receipt acknowledged, if telecopied; and the next Business Day after timely delivery to the courier, if sent by overnight air courier guaranteeing next day delivery. Notwithstanding the foregoing, notices to the Trustee shall be effective only upon receipt.

If a notice or communication is given in the manner provided above within the time prescribed, it is duly given, whether or not the addressee receives it.

If the Company gives a notice or communication to Holders, it shall give a copy at the same time to the Trustee and each Agent.

In case by reason of the suspension of regular mail service, or by reason of any other cause, it shall be impossible to mail any notice required by this Indenture, then such method of notification as shall be made with the approval of the Trustee shall constitute a sufficient mailing of such notice.

SECTION 11.03. COMMUNICATION BY HOLDERS OF NOTES WITH OTHER HOLDERS OF NOTES.

Holders may communicate pursuant to TIA Section 312(b) with other Holders with respect to their rights under this Indenture or the Notes. The Company, the Trustee, the Registrar and anyone else shall have the protection of TIA Section 312(c).

SECTION 11.04. CERTIFICATE AND OPINION AS TO CONDITIONS PRECEDENT.

Upon any request or application by the Company to the Trustee to take any action under this Indenture, the Company shall furnish to the Trustee:

(a) an Officers' Certificate in form and substance reasonably satisfactory to the Trustee (which shall include the statements set forth in Section 11.05 hereof) stating that, in the opinion of the signers, all conditions precedent and covenants, if any, provided for in this Indenture relating to the proposed action have been satisfied; and

(b) an Opinion of Counsel in form and substance reasonably satisfactory to the Trustee (which shall include the statements set forth in Section 11.05 hereof) stating that, in the opinion of such counsel, all such conditions precedent and covenants have been satisfied.

SECTION 11.05. STATEMENTS REQUIRED IN CERTIFICATE OR OPINION.

Each certificate or opinion with respect to compliance with a condition or covenant provided for in this Indenture (other than a certificate provided pursuant to TIA Section 314(a)(4)) shall comply with the provisions of TIA Section 314(e) and shall include:

(a) a statement that the Person making such certificate or opinion has read such covenant or condition;

(b) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;

(c) a statement that, in the opinion of such Person, he or she has made such examination or investigation as is necessary to enable him or her to express an informed opinion as to whether or not such covenant or condition has been satisfied; and

(d) a statement as to whether or not, in the opinion of such Person, such condition or covenant has been satisfied.

SECTION 11.06. RULES BY TRUSTEE AND AGENTS.

The Trustee may make reasonable rules for action by or at a meeting of Holders. The Registrar or Paying Agent may make reasonable rules and set reasonable requirements for its functions.

SECTION 11.07. NO PERSONAL LIABILITY OF DIRECTORS, OFFICERS, EMPLOYEES AND SHAREHOLDERS.

No past, present or future director, officer, employee, incorporator, member, partner or shareholder or other owner of Capital Stock of the Company or any Guarantor, as such, shall have any liability for any obligations of the Company or any Guarantor under the Notes, the Subsidiary Guarantees, this Indenture or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes.

SECTION 11.08. GOVERNING LAW.

THE LAW OF THE STATE OF NEW YORK SHALL GOVERN AND BE USED TO CONSTRUE AND ENFORCE THIS INDENTURE, THE NOTES AND THE SUBSIDIARY GUARANTEES.

SECTION 11.09. NO ADVERSE INTERPRETATION OF OTHER AGREEMENTS.

This Indenture may not be used to interpret any other indenture, loan or debt agreement of the Company or its Restricted Subsidiaries or of any other Person. Any such indenture, loan or debt agreement may not be used to interpret this Indenture.

SECTION 11.10. SUCCESSORS.

All agreements of the Company and the Guarantors in this Indenture and the Notes shall bind their successors. All agreements of the Trustee in this Indenture shall bind its successors.

SECTION 11.11. SEVERABILITY.

In case any provision in this Indenture or in the Notes shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

SECTION 11.12. COUNTERPART ORIGINALS.

The parties may sign any number of copies of this Indenture. Each signed copy shall be an original, but all of them together represent the same agreement.

SECTION 11.13. TABLE OF CONTENTS, HEADINGS, ETC.

The Table of Contents, Cross-Reference Table and Headings of the Articles and Sections of this Indenture have been inserted for convenience of reference only, are not to be considered a part of this Indenture and shall in no way modify or restrict any of the terms or provisions hereof.

SECTION 11.14. CONSENT TO JURISDICTION .

Each of the Company and the Guarantors irrevocably submits to the non-exclusive jurisdiction of any New York state or U.S. federal court located in the Borough of Manhattan in the City and State of New York over any suit, action or proceeding arising out of or relating to this Indenture, the Registration Rights Agreement or any Guarantee or Note. Each of the Company and the Guarantors irrevocably waives, to the fullest extent permitted by law, any objection which it may have to the laying of the venue of any such suit, action or proceeding brought in such a court and any claim that any such suit, action or proceeding brought in such a court has been brought in any inconvenient forum.

Nothing in this Section shall limit the right of the Trustee or any Holder to bring proceedings against the Company or any Guarantor in the courts of any other jurisdiction.

[Signatures on following pages]

SIGNATURES

HORNBECK-LEEVAC MARINE SERVICES, INC.

By: /s/ JAMES O. HARP, JR.

James O. Harp, Jr.
Vice President and Chief Financial Officer

LEEVAC MARINE, INC.

By: /s/ JAMES O. HARP, JR.

James O. Harp, Jr.
Vice President and Chief Financial Officer

HORNBECK OFFSHORE SERVICES, INC.

By: /s/ JAMES O. HARP, JR.

James O. Harp, Jr.
Vice President and Chief Financial Officer

ENERGY SERVICES PUERTO RICO, INC.

By: /s/ JAMES O. HARP, JR.

James O. Harp, Jr.
Vice President and Chief Financial Officer

HORNBECK-LEEVAC MARINE OPERATORS, INC.

By: /s/ JAMES O. HARP, JR.

James O. Harp, Jr.
Vice President and Chief Financial Officer

WELLS FARGO BANK MINNESOTA, NATIONAL ASSOCIATION, as Trustee

By: /s/ ROBERT L. REYNOLDS

Robert L. Reynolds
Vice President

EXHIBIT 4.2

(Face of Note)

FOR UNITED STATES FEDERAL INCOME TAX PURPOSES, THIS NOTE BEARS ORIGINAL ISSUE DISCOUNT. INFORMATION, INCLUDING THE ISSUE PRICE, AMOUNT OF ORIGINAL ISSUE DISCOUNT, THE ISSUE DATE AND THE YIELD TO MATURITY, WILL BE MADE AVAILABLE TO THE HOLDERS UPON REQUEST TO THE CHIEF FINANCIAL OFFICER OF THE COMPANY AT (985) 727-2000

HORNBECK-LEEVAC MARINE SERVICES, INC.

10 5/8% SERIES A SENIOR NOTE DUE 2008

No. $_____
CUSIP NO._____

HORNBECK-LEEVAC Marine Services, Inc. hereby promises to pay to _____ or registered assigns, the principal sum of _____ Dollars ($_____) or such lesser amount as may be endorsed on the Schedule of Exchanges of Notes attached hereto on August 1, 2008.

Interest Payment Dates: February 1 and August 1

Record Dates: January 15 and July 15

HORNBECK-LEEVAC MARINE SERVICES, INC.

By:

Name:

Title:

TRUSTEE'S CERTIFICATE OF AUTHENTICATION:

This is one of the Notes referred
to in the within-mentioned Indenture.

WELLS FARGO BANK MINNESOTA, NATIONAL ASSOCIATION,
as Trustee

By:

Authorized Signatory

Date of Authentication:

(Back of Note)

10 5/8% SERIES A SENIOR NOTES DUE 2008

Unless and until it is exchanged in whole or in part for Notes in definitive form, this Note may not be transferred except as a whole by the Depository to a nominee of the Depository or by a nominee of the Depository to the Depository or another nominee of the Depository or by the Depository or any such nominee to a successor Depository or a nominee of such successor Depository. Unless this certificate is presented by an authorized representative of The Depository Trust Company (55 Water Street, New York, New York) ("DTC"), to the issuer or its agent for registration of transfer, exchange or payment, and any certificate issued is registered in the name of Cede & Co. or such other name as may be requested by an authorized representative of DTC (and any payment is made to Cede & Co. or such other entity as may be requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL in as much as the registered owner hereof, Cede & Co., has an interest herein.

THIS NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE OR OTHER SECURITIES LAWS. NEITHER THIS NOTE NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS THE TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. THE HOLDER OF THIS NOTE BY ITS ACCEPTANCE HEREOF (1) REPRESENTS THAT (A) IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT), (B) AN INSTITUTIONAL "ACCREDITED INVESTOR" WITHIN THE MEANING OF RULE 501(A)(1), (2), (3) OR (7) OF REGULATION D UNDER THE SECURITIES ACT (AN "INSTITUTIONAL ACCREDITED INVESTOR") OR (C) IT IS NOT A U.S. PERSON WHO IS ACQUIRING THIS NOTE IN AN "OFFSHORE TRANSACTION" PURSUANT TO RULE 903 OR RULE 904 OF REGULATION S, (2) AGREES THAT IT WILL NOT, PRIOR TO THE DATE THAT IS TWO YEARS AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF (OR OF ANY PREDECESSOR OF THIS NOTE) AND THE LAST DATE ON WHICH HORNBECK-LEEVAC MARINE SERVICES, INC. (THE "COMPANY") OR ANY AFFILIATE OF THE COMPANY WAS THE OWNER OF THIS NOTE OR ANY PREDECESSOR OF THIS NOTE, OFFER, SELL OR OTHERWISE TRANSFER THIS NOTE EXCEPT (A) TO THE COMPANY OR ANY OF ITS SUBSIDIARIES, (B) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, (C) FOR SO LONG AS THE NOTES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A, TO A PERSON IT REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) PURSUANT TO OFFERS AND SALES TO NON-U.S. PERSONS THAT OCCUR OUTSIDE THE UNITED STATES WITHIN THE MEANING OF REGULATION S, (E) TO AN INSTITUTIONAL ACCREDITED INVESTOR OR (F) PURSUANT TO RULE 144 UNDER THE SECURITIES ACT OR ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, AND (3) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS NOTE IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND; PROVIDED THAT THE COMPANY AND THE TRUSTEE SHALL HAVE THE RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER (I) PURSUANT TO CLAUSE (F) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM AND (II) IN EACH OF THE FOREGOING CASES, TO REQUIRE THAT A CERTIFICATION OF TRANSFER IN THE FORM APPEARING IN THE INDENTURE IS COMPLETED AND DELIVERED BY THE TRANSFEROR TO THE TRUSTEE.

1. INTEREST. HORNBECK-LEEVAC Marine Services, Inc., a Delaware corporation (the "Company"), promises to pay interest on the principal amount of this Note at 10 5/8% per annum from July 24, 2001 until maturity and, if applicable, shall pay the Liquidated Damages payable pursuant to Section 5 of the Registration Rights Agreement referred to below. The Company will pay interest and Liquidated Damages, if any, semi-annually in arrears on February 1 and August 1 of each year, commencing February 1, 2002, or if any such day is not a Business Day, on the next succeeding Business Day (each an "Interest Payment Date"). Interest on the Notes will accrue from the most recent date to which interest has been paid or, if no interest has been paid, from the date of original issuance; provided that if there is no existing Default or Event of Default in the payment of interest, and if this Note is authenticated between a record date referred to on the face hereof and the next succeeding Interest Payment Date, interest shall accrue from such next succeeding Interest Payment Date, except in the case of the original issuance of Notes, in which case interest shall accrue from the date of authentication. The Company shall pay interest (including post-petition interest in any proceeding under any Bankruptcy Law) on overdue principal and premium, if any, from time to time on demand at a rate that is the rate then in effect; it shall pay interest (including post-petition interest in any proceeding under any Bankruptcy Law) on overdue installments of interest and Liquidated Damages (without regard to any applicable grace periods) from time to time on demand at the same rate to the extent lawful. Interest will be computed on the basis of a 360-day year of twelve 30-day months.

2. METHOD OF PAYMENT. The Company will pay interest on the Notes (except defaulted interest) and Liquidated Damages to the Persons who are registered Holders of Notes at the close of business on the January 15 or July 15 next preceding the Interest Payment Date, even if such Notes are cancelled after such record date and on or before such Interest Payment Date, except as provided in Section 2.12 of the Indenture with respect to defaulted interest. The Notes will be payable as to principal, premium, interest and Liquidated Damages, if any, at the office or agency of the Company maintained for such purpose within the continental United States or, at the option of the Company, payment of interest and Liquidated Damages, if any, may be made by check mailed to the Holders at their addresses set forth in the register of Holders, and provided that payment by wire transfer of immediately available funds will be required with respect to principal of and interest, premium and Liquidated Damages, if any, on all Global Notes and all other Notes the Holders of which shall have provided wire transfer instructions to the Company or a Paying Agent. Such payment shall be in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts. The principal of the Notes shall be payable only upon surrender of any Note at the Corporate Trust Office of the Trustee or at the specified offices of any other Paying Agent.

If the due date for payment of the principal in respect of any Note is not a Business Day at the place in which it is presented for payment, the Holder thereof shall not be entitled to payment of the amount due until the next succeeding Business Day at such place and shall not be entitled to any further interest or other payment in respect of any such delay.

3. PAYING AGENT AND REGISTRAR. Initially, Wells Fargo Bank Minnesota, National Association, the Trustee under the Indenture, will act as Paying Agent and Registrar at its Corporate Trust Office in Middletown, Connecticut, and at its office or agency in New York, New York. The

Company may change any Paying Agent or Registrar without notice to any Holder. The Company or any of its Subsidiaries may act in any such capacity.

4. INDENTURE. The Company issued the Notes under an Indenture dated as of July 24, 2001 ("Indenture") among the Company, the Guarantors and the Trustee. The terms of the Notes include those stated in the Indenture and those made part of the Indenture by reference to the Trust Indenture Act of 1939, as amended (15 U.S. Code Sections 77aaa-77bbbb). The Notes are subject to all such terms, and Holders are referred to the Indenture and such Act for a statement of such terms. The Notes are general unsecured obligations of the Company limited to $175,000,000 aggregate principal amount in the case of Notes issued on the Issue Date (as defined in the Indenture).

5. OPTIONAL REDEMPTION.

(a) At any time prior to August 1, 2005, the Company may redeem the Notes at its option, in whole or in part, at a redemption price equal to 100% of the principal amount thereof plus the Applicable Premium as of, and accrued and unpaid interest and Liquidated Damages, if any, to, the date of redemption.

(b) At any time on or after August 1, 2005, the Company shall have the option to redeem the Notes, in whole or in part, upon not less than 30 nor more than 60 days' notice, at the redemption prices (expressed as percentages of principal amount) set forth below plus accrued and unpaid interest and Liquidated Damages, if any, thereon to the applicable redemption date, if redeemed during the twelve-month period beginning on August 1 of the years indicated below:

YEAR PERCENTAGE ---- ---------- 2005
.....
105.3125% 2006
.....
102.6563% 2007 and
thereafter.....
100.0000%

s

(c) Further, prior to August 1, 2004, the Company may redeem on any one or more occasions Notes representing up to 35% of the aggregate principal amount of Notes originally issued under the Indenture (including any Notes originally issued after the Issue Date but excluding any Series B Notes for purposes of calculating such amount) at a redemption price of 110.625% of the principal amount thereof, plus accrued and unpaid interest and Liquidated Damages, if any, thereon to the redemption date, with the net cash proceeds of one or more Qualified Equity Offerings, provided that (a) Notes representing at least 65% of the aggregate principal amount of Notes originally issued under the Indenture (including any Notes originally issued after the Issue Date but excluding any Series B Notes for purposes of calculating such amount) remain outstanding immediately after the occurrence of each such redemption and (b) such redemption shall occur within 60 days of the date of the closing of each such Qualified Equity Offering.

6. MANDATORY REDEMPTION.

Except as set forth in paragraph 7 below, the Company shall not be required to make mandatory redemption or sinking fund payments with respect to the Notes.

7. PUT OPTION OF HOLDER.

(a) If there is a Change of Control, the Company shall be required to make an offer (a "Change of Control Offer") to purchase all or any portion (equal to $1,000 or an integral multiple thereof) of each Holder's Notes, at a purchase price in cash equal to 101% of the aggregate principal amount thereof plus accrued and unpaid interest and Liquidated Damages, if any, thereon to the date of purchase (the "Change of Control Payment"). Within 30 days following any Change of Control, the Company shall give notice to each Holder and the Trustee describing the transaction that constitutes the Change of Control and setting forth the procedures governing the Change of Control Offer as required by the Indenture.

(b) If the Company or a Restricted Subsidiary consummates any Asset Sales, within 30 days of each date on which the aggregate amount of Excess Proceeds exceeds $10,000,000, the Company shall commence an offer to all Holders of Notes (an "Asset Sale Offer") pursuant to Section 3.09 of the Indenture to purchase the maximum principal amount of Notes that may be purchased out of the Excess Proceeds at an offer price in cash in an amount equal to 100% of the principal amount thereof plus accrued and unpaid interest and Liquidated Damages, if any, thereon to the date of purchase, in accordance with the procedures set forth in the Indenture; provided, however, that, if the Company is required to apply such Excess Proceeds to purchase, or to offer to purchase, any Pari Passu Indebtedness, the Company shall only be required to offer to purchase the maximum principal amount of Notes that may be purchased out of the amount of such Excess Proceeds multiplied by a fraction, the numerator of which is the aggregate principal amount of Notes outstanding and the denominator of which is the aggregate principal amount of Notes outstanding plus the aggregate principal amount of Pari Passu Indebtedness outstanding. To the extent that the aggregate principal amount of Notes tendered pursuant to an Asset Sale Offer is less than the amount that the Company is required to purchase, the Company may use any remaining Excess Proceeds for general corporate purposes in any manner not prohibited by the Indenture. If the aggregate principal amount of Notes surrendered by Holders thereof exceeds the amount that the Company is required to purchase, the Trustee shall select the Notes to be purchased on a pro rata basis (with such adjustments as may be deemed appropriate by the Trustee so that only Notes in denominations of $1,000, or integral multiples thereof, shall be purchased). Holders of Notes that are the subject of an offer to purchase will receive an Asset Sale Offer from the Company prior to any related purchase date and may elect to have such Notes purchased by completing the form entitled "Option of Holder to Elect Purchase" on the reverse of the Notes.

8. NOTICE OF REDEMPTION. Notice of redemption will be mailed at least 30 days but not more than 60 days before the redemption date to each Holder whose Notes are to be redeemed at its registered address. Notes in denominations larger than $1,000 may be redeemed in part but only in whole multiples of $1,000, unless all of the Notes held by a Holder are to be redeemed. On and after the redemption date interest ceases to accrue on Notes or portions thereof called for redemption.

9. DENOMINATIONS, TRANSFER, EXCHANGE. The Notes are in registered form without coupons in denominations of $1,000 and integral multiples of $1,000. The transfer of Notes may be registered and Notes may be exchanged as provided in the Indenture. The Registrar and the Trustee may require a Holder, among other things, to furnish appropriate endorsements and transfer documents and the Company may require a Holder to pay any taxes and fees required by law or permitted by the Indenture. The Company need not exchange or register the transfer of any Note or portion of a Note selected for redemption, except for the unredeemed portion of any Note being redeemed in part. Also, it need not exchange or register the transfer of any Notes for a period of 15 days before a selection of Notes to be redeemed.

10. PERSONS DEEMED OWNERS. The registered Holder of a Note may be treated as its owner for all purposes.

11. AMENDMENT, SUPPLEMENT AND WAIVER. Subject to certain exceptions, the Indenture or the Notes may be amended or supplemented with the consent of the Holders of at least a majority in principal amount of the then outstanding Notes, and any existing Default or Event of Default or compliance with any provision of the Indenture or the Notes may be waived with the consent of the Holders of at least a majority in principal amount of the then outstanding Notes. Without the consent of any Holder of a Note, the Indenture or the Notes may be amended or supplemented to cure any ambiguity, defect or inconsistency, to provide for uncertificated Notes in addition to or in place of certificated Notes, to provide for the assumption of the Company's obligations to Holders of the Notes in case of a merger or consolidation, to secure the Notes, to make any change that would provide any additional rights or benefits to the Holders of the Notes or that does not adversely affect the legal rights under the Indenture of any such Holder, to add any additional Guarantor or to release any Guarantor from its Subsidiary Guarantee, in each case as provided in the Indenture, or to comply with the requirements of the Commission in order to effect or maintain the qualification of the Indenture under the Trust Indenture Act.

12. DEFAULTS AND REMEDIES. Events of Default include: (i) default for 30 days in the payment when due of interest or Liquidated Damages, if any, on the Notes; (ii) default in payment when due of the principal of or premium, if any, on the Notes; (iii) failure by the Company to comply with Section 4.10, 4.15 or 5.01 of the Indenture; (iv) failure by the Company for 60 days after it receives written notice to observe or perform any other covenant or other agreement in the Indenture or the Notes; (v) default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by the Company or any of its Restricted Subsidiaries (or the payment of which is guaranteed by the Company or any of its Restricted Subsidiaries), whether such Indebtedness or guarantee now exists or is created after the Issue Date, which default (a) is caused by a failure to pay principal of or premium or interest on such Indebtedness prior to the expiration of any grace period provided in such Indebtedness, including any extension thereof (a "Payment Default") or (b) results in the acceleration of such Indebtedness prior to its express maturity and, in each case, the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a Payment Default or the maturity of which has been so accelerated, aggregates at least $10,000,000, and provided, further, that if such default is cured or waived or any such acceleration

rescinded, or such Indebtedness is repaid within a period of 10 days from the continuation of such default beyond the applicable grace period or the occurrence of such acceleration, as the case may be, an Event of Default and any consequential acceleration of the Notes shall be automatically rescinded, so long as said rescission does not conflict with any judgment or decree; (vi) failure by the Company or any of its Restricted Subsidiaries to pay final judgments aggregating in excess of $10,000,000, which judgments are not paid, discharged or stayed for a period of 60 days; (vii) failure by any Guarantor to perform any covenant set forth in its Subsidiary Guarantee, or the repudiation by any Guarantor of its obligations under its Subsidiary Guarantee or the unenforceability of any Subsidiary Guarantee for any reason other than as provided in the Indenture; and (viii) certain events of bankruptcy or insolvency with respect to the Company or any Significant Subsidiary. If any Event of Default occurs and is continuing, the Trustee or the Holders of at least 25% in principal amount of the then outstanding Notes may, by notice, declare all the Notes to be due and payable. Notwithstanding the foregoing, in the case of an Event of Default arising from certain events of bankruptcy or insolvency with respect to the Company or any Significant Subsidiary, all outstanding Notes will become due and payable without further action or notice. Holders may not enforce the Indenture or the Notes except as provided in the Indenture. Subject to certain limitations, Holders of a majority in principal amount of the then outstanding Notes may direct the Trustee in its exercise of any trust or power. The Trustee may withhold from Holders of the Notes notice of any continuing Default or Event of Default (except a Default or Event of Default relating to a payment obligation on the Notes) if it determines that withholding notice is in their interest. The Holders of a majority in aggregate principal amount of the Notes then outstanding by notice to the Trustee may on behalf of the Holders of all of the Notes waive any existing Default or Event of Default and its consequences under the Indenture except a continuing Default or Event of Default in the payment of the principal of or premium, interest or Liquidated Damages, if any, on the Notes. The Company is required to deliver to the Trustee annually a statement regarding compliance with the Indenture, and the Company is required upon becoming aware of any Default or Event of Default, to deliver to the Trustee a statement specifying such Default or Event of Default.

13. DEFEASANCE. The Notes are subject to legal and covenant defeasance upon the terms and conditions specified in Article 8 of the Indenture.

14. TRUSTEE DEALINGS WITH COMPANY. The Trustee, in its individual or any other capacity, may make loans to, accept deposits from, and perform services for the Company or its Affiliates, and may otherwise deal with the Company or its Affiliates, as if it were not the Trustee.

15. NO RECOURSE AGAINST OTHERS. A director, officer, employee, incorporator, member, partner or shareholder or other owner of capital stock of the Company or any Guarantor, as such, shall not have any liability for any obligations of the Company or any Guarantor under the Notes, the Subsidiary Guarantees or the Indenture or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for the issuance of the Notes.

16. AUTHENTICATION. This Note shall not be valid until authenticated by the manual signature of an authorized signatory of the Trustee or an authenticating agent.

17. ABBREVIATIONS. Customary abbreviations may be used in the name of a Holder or an assignee, such as: TEN COM (= tenants in common), TEN ENT (= tenants by the entireties), JT TEN (= joint tenants with right of survivorship and not as tenants in common), CUST (= Custodian), and U/G/M/A (= Uniform Gifts to Minors Act).

18. ADDITIONAL RIGHTS OF HOLDERS OF TRANSFER RESTRICTED SECURITIES. In addition to the rights provided to Holders of Notes under the Indenture, Holders of Transfer Restricted Securities shall have all the rights set forth in the Registration Rights Agreement dated as of even date with the Indenture, among the Company, the Guarantors and the Initial Purchasers (the "Registration Rights Agreement").

19. CUSIP NUMBERS. Pursuant to a recommendation promulgated by the Committee on Uniform Security Identification Procedures, the Company has caused CUSIP numbers to be printed on the Notes and the Trustee may use CUSIP numbers in notices of redemption as a convenience to Holders. No representation is made as to the accuracy of such numbers either as printed on the Notes or as contained in any notice of redemption and reliance may be placed only on the other identification numbers placed thereon.

The Company will furnish to any Holder upon written request and without charge a copy of the Indenture or the Registration Rights Agreement. Requests may be made to:

HORNBECK-LEEVAC Marine Services, Inc.
414 North Causeway Boulevard
Mandeville, Louisiana 70448
Attention: Chief Financial Officer

ASSIGNMENT FORM

To assign this Note, fill in the form below: (I) or (we) assign and transfer this Note to

---

(Insert Assignee's Soc. Sec. or Tax I.D. no.)

(Print or Type Assignee's Name, Address and Zip Code)

and irrevocably appoint _____ to transfer this Note on the books of the Company. The agent may substitute another to act for him.

Date:

Your Signature:

(Sign exactly as your name appears on the face of this Note)

Signature Guarantee:

(Signature must be guaranteed by a financial institution that is a member of the Securities Transfer Agent Medallion Program ("STAMP"), the Stock Exchange Medallion Program ("SEMP"), the New York Stock Exchange, Inc. Medallion Signature Program ("MSP") or such other signature guarantee program as may be determined by the Security Registrar in addition to, or in substitution for, STAMP, SEMP or MSP, all in accordance with the Securities Exchange Act of 1934, as amended.)

OPTION OF HOLDER TO ELECT PURCHASE

If you want to elect to have this Note purchased by the Company pursuant to Section 4.10 or 4.15 of the Indenture, check the box below:

[ ] Section 4.10 [ ] Section 4.15

If you want to elect to have only part of the Note purchased by the Company pursuant to Section 4.10 or Section 4.15 of the Indenture, state the amount you elect to have purchased: $_____

Date: _____ Your Signature: _____

(Sign exactly as your name appears on the Note)

Soc. Sec. or Tax Identification No.: _____

Signature Guarantee: _____

(Signature must be guaranteed by a financial institution that is a member of the Securities Transfer Agent Medallion Program ("STAMP"), the Stock Exchange Medallion Program ("SEMP"), the New York Stock Exchange, Inc. Medallion Signature Program ("MSP") or such other signature guarantee program as may be determined by the Security Registrar in addition to, or in substitution for, STAMP, SEMP or MSP, all in accordance with the Securities Exchange Act of 1934, as amended.)

SCHEDULE OF EXCHANGES OF NOTES

THE FOLLOWING EXCHANGES, REDEMPTIONS, REPURCHASES AND TRANSFERS OF INTERESTS OF A PART OF THIS GLOBAL NOTE HAVE BEEN MADE:

Amount of decrease Principal Amount of in Principal Amount of	increase this Global Note	Signature of Date of Exchange,	Amount of this in Principal Amount following such authorized	Etc. Global Note of this Global Note	decrease (or increase)	officer of Trustee --

EXHIBIT 4.3

(Face of Regulation S Temporary Global Note)

FOR UNITED STATES FEDERAL INCOME TAX PURPOSES, THIS NOTE BEARS ORIGINAL ISSUE DISCOUNT. INFORMATION, INCLUDING THE ISSUE PRICE, AMOUNT OF ORIGINAL ISSUE DISCOUNT, THE ISSUE DATE AND THE YIELD TO MATURITY, WILL BE MADE AVAILABLE TO THE HOLDERS UPON REQUEST TO THE CHIEF FINANCIAL OFFICER OF THE COMPANY AT (985) 727-2000

HORNBECK-LEEVAC MARINE SERVICES, INC.

10 5/8% SERIES A SENIOR NOTE DUE 2008

No. $_____

CUSIP NO. U44066 AA3

HORNBECK-LEEVAC Marine Services, Inc. hereby promises to pay to Cede & Co. or registered assigns, the principal sum of _____ Dollars ($_____) on August 1, 2008.

Interest Payment Dates: February 1 and August 1

Record Dates: January 15 and July 15

HORNBECK-LEEVAC MARINE SERVICES, INC.

By: ----------

Name: ----------

Title: ----------

TRUSTEE'S CERTIFICATE OF AUTHENTICATION:

This is one of the Notes referred
to in the within-mentioned Indenture.

WELLS FARGO BANK MINNESOTA, NATIONAL ASSOCIATION,
as Trustee

By:

Authorized Signatory

Date of Authentication:

(Back of Regulation S Temporary Global Note)

10 5/8% SERIES A SENIOR NOTES DUE 2008

Unless and until it is exchanged in whole or in part for Notes in definitive form, this Note may not be transferred except as a whole by the Depository to a nominee of the Depository or by a nominee of the Depository to the Depository or another nominee of the Depository or by the Depository or any such nominee to a successor Depository or a nominee of such successor Depository. Unless this certificate is presented by an authorized representative of The Depository Trust Company (55 Water Street, New York, New York) ("DTC"), to the issuer or its agent for registration of transfer, exchange or payment, and any certificate issued is registered in the name of Cede & Co. or such other name as may be requested by an authorized representative of DTC (and any payment is made to Cede & Co. or such other entity as may be requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL in as much as the registered owner hereof, Cede & Co., has an interest herein.

THIS NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE OR OTHER SECURITIES LAWS. NEITHER THIS NOTE NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS THE TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. THE HOLDER OF THIS NOTE BY ITS ACCEPTANCE HEREOF (1) REPRESENTS THAT (A) IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT), (B) AN INSTITUTIONAL "ACCREDITED INVESTOR" WITHIN THE MEANING OF RULE 501(A)(1), (2), (3) OR (7) OF REGULATION D UNDER THE SECURITIES ACT (AN "INSTITUTIONAL ACCREDITED INVESTOR") OR (C) IT IS NOT A U.S. PERSON WHO IS ACQUIRING THIS NOTE IN AN "OFFSHORE TRANSACTION" PURSUANT TO RULE 903 OR RULE 904 OF REGULATION S, (2) AGREES THAT IT WILL NOT, PRIOR TO THE DATE THAT IS TWO YEARS AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF (OR OF ANY PREDECESSOR OF THIS SECURITY) AND THE LAST DATE ON WHICH HORNBECK-LEEVAC MARINE SERVICES, INC. (THE "COMPANY") OR ANY AFFILIATE OF THE COMPANY WAS THE OWNER OF THIS NOTE OR ANY PREDECESSOR OF THIS NOTE, OFFER, SELL OR OTHERWISE TRANSFER THIS NOTE EXCEPT (A) TO THE COMPANY OR ANY OF ITS SUBSIDIARIES, (B) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, (C) FOR SO LONG AS THE NOTES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A, TO A PERSON IT REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) PURSUANT TO OFFERS AND SALES TO NON-U.S. PERSONS THAT OCCUR OUTSIDE THE UNITED STATES WITHIN THE MEANING OF REGULATION S, (E) TO AN INSTITUTIONAL ACCREDITED INVESTOR OR (F) PURSUANT TO RULE 144 UNDER THE SECURITIES ACT OR ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, AND (3) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS NOTE IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND; PROVIDED THAT THE COMPANY AND THE TRUSTEE SHALL HAVE THE RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER (I) PURSUANT TO CLAUSE (F) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM AND (II) IN EACH OF THE FOREGOING CASES, TO REQUIRE THAT A CERTIFICATION OF TRANSFER IN THE FORM APPEARING IN THE INDENTURE IS COMPLETED AND DELIVERED BY THE TRANSFEROR TO THE TRUSTEE.

THE RIGHTS ATTACHING TO THIS REGULATION S TEMPORARY GLOBAL NOTE, AND THE CONDITIONS AND PROCEDURES GOVERNING ITS EXCHANGE FOR DEFINITIVE NOTES, ARE AS SPECIFIED IN THE INDENTURE (AS DEFINED HEREIN).

NEITHER THE HOLDER NOR THE BENEFICIAL OWNERS OF THIS REGULATION S TEMPORARY GLOBAL NOTE SHALL BE ENTITLED TO RECEIVE PAYMENT OF INTEREST HEREON OR LIQUIDATED DAMAGES PRIOR TO THE EXCHANGE OF THIS NOTE FOR A REGULATION S PERMANENT GLOBAL NOTE AS CONTEMPLATED BY THE INDENTURE.

HORNBECK-LEEVAC Marine Services, Inc., a Delaware corporation (the "Company"), promises to pay interest on the principal amount of this Note at 105/8% per annum from July 24, 2001, until maturity and shall pay the Liquidated Damages, if any, payable pursuant to Section 5 of the Registration Rights Agreement referred to in the Indenture. The Company will pay interest and Liquidated Damages, if any, semi-annually in arrears on February 1 and August 1 of each year, commencing February 1, 2002, or if any such day is not a Business Day, on the next succeeding Business Day (each an "Interest Payment Date"). Interest on the Notes will accrue from the most recent date to which interest has been paid or, if no interest has been paid, from the date of original issuance; provided that if there is no existing Default or Event of Default in the payment of interest, and if this Note is authenticated between a record date referred to on the face hereof and the next succeeding Interest Payment Date, interest shall accrue from such next succeeding Interest Payment Date, except in the case of the original issuance of Notes, in which case interest shall accrue from the date of authentication. The Company shall pay interest (including post-petition interest in any proceeding under any Bankruptcy Law) on overdue principal and premium, if any, from time to time on demand at a rate that is the rate then in effect; it shall pay interest (including post-petition interest in any proceeding under any Bankruptcy Law) on overdue installments of interest and Liquidated Damages (without regard to any applicable grace periods) from time to time on demand at the same rate to the extent lawful. Interest will be computed on the basis of a 360-day year of twelve 30-day months.

This Regulation S Temporary Global Note is issued in respect of an issue of 10?% Series A Senior Notes due 2008 (the "Notes") of the Company, limited to, in the case of Notes issued on the Issue Date (as defined in the Indenture), $175,000,000 in aggregate principal amount, plus amounts, if any, sufficient to pay premium, if any, interest or Liquidated Damages, if any on outstanding Notes. The Company has issued the Notes under an Indenture (the "Indenture") dated as of July 24, 2001, among the Company, the Guarantors and the Trustee. This Regulation S Temporary Global Note is governed by the terms and conditions of the Indenture governing the Notes, which terms and conditions are incorporated herein by reference and, except as otherwise provided herein, shall be binding on the Company and the Holder hereof as if fully set forth herein. Unless the context otherwise requires, the terms used herein shall have the meanings specified in the Indenture.

Until this Regulation S Temporary Global Note is exchanged for one or more Regulation S Permanent Global Notes, the Holder hereof shall not be entitled to receive payments of interest or Liquidated Damages, if any, hereon although interest and Liquidated Damages, if any, will continue to accrue; until so exchanged in full, this Regulation S Temporary Global Note shall in all other respects be entitled to the same benefits as other Notes under the Indenture.

This Regulation S Temporary Global Note is exchangeable in whole or in part for one or more Regulation S Permanent Global Notes only (i) on or after the termination of the 40-day restricted period (as defined in Regulation S) and (ii) upon presentation of certificates required by Article 2 of the Indenture. Upon exchange of this Regulation S Temporary Global Note for one or more Regulation S Permanent Global Notes, the Trustee shall cancel this Regulation S Temporary Global Note.

This Regulation S Temporary Global Note shall not become valid or obligatory until the certificate of authentication hereon shall have been duly manually signed by an authorized signatory the Trustee in accordance with the Indenture. This Regulation S Temporary Global Note shall be governed by and construed in accordance with the laws of the State of New York. All references to "$," "Dollars" or "dollars" are to such coin or currency of the United States of America as at the time shall be legal tender for the payment of public and private debts therein.

EXHIBIT 4.4

(Face of Note)

FOR UNITED STATES FEDERAL INCOME TAX PURPOSES, THIS NOTE BEARS ORIGINAL ISSUE DISCOUNT. INFORMATION, INCLUDING THE ISSUE PRICE, AMOUNT OF ORIGINAL ISSUE DISCOUNT, THE ISSUE DATE AND THE YIELD TO MATURITY, WILL BE MADE AVAILABLE TO THE HOLDERS UPON REQUEST TO THE CHIEF FINANCIAL OFFICER OF THE COMPANY AT (985) 727-2000

HORNBECK-LEEVAC MARINE SERVICES, INC.

10 5/8% SERIES B SENIOR NOTE DUE 2008

No. $_____
CUSIP NO._____

HORNBECK-LEEVAC Marine Services, Inc. hereby promises to pay to _____ or registered assigns, the principal sum of _____ Dollars ($_____) or such lesser amount as may be endorsed on the Schedule of Exchanges of Notes attached hereto on August 1, 2008.

Interest Payment Dates: February 1 and August 1

Record Dates: January 15 and July 15

HORNBECK-LEEVAC MARINE SERVICES, INC.

By:

Name:

Title:

TRUSTEE'S CERTIFICATE OF AUTHENTICATION:

This is one of the Notes referred
to in the within-mentioned Indenture.

WELLS FARGO BANK MINNESOTA, NATIONAL ASSOCIATION,
as Trustee

By:

Authorized Signatory

Date of Authentication:

(Back of Note)

10 5/8% SERIES B SENIOR NOTES DUE 2008

Unless and until it is exchanged in whole or in part for Notes in definitive form, this Note may not be transferred except as a whole by the Depository to a nominee of the Depository or by a nominee of the Depository to the Depository or another nominee of the Depository or by the Depository or any such nominee to a successor Depository or a nominee of such successor Depository. Unless this certificate is presented by an authorized representative of The Depository Trust Company (55 Water Street, New York, New York) ("DTC"), to the issuer or its agent for registration of transfer, exchange or payment, and any certificate issued is registered in the name of Cede & Co. or such other name as may be requested by an authorized representative of DTC (and any payment is made to Cede & Co. or such other entity as may be requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL in as much as the registered owner hereof, Cede & Co., has an interest herein.

1. INTEREST. HORNBECK-LEEVAC Marine Services, Inc., a Delaware corporation (the "Company"), promises to pay interest on the principal amount of this Note at 10 5/8% per annum from July 24, 2001 until maturity and, if applicable, shall pay the Liquidated Damages payable pursuant to Section 5 of the Registration Rights Agreement referred to below. The Company will pay interest and Liquidated Damages, if any, semi-annually in arrears on February 1 and August 1 of each year, commencing February 1, 2002, or if any such day is not a Business Day, on the next succeeding Business Day (each an "Interest Payment Date"). Interest on the Notes will accrue from the most recent date to which interest has been paid or, if no interest has been paid, from the date of original issuance; provided that if there is no existing Default or Event of Default in the payment of interest, and if this Note is authenticated between a record date referred to on the face hereof and the next succeeding Interest Payment Date, interest shall accrue from such next succeeding Interest Payment Date, except in the case of the original issuance of Notes, in which case interest shall accrue from the date of authentication. The Company shall pay interest (including post-petition interest in any proceeding under any Bankruptcy Law) on overdue principal and premium, if any, from time to time on demand at a rate that is the rate then in effect; it shall pay interest (including post-petition interest in any proceeding under any Bankruptcy Law) on overdue installments of interest and Liquidated Damages (without regard to any applicable grace periods) from time to time on demand at the same rate to the extent lawful. Interest will be computed on the basis of a 360-day year of twelve 30-day months.

2. METHOD OF PAYMENT. The Company will pay interest on the Notes (except defaulted interest) and Liquidated Damages to the Persons who are registered Holders of Notes at the close of business on the January 15 or July 15 next preceding the Interest Payment Date, even if such Notes are cancelled after such record date and on or before such Interest Payment Date, except as provided in Section 2.12 of the Indenture with respect to defaulted interest. The Notes will be payable as to principal, premium, interest and Liquidated Damages, if any, at the office or agency of the Company maintained for such purpose within the continental United States or, at the option of the Company, payment of interest and Liquidated Damages, if any, may be made by check mailed to the Holders at their addresses set forth in the register of Holders, and provided that payment by wire transfer of immediately available funds will be required with respect to principal of and interest, premium and Liquidated Damages, if any, on all Global Notes and all other Notes the Holders of which shall have provided wire transfer instructions to the Company or a Paying Agent. Such payment shall be in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts. The principal of the Notes shall be payable only upon surrender of any Note at the Corporate Trust Office of the Trustee or at the specified offices of any other Paying Agent.

If the due date for payment of the principal in respect of any Note is not a Business Day at the place in which it is presented for payment, the Holder thereof shall not be entitled to payment of the amount due until the next succeeding Business Day at such place and shall not be entitled to any further interest or other payment in respect of any such delay.

3. PAYING AGENT AND REGISTRAR. Initially, Wells Fargo Bank Minnesota, National Association, the Trustee under the Indenture, will act as Paying Agent and Registrar at its Corporate Trust Office in Middletown, Connecticut, and at its office or agency in New York, New York. The

Company may change any Paying Agent or Registrar without notice to any Holder. The Company or any of its Subsidiaries may act in any such capacity.

4. INDENTURE. The Company issued the Notes under an Indenture dated as of July 24, 2001 ("Indenture") among the Company, the Guarantors and the Trustee. The terms of the Notes include those stated in the Indenture and those made part of the Indenture by reference to the Trust Indenture Act of 1939, as amended (15 U.S. Code Sections 77aaa-77bbbb). The Notes are subject to all such terms, and Holders are referred to the Indenture and such Act for a statement of such terms. The Notes are general unsecured obligations of the Company limited to $175,000,000 aggregate principal amount in the case of Notes issued on the Issue Date (as defined in the Indenture).

5. OPTIONAL REDEMPTION.

(a) At any time prior to August 1, 2005, the Company may redeem the Notes at its option, in whole or in part, at a redemption price equal to 100% of the principal amount thereof plus the Applicable Premium as of, and accrued and unpaid interest and Liquidated Damages, if any, to, the date of redemption.

(b) At any time on or after August 1, 2005, the Company shall have the option to redeem the Notes, in whole or in part, upon not less than 30 nor more than 60 days' notice, at the redemption prices (expressed as percentages of principal amount) set forth below plus accrued and unpaid interest and Liquidated Damages, if any, thereon to the applicable redemption date, if redeemed during the twelve-month period beginning on August 1 of the years indicated below:

YEAR PERCENTAGE ---- ---------- 2005
.....
105.3125% 2006
.....
102.6563% 2007 and
thereafter.....
100.0000%

s

(c) Further, prior to August 1, 2004, the Company may redeem on any one or more occasions Notes representing up to 35% of the aggregate principal amount of Notes originally issued under the Indenture (including any Notes originally issued after the Issue Date but excluding any Series B Notes for purposes of calculating such amount) at a redemption price of 110.625% of the principal amount thereof, plus accrued and unpaid interest and Liquidated Damages, if any, thereon to the redemption date, with the net cash proceeds of one or more Qualified Equity Offerings, provided that (a) Notes representing at least 65% of the aggregate principal amount of Notes originally issued under the Indenture (including any Notes originally issued after the Issue Date but excluding any Series B Notes for purposes of calculating such amount) remain outstanding immediately after the occurrence of each such redemption and (b) such redemption shall occur within 60 days of the date of the closing of each such Qualified Equity Offering.

6. MANDATORY REDEMPTION.

Except as set forth in paragraph 7 below, the Company shall not be required to make mandatory redemption or sinking fund payments with respect to the Notes.

7. PUT OPTION OF HOLDER.

(a) If there is a Change of Control, the Company shall be required to make an offer (a "Change of Control Offer") to purchase all or any portion (equal to $1,000 or an integral multiple thereof) of each Holder's Notes, at a purchase price in cash equal to 101% of the aggregate principal amount thereof plus accrued and unpaid interest and Liquidated Damages, if any, thereon to the date of purchase (the "Change of Control Payment"). Within 30 days following any Change of Control, the Company shall give notice to each Holder and the Trustee describing the transaction that constitutes the Change of Control and setting forth the procedures governing the Change of Control Offer as required by the Indenture.

(b) If the Company or a Restricted Subsidiary consummates any Asset Sales, within 30 days of each date on which the aggregate amount of Excess Proceeds exceeds $10,000,000, the Company shall commence an offer to all Holders of Notes (an "Asset Sale Offer") pursuant to Section 3.09 of the Indenture to purchase the maximum principal amount of Notes that may be purchased out of the Excess Proceeds at an offer price in cash in an amount equal to 100% of the principal amount thereof plus accrued and unpaid interest and Liquidated Damages, if any, thereon to the date of purchase, in accordance with the procedures set forth in the Indenture; provided, however, that, if the Company is required to apply such Excess Proceeds to purchase, or to offer to purchase, any Pari Passu Indebtedness, the Company shall only be required to offer to purchase the maximum principal amount of Notes that may be purchased out of the amount of such Excess Proceeds multiplied by a fraction, the numerator of which is the aggregate principal amount of Notes outstanding and the denominator of which is the aggregate principal amount of Notes outstanding plus the aggregate principal amount of Pari Passu Indebtedness outstanding. To the extent that the aggregate principal amount of Notes tendered pursuant to an Asset Sale Offer is less than the amount that the Company is required to purchase, the Company may use any remaining Excess Proceeds for general corporate purposes in any manner not prohibited by the Indenture. If the aggregate principal amount of Notes surrendered by Holders thereof exceeds the amount that the Company is required to purchase, the Trustee shall select the Notes to be purchased on a pro rata basis (with such adjustments as may be deemed appropriate by the Trustee so that only Notes in denominations of $1,000, or integral multiples thereof, shall be purchased). Holders of Notes that are the subject of an offer to purchase will receive an Asset Sale Offer from the Company prior to any related purchase date and may elect to have such Notes purchased by completing the form entitled "Option of Holder to Elect Purchase" on the reverse of the Notes.

8. NOTICE OF REDEMPTION. Notice of redemption will be mailed at least 30 days but not more than 60 days before the redemption date to each Holder whose Notes are to be redeemed at its registered address. Notes in denominations larger than $1,000 may be redeemed in part but only in whole multiples of $1,000, unless all of the Notes held by a Holder are to be redeemed. On and after the redemption date interest ceases to accrue on Notes or portions thereof called for redemption.

9. DENOMINATIONS, TRANSFER, EXCHANGE. The Notes are in registered form without coupons in denominations of $1,000 and integral multiples of $1,000. The transfer of Notes may be registered and Notes may be exchanged as provided in the Indenture. The Registrar and the Trustee may require a Holder, among other things, to furnish appropriate endorsements and transfer documents and the Company may require a Holder to pay any taxes and fees required by law or permitted by the Indenture. The Company need not exchange or register the transfer of any Note or portion of a Note selected for redemption, except for the unredeemed portion of any Note being redeemed in part. Also, it need not exchange or register the transfer of any Notes for a period of 15 days before a selection of Notes to be redeemed.

10. PERSONS DEEMED OWNERS. The registered Holder of a Note may be treated as its owner for all purposes.

11. AMENDMENT, SUPPLEMENT AND WAIVER. Subject to certain exceptions, the Indenture or the Notes may be amended or supplemented with the consent of the Holders of at least a majority in principal amount of the then outstanding Notes, and any existing Default or Event of Default or compliance with any provision of the Indenture or the Notes may be waived with the consent of the Holders of at least a majority in principal amount of the then outstanding Notes. Without the consent of any Holder of a Note, the Indenture or the Notes may be amended or supplemented to cure any ambiguity, defect or inconsistency, to provide for uncertificated Notes in addition to or in place of certificated Notes, to provide for the assumption of the Company's obligations to Holders of the Notes in case of a merger or consolidation, to secure the Notes, to make any change that would provide any additional rights or benefits to the Holders of the Notes or that does not adversely affect the legal rights under the Indenture of any such Holder, to add any additional Guarantor or to release any Guarantor from its Subsidiary Guarantee, in each case as provided in the Indenture, or to comply with the requirements of the Commission in order to effect or maintain the qualification of the Indenture under the Trust Indenture Act.

12. DEFAULTS AND REMEDIES. Events of Default include: (i) default for 30 days in the payment when due of interest or Liquidated Damages, if any, on the Notes; (ii) default in payment when due of the principal of or premium, if any, on the Notes; (iii) failure by the Company to comply with Section 4.10, 4.15 or 5.01 of the Indenture; (iv) failure by the Company for 60 days after it receives written notice to observe or perform any other covenant or other agreement in the Indenture or the Notes; (v) default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by the Company or any of its Restricted Subsidiaries (or the payment of which is guaranteed by the Company or any of its Restricted Subsidiaries), whether such Indebtedness or guarantee now exists or is created after the Issue Date, which default (a) is caused by a failure to pay principal of or premium or interest on such Indebtedness prior to the expiration of any grace period provided in such Indebtedness, including any extension thereof (a "Payment Default") or (b) results in the acceleration of such Indebtedness prior to its express maturity and, in each case, the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a Payment Default or the maturity of which has been so accelerated, aggregates at least $10,000,000, and provided, further, that if such default is cured or waived or any such acceleration

rescinded, or such Indebtedness is repaid within a period of 10 days from the continuation of such default beyond the applicable grace period or the occurrence of such acceleration, as the case may be, an Event of Default and any consequential acceleration of the Notes shall be automatically rescinded, so long as said rescission does not conflict with any judgment or decree; (vi) failure by the Company or any of its Restricted Subsidiaries to pay final judgments aggregating in excess of $10,000,000, which judgments are not paid, discharged or stayed for a period of 60 days; (vii) failure by any Guarantor to perform any covenant set forth in its Subsidiary Guarantee, or the repudiation by any Guarantor of its obligations under its Subsidiary Guarantee or the unenforceability of any Subsidiary Guarantee for any reason other than as provided in the Indenture; and (viii) certain events of bankruptcy or insolvency with respect to the Company or any Significant Subsidiary. If any Event of Default occurs and is continuing, the Trustee or the Holders of at least 25% in principal amount of the then outstanding Notes may, by notice, declare all the Notes to be due and payable. Notwithstanding the foregoing, in the case of an Event of Default arising from certain events of bankruptcy or insolvency with respect to the Company or any Significant Subsidiary, all outstanding Notes will become due and payable without further action or notice. Holders may not enforce the Indenture or the Notes except as provided in the Indenture. Subject to certain limitations, Holders of a majority in principal amount of the then outstanding Notes may direct the Trustee in its exercise of any trust or power. The Trustee may withhold from Holders of the Notes notice of any continuing Default or Event of Default (except a Default or Event of Default relating to a payment obligation on the Notes) if it determines that withholding notice is in their interest. The Holders of a majority in aggregate principal amount of the Notes then outstanding by notice to the Trustee may on behalf of the Holders of all of the Notes waive any existing Default or Event of Default and its consequences under the Indenture except a continuing Default or Event of Default in the payment of the principal of or premium, interest or Liquidated Damages, if any, on the Notes. The Company is required to deliver to the Trustee annually a statement regarding compliance with the Indenture, and the Company is required upon becoming aware of any Default or Event of Default, to deliver to the Trustee a statement specifying such Default or Event of Default.

13. DEFEASANCE. The Notes are subject to legal and covenant defeasance upon the terms and conditions specified in Article 8 of the Indenture.

14. TRUSTEE DEALINGS WITH COMPANY. The Trustee, in its individual or any other capacity, may make loans to, accept deposits from, and perform services for the Company or its Affiliates, and may otherwise deal with the Company or its Affiliates, as if it were not the Trustee.

15. NO RECOURSE AGAINST OTHERS. A director, officer, employee, incorporator, member, partner or shareholder or other owner of capital stock of the Company or any Guarantor, as such, shall not have any liability for any obligations of the Company or any Guarantor under the Notes, the Subsidiary Guarantees or the Indenture or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for the issuance of the Notes.

16. AUTHENTICATION. This Note shall not be valid until authenticated by the manual signature of an authorized signatory of the Trustee or an authenticating agent.

17. ABBREVIATIONS. Customary abbreviations may be used in the name of a Holder or an assignee, such as: TEN COM (= tenants in common), TEN ENT (= tenants by the entireties), JT TEN (= joint tenants with right of survivorship and not as tenants in common), CUST (= Custodian), and U/G/M/A (= Uniform Gifts to Minors Act).

18. ADDITIONAL RIGHTS OF HOLDERS OF TRANSFER RESTRICTED SECURITIES. In addition to the rights provided to Holders of Notes under the Indenture, Holders of Transfer Restricted Securities shall have all the rights set forth in the Registration Rights Agreement dated as of even date with the Indenture, among the Company, the Guarantors and the Initial Purchasers (the "Registration Rights Agreement").

19. CUSIP NUMBERS. Pursuant to a recommendation promulgated by the Committee on Uniform Security Identification Procedures, the Company has caused CUSIP numbers to be printed on the Notes and the Trustee may use CUSIP numbers in notices of redemption as a convenience to Holders. No representation is made as to the accuracy of such numbers either as printed on the Notes or as contained in any notice of redemption and reliance may be placed only on the other identification numbers placed thereon.

The Company will furnish to any Holder upon written request and without charge a copy of the Indenture or the Registration Rights Agreement. Requests may be made to:

HORNBECK-LEEVAC Marine Services, Inc.
414 North Causeway Boulevard
Mandeville, Louisiana 70448
Attention: Chief Financial Officer

ASSIGNMENT FORM

To assign this Note, fill in the form below: (I) or (we) assign and transfer this Note to

---

(Insert Assignee's Soc. Sec. or Tax I.D. no.)

(Print or Type Assignee's Name, Address and Zip Code)

and irrevocably appoint _____ to transfer this Note on the books of the Company. The agent may substitute another to act for him.

Date:

Your Signature:

(Sign exactly as your name appears on the face of this Note)

Signature Guarantee:

(Signature must be guaranteed by a financial institution that is a member of the Securities Transfer Agent Medallion Program ("STAMP"), the Stock Exchange Medallion Program ("SEMP"), the New York Stock Exchange, Inc. Medallion Signature Program ("MSP") or such other signature guarantee program as may be determined by the Security Registrar in addition to, or in substitution for, STAMP, SEMP or MSP, all in accordance with the Securities Exchange Act of 1934, as amended.)

OPTION OF HOLDER TO ELECT PURCHASE

If you want to elect to have this Note purchased by the Company pursuant to Section 4.10 or 4.15 of the Indenture, check the box below:

[ ] Section 4.10 [ ] Section 4.15

If you want to elect to have only part of the Note purchased by the Company pursuant to Section 4.10 or Section 4.15 of the Indenture, state the amount you elect to have purchased: $_____

Date: _____ Your Signature: _____

(Sign exactly as your name appears on the Note)

Soc. Sec. or Tax Identification No.: _____

Signature Guarantee: _____

(Signature must be guaranteed by a financial institution that is a member of the Securities Transfer Agent Medallion Program ("STAMP"), the Stock Exchange Medallion Program ("SEMP"), the New York Stock Exchange, Inc. Medallion Signature Program ("MSP") or such other signature guarantee program as may be determined by the Security Registrar in addition to, or in substitution for, STAMP, SEMP or MSP, all in accordance with the Securities Exchange Act of 1934, as amended.)

SCHEDULE OF EXCHANGES OF NOTES

THE FOLLOWING EXCHANGES, REDEMPTIONS, REPURCHASES AND TRANSFERS OF INTERESTS OF A PART OF THIS GLOBAL NOTE HAVE BEEN MADE:

Amount of decrease Principal Amount of this Global Note	Amount of increase in Principal Amount of this Global Note following such Etc.	Signature of Date of Exchange, authorized officer of Trustee --

EXHIBIT 4.5

HORNBECK-LEEVAC MARINE SERVICES, INC.

AND

THE GUARANTORS PARTY HERETO

$175,000,000

10 5/8% SERIES A SENIOR NOTES DUE 2008

REGISTRATION RIGHTS AGREEMENT

DATED AS OF JULY 24, 2001

RBC DOMINION SECURITIES CORPORATION
MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED

This Registration Rights Agreement (this "Agreement") is made and entered into as of July 24, 2001 by and among HORNBECK-LEEVAC Marine Services, Inc., a Delaware corporation (the "Company"), each subsidiary of the Company named on the signature pages of this Agreement (each a "Guarantor" and, collectively, the "Guarantors"), and RBC Dominion Securities Corporation and Merrill Lynch, Pierce, Fenner & Smith Incorporated (each an "Initial Purchaser" and, collectively, the "Initial Purchasers"), who have agreed to purchase $175,000,000 aggregate principal amount of the Company's 10 5/8% Series A Senior Notes due 2008 (the "Series A Notes") pursuant to the Purchase Agreement (as defined below).

This Agreement is made pursuant to the Purchase Agreement, dated July 19, 2001 (the "Purchase Agreement"), by and among the Company, the Guarantors and the Initial Purchasers. In order to induce the Initial Purchasers to purchase the Series A Notes, the Company and the Guarantors have agreed to provide the registration rights set forth in this Agreement. The execution and delivery of this Agreement is a condition to the obligations of the Initial Purchasers set forth in Section 7 of the Purchase Agreement. Capitalized terms used herein and not otherwise defined shall have the meaning assigned to them in the Indenture (as defined below).

The parties hereby agree as follows:

SECTION 1.
DEFINITIONS

As used in this Agreement, the following capitalized terms shall have the following meanings:

Act: The Securities Act of 1933, as amended.

Advice: As defined in Section 6(d).

Affiliate: As defined in Rule 144 promulgated under the Act.

Agreement: As defined in the preamble hereto.

Broker-Dealer: Any broker or dealer registered under the Exchange Act.

Closing Date: The date hereof.

Commission: The Securities and Exchange Commission.

Company: As defined in the preamble hereto.

Consummate: The Exchange Offer shall be deemed "Consummated" for purposes of this Agreement upon the occurrence of (i) the filing and effectiveness under the Act of the Exchange Offer Registration Statement relating to the Series B Notes to be issued in the Exchange Offer, (ii) the maintenance of such Registration Statement

continuously effective and the keeping of the Exchange Offer open for a period not less than the minimum period required pursuant to Section 3(b) hereof, and (iii) the delivery by the Company to the exchange agent for the Holders of Series B Notes in the same aggregate principal amount as the aggregate principal amount of Series A Notes that were validly tendered and not withdrawn by Holders thereof pursuant to the Exchange Offer.

Damages Payment Date: With respect to the Series A Notes, each Interest Payment Date.

Effectiveness Target Date: As defined in Section 5.

Exchange Act: The Securities Exchange Act of 1934, as amended.

Exchange Offer: The registration by the Company under the Act of the Series B Notes pursuant to a Registration Statement pursuant to which the Company offers the Holders of all outstanding Transfer Restricted Securities the opportunity to exchange all such outstanding Transfer Restricted Securities held by such Holders for Series B Notes in an aggregate principal amount equal to the aggregate principal amount of the Transfer Restricted Securities validly tendered and not withdrawn in such exchange offer by such Holders.

Exchange Offer Registration Statement: The Registration Statement relating to the Exchange Offer, including the related Prospectus.

Exempt Resales: The transactions in which the Initial Purchasers propose to sell the Series A Notes (i) to certain "qualified institutional buyers," as such term is defined in Rule 144A under the Act and (ii) outside the United States to certain non-U.S. Persons pursuant to the requirements of Rule 903 under the Act.

Guarantor: As defined in the preamble hereto.

Holders: As defined in Section 2(b) hereof.

Indemnified Holder: As defined in Section 8(a) hereof.

Indenture: The Indenture, dated as of even date herewith, between the Company and Wells Fargo Bank Minnesota, National Association, as trustee (the "Trustee"), pursuant to which the Notes are to be issued, as such Indenture is amended or supplemented from time to time in accordance with the terms thereof.

Initial Purchaser and Initial Purchasers: As defined in the preamble hereto.

Interest Payment Date: Each February 1 and August 1, beginning with February 1, 2002.

NASD: The National Association of Securities Dealers, Inc.

Notes: The Series A Notes and the Series B Notes.

Prospectus: The prospectus included in a Registration Statement at the time such Registration Statement is declared effective, as amended or supplemented by any prospectus supplement and by all other amendments thereto, including post-effective amendments, and all material incorporated by reference into such Prospectus.

Purchase Agreement: As defined in the preamble hereto.

Record Holder: With respect to any Damages Payment Date relating to Notes, each Person who is a Holder of Notes on the record date with respect to the Interest Payment Date on which such Damages Payment Date shall occur.

Registration Default: As defined in Section 5 hereof.

Registration Statement: Any registration statement of the Company relating to (a) an offering of Series B Notes and the Subsidiary Guarantees, if any, pursuant to an Exchange Offer or (b) the registration for resale of Transfer Restricted Securities pursuant to the Shelf Registration Statement, in each case, which is filed pursuant to the provisions of this Agreement and including the related Prospectus.

Series A Notes: As defined in the Preamble hereof.

Series B Notes: The Company's 10 5/8% Series B Senior Notes due 2008 to be issued pursuant to the Indenture (a) in the Exchange Offer and (b) as contemplated by Section 6(c)(xii) hereof.

Shelf Filing Deadline: As defined in Section 4(a) hereof.

Shelf Registration Statement: As defined in Section 4(a) hereof.

Subsidiary Guarantees: The joint and several guarantees of the Company's payment obligations under the Notes by the Guarantors to the extent required by the terms of the Indenture.

TIA: The Trust Indenture Act of 1939 (15 U.S.C. Section 77aaa-77bbbb) as in effect on the date of the Indenture.

Transfer Restricted Securities: Each (a) Series A Note until (i) the date on which such Series A Note has been exchanged by a Person other than a Broker-Dealer for a Series B Note in the Exchange Offer, (ii) the date on which such Series A Note has been effectively registered under the Act and disposed of in accordance with the Shelf Registration Statement and the purchasers thereof have been issued Series B Notes or

(iii) the date on which such Series A Note is distributed to the public pursuant to Rule 144 under the Act or may be distributed to the public pursuant to Rule 144(k) under the Act and (b) Series B Note acquired by a Broker-Dealer in the Exchange Offer in exchange for a Series A Note that such Broker-Dealer acquired for its own account as a result of market-making activities or other trading activities (other than Series A Notes acquired directly from the Company or any of its Affiliates) until the date on which such Series B Note is sold pursuant to the "Plan of Distribution" contemplated in the Exchange Offer Registration Statement to a purchaser who receives from such Broker-Dealer on or prior to the date of such sale a copy of the Prospectus contained in the Exchange Offer Registration Statement.

Underwritten Registration or Underwritten Offering: A registration in which securities of the Company are sold to an underwriter for reoffering to the public.

SECTION 2.
SECURITIES SUBJECT TO THIS AGREEMENT

(a) Transfer Restricted Securities. The securities entitled to the benefits of this Agreement are the Transfer Restricted Securities.

(b) Holders of Transfer Restricted Securities. A Person is deemed to be a holder of Transfer Restricted Securities (each, a "Holder") whenever such Person owns Transfer Restricted Securities of record.

SECTION 3.
REGISTERED EXCHANGE OFFER

(a) Unless the Exchange Offer shall not be permissible under applicable law or Commission policy (after the procedures set forth in Section 6(a) below have been complied with), the Company and the Guarantors shall (i) cause to be filed with the Commission on or before the 60th day after the Closing Date, a Registration Statement under the Act relating to the Series B Notes, the Subsidiary Guarantees and the Exchange Offer, (ii) use their reasonable best efforts to cause such Registration Statement to become effective on or before the 150th day after the Closing Date, (iii) in connection with the foregoing, file (A) all pre-effective amendments to such Registration Statement as may be necessary in order to cause such Registration Statement to become effective, (B) if applicable, a post-effective amendment to such Registration Statement pursuant to Rule 430A under the Act and (C) subject to the proviso in Section 6(c)(xi) hereof, cause all necessary filings in connection with the registration and qualification of the Series B Notes and the Subsidiary Guarantees to be made under the Blue Sky laws of such jurisdictions as are necessary to permit the Exchange Offer to be Consummated, and (iv) upon the effectiveness of such Registration Statement, commence, and within the time periods contemplated by Section 3(b) hereof Consummate, the Exchange Offer. The Exchange Offer Registration Statement shall be on the appropriate form under the Act permitting registration of the Series B Notes to be offered in exchange for the Series A Notes that are Transfer Restricted Securities and permitting resales of the Series B Notes held by Broker-Dealers that tendered into the Exchange

Offer Series A Notes that such Broker-Dealers acquired for their own account as a result of market-making activities or other trading activities (other than Series A Notes acquired directly from the Company or any of its Affiliates) as contemplated by Section 3(c) below.

(b) The Company and the Guarantors shall cause the Exchange Offer Registration Statement to be effective continuously for a period of 180 days from the date on which the Exchange Offer Registration Statement is declared effective and shall keep the Exchange Offer open for a period of not less than the minimum period required under applicable federal and state securities laws to Consummate the Exchange Offer; provided, however, that in no event shall such period be less than 20 Business Days. The Company and the Guarantors shall cause the Exchange Offer to comply with all applicable federal and state securities laws. No securities other than the Series B Notes and the Subsidiary Guarantees shall be included in the Exchange Offer Registration Statement. The Company and the Guarantors shall use their reasonable best efforts to cause the Exchange Offer to be Consummated on the earliest practicable date after the Exchange Offer Registration Statement has become effective, but in any event on or prior to the 180th day after the Closing Date.

(c) The Company and the Guarantors shall indicate in a "Plan of Distribution" section contained in the Exchange Offer Registration Statement that any Broker-Dealer who holds Series A Notes that are Transfer Restricted Securities and that were acquired for its own account as a result of market-making activities or other trading activities (other than Series A Notes acquired directly from the Company or any of its Affiliates) may exchange such Series A Notes pursuant to the Exchange Offer; however, such Broker-Dealer may be deemed to be an "underwriter" within the meaning of the Act and must, therefore, deliver a prospectus meeting the requirements of the Act in connection with its initial sale of the Series B Notes received by such Broker-Dealer in the Exchange Offer, which prospectus delivery requirement may be satisfied by the delivery by such Broker-Dealer of the Prospectus contained in the Exchange Offer Registration Statement. Such "Plan of Distribution" section shall also contain all other information with respect to such resales by such Broker-Dealers that the Commission may require in order to permit such resales pursuant thereto, but such "Plan of Distribution" shall not name any such Broker-Dealer or disclose the amount of Transfer Restricted Securities held by any such Broker-Dealer except to the extent required by the Commission as a result of a change in policy after the date of this Agreement.

The Company and the Guarantors shall use their reasonable best efforts to keep the Exchange Offer Registration Statement continuously effective, supplemented and amended as required by and subject to the provisions of Sections 6(a) and 6(c) below to the extent necessary to ensure that the related Prospectus is available for resales of Series B Notes that are Transfer Restricted Securities acquired by Broker-Dealers, and to ensure that it conforms with the requirements of this Agreement, the Act and the policies, rules and regulations of the Commission as announced from time to time, for a period of 180 days from the date that the Exchange Offer Registration Statement is declared effective or such shorter period as will terminate when no Transfer Restricted Securities covered by such Registration Statement are outstanding.

The Company and the Guarantors shall provide sufficient copies of the latest version of such Prospectus to Broker-Dealers promptly upon request at any time during such period in order to facilitate such resales.

SECTION 4.
SHELF REGISTRATION

(a) Shelf Registration. If (i) the Company and the Guarantors are not required to file an Exchange Offer Registration Statement or permitted to Consummate the Exchange Offer because the Exchange Offer is not permitted by applicable law or Commission policy (after the procedures set forth in Section 6(a) below have been complied with) or (ii) any Holder of Transfer Restricted Securities notifies the Company in writing prior to the 20th day following the Consummation of the Exchange Offer that (A) such Holder is prohibited by applicable law or Commission policy from participating in the Exchange Offer, or (B) such Holder may not resell the Series B Notes acquired by it in the Exchange Offer to the public without delivering a prospectus and the Prospectus contained in the Exchange Offer Registration Statement is not available for such resales by such Holder, then the Company and the Guarantors shall:

(x) cause to be filed a shelf registration statement pursuant to Rule 415 under the Act, which may be an amendment to the Exchange Offer Registration Statement (in either event, the "Shelf Registration Statement") relating to all Transfer Restricted Securities in the case of Section 4(a)(i) or the Transfer Restricted Securities specified in any notice in the case of Section 4(a)(ii) on or prior to the earlier to occur of (1) the 60th day after the date on which the Company determines that it is not required to file the Exchange Offer Registration Statement as a result of Section 4(a)(i) hereof and (2) the 60th day after the date on which the Company receives notice from a Holder of Transfer Restricted Securities as contemplated by Section 4(a)(ii) above (such earlier date being the "Shelf Filing Deadline"), which Shelf Registration Statement shall provide for resales of all Transfer Restricted Securities the Holders of which shall have provided the information required pursuant to Section 4(b) hereof; and

(y) use their reasonable best efforts to cause such Shelf Registration Statement to be declared effective by the Commission on or before the 150th day after the Shelf Filing Deadline.

The Company and the Guarantors shall use their reasonable best efforts to keep such Shelf Registration Statement continuously effective, supplemented and amended as required by the provisions of Sections 6(b) and (c) hereof to the extent necessary to ensure that it is available for resales of Transfer Restricted Securities by the Holders thereof entitled to the benefit of this Section 4(a), and to ensure that it conforms with the requirements of this Agreement, the Act and the policies, rules and regulations of the Commission as announced from time to time, until the earlier of (a) two years following the Closing Date and (b) such earlier date when no Transfer Restricted Securities covered by such Shelf Registration Statement remain outstanding.

Holders of Transfer Restricted Securities that do not give the written notice within the 20 Business Day period set forth in Section 4(a) hereof, if required to be given, will no longer have any registration rights pursuant to this Section 4 and will not be entitled to any Liquidated Damages pursuant to Section 5 hereof in respect of the Company's obligations with respect to the Shelf Registration Statement.

(b) Provision by Holders of Certain Information in Connection with the Shelf Registration Statement. No Holder of Transfer Restricted Securities may include any of its Transfer Restricted Securities in any Shelf Registration Statement pursuant to this Agreement unless and until such Holder furnishes to the Company in writing, within 10 Business Days after receipt of a request therefor, such information as the Company may reasonably request for use in connection with any Shelf Registration Statement or Prospectus or preliminary Prospectus included therein. No Holder of Transfer Restricted Securities shall be entitled to Liquidated Damages pursuant to Section 5 hereof if such Holder shall have failed to provide all such reasonably requested information within such period. Each Holder as to which any Shelf Registration Statement is being effected agrees to furnish promptly to the Company all information required to be disclosed in order to make the information previously furnished to the Company by such Holder not materially misleading.

SECTION 5.
LIQUIDATED DAMAGES

If (i) any of the Registration Statements required by this Agreement to be filed is not filed with the Commission on or prior to the date specified for such filing in this Agreement, (ii) any of such Registration Statements has not been declared effective by the Commission on or prior to the date specified for such effectiveness in this Agreement (the "Effectiveness Target Date"), whether or not the Company and the Guarantors have breached any obligations to use their reasonable best efforts to cause any such Registration Statement to be declared effective, (iii) the Exchange Offer has not been Consummated within 180 days of the Closing Date or (iv) except as permitted by Section 6(c)(i) hereof, any Registration Statement required by this Agreement is filed and declared effective but shall thereafter cease to be effective or fail to be usable for its intended purpose without being succeeded within 10 Business Days by a post-effective amendment to such Registration Statement that cures such failure and that is itself declared effective within 10 Business Days of the date of filing of such post-effective amendment (each such event referred to in clauses (i) through (iv), a "Registration Default"), the Company and the Guarantors hereby jointly and severally agree to pay liquidated damages to each Holder of Transfer Restricted Securities in an amount equal to $.10 per week per $1,000 principal amount of Transfer Restricted Securities held by such Holder for each week or portion thereof that the Registration Default continues with respect to the first 90-day period immediately following the occurrence of such Registration Default. The amount of the liquidated damages shall increase by an additional $.10 per week per $1,000 principal amount of Transfer Restricted Securities with respect to each subsequent 90-day period until all Registration Defaults have been cured, up to a maximum amount of liquidated damages of $.40 per week per $1,000 principal amount of Transfer Restricted Securities, provided that the Company and the Guarantors shall in no event be required to pay liquidated damages for more than one Registration Default at any given time.

All accrued liquidated damages shall be paid to Record Holders on each Damages Payment Date following the accrual thereof, in the same manner as provided in the Indenture and the Notes for the payment of interest on the Notes. Following the cure of all Registration Defaults relating to any particular Transfer Restricted Securities, the accrual of liquidated damages with respect to such Transfer Restricted Securities shall cease.

All obligations of the Company and the Guarantors set forth in the preceding paragraph that are outstanding with respect to any Transfer Restricted Security at the time such security ceases to be a Transfer Restricted Security shall survive until such time as all such obligations with respect to such security shall have been satisfied in full.

SECTION 6.
REGISTRATION PROCEDURES

(a) Exchange Offer Registration Statement. In connection with the Exchange Offer, the Company and the Guarantors shall comply with all of the applicable provisions of Section 6(c) below, shall use their reasonable best efforts to effect such exchange and to permit the sale of Transfer Restricted Securities being sold in accordance with the intended method or methods of distribution thereof, and shall comply with all of the following provisions:

(i) If in the reasonable opinion of counsel to the Company there is a question as to whether the Exchange Offer is permitted by applicable law, the Company and the Guarantors hereby agree to seek a no-action letter or other favorable decision from the Commission allowing the Company and the Guarantors to Consummate the Exchange Offer for such Transfer Restricted Securities and to permit the resale of Series B Notes by Broker-Dealers that tendered in the Exchange Offer Series A Notes that such Broker-Dealers acquired for their own account as a result of market-making activities or other trading activities (other than Series A Notes acquired directly from the Company or any of its Affiliates). The Company and the Guarantors hereby agree to use their reasonable best efforts to pursue the issuance of such a decision to the Commission staff level but shall not be required to take commercially unreasonable action to effect a change of Commission policy.

(ii) As a condition to its participation in the Exchange Offer, each Holder of Transfer Restricted Securities (including, without limitation, any Holder who is a Broker-Dealer) shall furnish, upon the request of the Company, prior to the Consummation of the Exchange Offer, a written representation to the Company (which may be contained in the letter of transmittal contemplated by the Exchange Offer Registration Statement) to the effect that, at the time of Consummation of the Exchange Offer, (A) any Series B Notes received by such Holder will be acquired in the ordinary course of its business, (B) such Holder will have no arrangement or understanding with any person to participate in distribution of the Series A Notes or the Series B Notes within the meaning of the Act, (C) if the Holder is not a Broker-Dealer or is a Broker-Dealer but will not receive Series B Notes for its own account in exchange for Series A Notes, neither the Holder nor any such other Person is engaged in or intends to participate in a distribution of the

Series B Notes, and (D) that such Holder is not an Affiliate of the Company. If the Holder is a Broker-Dealer that will receive Series B Notes for its own account in exchange for Series A Notes, it will represent that the Series A Notes to be exchanged for the Series B Notes were acquired by it as a result of market-making activities or other trading activities, and will acknowledge that it will deliver a prospectus meeting the requirements of the Act in connection with any resale of such Series B Notes. It is understood that, by acknowledging that it will deliver, and by delivering, a prospectus meeting the requirements of the Act in connection with any resale of such Series B Notes, the Holder is not admitting that it is an "underwriter" within the meaning of the Act.

(iii) Prior to effectiveness of the Exchange Offer Registration Statement, the Company and the Guarantors shall provide a supplemental letter to the Commission (A) stating that the Company and the Guarantors are registering the Exchange Offer in reliance on the position of the Commission enunciated in Exxon Capital Holdings Corporation (available May 13, 1988), Morgan Stanley and Co., Inc. (available June 5, 1991) and, if applicable, any no-action letter obtained pursuant to clause (i) above and (B) including a representation that neither the Company nor any Guarantor has entered into any arrangement or understanding with any Person to distribute the Series B Notes to be received in the Exchange Offer and that, to the best of the Company's information and belief, each Holder participating in the Exchange Offer is acquiring the Series B Notes in its ordinary course of business and has no arrangement or understanding with any Person to participate in the distribution of the Series B Notes received in the Exchange Offer.

(b) Shelf Registration Statement. In connection with the Shelf Registration Statement, if required, the Company and the Guarantors shall comply with all the provisions of Section 6(c) below and shall use their reasonable best efforts to effect such registration to permit the sale of the Transfer Restricted Securities being sold in accordance with the intended method or methods of distribution thereof (as indicated in the information furnished to the Company pursuant to Section 4(b) hereof) and, pursuant thereto, the Company and the Guarantors will prepare and file with the Commission in accordance with Section 4(a) hereof a Shelf Registration Statement relating to the registration on any appropriate form under the Act, which form shall be available for the sale of the Transfer Restricted Securities in accordance with the intended method or methods of distribution thereof within the time periods and otherwise in accordance with the provisions hereof.

(c) General Provisions. In connection with any Registration Statement and any Prospectus required by this Agreement to permit the sale or resale of Transfer Restricted Securities (including, without limitation, any Registration Statement and the related Prospectus required to permit resales of Notes by Broker-Dealers as contemplated herein), the Company and the Guarantors shall during the periods specified in Sections 3 and 4 hereof, as applicable:

(i) use their reasonable best efforts to keep such Registration Statement continuously effective and provide all requisite financial statements (including, if required by the Act or any regulation thereunder, financial statements of the Guarantors) for the period specified in Section 3 or 4 of this Agreement, as applicable; upon the

occurrence of any event that would cause any such Registration Statement or the Prospectus contained therein (A) to contain an untrue statement of material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading or (B) not to be effective and usable for the resale of Transfer Restricted Securities during the period required by this Agreement, the Company and the Guarantors shall file promptly an appropriate amendment to such Registration Statement, in the case of clause (A), correcting any such misstatement or omission, and, in the case of either clause (A) or (B), use their reasonable best efforts to cause such amendment to be declared effective and such Registration Statement and the related Prospectus to become usable for their intended purpose(s) as soon as practicable thereafter; provided, however, if (A) the full Board of Directors of the Company determines in good faith that it is in the best interests of the Company not to disclose the existence of or facts surrounding any proposed or pending material corporate transaction involving the Company or any of its subsidiaries and (B) the Company notifies the Holders, pursuant to Section 6(c)(iii)(D) hereof, within two Business Days after such Board of Directors makes such determination, the Company may allow the Shelf Registration Statement to fail to be effective and usable as a result of such nondisclosure for up to 90 days during the period of effectiveness required by Section 4 hereof, but in no event for a period in excess of 30 consecutive days;

(ii) prepare and file with the Commission such amendments and post-effective amendments to the Registration Statement as may be necessary to keep the Registration Statement effective for the applicable period set forth in Section 3 or 4 hereof; cause the Prospectus to be supplemented by any required Prospectus supplement, and as so supplemented to be filed pursuant to Rule 424 under the Act, and to comply fully with the applicable provisions of Rules 424 and 430A under the Act in a timely manner; and comply with the provisions of the Act with respect to the disposition of all securities covered by such Registration Statement during the applicable period in accordance with the intended method or methods of distribution by the sellers thereof set forth in such Registration Statement or supplement to the Prospectus;

(iii) except in the case of the Exchange Offer Registration Statement, advise the underwriter(s), if any, and selling Holders promptly and, if requested by any such Person, to confirm such advice in writing, (A) when the Prospectus or any Prospectus supplement or post-effective amendment has been filed, and, with respect to any Registration Statement or any post-effective amendment thereto, when the same has become effective, (B) of any request by the Commission for amendments to the Registration Statement or amendments or supplements to the Prospectus or for additional information relating thereto, (C) of the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement under the Act or of the suspension by any state securities commission of the qualification of the Transfer Restricted Securities for offering or sale in any jurisdiction, or the initiation of any proceeding for any of the preceding purposes, and (D) of the existence of any fact or the happening of any event that makes any statement of a material fact made in the Registration Statement, the Prospectus, any amendment or supplement thereto, or any

document incorporated by reference therein untrue, or that requires the making of any additions to or changes in the Registration Statement or the Prospectus in order to make the statements therein not misleading. If at any time the Commission shall issue any stop order suspending the effectiveness of the Registration Statement, or any state securities commission or other regulatory authority shall issue an order suspending the qualification or exemption from qualification of the Transfer Restricted Securities under state securities or Blue Sky laws, the Company and the Guarantors shall use their reasonable best efforts to obtain the withdrawal or lifting of such order at the earliest possible time;

(iv) in the case of a Shelf Registration Statement, furnish to each of the selling Holders and each of the underwriter(s), if any, before filing with the Commission, copies of any Registration Statement or any Prospectus included therein or any amendments or supplements to any such Registration Statement or Prospectus (but excluding any documents incorporated by reference as a result of the Company's periodic reporting requirements under the Exchange Act), and neither the Company nor any Guarantors shall file any such Registration Statement or Prospectus or any amendment or supplement to any such Registration Statement or Prospectus (excluding all such documents incorporated by reference as a result of the Company's periodic reporting requirements under the Exchange Act) to which a selling Holder of Transfer Restricted Securities covered by such Registration Statement or the underwriter(s), if any, shall reasonably object within five Business Days after the receipt thereof, it being understood that a selling Holder or underwriter, if any, shall be deemed to have reasonably objected to such filing if such Registration Statement, amendment, Prospectus or supplement, as applicable, as proposed to be filed, contains an untrue statement of material fact or omits to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(v) in the case of a Shelf Registration Statement, promptly following the filing of any document that is to be incorporated by reference into a Registration Statement or Prospectus, provide copies of such document to the selling Holders and to the underwriter(s), if any, make the Company's representatives available for discussion of such document and other customary due diligence matters, and include such information in such document prior to the filing thereof as such selling Holders or underwriter(s), if any, reasonably may request;

(vi) in the case of a Shelf Registration Statement, make available at reasonable times for inspection by the selling Holders, any underwriter participating in any disposition pursuant to such Registration Statement, and any attorney or accountant retained by such selling Holders or any of the underwriter(s), all relevant financial and other records and pertinent corporate documents and properties of the Company and the Guarantors and cause the Company's and the Guarantors' officers, directors and employees to supply all information reasonably requested by any such Holder, underwriter, attorney or accountant in connection with such Registration Statement subsequent to the filing thereof and prior to its effectiveness; provided, however, that such persons shall first agree in writing with the Company and/or the Guarantors that any

information that is reasonably and in good faith designated by the Company and/or the Guarantors as confidential at the time of delivery of such information shall be kept confidential by such persons, unless (i) disclosure of such information is required by court or administrative order or is necessary to respond to inquiries of regulatory authorities, (ii) disclosure of such information is required by law, (iii) such information becomes generally available to the public other than as a result of a disclosure or failure to safeguard such information by such person or (iv) such information becomes available to such person from a source other than the Company and/or the Guarantors and such source is not bound by a confidentiality agreement; and; provided, further, that the foregoing inspection and information gathering shall be coordinated on behalf of the selling Holders, underwriters, or any representative thereof, by one counsel, who shall be Vinson & Elkins L.L.P. or such other counsel as may be chosen by the Holders of a majority in principal amount of Transfer Restricted Securities;

(vii) in the case of a Shelf Registration Statement, if requested by any selling Holders or the underwriter(s), if any, promptly incorporate in any Registration Statement or Prospectus, pursuant to a supplement or post-effective amendment if necessary, such information as such selling Holders and underwriter(s), if any, may reasonably request to have included therein, including, without limitation, information relating to the "Plan of Distribution" of the Transfer Restricted Securities, information with respect to the principal amount of Transfer Restricted Securities being sold to such underwriter(s), the purchase price being paid therefor and any other terms of the offering of the Transfer Restricted Securities to be sold in such offering; and make all required filings of such Prospectus supplement or post-effective amendment as soon as practicable after the Company is notified of the matters to be incorporated in such Prospectus supplement or post-effective amendment;

(viii) in the case of a Shelf Registration Statement, furnish to each selling Holder and each of the underwriter(s), if any, without charge, at least one copy of the Registration Statement, as first filed with the Commission, and of each amendment thereto, including all documents incorporated by reference therein and all exhibits (including exhibits incorporated therein by reference);

(ix) deliver to each selling Holder and each of the underwriter(s), if any, without charge, as many copies of the Prospectus (including each preliminary prospectus) and any amendment or supplement thereto as such Persons reasonably may request; the Company and the Guarantors hereby consent, subject to Section 6(d) hereof, to the use of the Prospectus and any amendment or supplement thereto by each of the selling Holders and each of the underwriter(s), if any, in connection with the offering and the sale of the Transfer Restricted Securities covered by the Prospectus or any amendment or supplement thereto; provided that such use of the Prospectus and any amendment or supplement thereto and such offering and sale conforms to the Plan of Distribution set forth in the Prospectus and complies with the terms of this Agreement and all applicable laws and regulations thereunder;

(x) in the event of an Underwritten Registration, enter into such customary agreements (including an underwriting agreement), make such customary representations and warranties, deliver such customary documents and certificates, and take all such other customary actions in connection therewith in order to expedite or facilitate the disposition of the Transfer Restricted Securities pursuant to any Shelf Registration Statement contemplated by this Agreement, all to such extent as may be reasonably requested by any Holder of Transfer Restricted Securities or underwriter in connection with any sale or resale pursuant to any Shelf Registration Statement contemplated by this Agreement; and, without limiting the generality of the foregoing, the Company and the Guarantors shall:

(A) furnish to each underwriter upon the effectiveness of the Shelf Registration Statement:

(1) a certificate, dated the date of effectiveness of the Shelf Registration Statement, signed on behalf of the Company by two senior officers, one of whom must be its chief financial officer, confirming, as of such date, the matters addressed in the officers' certificate delivered pursuant to Section 7 of the Purchase Agreement with respect to the transactions contemplated by the Shelf Registration Statement;

(2) an opinion or opinions, dated the date of effectiveness of the Shelf Registration Statement, of counsel for the Company and the Guarantors covering the matters referred to in Section 7(a) of the Purchase Agreement with respect to the transactions contemplated by the Shelf Registration Statement; and

(3) a customary comfort letter, dated as of the date of effectiveness of the Shelf Registration Statement, from the Company's independent accountants if such comfort letter shall be issuable to the underwriters in accordance with the relevant accounting industry pronouncements, in the customary form and covering matters of the type customarily covered in comfort letters to underwriters in connection with primary underwritten offerings, and substantially in the form of the comfort letters delivered pursuant to Section 7(c) of the Purchase Agreement; and

(B) deliver such other documents and certificates as may be reasonably requested by such parties and which are customarily delivered in Underwritten Offerings;

(xi) prior to any public offering of Transfer Restricted Securities, cooperate with the selling Holders, the underwriter(s), if any, and their respective counsel in connection with the registration and qualification of the Transfer Restricted Securities under the securities or Blue Sky laws of such jurisdictions as the selling Holders or

underwriter(s) may reasonably request and do any and all other acts or things reasonably necessary or advisable to enable the disposition in such jurisdictions of the Transfer Restricted Securities covered by the Shelf Registration Statement; provided, however, that neither the Company nor the Guarantors shall be required to register or qualify as a foreign corporation where it is not now so qualified or to take any action that would subject it to the service of process in suits or to taxation, other than as to matters and transactions relating to the Registration Statement, in any jurisdiction where it is not now so subject;

(xii) issue, upon the request of any Holder of Series A Notes covered by the Shelf Registration Statement, Series B Notes, having an aggregate principal amount equal to the aggregate principal amount of Series A Notes being sold by such Holder, such Series B Notes to be registered in the name of the purchaser(s) of such Notes; in return, the Series A Notes held by such Holder shall be surrendered to the Company for cancellation;

(xiii) in connection with any sale of Transfer Restricted Securities that will result in such securities no longer being Transfer Restricted Securities, cooperate with the selling Holders and the underwriter(s), if any, to facilitate the timely preparation and delivery of either global or physical certificates representing Transfer Restricted Securities to be sold and not bearing any restrictive legends; and, in the case of physical certificates, enable such Transfer Restricted Securities to be in such authorized denominations and registered in such names as the Holders or the underwriter(s), if any, may reasonably request at least two Business Days prior to any sale of Transfer Restricted Securities made by such underwriter(s);

(xiv) if any fact or event contemplated by clause (c)(iii)(D) above shall exist or have occurred, prepare a supplement or post-effective amendment to the Registration Statement or related Prospectus or any document incorporated therein by reference or file any other required document so that, as thereafter delivered to the purchasers of Transfer Restricted Securities, the Prospectus will not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein not misleading;

(xv) provide a CUSIP number for all Series B Notes not later than the effective date of the Registration Statement and provide the Trustee under the Indenture with one or more global certificates for the Series B Notes that are in a form eligible for deposit with The Depository Trust Company;

(xvi) in the case of a Shelf Registration Statement, cooperate and assist in any filings required to be made with the NASD and in the performance of any due diligence investigation by any underwriter (including any "qualified independent underwriter") that is required to be retained in accordance with the rules and regulations of the NASD;

(xvii) otherwise use their reasonable best efforts to comply with all applicable rules and regulations of the Commission, and make generally available to its security holders with regard to any applicable Registration Statement, as soon as practicable, a consolidated earnings statement meeting the requirements of Rule 158 under the Act (which need not be audited) for a twelve-month period commencing after the effective date of the Registration Statement;

(xviii) cause the Indenture to be qualified under the TIA not later than the effective date of the first Registration Statement required by this Agreement, and, in connection therewith, cooperate with the Trustee and the Holders of Notes to effect such changes to the Indenture as may be required for such Indenture to be so qualified in accordance with the terms of the TIA; and execute and use their reasonable best efforts to cause the Trustee to execute, all documents that may be required to effect such changes and all other forms and documents required to be filed with the Commission to enable such Indenture to be so qualified in a timely manner; and

(xix) provide promptly to each Holder upon request each document, if any, filed with the Commission pursuant to the requirements of Section 13 or Section 15 of the Exchange Act.

(d) Each Holder agrees by acquisition of a Transfer Restricted Security that, upon receipt of any notice from the Company of the existence of any fact of the kind described in Section 6(c)(iii)(D) hereof, such Holder will keep such notice confidential and forthwith discontinue disposition of Transfer Restricted Securities pursuant to the applicable Registration Statement until such Holder's receipt of the copies of the supplemented or amended Prospectus contemplated by Section 6(c)(xiv) hereof, or until it is advised in writing (the "Advice") by the Company that the use of the Prospectus may be resumed, and has received copies of any additional or supplemental filings that are incorporated by reference in the Prospectus. If so directed by the Company, each Holder will deliver to the Company (at the Company's expense) all copies, other than permanent file copies then in such Holder's possession, of the Prospectus covering such Transfer Restricted Securities that was current at the time of receipt of such notice. In the event the Company shall give any such notice, the time period regarding the effectiveness of such Registration Statement set forth in Section 3 or 4 hereof, as applicable, shall be extended by the number of days during the period from and including the date of the giving of such notice pursuant to Section 6(c)(iii)(D) hereof to and including the date when each selling Holder covered by such Registration Statement shall have received the copies of the supplemented or amended Prospectus contemplated by Section 6(c)(xiv) hereof or shall have received the Advice.

SECTION 7.
REGISTRATION EXPENSES

(a) All expenses incident to the Company's or the Guarantors' performance of or compliance with this Agreement will be borne by the Company and the Guarantors, regardless of whether a Registration Statement becomes effective, including without limitation: (i) all

registration and filing fees and expenses (including filings made by the Initial Purchasers or Holders with the NASD (and, if applicable, the fees and expenses of any "qualified independent underwriter" and its counsel that may be required by the rules and regulations of the NASD)); (ii) all fees and expenses of compliance with federal securities and state Blue Sky or securities laws; (iii) all expenses of printing (including printing of Prospectuses), messenger and delivery services and telephone; (iv) all fees and disbursements of counsel for the Company and the Guarantors and, subject to Section 7(b) below, counsel for the Holders of Transfer Restricted Securities; (v) all application and filing fees in connection with listing Notes on a national securities exchange or automated quotation system, if any; and (vi) all fees and disbursements of independent public accountants of the Company and the Guarantors (including the expenses of any special audit and comfort letters required by or incident to such performance).

The Company and the Guarantors will, in any event, bear their internal expenses (including, without limitation, all salaries and expenses of its officers and employees performing legal or accounting duties), the expenses of any annual audit and the fees and expenses of any Person, including special experts, retained by the Company or any Guarantor. The Company shall not be responsible for any other expenses or costs, including but not limited to commissions, fees and discounts of underwriters, brokers, dealers and agents.

(b) In connection with any Registration Statement required by this Agreement (excluding the Exchange Offer Registration Statement), the Company and the Guarantors will reimburse the Holders of Transfer Restricted Securities being tendered in the Exchange Offer and/or resold pursuant to the "Plan of Distribution" contained in the Exchange Offer Registration Statement or registered pursuant to the Shelf Registration Statement, as applicable, for the reasonable fees and disbursements of not more than one counsel, who shall be Vinson & Elkins L.L.P. or such other counsel as may be chosen by the Holders of a majority in principal amount of the Transfer Restricted Securities for whose benefit such Registration Statement is being prepared.

SECTION 8.
INDEMNIFICATION

(a) The Company and the Guarantors jointly and severally, agree to indemnify and hold harmless (i) each Holder, (ii) each Initial Purchaser, (iii) each person, if any, who controls any Holder or an Initial Purchaser within the meaning of Section 15 of the Act or Section 20(a) of the Exchange Act and (iii) the respective officers, directors, partners, employees, representatives and agents of any Holder or Initial Purchaser or any controlling person (any person referred to in clauses (i), (ii) or (iii) may hereinafter be referred to as an "Indemnified Holder"), to the fullest extent lawful, from and against any and all losses, liabilities, claims, damages and expenses whatsoever (including but not limited to reasonable attorneys' fees and any and all reasonable expenses whatsoever incurred in investigating, preparing or defending against any investigation or litigation, commenced or threatened, or any claim whatsoever, and any and all amounts paid in settlement of any claim or litigation), joint or several, to which they or any of them may become subject under the Act, the Exchange Act or otherwise, insofar as such losses, liabilities, claims, damages or expenses (or actions in respect thereof) arise out of or

are based upon any untrue statement or alleged untrue statement of a material fact contained in any Registration Statement or Prospectus, or in any supplement thereto or amendment thereof, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided, however, that the Company and the Guarantors will not be liable in any such case to the extent, but only to the extent, that any such loss, liability, claim, damage or expense arises out of or is based upon any such untrue statement or alleged untrue statement or omission or alleged omission made therein in reliance upon and in conformity with written information furnished to the Company by or on behalf of the any of the Holders expressly for use therein. This indemnity agreement will be in addition to any liability that the Company and the Guarantors may otherwise have, including under this Agreement.

(b) Each Holder of Transfer Restricted Securities agrees, severally and not jointly, to indemnify and hold harmless the Company, each of the Guarantors and each person, if any, who controls the Company or any Guarantor within the meaning of Section 15 of the Act or Section 20(a) of the Exchange Act and each of their respective officers, directors, employers, partners, representatives and agents to the same extent as the foregoing indemnity from the Company and the Guarantors to each of the Indemnified Holders, but only with respect to information relating to such Holder furnished in writing by such Holder for use in any Registration Statement, or in any amendment thereof or supplement thereto; provided, however, that in no case shall any selling Holder be liable or responsible for any amount in excess of proceeds received by such Holder upon the sale of the Notes giving rise to such indemnification obligation. This indemnity will be in addition to any liability that the Holders may otherwise have, including under this Agreement.

(c) Promptly after receipt by an indemnified party under subsection (a) or (b) above of notice of the commencement of any action, such indemnified party shall, if a claim in respect thereof is to be made against the indemnifying party under such subsection, notify each party against whom indemnification is to be sought in writing of the commencement thereof (but the failure so to notify an indemnifying party shall not relieve it from any liability that it may have under this Section 8 or otherwise except to the extent that it has been prejudiced in any material respect by such failure). In case any such action is brought against any indemnified party, and it notifies an indemnifying party of the commencement thereof, the indemnifying party will be entitled to participate therein, and to the extent it may elect by written notice delivered to the indemnified party promptly after receiving the aforesaid notice from such indemnified party, to assume and control the defense thereof with counsel reasonably satisfactory to such indemnified party. Notwithstanding the foregoing, the indemnified party or parties shall have the right to employ its or their own counsel in any such case, but the fees and expenses of such counsel shall be at the expense of such indemnified party or parties unless (i) the employment of such counsel shall have been authorized in writing by the indemnifying parties in connection with the defense of such action, (ii) the indemnifying parties shall not have employed counsel to take charge of the defense of such action within a reasonable time after notice of commencement of the action, or (iii) such indemnified party or parties shall have reasonably concluded that there may be defenses available to it that are different from or additional to those available to one or all of the

indemnifying parties (in which case the indemnifying party shall not have the right to direct the defense of such action on behalf of the indemnified party or parties), in any of which events such fees and expenses of counsel shall be borne by the indemnifying parties; provided, however, that the indemnifying party under subsection (a) or (b) above shall only be liable for the legal expenses of one counsel (in addition to any local counsel) for all indemnified parties. Anything in this subsection to the contrary notwithstanding, an indemnifying party shall not be liable for any settlement of any claim or action effected without its prior written consent; provided that such consent was not unreasonably withheld.

SECTION 9.
CONTRIBUTION

In order to provide for contribution in circumstances in which the indemnification provided for in Section 8 is for any reason held to be unavailable or is insufficient to hold harmless a party indemnified thereunder, the Company and the Guarantors, on the one hand, and the Holders, on the other hand, shall contribute to the aggregate losses, claims, damages, liabilities and expenses of the nature contemplated by such indemnification provision (including any investigation, legal and other expenses incurred in connection with, and any amount paid in settlement of, any action, suit or proceeding or any claims asserted, but after deducting in the case of losses, claims, damages, liabilities and expenses suffered by the Company and the Guarantors any contribution received by the Company and the Guarantors from Persons, other than a Holder, who may also be liable for contribution, including persons who control the Company and the Guarantors within the meaning of Section 15 of the Act or Section 20(a) of the Exchange Act) to which the Company, the Guarantors or any Holder may be subject, (i) in such proportion as is appropriate to reflect the relative fault of the Company and the Guarantors, on one hand, and each Holder, on the other hand, in connection with the statements or omissions that resulted in such losses, claims, damages, liabilities or expenses, or (ii) if the allocation provided by clause (i) is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative fault referred to in clause (i) above but also other relevant equitable considerations. The relative fault of the Company and the Guarantors, on one hand, and of each Holder, on the other hand, shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company, the Guarantors or such Holder and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The Company, the Guarantors and each Holder of Transfer Restricted Securities agree that it would not be just and equitable if contributions pursuant to this Section 9 were determined by pro rata allocation or by any other method of allocation that does not take into account the equitable considerations referred to above. Notwithstanding the provisions of this Section 9, (i) in no case shall any Holder be required to contribute any amount in excess of the amount by which the proceeds received by such Holder upon the sale of the Transfer Restricted Securities giving rise to such obligation exceeds the amount of any damages that such Holder has otherwise been required to pay by reason of any untrue or alleged untrue statement or omission or alleged omission and (ii) no person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any Person who was not guilty of such fraudulent misrepresentation. For

purposes of this Section 9, (A) each Person, if any, who controls any of the Holders within the meaning of Section 15 of the Act or Section 20(a) of the Exchange Act and (B) the respective officers, directors, partners, employees, representatives and agents of such Holder or any controlling Person shall have the same rights to contribution as the Holders, and each Person, if any, who controls the Company or any Guarantor within the meaning of Section 15 of the Act or Section 20(a) of the Exchange Act shall have the same rights to contribution as the Company and the Guarantors, subject in each case to clauses (i) and (ii) of this Section 9. Any party entitled to contribution will, promptly after receipt of notice of commencement of any action, suit or proceeding against such party in respect of which a claim for contribution may be made against another party or parties under this Section 9, notify such party or parties from whom contribution may be sought, but the failure to so notify such party or parties shall not relieve the party or parties from whom contribution may be sought from any obligation it or they may have under this Section 9 or otherwise, except to the extent it or they have been prejudiced in any material respect by such failure. No party shall be liable for contribution with respect to any action or claim settled without its prior written consent, provided that such written consent was not unreasonably withheld.

SECTION 10.
RULE 144A

The Company and the Guarantors hereby agree with each Holder, for so long as any Transfer Restricted Securities remain outstanding, to make available, upon request, to any Holder of Transfer Restricted Securities in connection with any sale thereof and any prospective purchaser of such Transfer Restricted Securities from such Holder, the information required by Rule 144A(d)(4) under the Act in order to permit resales of such Transfer Restricted Securities pursuant to Rule 144A.

SECTION 11.
PARTICIPATION IN UNDERWRITTEN REGISTRATIONS

No Holder may participate in any Underwritten Registration hereunder unless such Holder (a) agrees to sell such Holder's Transfer Restricted Securities on the basis provided in any underwriting arrangements approved by the Persons entitled hereunder to approve such arrangements and (b) completes and executes all reasonable questionnaires, powers of attorney, indemnities, underwriting agreements, lock-up letters and other documents required under the terms of such underwriting arrangements.

SECTION 12.
SELECTION OF UNDERWRITERS

The Holders of Transfer Restricted Securities covered by the Shelf Registration Statement who desire to do so may sell such Transfer Restricted Securities in an Underwritten Offering. In any such Underwritten Offering, the investment banker or investment bankers and manager or managers that will administer the offering will be selected by the Company; provided, however, that such investment bankers and managers must be reasonably satisfactory

to the Holders of a majority in aggregate principal amount of the Transfer Restricted Securities included in such offering.

SECTION 13.
MISCELLANEOUS

(a) No Inconsistent Agreements. The Company and the Guarantors shall not, on or after the date of this Agreement, enter into any agreement with respect to its securities that is inconsistent with the rights granted to the Holders in this Agreement or otherwise conflicts with the provisions hereof. The rights granted to the Holders hereunder do not in any way conflict with and are not inconsistent with the rights granted to the holders of the Company's or any Guarantor's securities under any agreement in effect on the date hereof.

(b) [Intentionally omitted.]

(c) Amendments and Waivers. The provisions of this Agreement may not be amended, modified or supplemented, and waivers or consents to or departures from the provisions hereof may not be given unless the Company has obtained the written consent of Holders of a majority of the outstanding principal amount of Transfer Restricted Securities; provided, however, that the Company may amend this Agreement to include or exclude a Guarantor as a party hereto in the event that, pursuant to the terms of the Indenture, such Guarantor is required to provide a Subsidiary Guarantee for the Notes or is released from such obligation. Notwithstanding the foregoing, a waiver or consent to departure from the provisions hereof that relates exclusively to the rights of Holders whose securities are being tendered pursuant to the Exchange Offer and that does not affect directly or indirectly the rights of other Holders whose securities are not being tendered pursuant to such Exchange Offer may be given by the Holders of a majority of the outstanding principal amount of Transfer Restricted Securities being tendered.

(d) Notices. All notices and other communications provided for or permitted hereunder shall be made in writing by hand-delivery, first-class mail (registered or certified, return receipt requested), telecopier, or air courier guaranteeing overnight delivery:

(i) if to a Holder, at the address set forth on the records of the Registrar under the Indenture, with a copy to the Registrar under the Indenture; and

(ii) if to the Company or any Guarantor:

HORNBECK-LEEVAC Marine Services, Inc.
414 N. Causeway Boulevard
Mandeville, Louisiana 70448
Telecopier No.: (504) 727-2006
Attention: Chief Financial Officer

with a copy to:

R. Clyde Parker, Jr.
Winstead Sechrest & Minick
10077 Grogan's Mill Road, Suite 475
The Woodlands, Texas 77380
Telecopier No.: (281) 363-0660

All such notices and communications shall be deemed to have been duly given: at the time delivered by hand, if personally delivered; five Business Days after being deposited in the mail, postage prepaid, if mailed; when receipt acknowledged, if telecopied; and on the next Business Day, if timely delivered to an air courier guaranteeing overnight delivery.

Copies of all such notices, demands or other communications shall be concurrently delivered by the Person giving the same to the Trustee at the address specified in the Indenture.

(f) Successors and Assigns. This Agreement shall inure to the benefit of and be binding upon the successors and assigns of each of the parties, including without limitation and without the need for an express assignment, the successors and assigns of subsequent Holders of Transfer Restricted Securities; provided, however, that this Agreement shall not inure to the benefit of or be binding upon a successor or assign of a Holder unless and to the extent such successor or assign acquired Transfer Restricted Securities from such Holder.

(g) Counterparts. This Agreement may be executed in any number of counterparts and by the parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

(h) Headings. The headings in this Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning hereof.

(i) Governing Law. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

(j) Severability. In the event that any one or more of the provisions contained herein, or the application thereof in any circumstance, is held invalid, illegal or unenforceable, the validity, legality and enforceability of any such provision in every other respect and of the remaining provisions contained herein shall not be affected or impaired thereby.

[Signature pages to follow]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

HORNBECK-LEEVAC MARINE SERVICES, INC.

By: /s/ JAMES O. HARP, JR.

James O. Harp, Jr.
Vice President and Chief Financial Officer

LEEVAC MARINE, INC.

By: /s/ JAMES O. HARP, JR.

James O. Harp, Jr.
Vice President and Chief Financial Officer

HORNBECK OFFSHORE SERVICES, INC.

By: /s/ JAMES O. HARP, JR.

James O. Harp, Jr.
Vice President and Chief Financial Officer

ENERGY SERVICES PUERTO RICO, INC.

By: /s/ JAMES O. HARP, JR.

James O. Harp, Jr.
Vice President and Chief Financial Officer

HORNBECK-LEEVAC MARINE OPERATORS, INC.

By: /s/ JAMES O. HARP, JR.

James O. Harp, Jr.
Vice President and Chief Financial Officer

Accepted and agreed to as of the date first above written:

RBC DOMINION SECURITIES CORPORATION
MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED

By: RBC DOMINION SECURITIES CORPORATION

By: /s/ SHAUVIK KUNDAGRAMI

Shauvik Kundagrami
Managing Director

EXHIBIT 10.1

SENIOR
EMPLOYMENT AGREEMENT

THIS SENIOR EMPLOYMENT AGREEMENT ("Agreement") is made and entered into this 1st day of January, 2001, but is effective for all purposes as of the Commencement Date (as hereinafter defined), by and between HORNBECK-LEEVAC MARINE OPERATORS, INC., a Delaware corporation, (the "Employer"), and CHRISTIAN G. VACCARI, residing at 71146 Riverside Drive, Covington, Louisiana 70433 (the "Employee").

WITNESSETH:

1. Employment. Employer hereby employs Employee, and Employee hereby accepts such employment, upon the terms and subject to the conditions set forth in this Agreement. Employee shall be employed by Employer but may serve (and if requested by Employer shall serve) as an officer and/or director of its parent, HORNBECK-LEEVAC Marine Services, Inc., a Delaware corporation ("Parent"), or any subsidiary or affiliate of Employer or Parent.

2. Term. The term of employment under this Agreement shall commence on January 1, 2001 (the "Commencement Date") and shall continue through December 31, 2003; provided, however, that beginning on January 1, 2004, and on every third January 1 thereafter (each a "Renewal Date"), the term of this Agreement shall automatically be extended three additional years unless either party gives the other written notice of termination at least ninety (90) days prior to any such Renewal Date. Written notice by Employer shall be solely pursuant to duly adopted resolution of Employer's or Parent's board of directors or, at such time as Parent is subject to the reporting requirements of the Securities Exchange Act of 1934, as amended, the compensation committee of Parent's board of directors. If Employee is terminated by Employer pursuant to such notice of nonrenewal, Employer shall pay to Employee as severance pay an amount equal to one half of Employee's basic annualized salary for the year preceding such termination and shall continue Employee's medical insurance and other benefits for six months following such termination. Employee shall have no further rights or obligations hereunder.

3. Compensation and Benefits.

(a) Employer shall pay to Employee as compensation for all services rendered by Employee a basic annualized salary of $200,000 during the initial three (3) year term of this Agreement (the "Basic Salary"), or such other sums as the parties may agree on from time to time, payable semi-monthly or in other more frequent installments, as determined by the Board (as hereinafter defined). The compensation committee of the board of directors of Parent, by providing direction through the board of directors of Employer (collectively, the board of directors of Parent, the compensation committee of Parent and the board of directors of Employer are referred to as the "Board") shall have the right to increase Employee's compensation from time to time and Employee shall be entitled to an annual review thereof or more frequently as determined by the Board. In addition, the Board, in its discretion, may,

with respect to any year during the term hereof, award a bonus or bonuses to Employee; provided, however, Employer shall annually provide Employee with a bonus that is at least equal as a percentage of basic annualized salary to the maximum percentage bonus provided during the same year to any other senior officer of Employer or Parent; provided, further, Employer shall annually provide Employee with a bonus as more particularly described in Appendix "A" attached hereto, which Appendix "A" may be modified, supplemented, or replaced from time to time by written agreement between Employer and Employee.

The compensation provided for in this Section 3(a) shall be in addition to any pension or profit sharing payments set aside or allocated for the benefit of Employee in either a tax qualified plan or otherwise.

(b) If the Board determines in its sole discretion that general economic conditions, the economic conditions of the oil and gas industry or the financial condition of Parent require such measures, the Board may reduce Employee's compensation hereunder, but in any such case by no more nor less than the percentage by which it has reduced and only if it reduces concurrently the compensation of all executive management and mid-management shore-based employees of Parent and its subsidiaries.

(c) Employer shall reimburse Employee for all reasonable expenses incurred by Employee in the performance of his duties under this Agreement; provided, however, that Employee must furnish to Employer an itemized account, satisfactory to Employer, in substantiation of such expenditures.

(d) Employee shall be entitled to such fringe benefits including, but not limited to, medical and family insurance benefits as may be provided from time to time by Employer to other senior officers of Employer; provided, however, that any health insurance shall not provide for a preexisting condition limitation, and, provided further, that during the term of this Agreement, such fringe benefits shall always be equal to, at a minimum, the maximum fringe benefits provided in a particular year to any other officer of Employer or Parent other than with respect to the grant of an award under any Incentive Compensation Plan of Employer.

(e) To the extent permitted by applicable law and terms of the benefit plans, Employer shall include in Employee's credited service, in any case where credited service is relevant in determining eligibility for or benefits under any employee benefits plan, the Employee's service for any parent, subsidiary or affiliate of Employer or for any predecessor thereof. and time served at prior employers.

(f) Employer shall provide Employee with an automobile during the term of the Agreement. The automobile shall be substantially equivalent to the highest value automobile provided to any other officer of Employer or Parent. Employer will also pay for auto insurance, maintenance and fuel. Employee may use the automobile for personal use and will pay all taxes related to such personal use.

(g) Employee shall be eligible to participate in such incentive compensation and stock option plans that have been approved or may in the future be approved by the shareholders of Parent of Employer and administered by the Parent.

4. Duties. Employee is engaged and shall serve as the Chairman of the Board and Chief Executive Officer of (i) Parent, (ii) Hornbeck Offshore Services, Inc., (iii) Employer, (iv) LEEVAC Marine, Inc. and (v) any other subsidiaries of Parent that may be formed or acquired. In addition, Employee shall have such other duties and hold such other offices as may from time to time be reasonably assigned to him by the Board.

5. Extent of Services; Vacations and Days Off.

(a) During the term of his employment under this Agreement, Employee shall devote such of his time, energy and attention to the benefit and business of Employer as may be necessary in performing his duties pursuant to this Agreement.

(b) Employee shall be entitled to vacations and holidays with pay and to such personal and sick leave with pay in accordance with the policy of Employer as may be established from time to time by Employer and applied to other senior officers of Employer; provided, however, that Employee shall annually be entitled to the maximum number of vacation days and holidays afforded to any other officer of Employer or Parent.

6. Facilities. Employer shall provide Employee with a fully furnished office, and the facilities of Employer shall be generally available to Employee in the performance of his duties pursuant to this Agreement; it being understood and contemplated by the parties that all equipment, supplies and office personnel required for Employee's performance of duties under this Agreement shall be supplied by Employer.

7. Illness or Incapacity, Termination on Death.

(a) If Employee dies during the term of his employment, Employer shall pay to the estate of Employee such compensation, including any bonus compensation earned but not yet paid, as would otherwise have been payable to Employee for a period of one year following his death and shall continue to provide medical insurance and other benefits to which Employee's dependents would otherwise have been entitled for the same period. Except for the benefits set forth in the preceding sentence and any life insurance benefits included in the benefit package provided at such time by Employer to Employee, Employer shall have no additional financial obligation under this Agreement to Employee or his estate. After receiving the payments and health insurance benefits provided in this subparagraph (a), Employee and his estate shall have no further rights under this Agreement.

(b) (i) During any period of disability, illness or incapacity during the term of this Agreement that renders Employee at least temporarily unable to perform the services required under this Agreement for a period that shall not equal or exceed ninety (90) continuous days (provided that a return to full work status of less than

five full days shall be deemed not to interrupt the calculation of such 90 days), Employee shall receive the compensation payable under Section 3(a) of this Agreement plus any bonus compensation earned through the last day of such ninety (90) day period but not yet paid, less any benefits received by him under any disability insurance carried by or provided by Employer. All rights of Employee under this Agreement (other than rights already accrued) shall terminate as provided below upon Employee's permanent disability (as defined below), although Employee shall continue to receive any disability benefits to which he may be entitled under any disability income insurance that may be carried by or provided by Employer from time to time; Employer hereby agrees to provide such insurance on a same occupation basis.

(ii) The term "permanent disability" as used in this Agreement shall mean "permanent disability" under any long term disability plan maintained by Employer that covers Employee. In the absence of such a plan, "permanent disability" shall mean the inability of Employee, as determined by the Board, by reason of physical or mental disability to perform the duties required of him under this Agreement for a period of at least ninety (90) days in any one-year period. Upon such determination, the Board may terminate Employee's employment under this Agreement upon ten (10) days' prior written notice. If any determination of the Board with respect to permanent disability is disputed by Employee, the parties hereto agree to abide by the decision of a panel of three physicians. Employee and the Board shall each appoint one member, and the third member of the panel shall be appointed by the other two members. Employee agrees to make himself available for and submit to examinations by such physicians as may be directed by the Board. Failure to submit to any such examination shall constitute a breach of a material part of this Agreement.

8. Other Terminations.

(a)

(i) Employee may terminate his employment hereunder for any reason whatsoever upon giving at least ninety (90) days' prior written notice. In addition, Employee shall have the right to terminate his employment hereunder on the conditions and at the times provided for in Section 8(d) of the Agreement.

(ii) If Employee gives notice pursuant to Section 8(a)(i) above, Employer shall have the right to relieve Employee, in whole or in part, of his duties under this Agreement (without reduction in compensation through the termination date).

(b)

(i) Except as otherwise provided in this Agreement, Employer may terminate the employment of Employee hereunder only for "good cause" (as defined below) and upon written notice.

(ii) As used herein, "good cause" shall include:

(1) Employee's conviction of either a felony involving moral turpitude or any crime in connection with his employment by Employer that causes Employer a substantial detriment, but specifically shall not include traffic offenses;

(2) actions or inactions by Employee that clearly are contrary to the best interests of Employer;

(3) Employee's willful failure to take actions permitted by law and necessary to implement policies of the Board that the Board has communicated to him in writing, provided that such policies that are reflected in minutes of a Board meeting attended in its entirety by Employee shall be deemed communicated to Employee;

(4) Employee's continued failure to attend to his duties as an executive officer of Employer or its affiliates, following written notice from the Board to Employee of such failure; or

(5) any condition that either resulted from Employee's substantial dependence on alcohol, or any narcotic drug or other controlled or illegal substance. If any determination of substantial dependence is disputed by Employee, the parties hereto agree to abide by the decision of a panel of three physicians appointed in the manner specified in Section 7(b)(ii) of this Agreement.

(6) With respect to (2) through (5) above, such circumstances shall not constitute "good cause" unless Employee has failed to cure such circumstances within 10 business days following written notice thereof from the Board identifying in reasonable detail the manner in which the Employer believes that Employee has not performed such duties and indicating the steps Employer requires to cure such circumstances.

(iii) Termination of the employment of Employee for reasons other than those expressly specified in this Agreement as good cause shall be deemed to be a termination of employment "without good cause."

(c)

(i) If Employer shall terminate the employment of Employee without good cause effective on a date earlier than the termination date provided for in Section 2 (with the effective date of termination as so identified by Employer being referred to herein as the "Accelerated Termination Date"), Employee, until the termination date provided for in Section 2 or until the date that is two (2) years after the Accelerated Termination Date, whichever is later, shall continue to receive the salary and other compensation and benefits specified in Section 3, in each case in the

amount and kind and at the time provided for in Section 3; provided that, notwithstanding such termination of employment, Employee's covenants set forth in Section 10 shall remain in full force and effect.

(ii) If Employer shall terminate the employment of Employee without good cause effective on a date earlier than the termination date provided for in Section 2, any and all options, rights or awards granted in conjunction with Parent's or Employer's incentive compensation and stock option plans shall immediately vest.

(iii) The parties agree that, because there can be no exact measure of the damage that would occur to Employee as a result of a termination by Employer of Employee's employment without good cause, the payments and benefits paid and provided pursuant to this Section 8(c) shall be deemed to constitute liquidated damages and not a penalty for Employer's termination of Employee's employment without good cause, and Employer agrees that Employee should not be required to mitigate his damages.

(d)

(i) If a Change in Control of Employer, as defined in Section 8(d)(ii) shall occur, and Employee shall:

(1) have his employment constructively terminated by Employer because Employer:

(A) has after the Change in Control reduced Employee's annual base salary or potential bonus level or any incentive compensation or stock option plan benefit (as in effect immediately before such Change in Control);

(B) has relocated Employee's office to a location that is more than 35 miles from the location in which Employee principally works for Employer or Parent immediately before such Change in Control;

(C) has relocated the principal executive office of Parent, Employer or the office of Employer's operating group for which Employee performed the majority of his services for Employer during the year before the Change in Control to a location that is more than 35 miles from the location of such office immediately before such Change in Control;

(D) has required Employee, in order to perform duties of substantially equal status, dignity and character to those duties Employee performed immediately before the Change in Control, to travel on Employer's business to a substantially greater extent than is

consistent with Employee's travel obligations immediately before such Change in Control;

(E) has failed to continue to provide Employee with benefits substantially equivalent to those enjoyed by Employee under any of Employer's life insurance, medical, health and accident or disability plans and incentive compensation or stock option plans in which Employee was participating immediately before the Change in Control;

(F) has taken any action that would directly or indirectly materially reduce any of such benefits or deprive Employee of any material fringe benefit enjoyed by Employee immediately before the Change in Control;

(G) has failed to provide Employee with at least the number of paid vacation days to which Employee is entitled on the basis of years of service under Employer's normal vacation policy in effect immediately before the Change in Control giving credit for time served at prior employers;

(2) voluntarily terminate his employment within one year following such Change in Control and such termination shall be as a result of Employee's good faith determination that as a result of the Change in Control and a change in circumstances thereafter significantly affecting his position other than those listed in Section 8(d)(i)(1) above, he can no longer adequately exercise the authorities, powers, functions or duties attached to his position as an executive officer of Employer, Parent or any of their affiliates; or

(3) voluntarily terminate his employment within one year following such Change in Control, and such termination shall be as a result of Employee's good faith determination that he can no longer perform his duties as an executive officer of Employer by reason of a substantial diminution in his responsibilities, status, title or position;

(4) have his employment terminated by Employer for reasons other than those specified in Section 8(b)(ii) within one (1) year following such Change in Control;

then in any of the above four cases, Employee shall have, instead of the rights described in Section 3(a), the right to immediately terminate this Agreement and receive from Employer, within fifteen business days following the date Employee notifies Employer of his constructive or voluntary termination pursuant to this Section 8(d)(i)(1), (2) or (3) or within three business days of having his employment terminated under 8(d)(i)(4) above, (A) a lump sum cash payment equal to three times the amount of Employee's Basic Salary with respect to the year in which such termination has

occurred plus three times the amount of any bonus awarded to Employee with respect to the year immediately preceding the year in which such termination occurred, provided, however, that if Employee for any reason did not receive a bonus in the immediately preceding year, Employee shall be deemed for purposes of this Section 8(d)(i) to have received a bonus in the amount of one-fourth of his annual Basic Salary for such year, and (B) medical plan coverage and other insurance benefits provided for himself and his spouse and dependents (to the extent his spouse and dependents are covered under the medical plan and other insurance benefits as of the date of Employee's termination of employment) for a period of three (3) years following the date of Employee's termination of employment, and (C) any and all options, rights or awards granted in conjunction with the Parent's or Employer's incentive compensation or stock option plans shall immediately vest. Employee shall not be required to mitigate the amount of any payment provided for in this Section 8(d)(i) by seeking other employment or otherwise. To the extent the provision of any such medical benefits are taxable to Employee or his spouse or dependents, Employer shall "gross up" Employee for such taxes based on Employee's actual tax rate (certified to Employer by Employee), up to 35% (without a "gross up" on the initial gross up). The obligation to provide this medical plan coverage shall terminate in the event Employee becomes employed by another employer that provides a medical plan that fully covers Employee and his dependents without a preexisting condition limitation.

(ii) For purposes of this Agreement, a "Change in Control" shall mean:

(1) the obtaining by any party or group acting in concert (other than current stockholders and warrantholders or their affiliates) of fifty percent (50%) or more of the voting shares of Parent pursuant to a "tender offer" for such shares as provided under Rule d-2 promulgated under the Securities Exchange Act of 1934, as amended, or any subsequent comparable federal rule or regulation governing tender offers; or

(2) individuals who were members of the Parent's board of directors immediately prior to any particular meeting of any Parent's shareholders that involves a contest for the election of directors fail to constitute a majority of the members of such Parent's board of directors following such election; or

(3) Parent executing an agreement concerning the sale of substantially all of its assets to a purchaser that is not the Employer, Parent or a direct or indirect subsidiary of Parent or the affiliate of Parent; or

(4) Parent's or Employer's adoption of a plan of dissolution or liquidation; or

(5) Parent's executing an agreement concerning a merger or consolidation in which Parent is not the surviving corporation or if, immediately following such merger or consolidation, less than fifty percent (50%) of the surviving corporation's outstanding voting stock is held by persons who were shareholders and/or warrantholders of Parent immediately prior to the merger or consolidation or their affiliates.

(iii) The provisions of Section 8(c) and this Section 8(d) are mutually exclusive; provided, however, that if within one year following commencement of a Section 8(c) payout there shall be a Change in Control as defined in Section 8(d)(ii), then Employee shall be entitled to the amount payable to Employee under Section 8(d)(i) reduced by the amount that Employee has received under Section 8(c) up to the date of the Change in Control. The triggering of the lump sum payment requirement of this Section 8(d) shall cause the provisions of Section 8(c) to become inoperative. The triggering of the continuation of payment provisions of Section 8(c) shall cause the provisions of Section 8(d) to become inoperative except to the extent provided in this Section 8(d)(iii).

(e) If the employment of Employee is terminated for good cause under Section 8(b)(ii) of this Agreement, or if Employee voluntarily terminates his employment by written notice to Employer under Section 8(a) of this Agreement without reliance on Section 8(d), Employer shall pay to Employee any compensation earned but not paid to Employee prior to the effective date of such termination. Under such circumstances, such payment shall be in full and complete discharge of any and all liabilities or obligations of Employer to Employee hereunder, and Employee shall be entitled to no further benefits under this Agreement.

9. Disclosure. Employee agrees that during the term of his employment by Employer, he will disclose to Employer (and no one else) all ideas, methods, plans, developments or improvements known by him which relate directly or indirectly to the business of Employer, whether acquired by Employee before or during his employment by Employer. Nothing in this Section 9 shall be construed as requiring any such communication where the idea, plan, method or development is lawfully protected from disclosure as a trade secret of a third party or by any other lawful prohibition against such communication.

10. Confidentiality. Employee agrees to keep in strict secrecy and confidence any and all information Employee assimilates or to which he has access during his employment by Employer and which has not been publicly disclosed and is not a matter of common knowledge in the fields of work of Employer. Employee agrees that both during and after the term of his employment by Employer, he will not, without the prior written consent of Employer, disclose any such confidential information to any third person, partnership, joint venture, company, corporation or other organization.

11. Noncompetition and Nonsolicitation. Employee hereby acknowledges that, during and, in some instances, solely as a result of his employment by Employer, he has received and shall continue to receive access to confidential information and business and professional contacts of Employer. In consideration of the special and unique opportunities afforded to Employee by Employer as a result of Employee's employment, as outlined in the previous sentence, Employee hereby agrees as follows:

(a) During the term of Employee's employment, whether pursuant to this Agreement, any automatic or other renewal hereof or otherwise, and, except as may be

otherwise herein provided, Employee shall not, directly or indirectly, enter into, engage in, be employed by or consult any business which competes with the business of Employer by selling, offering to sell, soliciting offers to buy, or producing, or by consulting with others concerning the selling or producing of, any product or service substantially similar to those now sold, produced or provided by Employer. Employee shall not engage in such prohibited activities, either as an individual, partner, officer, director, stockholder, employee, advisor, independent contractor, joint venturer, consultant, agent, or representative or salesman for any person, firm, partnership, corporation or other entity so competing with Employer. The restrictions of this Section 11 shall not be violated by (i) the ownership of no more than 5% of the outstanding securities of any company whose stock is publicly traded, or (ii) other outside business investments that do not in any manner conflict with the services to be rendered by Employee for Employer and its affiliates and that do not diminish or detract from Employee's ability to render his attention to the business of Employer and its affiliates.

(b) During his employment with Employer and, except as may be otherwise herein provided, Employee agrees he will refrain from and will not, directly or indirectly, as an individual, partner, officer, director, stockholder, employee, advisor, independent contractor, joint venturer, consultant, agent, representative, salesman or otherwise (1) solicit any of the employees of Employer to terminate their employment or (2) accept employment with or seek remuneration by any of the clients or customers of Employer with whom Employer did business during the term of Employee's employment.

(c) The parties hereto agree that the foregoing restrictive covenants set forth in Sections 11(a) and (b) are essential elements of this Agreement, and that, but for the agreement of Employee to comply with such covenants, Employer would not have agreed to enter into this Agreement. Such covenants by Employee shall be construed as agreements independent of any other provision in this Agreement. The existence of any claim or cause of action of Employee against Employer, whether predicated on this Agreement, or otherwise, shall not constitute a defense to the enforcement by Employer of such covenants.

(d) The parties hereto agree that if any portion of the covenants set forth in this Section 11 are held to be invalid, unreasonable, arbitrary or against public policy, then such portion of such covenants shall be considered divisible both as to time and geographical area. Employer and Employee agree that, if any court of competent jurisdiction determines the specified time period or the specified geographical area applicable to this Section 11 to be invalid, unreasonable, arbitrary or against public policy, a lesser time period or geographical area which is determined to be reasonable, non-arbitrary and not against public policy may be enforced against Employee. Employer and Employee agree that the foregoing covenants are appropriate and reasonable when considered in light of the nature and extent of the business conducted by Employer.

12. Specific Performance. Employee agrees that damages at law will be an insufficient remedy to Employer if Employee violates the terms of Sections 9, 10 or 11 of this Agreement and that Employer would suffer irreparable damage as a result of such violation. Accordingly, it is agreed that Employer shall be entitled, upon application to a court of competent jurisdiction, to

obtain injunctive relief to enforce the provisions of such Sections, which injunctive relief shall be in addition to any other rights or remedies available to Employer. In the event either party commences legal action relating to the enforcement of the terms of Sections 9, 10 or 11 of this Agreement, the prevailing party in such action shall be entitled to recover from the other party all of the costs and expenses in connection therewith, including reasonable fees and disbursements of counsel (both at trial and in appellate proceedings).

13. Compliance with Other Agreements. Employee represents and warrants that the execution of this Agreement by him and his performance of his obligations hereunder will not conflict with, result in the breach of any provision of or the termination of or constitute a default under any agreement to which Employee is a party or by which Employee is or may be bound.

14. Waiver of Breach. The waiver by Employer of a breach of any of the provisions of this Agreement by Employee shall not be construed as a waiver of any subsequent breach by Employee.

15. Binding Effect; Assignment. The rights and obligations of Employer under this Agreement shall inure to the benefit of and shall be binding upon the successors and assigns of Employer. This Agreement is a personal employment contract and the rights, obligations and interests of Employee hereunder may not be sold, assigned, transferred, pledged or hypothecated.

16. Indemnification. Employee shall be entitled throughout the term of this Agreement and thereafter to indemnification by Parent and Employer in respect of any actions or omissions as an employee, officer or director of Parent, Employer (or any successor thereof) to the fullest extent permitted by law. Parent and Employer also agree to obtain directors and officers (D&O) insurance in a reasonable amount determined by the Board and to maintain such insurance during the term of this Agreement (as such Agreement may be extended from time to time) and for a period of twelve (12) months following the termination of this Agreement, as so extended.

17. Entire Agreement. This Agreement contains the entire agreement and supersedes all prior agreements and understandings, oral or written, with respect to the subject matter hereof. This Agreement may be changed only by an agreement in writing signed by the party against whom any waiver, change, amendment, modification or discharge is sought.

18. Construction and Interpretation.

(a) The Board shall have the sole and absolute discretion to construe and interpret the terms of this Agreement, unless another individual or entity is charged with such responsibility.

(b) This Agreement shall be construed pursuant to and governed by the laws of the State of Louisiana (but any provision of Louisiana law shall not apply if the application of such provision would result in the application of the law of a state or jurisdiction other than Louisiana).

(c) The headings of the various sections in this Agreement are inserted for convenience of the parties and shall not affect the meaning, construction or interpretation of this Agreement.

(d) Any provision of this Agreement that is determined by a court of competent jurisdiction to be prohibited, unenforceable or not authorized in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition, unenforceability or non-authorization without invalidating the remaining provisions hereof or affecting the validity, enforceability or legality of such provision in any other jurisdiction. In any such case, such determination shall not affect any other provision of this Agreement, and the remaining provisions of this Agreement shall remain in full force and effect. If any provision or term of this Agreement is susceptible to two or more constructions or interpretations, one or more of which would render the provision or term void or unenforceable, the parties agree that a construction or interpretation that renders the term or provision valid shall be favored.

19. Notice. All notices that are required or may be given under this Agreement shall be in writing and shall be deemed to have been duly given when received if personally delivered; when transmitted if transmitted by telecopy or similar electronic transmission method; one working day after it is sent, if sent by recognized expedited delivery service; and five days after it is sent, if mailed, first class mail, certified mail, return receipt requested, with postage prepaid. In each case notice shall be sent to:

To Employer:

HORNBECK-LEEVAC Marine Operators, Inc.
414 N. Causeway Blvd.
Mandeville, LA 70448

To Employee at his address herein first above written.

20. Venue; Process. The parties to this Agreement agree that jurisdiction and venue in any action brought pursuant to this Agreement to enforce its terms or otherwise with respect to the relationships between the parties shall properly lie in the 22nd Judicial District Court for the Parish of St. Tammany or in the United States District Court for the Eastern District of Louisiana, New Orleans Division, New Orleans Office. Such jurisdiction and venue are merely permissive; jurisdiction and venue shall also continue to lie in any court where jurisdiction and venue would otherwise be proper.

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IN WITNESS WHEREOF, the parties hereto have executed this Agreement the day and year first above written.

EMPLOYER:

HORNBECK-LEEVAC MARINE OPERATORS, INC.

By: /s/ TODD M. HORNBECK
Name: Todd M. Hornbeck
Title: President

EMPLOYEE:

/s/ CHRISTIAN G. VACCARI
CHRISTIAN G. VACCARI

ACKNOWLEDGED AND AGREED TO FOR PURPOSES OF GUARANTEEING THE FINANCIAL OBLIGATIONS OF EMPLOYER TO EMPLOYEE:

HORNBECK-LEEVAC MARINE SERVICES, INC.

By: /s/ TODD M. HORNBECK
Name: Todd M. Hornbeck
Title: President

APPENDIX A

Employer shall annually provide Employee with a bonus that is at least equal as a percentage of Basic Salary as is determined by comparing the actual Parent (i) earnings before interest, taxes, depreciation, and amortization calculated on a consolidated basis with Parent's subsidiaries (the "EBITDA") and (ii) fully diluted earnings per share (the "EPS"), such actual Parent EBITDA and EPS performance, to be derived from audited financial statements of Parent and its consolidated subsidiaries prepared in accordance with generally accepted accounting principles ("GAAP"), taking into account accruals for such bonuses for Employee and other employees of Employer, to their respective Parent EBITDA and EPS targets set in advance by the Board (each referred to herein as a "Target" and collectively, as the "Targets") for each fiscal year under the term of this Agreement as contemplated below.

Employer and Employee agree that targets are to be aggressively set by the Board such that the bonus incentives for Employee are aligned with Parent shareholder goals for each fiscal year. Fifty percent (50%) of the bonus shall be based upon a percentage comparison of actual Parent EBITDA performance to the EBITDA Target for such fiscal year, and the remaining fifty percent (50%) shall be based upon a percentage comparison of actual Parent EPS performance to the EPS Target for such fiscal year.

Bonus awards for each Target based upon such percentage comparisons are as follows:

(i) achievement of eighty percent (80%) of Target earns a bonus of twelve and one-half percent (12.5%) of Basic Salary;

(ii) achievement of one hundred percent (100%) of Target earns a bonus of fifty percent (50%) of Basic Salary; and

(iii) achievement of one hundred fifty percent (150%) of Target earns a bonus of one hundred percent (100%) of Basic Salary.

Bonuses for Target achievement percentages (i) greater than eighty percent (80%) and less than one hundred percent (100%) and (ii) greater than one hundred percent (100%) but less than one hundred fifty percent (150%) shall be determined by the Board using a curve which is a straight line connecting eighty percent (80%) and one hundred percent (100%) and another line connecting one hundred percent (100%) and one hundred fifty percent (150%). Notwithstanding the above, the Board, in its sole discretion, may award a bonus to Employee for a Target achievement percentage that is less than eighty percent (80%), and the Board, in its sole discretion, may award an additional

bonus to Employee for a Target achievement percentage in excess of one hundred fifty percent (150%).

Notwithstanding the foregoing, the Year 2001 Target for Parent EBITDA performance shall be $21,700,000 and for Parent EPS performance shall be $0.22 per share. Based upon the RBC Dominion Securities prepared offering memorandum projections, the Year 2002 Target for Parent EBITDA performance shall be $35,200,000 and for Parent EPS performance shall be $0.36 per share.

EMPLOYER:

HORNBECK-LEEVAC MARINE OPERATORS, INC.

By: /s/ TODD M. HORNBECK

Name: Todd M. Hornbeck

Title: President

EMPLOYEE:

/s/ CHRISTIAN G. VACCARI

CHRISTIAN G. VACCARI

ACKNOWLEDGED AND AGREED TO FOR PURPOSES OF GUARANTEEING THE FINANCIAL OBLIGATIONS OF EMPLOYER TO EMPLOYEE:

HORNBECK-LEEVAC MARINE SERVICES, INC.

By: /s/ TODD M. HORNBECK

Name: Todd M. Hornbeck

Title: President

EXHIBIT 10.2

SENIOR
EMPLOYMENT AGREEMENT

THIS SENIOR EMPLOYMENT AGREEMENT ("Agreement") is made and entered into this 1st day of January, 2001, but is effective for all purposes as of the Commencement Date (as hereinafter defined), by and between HORNBECK-LEEVAC MARINE OPERATORS, INC., a Delaware corporation, (the "Employer"), and TODD M. HORNBECK, residing at 382 Winchester Circle, Mandeville, Louisiana 70448 (the "Employee").

WITNESSETH:

1. Employment. Employer hereby employs Employee, and Employee hereby accepts such employment, upon the terms and subject to the conditions set forth in this Agreement. Employee shall be employed by Employer but may serve (and if requested by Employer shall serve) as an officer and/or director of its parent, HORNBECK-LEEVAC Marine Services, Inc., a Delaware corporation ("Parent"), or any subsidiary or affiliate of Employer or Parent.

2. Term. The term of employment under this Agreement shall commence on January 1, 2001 (the "Commencement Date") and shall continue through December 31, 2003; provided, however, that beginning on January 1, 2004, and on every third January 1 thereafter (each a "Renewal Date"), the term of this Agreement shall automatically be extended three additional years unless either party gives the other written notice of termination at least ninety (90) days prior to any such Renewal Date. Written notice by Employer shall be solely pursuant to duly adopted resolution of Employer's or Parent's board of directors or, at such time as Parent is subject to the reporting requirements of the Securities Exchange Act of 1934, as amended, the compensation committee of Parent's board of directors. If Employee is terminated by Employer pursuant to such notice of nonrenewal, Employer shall pay to Employee as severance pay an amount equal to one half of Employee's basic annualized salary for the year preceding such termination and shall continue Employee's medical insurance and other benefits for six months following such termination. Employee shall have no further rights or obligations hereunder.

3. Compensation and Benefits.

(a) Employer shall pay to Employee as compensation for all services rendered by Employee a basic annualized salary of $200,000 during the initial three (3) year term of this Agreement (the "Basic Salary"), or such other sums as the parties may agree on from time to time, payable semi-monthly or in other more frequent installments, as determined by the Board (as hereinafter defined). The compensation committee of the board of directors of Parent, by providing direction through the board of directors of Employer (collectively, the board of directors of Parent, the compensation committee of Parent and the board of directors of Employer are referred to as the "Board") shall have the right to increase Employee's compensation from time to time and Employee shall be entitled to an annual review thereof or more frequently as determined by the Board. In addition, the Board, in its discretion, may,

with respect to any year during the term hereof, award a bonus or bonuses to Employee; provided, however, Employer shall annually provide Employee with a bonus that is at least equal as a percentage of basic annualized salary to the maximum percentage bonus provided during the same year to any other senior officer of Employer or Parent; provided, further, Employer shall annually provide Employee with a bonus as more particularly described in Appendix "A" attached hereto, which Appendix "A" may be modified, supplemented, or replaced from time to time by written agreement between Employer and Employee.

The compensation provided for in this Section 3(a) shall be in addition to any pension or profit sharing payments set aside or allocated for the benefit of Employee in either a tax qualified plan or otherwise.

(b) If the Board determines in its sole discretion that general economic conditions, the economic conditions of the oil and gas industry or the financial condition of Parent require such measures, the Board may reduce Employee's compensation hereunder, but in any such case by no more nor less than the percentage by which it has reduced and only if it reduces concurrently the compensation of all executive management and mid-management shore-based employees of Parent and its subsidiaries.

(c) Employer shall reimburse Employee for all reasonable expenses incurred by Employee in the performance of his duties under this Agreement; provided, however, that Employee must furnish to Employer an itemized account, satisfactory to Employer, in substantiation of such expenditures.

(d) Employee shall be entitled to such fringe benefits including, but not limited to, medical and family insurance benefits as may be provided from time to time by Employer to other senior officers of Employer; provided, however, that any health insurance shall not provide for a preexisting condition limitation, and, provided further, that during the term of this Agreement, such fringe benefits shall always be equal to, at a minimum, the maximum fringe benefits provided in a particular year to any other officer of Employer or Parent other than with respect to the grant of an award under any Incentive Compensation Plan of Employer.

(e) To the extent permitted by applicable law and terms of the benefit plans, Employer shall include in Employee's credited service, in any case where credited service is relevant in determining eligibility for or benefits under any employee benefits plan, the Employee's service for any parent, subsidiary or affiliate of Employer or for any predecessor thereof. and time served at prior employers.

(f) Employer shall provide Employee with an automobile during the term of the Agreement. The automobile shall be substantially equivalent to the highest value automobile provided to any other officer of Employer or Parent. Employer will also pay for auto insurance, maintenance and fuel. Employee may use the automobile for personal use and will pay all taxes related to such personal use.

(g) Employee shall be eligible to participate in such incentive compensation and stock option plans that have been approved or may in the future be approved by the shareholders of Parent of Employer and administered by the Parent.

4. Duties. Employee is engaged and shall serve as the Chief Operating Officer, President and Secretary of (i) Parent, (ii) Hornbeck Offshore Services, Inc., (iii) Employer, (iv) LEEVAC Marine, Inc. and (v) any other subsidiaries of Parent that may be formed or acquired. In addition, Employee shall have such other duties and hold such other offices as may from time to time be reasonably assigned to him by the Board.

5. Extent of Services; Vacations and Days Off.

(a) During the term of his employment under this Agreement, Employee shall devote such of his time, energy and attention to the benefit and business of Employer as may be necessary in performing his duties pursuant to this Agreement.

(b) Employee shall be entitled to vacations and holidays with pay and to such personal and sick leave with pay in accordance with the policy of Employer as may be established from time to time by Employer and applied to other senior officers of Employer; provided, however, that Employee shall annually be entitled to the maximum number of vacation days and holidays afforded to any other officer of Employer or Parent.

6. Facilities. Employer shall provide Employee with a fully furnished office, and the facilities of Employer shall be generally available to Employee in the performance of his duties pursuant to this Agreement; it being understood and contemplated by the parties that all equipment, supplies and office personnel required for Employee's performance of duties under this Agreement shall be supplied by Employer.

7. Illness or Incapacity, Termination on Death.

(a) If Employee dies during the term of his employment, Employer shall pay to the estate of Employee such compensation, including any bonus compensation earned but not yet paid, as would otherwise have been payable to Employee for a period of one year following his death and shall continue to provide medical insurance and other benefits to which Employee's dependents would otherwise have been entitled for the same period. Except for the benefits set forth in the preceding sentence and any life insurance benefits included in the benefit package provided at such time by Employer to Employee, Employer shall have no additional financial obligation under this Agreement to Employee or his estate. After receiving the payments and health insurance benefits provided in this subparagraph (a), Employee and his estate shall have no further rights under this Agreement.

(b)

(i) During any period of disability, illness or incapacity during the term of this Agreement that renders Employee at least temporarily unable to perform the services required under this Agreement for a period that shall not equal or exceed ninety (90) continuous days (provided that a return to full work status of less than

five full days shall be deemed not to interrupt the calculation of such 90 days), Employee shall receive the compensation payable under Section 3(a) of this Agreement plus any bonus compensation earned through the last day of such ninety (90) day period but not yet paid, less any benefits received by him under any disability insurance carried by or provided by Employer. All rights of Employee under this Agreement (other than rights already accrued) shall terminate as provided below upon Employee's permanent disability (as defined below), although Employee shall continue to receive any disability benefits to which he may be entitled under any disability income insurance that may be carried by or provided by Employer from time to time; Employer hereby agrees to provide such insurance on a same occupation basis.

(ii) The term "permanent disability" as used in this Agreement shall mean "permanent disability" under any long term disability plan maintained by Employer that covers Employee. In the absence of such a plan, "permanent disability" shall mean the inability of Employee, as determined by the Board, by reason of physical or mental disability to perform the duties required of him under this Agreement for a period of at least ninety (90) days in any one-year period. Upon such determination, the Board may terminate Employee's employment under this Agreement upon ten (10) days' prior written notice. If any determination of the Board with respect to permanent disability is disputed by Employee, the parties hereto agree to abide by the decision of a panel of three physicians. Employee and the Board shall each appoint one member, and the third member of the panel shall be appointed by the other two members. Employee agrees to make himself available for and submit to examinations by such physicians as may be directed by the Board. Failure to submit to any such examination shall constitute a breach of a material part of this Agreement.

8. Other Terminations.

(a)

(i) Employee may terminate his employment hereunder for any reason whatsoever upon giving at least ninety (90) days' prior written notice. In addition, Employee shall have the right to terminate his employment hereunder on the conditions and at the times provided for in Section 8(d) of the Agreement.

(ii) If Employee gives notice pursuant to Section 8(a)(i) above, Employer shall have the right to relieve Employee, in whole or in part, of his duties under this Agreement (without reduction in compensation through the termination date).

(b)

(i) Except as otherwise provided in this Agreement, Employer may terminate the employment of Employee hereunder only for "good cause" (as defined below) and upon written notice.

(ii) As used herein, "good cause" shall include:

(1) Employee's conviction of either a felony involving moral turpitude or any crime in connection with his employment by Employer that causes Employer a substantial detriment, but specifically shall not include traffic offenses;

(2) actions or inactions by Employee that clearly are contrary to the best interests of Employer;

(3) Employee's willful failure to take actions permitted by law and necessary to implement policies of the Board that the Board has communicated to him in writing, provided that such policies that are reflected in minutes of a Board meeting attended in its entirety by Employee shall be deemed communicated to Employee;

(4) Employee's continued failure to attend to his duties as an executive officer of Employer or its affiliates, following written notice from the Board to Employee of such failure; or

(5) any condition that either resulted from Employee's substantial dependence on alcohol, or any narcotic drug or other controlled or illegal substance. If any determination of substantial dependence is disputed by Employee, the parties hereto agree to abide by the decision of a panel of three physicians appointed in the manner specified in Section 7(b)(ii) of this Agreement.

(6) With respect to (2) through (5) above, such circumstances shall not constitute "good cause" unless Employee has failed to cure such circumstances within 10 business days following written notice thereof from the Board identifying in reasonable detail the manner in which the Employer believes that Employee has not performed such duties and indicating the steps Employer requires to cure such circumstances.

(iii) Termination of the employment of Employee for reasons other than those expressly specified in this Agreement as good cause shall be deemed to be a termination of employment "without good cause."

(c)

(i) If Employer shall terminate the employment of Employee without good cause effective on a date earlier than the termination date provided for in Section 2 (with the effective date of termination as so identified by Employer being referred to herein as the "Accelerated Termination Date"), Employee, until the termination date provided for in Section 2 or until the date that is two (2) years after the Accelerated Termination Date, whichever is later, shall continue to receive the salary and other compensation and benefits specified in Section 3, in each case in the

amount and kind and at the time provided for in Section 3; provided that, notwithstanding such termination of employment, Employee's covenants set forth in Section 10 shall remain in full force and effect.

(ii) If Employer shall terminate the employment of Employee without good cause effective on a date earlier than the termination date provided for in Section 2, any and all options, rights or awards granted in conjunction with Parent's or Employer's incentive compensation and stock option plans shall immediately vest.

(iii) The parties agree that, because there can be no exact measure of the damage that would occur to Employee as a result of a termination by Employer of Employee's employment without good cause, the payments and benefits paid and provided pursuant to this Section 8(c) shall be deemed to constitute liquidated damages and not a penalty for Employer's termination of Employee's employment without good cause, and Employer agrees that Employee should not be required to mitigate his damages.

(d)

(i) If a Change in Control of Employer, as defined in Section 8(d)(ii) shall occur, and Employee shall:

(1) have his employment constructively terminated by Employer because Employer:

(A) has after the Change in Control reduced Employee's annual base salary or potential bonus level or any incentive compensation or stock option plan benefit (as in effect immediately before such Change in Control);

(B) has relocated Employee's office to a location that is more than 35 miles from the location in which Employee principally works for Employer or Parent immediately before such Change in Control;

(C) has relocated the principal executive office of Parent, Employer or the office of Employer's operating group for which Employee performed the majority of his services for Employer during the year before the Change in Control to a location that is more than 35 miles from the location of such office immediately before such Change in Control;

(D) has required Employee, in order to perform duties of substantially equal status, dignity and character to those duties Employee performed immediately before the Change in Control, to travel on Employer's business to a substantially greater extent than is

consistent with Employee's travel obligations immediately before such Change in Control;

(E) has failed to continue to provide Employee with benefits substantially equivalent to those enjoyed by Employee under any of Employer's life insurance, medical, health and accident or disability plans and incentive compensation or stock option plans in which Employee was participating immediately before the Change in Control;

(F) has taken any action that would directly or indirectly materially reduce any of such benefits or deprive Employee of any material fringe benefit enjoyed by Employee immediately before the Change in Control;

(G) has failed to provide Employee with at least the number of paid vacation days to which Employee is entitled on the basis of years of service under Employer's normal vacation policy in effect immediately before the Change in Control giving credit for time served at prior employers;

(2) voluntarily terminate his employment within one year following such Change in Control and such termination shall be as a result of Employee's good faith determination that as a result of the Change in Control and a change in circumstances thereafter significantly affecting his position other than those listed in Section 8(d)(i)(1) above, he can no longer adequately exercise the authorities, powers, functions or duties attached to his position as an executive officer of Employer, Parent or any of their affiliates; or

(3) voluntarily terminate his employment within one year following such Change in Control, and such termination shall be as a result of Employee's good faith determination that he can no longer perform his duties as an executive officer of Employer by reason of a substantial diminution in his responsibilities, status, title or position;

(4) have his employment terminated by Employer for reasons other than those specified in Section 8(b)(ii) within one (1) year following such Change in Control;

then in any of the above four cases, Employee shall have, instead of the rights described in Section 3(a), the right to immediately terminate this Agreement and receive from Employer, within fifteen business days following the date Employee notifies Employer of his constructive or voluntary termination pursuant to this Section 8(d)(i)(1), (2) or (3) or within three business days of having his employment terminated under 8(d)(i)(4) above, (A) a lump sum cash payment equal to three times the amount of Employee's Basic Salary with respect to the year in which such termination has

occurred plus three times the amount of any bonus awarded to Employee with respect to the year immediately preceding the year in which such termination occurred, provided, however, that if Employee for any reason did not receive a bonus in the immediately preceding year, Employee shall be deemed for purposes of this Section 8(d)(i) to have received a bonus in the amount of one-fourth of his annual Basic Salary for such year, and (B) medical plan coverage and other insurance benefits provided for himself and his spouse and dependents (to the extent his spouse and dependents are covered under the medical plan and other insurance benefits as of the date of Employee's termination of employment) for a period of three (3) years following the date of Employee's termination of employment, and (C) any and all options, rights or awards granted in conjunction with the Parent's or Employer's incentive compensation or stock option plans shall immediately vest. Employee shall not be required to mitigate the amount of any payment provided for in this Section 8(d)(i) by seeking other employment or otherwise. To the extent the provision of any such medical benefits are taxable to Employee or his spouse or dependents, Employer shall "gross up" Employee for such taxes based on Employee's actual tax rate (certified to Employer by Employee), up to 35% (without a "gross up" on the initial gross up). The obligation to provide this medical plan coverage shall terminate in the event Employee becomes employed by another employer that provides a medical plan that fully covers Employee and his dependents without a preexisting condition limitation.

(ii) For purposes of this Agreement, a "Change in Control" shall mean:

(1) the obtaining by any party or group acting in concert (other than current stockholders and warrantholders or their affiliates) of fifty percent (50%) or more of the voting shares of Parent pursuant to a "tender offer" for such shares as provided under Rule d-2 promulgated under the Securities Exchange Act of 1934, as amended, or any subsequent comparable federal rule or regulation governing tender offers; or

(2) individuals who were members of the Parent's board of directors immediately prior to any particular meeting of any Parent's shareholders that involves a contest for the election of directors fail to constitute a majority of the members of such Parent's board of directors following such election; or

(3) Parent executing an agreement concerning the sale of substantially all of its assets to a purchaser that is not the Employer, Parent or a direct or indirect subsidiary of Parent or the affiliate of Parent; or

(4) Parent's or Employer's adoption of a plan of dissolution or liquidation; or

(5) Parent's executing an agreement concerning a merger or consolidation in which Parent is not the surviving corporation or if, immediately following such merger or consolidation, less than fifty percent (50%) of the surviving corporation's outstanding voting stock is held by persons who were shareholders and/or warrantholders of Parent immediately prior to the merger or consolidation or their affiliates.

(iii) The provisions of Section 8(c) and this Section 8(d) are mutually exclusive; provided, however, that if within one year following commencement of a Section 8(c) payout there shall be a Change in Control as defined in Section 8(d)(ii), then Employee shall be entitled to the amount payable to Employee under Section 8(d)(i) reduced by the amount that Employee has received under Section 8(c) up to the date of the Change in Control. The triggering of the lump sum payment requirement of this Section 8(d) shall cause the provisions of Section 8(c) to become inoperative. The triggering of the continuation of payment provisions of Section 8(c) shall cause the provisions of Section 8(d) to become inoperative except to the extent provided in this Section 8(d)(iii).

(e) If the employment of Employee is terminated for good cause under Section 8(b)(ii) of this Agreement, or if Employee voluntarily terminates his employment by written notice to Employer under Section 8(a) of this Agreement without reliance on Section 8(d), Employer shall pay to Employee any compensation earned but not paid to Employee prior to the effective date of such termination. Under such circumstances, such payment shall be in full and complete discharge of any and all liabilities or obligations of Employer to Employee hereunder, and Employee shall be entitled to no further benefits under this Agreement.

9. Disclosure. Employee agrees that during the term of his employment by Employer, he will disclose to Employer (and no one else) all ideas, methods, plans, developments or improvements known by him which relate directly or indirectly to the business of Employer, whether acquired by Employee before or during his employment by Employer. Nothing in this Section 9 shall be construed as requiring any such communication where the idea, plan, method or development is lawfully protected from disclosure as a trade secret of a third party or by any other lawful prohibition against such communication.

10. Confidentiality. Employee agrees to keep in strict secrecy and confidence any and all information Employee assimilates or to which he has access during his employment by Employer and which has not been publicly disclosed and is not a matter of common knowledge in the fields of work of Employer. Employee agrees that both during and after the term of his employment by Employer, he will not, without the prior written consent of Employer, disclose any such confidential information to any third person, partnership, joint venture, company, corporation or other organization.

11. Noncompetition and Nonsolicitation. Employee hereby acknowledges that, during and, in some instances, solely as a result of his employment by Employer, he has received and shall continue to receive access to confidential information and business and professional contacts of Employer. In consideration of the special and unique opportunities afforded to Employee by Employer as a result of Employee's employment, as outlined in the previous sentence, Employee hereby agrees as follows:

(a) During the term of Employee's employment, whether pursuant to this Agreement, any automatic or other renewal hereof or otherwise, and, except as may be

otherwise herein provided, Employee shall not, directly or indirectly, enter into, engage in, be employed by or consult any business which competes with the business of Employer by selling, offering to sell, soliciting offers to buy, or producing, or by consulting with others concerning the selling or producing of, any product or service substantially similar to those now sold, produced or provided by Employer. Employee shall not engage in such prohibited activities, either as an individual, partner, officer, director, stockholder, employee, advisor, independent contractor, joint venturer, consultant, agent, or representative or salesman for any person, firm, partnership, corporation or other entity so competing with Employer. The restrictions of this Section 11 shall not be violated by (i) the ownership of no more than 5% of the outstanding securities of any company whose stock is publicly traded, or (ii) other outside business investments that do not in any manner conflict with the services to be rendered by Employee for Employer and its affiliates and that do not diminish or detract from Employee's ability to render his attention to the business of Employer and its affiliates.

(b) During his employment with Employer and, except as may be otherwise herein provided, Employee agrees he will refrain from and will not, directly or indirectly, as an individual, partner, officer, director, stockholder, employee, advisor, independent contractor, joint venturer, consultant, agent, representative, salesman or otherwise (1) solicit any of the employees of Employer to terminate their employment or (2) accept employment with or seek remuneration by any of the clients or customers of Employer with whom Employer did business during the term of Employee's employment.

(c) The parties hereto agree that the foregoing restrictive covenants set forth in Sections 11(a) and (b) are essential elements of this Agreement, and that, but for the agreement of Employee to comply with such covenants, Employer would not have agreed to enter into this Agreement. Such covenants by Employee shall be construed as agreements independent of any other provision in this Agreement. The existence of any claim or cause of action of Employee against Employer, whether predicated on this Agreement, or otherwise, shall not constitute a defense to the enforcement by Employer of such covenants.

(d) The parties hereto agree that if any portion of the covenants set forth in this Section 11 are held to be invalid, unreasonable, arbitrary or against public policy, then such portion of such covenants shall be considered divisible both as to time and geographical area. Employer and Employee agree that, if any court of competent jurisdiction determines the specified time period or the specified geographical area applicable to this Section 11 to be invalid, unreasonable, arbitrary or against public policy, a lesser time period or geographical area which is determined to be reasonable, non-arbitrary and not against public policy may be enforced against Employee. Employer and Employee agree that the foregoing covenants are appropriate and reasonable when considered in light of the nature and extent of the business conducted by Employer.

12. Specific Performance. Employee agrees that damages at law will be an insufficient remedy to Employer if Employee violates the terms of Sections 9, 10 or 11 of this Agreement and that Employer would suffer irreparable damage as a result of such violation. Accordingly, it is agreed that Employer shall be entitled, upon application to a court of competent jurisdiction, to

obtain injunctive relief to enforce the provisions of such Sections, which injunctive relief shall be in addition to any other rights or remedies available to Employer. In the event either party commences legal action relating to the enforcement of the terms of Sections 9, 10 or 11 of this Agreement, the prevailing party in such action shall be entitled to recover from the other party all of the costs and expenses in connection therewith, including reasonable fees and disbursements of counsel (both at trial and in appellate proceedings).

13. Compliance with Other Agreements. Employee represents and warrants that the execution of this Agreement by him and his performance of his obligations hereunder will not conflict with, result in the breach of any provision of or the termination of or constitute a default under any agreement to which Employee is a party or by which Employee is or may be bound.

14. Waiver of Breach. The waiver by Employer of a breach of any of the provisions of this Agreement by Employee shall not be construed as a waiver of any subsequent breach by Employee.

15. Binding Effect; Assignment. The rights and obligations of Employer under this Agreement shall inure to the benefit of and shall be binding upon the successors and assigns of Employer. This Agreement is a personal employment contract and the rights, obligations and interests of Employee hereunder may not be sold, assigned, transferred, pledged or hypothecated.

16. Indemnification. Employee shall be entitled throughout the term of this Agreement and thereafter to indemnification by Parent and Employer in respect of any actions or omissions as an employee, officer or director of Parent, Employer (or any successor thereof) to the fullest extent permitted by law. Parent and Employer also agree to obtain directors and officers (D&O) insurance in a reasonable amount determined by the Board and to maintain such insurance during the term of this Agreement (as such Agreement may be extended from time to time) and for a period of twelve (12) months following the termination of this Agreement, as so extended.

17. Entire Agreement. This Agreement contains the entire agreement and supersedes all prior agreements and understandings, oral or written, with respect to the subject matter hereof. This Agreement may be changed only by an agreement in writing signed by the party against whom any waiver, change, amendment, modification or discharge is sought.

18. Construction and Interpretation.

(a) The Board shall have the sole and absolute discretion to construe and interpret the terms of this Agreement, unless another individual or entity is charged with such responsibility.

(b) This Agreement shall be construed pursuant to and governed by the laws of the State of Louisiana (but any provision of Louisiana law shall not apply if the application of such provision would result in the application of the law of a state or jurisdiction other than Louisiana).

(c) The headings of the various sections in this Agreement are inserted for convenience of the parties and shall not affect the meaning, construction or interpretation of this Agreement.

(d) Any provision of this Agreement that is determined by a court of competent jurisdiction to be prohibited, unenforceable or not authorized in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition, unenforceability or non-authorization without invalidating the remaining provisions hereof or affecting the validity, enforceability or legality of such provision in any other jurisdiction. In any such case, such determination shall not affect any other provision of this Agreement, and the remaining provisions of this Agreement shall remain in full force and effect. If any provision or term of this Agreement is susceptible to two or more constructions or interpretations, one or more of which would render the provision or term void or unenforceable, the parties agree that a construction or interpretation that renders the term or provision valid shall be favored.

19. Notice. All notices that are required or may be given under this Agreement shall be in writing and shall be deemed to have been duly given when received if personally delivered; when transmitted if transmitted by telecopy or similar electronic transmission method; one working day after it is sent, if sent by recognized expedited delivery service; and five days after it is sent, if mailed, first class mail, certified mail, return receipt requested, with postage prepaid. In each case notice shall be sent to:

To Employer:

HORNBECK-LEEVAC Marine Operators, Inc.
Attention: Christian G. Vaccari
414 N. Causeway Blvd.
Mandeville, LA 70448

To Employee at his address herein first above written.

20. Venue; Process. The parties to this Agreement agree that jurisdiction and venue in any action brought pursuant to this Agreement to enforce its terms or otherwise with respect to the relationships between the parties shall properly lie in the 22nd Judicial District Court for the Parish of St. Tammany or in the United States District Court for the Eastern District of Louisiana, New Orleans Division, New Orleans Office. Such jurisdiction and venue are merely permissive; jurisdiction and venue shall also continue to lie in any court where jurisdiction and venue would otherwise be proper.

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IN WITNESS WHEREOF, the parties hereto have executed this Agreement the day and year first above written.

EMPLOYER:

HORNBECK-LEEVAC MARINE OPERATORS, INC.

By: /s/ CHRISTIAN G. VACCARI
Name: Christian G. Vaccari
Title: CEO

EMPLOYEE:

/s/ TODD M. HORNBECK
TODD M. HORNBECK

ACKNOWLEDGED AND AGREED TO FOR PURPOSES OF GUARANTEEING THE FINANCIAL OBLIGATIONS OF EMPLOYER TO EMPLOYEE:

HORNBECK-LEEVAC MARINE SERVICES, INC.

By: /s/ CHRISTIAN G. VACCARI
Name: Christian G. Vaccari
Title: CEO

APPENDIX A

Employer shall annually provide Employee with a bonus that is at least equal as a percentage of Basic Salary as is determined by comparing the actual Parent (i) earnings before interest, taxes, depreciation, and amortization calculated on a consolidated basis with Parent's subsidiaries (the "EBITDA") and (ii) fully diluted earnings per share (the "EPS"), such actual Parent EBITDA and EPS performance, to be derived from audited financial statements of Parent and its consolidated subsidiaries prepared in accordance with generally accepted accounting principles ("GAAP"), taking into account accruals for such bonuses for Employee and other employees of Employer, to their respective Parent EBITDA and EPS targets set in advance by the Board (each referred to herein as a "Target" and collectively, as the "Targets") for each fiscal year under the term of this Agreement as contemplated below.

Employer and Employee agree that targets are to be aggressively set by the Board such that the bonus incentives for Employee are aligned with Parent shareholder goals for each fiscal year. Fifty percent (50%) of the bonus shall be based upon a percentage comparison of actual Parent EBITDA performance to the EBITDA Target for such fiscal year, and the remaining fifty percent (50%) shall be based upon a percentage comparison of actual Parent EPS performance to the EPS Target for such fiscal year.

Bonus awards for each Target based upon such percentage comparisons are as follows:

(i) achievement of eighty percent (80%) of Target earns a bonus of twelve and one-half percent (12.5%) of Basic Salary;

(ii) achievement of one hundred percent (100%) of Target earns a bonus of fifty percent (50%) of Basic Salary; and

(iii) achievement of one hundred fifty percent (150%) of Target earns a bonus of one hundred percent (100%) of Basic Salary.

Bonuses for Target achievement percentages (i) greater than eighty percent (80%) and less than one hundred percent (100%) and (ii) greater than one hundred percent (100%) but less than one hundred fifty percent (150%) shall be determined by the Board using a curve which is a straight line connecting eighty percent (80%) and one hundred percent (100%) and another line connecting one hundred percent (100%) and one hundred fifty percent (150%). Notwithstanding the above, the Board, in its sole discretion, may award a bonus to Employee for a Target achievement percentage that is less than eighty percent (80%), and the Board, in its sole discretion, may award an additional

bonus to Employee for a Target achievement percentage in excess of one hundred fifty percent (150%).

Notwithstanding the foregoing, the Year 2001 Target for Parent EBITDA performance shall be $21,700,000 and for Parent EPS performance shall be $0.22 per share. Based upon the RBC Dominion Securities prepared offering memorandum projections, the Year 2002 Target for Parent EBITDA performance shall be $35,200,000 and for Parent EPS performance shall be $0.36 per share.

EMPLOYER:

HORNBECK-LEEVAC MARINE OPERATORS, INC.

By: /s/ CHRISTIAN G. VACCARI

Name: Christian G. Vaccari

Title: CEO

EMPLOYEE:

/s/ TODD M. HORNBECK

TODD M. HORNBECK

ACKNOWLEDGED AND AGREED TO FOR PURPOSES OF GUARANTEEING THE FINANCIAL OBLIGATIONS OF EMPLOYER TO EMPLOYEE:

HORNBECK-LEEVAC MARINE SERVICES, INC.

By: /s/ CHRISTIAN G. VACCARI

Name: Christian G. Vaccari

Title: CEO

EXHIBIT 10.3

FORM: VP OPERATIONS
EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT ("Agreement") is made and entered into this 1st day of January, 2001, but is effective for all purposes as of the Commencement Date (as hereinafter defined), by and between HORNBECK-LEEVAC MARINE OPERATORS, INC., a Delaware corporation, (the "Employer"), and CARL G. ANNESSA, residing at 1201 Bluewater Drive, Mandeville, Louisiana 70471 (the "Employee").

WITNESSETH:

1. Employment. Employer hereby employs Employee, and Employee hereby accepts such employment, upon the terms and subject to the conditions set forth in this Agreement. Employee shall be employed by Employer but may serve (and if requested by Employer shall serve) as an officer and/or director of its parent, HORNBECK-LEEVAC Marine Services, Inc., a Delaware corporation ("Parent"), or any subsidiary or affiliate of Employer or Parent.

2. Term. The term of employment under this Agreement shall commence on January 1, 2001 (the "Commencement Date") and shall continue through December 31, 2003; provided, however, that beginning on January 1, 2004, and on every third January 1 thereafter (each a "Renewal Date"), the term of this Agreement shall automatically be extended three additional years unless either party gives the other written notice of termination at least ninety (90) days prior to any such Renewal Date. Written notice by Employer shall be solely pursuant to duly adopted resolution of Employer's or Parent's board of directors or, at such time as Parent is subject to the reporting requirements of the Securities Exchange Act of 1934, as amended, the compensation committee of Parent's board of directors. If Employee is terminated by Employer pursuant to such notice of nonrenewal, Employer shall pay to Employee as severance pay an amount equal to one half of Employee's basic annualized salary for the year preceding such termination and shall continue Employee's medical insurance and other benefits for six months following such termination. Employee shall have no further rights or obligations hereunder.

3. Compensation and Benefits.

(a) Employer shall pay to Employee as compensation for all services rendered by Employee a basic annualized salary of $160,000 during the initial three (3) year term of this Agreement (the "Basic Salary"), or such other sums as the parties may agree on from time to time, payable semi-monthly or in other more frequent installments, as determined by the Board (as hereinafter defined). The compensation committee of the board of directors of Parent, by providing direction through the board of directors of Employer (collectively, the board of directors of Parent, the compensation committee of Parent and the board of directors of Employer are referred to as the "Board") shall have the right to increase Employee's compensation from time to time and Employee shall be entitled to an annual review thereof or more frequently as determined by the Board. In addition, the Board, in its discretion, may, with respect to any year during the term hereof, award a bonus or bonuses to Employee; provided, however, Employer shall annually provide Employee with a bonus as more particularly described in Appendix "A" attached hereto, which Appendix "A" may be modified, supplemented, or replaced from time to time by written agreement between Employer and Employee.

The compensation provided for in this Section 3(a) shall be in addition to any pension or profit sharing payments set aside or allocated for the benefit of Employee in either a tax qualified plan or otherwise.

(b) If the Board determines in its sole discretion that general economic conditions, the economic conditions of the oil and gas industry or the financial condition of Parent require such measures, the Board may reduce Employee's compensation hereunder, but in any such case by no more nor less than the percentage by which it has reduced and only if it reduces concurrently the compensation of all executive management and mid-management shore-based employees of Parent and its subsidiaries.

(c) Employer shall reimburse Employee for all reasonable expenses incurred by Employee in the performance of his duties under this Agreement; provided, however, that Employee must furnish to Employer an itemized account, satisfactory to Employer, in substantiation of such expenditures.

(d) Employee shall be entitled to such fringe benefits including, but not limited to, medical and family insurance benefits as may be provided from time to time by Employer to other senior officers of Employer; provided, however, that any health insurance shall not provide for a preexisting condition limitation, and, provided further, that during the term of this Agreement, such fringe benefits shall always be equal to, at a minimum, the maximum fringe benefits provided in a particular year to any other officer of Employer or Parent other than with respect to the grant of an award under any Incentive Compensation Plan of Employer.

(e) To the extent permitted by applicable law and terms of the benefit plans, Employer shall include in Employee's credited service, in any case where credited service is relevant in determining eligibility for or benefits under any employee benefits plan, the Employee's service for any parent, subsidiary or affiliate of Employer or for any predecessor thereof and time served at prior employers.

(f) Employer shall provide Employee with an automobile during the term of the Agreement as approved by the CEO and President. Employer will also pay for auto insurance, maintenance and fuel. Employee may use the automobile for personal use and will pay all taxes related to such personal use.

(g) Employee shall be eligible to participate in such incentive compensation and stock option plans that have been approved or may in the future be approved by the shareholders of Parent or Employer and administered by the Board.

4. Duties. Employee is engaged and shall serve as Vice President of Operations of (i) Parent, (ii) Hornbeck Offshore Services, Inc., (iii) Employer, (iv) LEEVAC Marine, Inc. and (v) any other subsidiaries of Parent that may be formed or acquired. In addition, Employee shall have such other duties and hold such other offices as may from time to time be reasonably assigned to him by the Board.

5. Extent of Services; Vacations and Days Off.

(a) During the term of his employment under this Agreement, Employee shall devote his full business time, energy and attention to the benefit and business of Employer as may be necessary in performing his duties pursuant to this Agreement. Employee shall not provide services of a business nature to any other person other than that which has been disclosed and permitted by the Employer.

(b) Employee shall be entitled to vacations and holidays with pay and to such personal and sick leave with pay in accordance with the policy of Employer as may be established from time to time by Employer and applied to other senior officers of Employer; provided, however, that Employee shall annually be entitled to the maximum number of vacation days and holidays afforded to any other officer of Employer or Parent.

6. Facilities. Employer shall provide Employee with a fully furnished office, and the facilities of Employer shall be generally available to Employee in the performance of his duties pursuant to this Agreement; it being understood and contemplated by the parties that all equipment, supplies and office personnel required for Employee's performance of duties under this Agreement shall be supplied by Employer.

7. Illness or Incapacity, Termination on Death.

(a) If Employee dies during the term of his employment, Employer shall pay to the estate of Employee such compensation, including any bonus compensation earned but not yet paid, as would otherwise have been payable to Employee for a period of one (1) year following his death and shall

continue to provide medical insurance and other benefits to which Employee's dependents would otherwise have been entitled for the same period. Except for the benefits set forth in the preceding sentence and any life insurance benefits included in the benefit package provided at such time by Employer to Employee, Employer shall have no additional financial obligation under this Agreement to Employee or his estate. After receiving the payments and health insurance benefits provided in this subparagraph (a), Employee and his estate shall have no further rights under this Agreement.

(b)

(i) During any period of disability, illness or incapacity during the term of this Agreement that renders Employee at least temporarily unable to perform the services required under this Agreement for a period that shall not equal or exceed ninety (90) continuous days (provided that a return to full work status of less than five full days shall be deemed not to interrupt the calculation of such 90 days), Employee shall receive the compensation payable under Section 3(a) of this Agreement plus any bonus compensation earned through the last day of such ninety (90) day period but not yet paid, less any benefits received by him under any disability insurance carried by or provided by Employer. All rights of Employee under this Agreement (other than rights already accrued) shall terminate as provided below upon Employee's permanent disability (as defined below), although Employee shall continue to receive any disability benefits to which he may be entitled under any disability income insurance that may be carried by or provided by Employer from time to time; Employer hereby agrees to provide such insurance on a same occupation basis.

(ii) The term "permanent disability" as used in this Agreement shall mean "permanent disability" under any long term disability plan maintained by Employer that covers Employee. In the absence of such a plan, "permanent disability" shall mean the inability of Employee, as determined by the Board, by reason of physical or mental disability to perform the duties required of him under this Agreement for a period of at least ninety (90) days in any one-year period. Upon such determination, the Board may terminate Employee's employment under this Agreement upon ten (10) days' prior written notice. If any determination of the Board with respect to permanent disability is disputed by Employee, the parties hereto agree to abide by the decision of a panel of three physicians. Employee and the Board shall each appoint one member, and the third member of the panel shall be appointed by the other two members. Employee agrees to make himself available for and submit to examinations by such physicians as may be directed by the Board. Failure to submit to any such examination shall constitute a breach of a material part of this Agreement.

8. Other Terminations.

(a)

(i) Employee may terminate his employment hereunder for any reason whatsoever upon giving at least thirty (30) days' prior written notice. In addition, Employee shall have the right to terminate his employment hereunder on the conditions and at the times provided for in Section 8(d) of the Agreement.

(ii) If Employee gives notice pursuant to Section 8(a)(i) above, Employer shall have the right to relieve Employee, in whole or in part, of his duties under this Agreement (without reduction in compensation through the termination date).

(b)

(i) Except as otherwise provided in this Agreement, Employer may terminate the employment of Employee hereunder only for "good cause" (as defined below) and upon written notice.

(ii) As used herein, "good cause" shall include:

(1) Employee's conviction of either a felony involving moral turpitude or any crime in connection with his employment by Employer that causes Employer a substantial detriment, but specifically shall not include traffic offenses;

(2) actions or inactions by Employee that clearly are contrary to the best interests of Employer;

(3) Employee's willful failure to take actions permitted by law and necessary to implement policies of the Board that the Board has communicated to him in writing, provided that such policies that are reflected in minutes of a Board meeting attended in its entirety by Employee shall be deemed communicated to Employee;

(4) Employee's continued failure to devote his full business time, energy and attention to his duties as an executive officer of Employer or its affiliates, following written notice from the Board to Employee of such failure; or

(5) any condition that either resulted from Employee's substantial dependence on alcohol, or any narcotic drug or other controlled or illegal substance. If any determination of substantial dependence is disputed by Employee, the parties hereto agree to abide by the decision of a panel of three physicians appointed in the manner specified in Section 7(b)(ii) of this Agreement.

(6) With respect to (2) through (5) above, such circumstances shall not constitute "good cause" unless Employee has failed to cure such circumstances within 10 business days following written notice thereof from the Board identifying in reasonable detail the manner in which the Employer believes that Employee has not performed such duties and indicating the steps Employer requires to cure such circumstances.

(iii) Termination of the employment of Employee for reasons other than those expressly specified in this Agreement as good cause shall be deemed to be a termination of employment "without good cause."

(c)

(i) If Employer shall terminate the employment of Employee without good cause effective on a date earlier than the termination date provided for in Section 2 (with the effective date of termination as so identified by Employer being referred to herein as the "Accelerated Termination Date"), Employee, until the termination date provided for in Section 2 or until the date that is one (1) year after the Accelerated Termination Date, whichever is later, shall continue to receive the salary and other compensation and benefits specified in Section 3, in each case in the amount and kind and at the time provided for in Section 3; provided that, notwithstanding such termination of employment, Employee's covenants set forth in Sections 10 and 11 shall remain in full force and effect; provided further that, at Employer's option, Employee's covenants set forth in Sections 10 and 11 shall remain in full force and effect for an additional one (1) year following the period referred to in Sections 10 and 11 if Employer elects to provide and provides to Employee the salary and other compensation and other benefits specified in Section 3 for an additional period of one (1) year following the period referred to in the first sentence of this Section (8)(c)(i).

(ii) If Employer shall terminate the employment of Employee without good cause effective on a date earlier than the termination date provided for in Section 2, any and all options, rights or awards granted in conjunction with Parent's or Employer's incentive compensation and stock option plans shall immediately vest.

(iii) The parties agree that, because there can be no exact measure of the damage that would occur to Employee as a result of a termination by Employer of Employee's employment

without good cause, the payments and benefits paid and provided pursuant to this Section 8(c) shall be deemed to constitute liquidated damages and not a penalty for Employer's termination of Employee's employment without good cause, and Employer agrees that Employee should not be required to mitigate his damages.

(d)

(i) If a Change in Control of Employer, as defined in Section 8(d)(ii) shall occur, and Employee shall:

(1) have his employment constructively terminated by Employer because Employer:

(A) has after the Change in Control reduced Employee's annual base salary or potential bonus level or any incentive compensation or stock option plan benefit (as in effect immediately before such Change in Control);

(B) has relocated Employee's office to a location that is more than 35 miles from the location in which Employee principally works for Employer or Parent immediately before such Change in Control;

(C) has relocated the principal executive office of Parent, Employer or the office of Employer's operating group for which Employee performed the majority of his services for Employer during the year before the Change in Control to a location that is more than 35 miles from the location of such office immediately before such Change in Control;

(D) has required Employee, in order to perform duties of substantially equal status, dignity and character to those duties Employee performed immediately before the Change in Control, to travel on Employer's business to a substantially greater extent than is consistent with Employee's travel obligations immediately before such Change in Control;

(E) has failed to continue to provide Employee with benefits substantially equivalent to those enjoyed by Employee under any of Employer's life insurance, medical, health and accident or disability plans and incentive compensation or stock option plans in which Employee was participating immediately before the Change in Control;

(F) has taken any action that would directly or indirectly materially reduce any of such benefits or deprive Employee of any material fringe benefit enjoyed by Employee immediately before the Change in Control;

(G) has failed to provide Employee with at least the number of paid vacation days to which Employee is entitled on the basis of years of service under Employer's normal vacation policy in effect immediately before the Change in Control giving credit for time served at prior employers;

(2) voluntarily terminate his employment within one year following such Change in Control and such termination shall be as a result of Employee's good faith determination that as a result of the Change in Control and a change in circumstances thereafter significantly affecting his position other than those listed in Section 8(d)(i)(1) above, he can no longer adequately exercise the authorities, powers, functions or duties attached to his position as an executive officer of Employer, Parent or any of their affiliates; or

(3) voluntarily terminate his employment within one year following such Change in Control, and such termination shall be as a result of Employee's good faith determination that he can no longer perform his duties as an executive officer of Employer by reason of a substantial diminution in his responsibilities, status, title or position;

(4) have his employment terminated by Employer for reasons other than those specified in Section 8(b)(ii) within one (1) year following such Change in Control;

then in any of the above four cases, Employee shall have, instead of the rights described in Section 3(a), the right to immediately terminate this Agreement and receive from Employer, within fifteen business days following the date Employee notifies Employer of his constructive or voluntary termination pursuant to this Section 8(d)(i)(1), (2) or (3) or within three business days of having his employment terminated under 8(d)(i)(4) above, (A) a lump sum cash payment equal to three times the amount of Employee's Basic Salary with respect to the year in which such termination has occurred plus three times the amount of any bonus awarded to Employee with respect to the year immediately preceding the year in which such termination occurred, provided, however, that if Employee for any reason did not receive a bonus in the immediately preceding year, Employee shall be deemed for purposes of this Section 8(d)(i) to have received a bonus in the amount of one-fourth of his annual Basic Salary for such year, and (B) medical plan coverage and other insurance benefits provided for himself and his spouse and dependents (to the extent his spouse and dependents are covered under the medical plan and other insurance benefits as of the date of Employee's termination of employment) for a period of three (3) years following the date of Employee's termination of employment, and (C) any and all options, rights or awards granted in conjunction with the Parent's or Employer's incentive compensation or stock option plans shall immediately vest. Employee shall not be required to mitigate the amount of any payment provided for in this Section 8(d)(i) by seeking other employment or otherwise. To the extent the provision of any such medical benefits are taxable to Employee or his spouse or dependents, Employer shall "gross up" Employee for such taxes based on Employee's actual tax rate (certified to Employer by Employee), up to 35% (without a "gross up" on the initial gross up). The obligation to provide this medical plan coverage shall terminate in the event Employee becomes employed by another employer that provides a medical plan that fully covers Employee and his dependents without a preexisting condition limitation.

(ii) For purposes of this Agreement, a "Change in Control" shall mean:

(1) the obtaining by any party or group acting in concert (other than current stockholders and warrantholders or their affiliates) of fifty percent (50%) or more of the voting shares of Parent pursuant to a "tender offer" for such shares as provided under Rule d-2 promulgated under the Securities Exchange Act of 1934, as amended, or any subsequent comparable federal rule or regulation governing tender offers; or

(2) individuals who were members of the Parent's board of directors immediately prior to any particular meeting of any Parent's shareholders that involves a contest for the election of directors fail to constitute a majority of the members of such Parent's board of directors following such election; or

(3) Parent executing an agreement concerning the sale of substantially all of its assets to a purchaser that is not the Employer, Parent or a direct or indirect subsidiary of Parent or the affiliate of Parent; or

(4) Parent's or Employer's adoption of a plan of dissolution or liquidation; or

(5) Parent's executing an agreement concerning a merger or consolidation in which Parent is not the surviving corporation or if, immediately following such merger or consolidation, less than fifty percent (50%) of the surviving corporation's outstanding

voting stock is held by persons who were shareholders and/or warrantholders of Parent immediately prior to the merger or consolidation or their affiliates.

(iii) The provisions of Section 8(c) and this Section 8(d) are mutually exclusive; provided, however, that if within one year following commencement of a Section 8(c) payout there shall be a Change in Control as defined in Section 8(d)(ii), then Employee shall be entitled to the amount payable to Employee under Section 8(d)(i) reduced by the amount that Employee has received under Section 8(c) up to the date of the Change in Control. The triggering of the lump sum payment requirement of this Section 8(d) shall cause the provisions of Section 8(c) to become inoperative. The triggering of the continuation of payment provisions of Section 8(c) shall cause the provisions of Section 8(d) to become inoperative except to the extent provided in this Section 8(d)(iii).

(e) If the employment of Employee is terminated for good cause under Section 8(b)(ii) of this Agreement, or if Employee voluntarily terminates his employment by written notice to Employer under Section 8(a) of this Agreement without reliance on Section 8(d), Employer shall pay to Employee any compensation earned but not paid to Employee prior to the effective date of such termination. Under such circumstances, such payment shall be in full and complete discharge of any and all liabilities or obligations of Employer to Employee hereunder, and Employee shall be entitled to no further benefits under this Agreement.

9. Inventions and Other Intellectual Property. Employee hereby agrees that any design, invention, copyright or trademark materials made or created as a result of or in connection with the duties of Employee hereunder shall be the sole and exclusive property of Employer, and Employee hereby assigns and transfers to Employer the entire right, title and interest of Employee in and to the foregoing. Employee further agrees that, at Employer's request and expense, Employee will execute any deeds, assignments or other documents necessary to transfer any such design, invention, copyright or trademark materials to Employer and will cooperate with Employer or its nominee in perfecting Employer's title (or the title of Employer's nominee) in such materials. During the term of his employment, Employee shall keep Employer informed of the development of all designs, inventions or copyright materials made, conceived or reduced to practice by Employee, in whole or in part, alone or with others, that either result from any work Employee may do for or at the request of Employer or any affiliate of Employer or are related to the present or contemplated activities, investigations or obligations of Employer or any affiliate of Employer. If any such design, invention, or copyright material relating in any manner to the business of Employer or Parent or any research and development of Employer or any affiliate of Employer is disclosed by Employee within six (6) months after leaving the employ of Employer, it shall be presumed that such design, invention, copyright or trademark materials resulted or were conceived from developments made during the period of the employment by Employer of Employee (unless Employee can conclusively prove that such design, invention, copyright or trademark materials were conceived, made and discovered solely during the period following termination of employment hereunder) and Employee agrees that any such design, invention, copyright or trademark materials shall belong to Employer.

10. Confidentiality. During the term of Employee's employment, whether pursuant to this Agreement, any automatic or other renewal hereof or otherwise, and for a period of eighteen (18) months thereafter, and except as may be otherwise herein provided, Employee agrees to keep in strict secrecy and confidence any and all information Employee assimilates or to which he has access during his employment by Employer or its predecessor and which has not been publicly disclosed and is not a matter of common knowledge in the fields of work of Employer, including, but not limited to, customer list, vessel designs, operational methods and procedures, cost structures and contract terms. Employee agrees that both during and for a period of eighteen (18) months after the term of his employment by Employer, he will not, without the prior written consent of Employer, disclose any such confidential information to any third person, partnership, joint venture, company, corporation or other organization, nor exploit such information (either for Employee's or any other person's benefit). In the event that either party receives notice from any person that it may become legally compelled to disclose any of the other party's information, such party will immediately supply the other party with written notice thereof and such party shall not disclose any such information until the other party has had an opportunity to seek a protective order or other arrangement to prevent the disclosure of the information.

11. Noncompetition and Nonsolicitation. Employee hereby acknowledges that, during and, in some instances, solely as a result of his employment by Employer, he has received or shall receive and shall continue to receive access to confidential information and business and professional contacts of Employer. In consideration of the special and unique opportunities afforded to Employee by Employer as a result of Employee's employment, as outlined in the previous sentence, Employee hereby agrees as follows:

(a) During the term of Employee's employment, whether pursuant to this Agreement, any automatic or other renewal hereof or otherwise, and for a period of twelve (12) months thereafter, and, except as may be otherwise herein provided, Employee shall not, directly or indirectly, enter into, engage in, be employed by or consult any business which competes with the business of Employer by selling, offering to sell, soliciting offers to buy, or producing, or by consulting with others concerning the selling or producing of, any product or service substantially similar to those now sold, produced or provided by Employer in those locations where Employer or any of its affiliates has provided or offered to provide products or services ("Competitor"). Employee shall not engage in such prohibited activities, either as an individual, partner, officer, director, stockholder, employee, advisor, independent contractor, joint venturer, consultant, agent, or representative or salesman for any person, firm, partnership, corporation or other entity so competing with Employer. The restrictions of this Section 11 shall not be violated by (i) the ownership of no more than 5% of the outstanding securities of any company whose stock is publicly traded, (ii) other outside business investments approved in writing by the Chief Executive Officer or President of Employer that do not in any manner conflict with the services to be rendered by Employee for Employer and its affiliates and that do not diminish or detract from Employee's ability to render his attention to the business of Employer and its affiliates, or (iii) employment by a firm that may have as a client or customer: (A) a Competitor to Employer or (B) any of the clients or customers of Employer with whom Employee did business during the term of Employee's employment, so long as Employee does not indirectly serve, advise or consult in any way such Competitor to Employer or client or customer of Employer, respectively, for a period of twelve (12) months after Employee's termination.

(b) During his employment with Employer and for a period of twelve (12) months thereafter, and except as may be otherwise herein provided, Employee agrees he will refrain from and will not, directly or indirectly, as an individual, partner, officer, director, stockholder, employee, advisor, independent contractor, joint venturer, consultant, agent, representative, salesman or otherwise (1) solicit any of the employees of Employer to terminate their employment or (2) accept employment with or seek remuneration by any of the clients or customers of Employer with whom Employer did business during the term of Employee's employment.

(c) The parties hereto agree that the foregoing restrictive covenants set forth in Sections 11(a) and (b) are essential elements of this Agreement, and that, but for the agreement of Employee to comply with such covenants, Employer would not have agreed to enter into this Agreement. Such covenants by Employee shall be construed as agreements independent of any other provision in this Agreement. The existence of any claim or cause of action of Employee against Employer, whether predicated on this Agreement, or otherwise, shall not constitute a defense to the enforcement by Employer of such covenants.

(d) The parties hereto agree that if any portion of the covenants set forth in this Section 11 are held to be invalid, unreasonable, arbitrary or against public policy, then such portion of such covenants shall be considered divisible both as to time and geographical area. Employer and Employee agree that, if any court of competent jurisdiction determines the specified time period or the specified geographical area applicable to this Section 11 to be invalid, unreasonable, arbitrary or against public policy, a lesser time period or geographical area which is determined to be reasonable, non-arbitrary and not against public policy may be enforced against Employee. Employer and Employee agree that the foregoing covenants are appropriate and reasonable when considered in light of the nature and extent of the business conducted by Employer.

12. Injunctive Relief. Employee agrees that damages at law will be an insufficient remedy to Employer if Employee violates or attempts or threatens to violate the terms of Sections 9, 10 or 11 of this

Agreement and that Employer would suffer irreparable damage as a result of such violation or attempted or threatened violation. Accordingly, it is agreed that Employer shall be entitled, upon application to a court of competent jurisdiction, to obtain injunctive relief to enforce the provisions of such Sections, which injunctive relief shall be in addition to any other rights or remedies available to Employer, at law or in equity. In the event either party commences legal action relating to the enforcement of the terms of Sections 9, 10 or 11 of this Agreement, the prevailing party in such action shall be entitled to recover from the other party all of the costs and expenses in connection therewith, including reasonable fees and disbursements of counsel (both at trial and in appellate proceedings).

13. Compliance with Other Agreements. Employee represents and warrants that the execution of this Agreement by him and his performance of his obligations hereunder will not conflict with, result in the breach of any provision of or the termination of or constitute a default under any agreement to which Employee is a party or by which Employee is or may be bound.

14. Waiver of Breach. The waiver by Employer of a breach of any of the provisions of this Agreement by Employee shall not be construed as a waiver of any subsequent breach by Employee.

15. Binding Effect; Assignment. The rights and obligations of Employer under this Agreement shall inure to the benefit of and shall be binding upon the successors and assigns of Employer. This Agreement is a personal employment contract and the rights, obligations and interests of Employee hereunder may not be sold, assigned, transferred, pledged or hypothecated.

16. Indemnification. Employee shall be entitled throughout the term of this Agreement and thereafter to indemnification by Parent and Employer in respect of any actions or omissions as an employee, officer or director of Parent, Employer (or any successor thereof) to the fullest extent permitted by law. Parent and Employer also agree to obtain directors and officers (D&O) insurance in a reasonable amount determined by the Board and to maintain such insurance during the term of this Agreement (as such Agreement may be extended from time to time) and for a period of twelve (12) months following the termination of this Agreement, as so extended.

17. Entire Agreement. This Agreement contains the entire agreement and supersedes all prior agreements and understandings, oral or written, with respect to the subject matter hereof. This Agreement may be changed only by an agreement in writing signed by the party against whom any waiver, change, amendment, modification or discharge is sought.

18. Construction and Interpretation.

(a) The Board shall have the sole and absolute discretion to construe and interpret the terms of this Agreement, unless another individual or entity is charged with such responsibility.

(b) This Agreement shall be construed pursuant to and governed by the laws of the State of Louisiana (but any provision of Louisiana law shall not apply if the application of such provision would result in the application of the law of a state or jurisdiction other than Louisiana).

(c) The headings of the various sections in this Agreement are inserted for convenience of the parties and shall not affect the meaning, construction or interpretation of this Agreement.

(d) Any provision of this Agreement that is determined by a court of competent jurisdiction to be prohibited, unenforceable or not authorized in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition, unenforceability or non-authorization without invalidating the remaining provisions hereof or affecting the validity, enforceability or legality of such provision in any other jurisdiction. In any such case, such determination shall not affect any other provision of this Agreement, and the remaining provisions of this Agreement shall remain in full force and effect. If any provision or term of this Agreement is susceptible to two or more constructions or interpretations, one or

more of which would render the provision or term void or unenforceable, the parties agree that a construction or interpretation that renders the term or provision valid shall be favored.

19. Notice. All notices that are required or may be given under this Agreement shall be in writing and shall be deemed to have been duly given when received if personally delivered; when transmitted if transmitted by telecopy or similar electronic transmission method; one working day after it is sent, if sent by recognized expedited delivery service; and five days after it is sent, if mailed, first class mail, certified mail, return receipt requested, with postage prepaid. In each case notice shall be sent to:

To Employer:

HORNBECK-LEEVAC Marine Operators, Inc.
Attention: Christian G. Vaccari, CEO
414 N. Causeway Blvd.
Mandeville, LA 70448

To Employee at his address herein first above written.

20. Venue; Process. The parties to this Agreement agree that jurisdiction and venue in any action brought pursuant to this Agreement to enforce its terms or otherwise with respect to the relationships between the parties shall properly lie in the 22nd Judicial District Court for the Parish of St. Tammany or in the United States District Court for the Eastern District of Louisiana, New Orleans Division, New Orleans Office. Such jurisdiction and venue are merely permissive; jurisdiction and venue shall also continue to lie in any court where jurisdiction and venue would otherwise be proper.

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IN WITNESS WHEREOF, the parties hereto have executed this Agreement the day and year first above written.

EMPLOYER:

HORNBECK-LEEVAC MARINE OPERATORS, INC.

By: /s/ CHRISTIAN G. VACCARI

Name: Christian G. Vaccari

Title: C.E.O.

EMPLOYEE:

/s/ CARL G. ANNESSA

CARL G. ANNESSA

ACKNOWLEDGED AND AGREED TO FOR PURPOSES OF GUARANTEEING THE FINANCIAL OBLIGATIONS OF EMPLOYER TO EMPLOYEE:

HORNBECK-LEEVAC MARINE SERVICES, INC.

By: /s/ CHRISTIAN G. VACCARI

Name: Christian G. Vaccari

Title: C.E.O.

APPENDIX A

Employer shall annually provide Employee with a bonus that is at least equal as a percentage of Basic Salary as is determined by comparing the actual Parent (i) earnings before interest, taxes, depreciation, and amortization calculated on a consolidated basis with Parent's subsidiaries (the "EBITDA") and (ii) fully diluted earnings per share (the "EPS"), such actual Parent EBITDA and EPS performance, to be derived from audited financial statements of Parent and its consolidated subsidiaries prepared in accordance with generally accepted accounting principles ("GAAP"), taking into account accruals for such bonuses for Employee and other employees of Employer, to their respective Parent EBITDA and EPS targets set in advance by the Board (each referred to herein as a "Target" and collectively, as the "Targets") for each fiscal year under the term of this Agreement as contemplated below.

Employer and Employee agree that targets are to be aggressively set by the Board such that the bonus incentives for Employee are aligned with Parent shareholder goals for each fiscal year. Fifty percent (50%) of the bonus shall be based upon a percentage comparison of actual Parent EBITDA performance to the EBITDA Target for such fiscal year, and the remaining fifty percent (50%) shall be based upon a percentage comparison of actual Parent EPS performance to the EPS Target for such fiscal year.

Bonus awards for each Target based upon such percentage comparisons are as follows:

(i) achievement of eighty percent (80%) of Target earns a bonus of twelve and one-half percent (12.5%) of Basic Salary;

(ii) achievement of one hundred percent (100%) of Target earns a bonus of thirty-seven and one-half (37.5%) of Basic Salary; and

(iii) achievement of one hundred fifty percent (150%) of Target earns a bonus of seventy-five percent (75%) of Basic Salary.

Bonuses for Target achievement percentages (i) greater than eighty percent (80%) and less than one hundred percent (100%) and (ii) greater than one hundred percent (100%) but less than one hundred fifty percent (150%) shall be determined by the Board using a curve which is a straight line connecting eighty percent (80%) and one hundred percent (100%) and another line connecting one hundred percent (100%) and one hundred fifty percent (150%). Notwithstanding the above, the Board, in its sole discretion, may award a bonus to Employee for a Target achievement percentage that is less than eighty percent (80%), and the Board, in its sole discretion, may award an additional bonus to Employee for a Target achievement percentage in excess of one hundred fifty percent (150%).

Notwithstanding the above, the Year 2001 Target for Parent EBITDA performance shall be $21,700,000 and for Parent EPS performance shall be $0.22 per share. Based upon the RBC Dominion Securities prepared offering memorandum projections, the Year 2002 Target for Parent EBITDA performance shall be $35,200,000 and for Parent EPS performance shall be $0.36 per share.

EMPLOYER:

HORNBECK-LEEVAC MARINE OPERATORS, INC.

By: /s/ CHRISTIAN G. VACCARI

Name: Christian G. Vaccari

Title: C.E.O.

EMPLOYEE:

/s/ CARL G. ANNESSA

CARL G. ANNESSA

ACKNOWLEDGED AND AGREED TO FOR PURPOSES OF GUARANTEEING THE FINANCIAL OBLIGATIONS OF EMPLOYER TO EMPLOYEE:

HORNBECK-LEEVAC MARINE SERVICES, INC.

By: /s/ CHRISTIAN G. VACCARI

Name: Christian G. Vaccari

Title: C.E.O.

EXHIBIT 10.4

FORM: CONTROLLER TREASURER
EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT ("Agreement") is made and entered into this 1st day of January, 2001, but is effective for all purposes as of the Commencement Date (as hereinafter defined), by and between HORNBECK-LEEVAC MARINE OPERATORS, INC., a Delaware corporation, (the "Employer"), and PAUL M. ORDOGNE, residing at 3051 Walden Place, Mandeville, Louisiana 70448 (the "Employee").

WITNESSETH:

1. Employment. Employer hereby employs Employee, and Employee hereby accepts such employment, upon the terms and subject to the conditions set forth in this Agreement. Employee shall be employed by Employer but may serve (and if requested by Employer shall serve) as an officer and/or director of its parent, HORNBECK-LEEVAC Marine Services, Inc., a Delaware corporation ("Parent"), or any subsidiary or affiliate of Employer or Parent.

2. Term. The term of employment under this Agreement shall commence on January 1, 2001 (the "Commencement Date") and shall continue through December 31, 2003; provided, however, that beginning on January 1, 2004, and on every second January 1 thereafter (each a "Renewal Date"), the term of this Agreement shall automatically be extended two additional years unless either party gives the other written notice of termination at least ninety (90) days prior to any such Renewal Date. Written notice by Employer shall be solely pursuant to duly adopted resolution of Employer's or Parent's board of directors or, at such time as Parent is subject to the reporting requirements of the Securities Exchange Act of 1934, as amended, the compensation committee of Parent's board of directors. If Employee is terminated by Employer pursuant to such notice of nonrenewal, Employer shall pay to Employee as severance pay an amount equal to one half of Employee's basic annualized salary for the year preceding such termination and shall continue Employee's medical insurance and other benefits for six months following such termination. Employee shall have no further rights or obligations hereunder.

3. Compensation and Benefits.

(a) Employer shall pay to Employee as compensation for all services rendered by Employee a basic annualized salary of $116,000 during the initial two (2) year term of this Agreement (the "Basic Salary"), or such other sums as the parties may agree on from time to time, payable semi-monthly or in other more frequent installments, as determined by the Board (as hereinafter defined). The compensation committee of the board of directors of Parent, by providing direction through the board of directors of Employer (collectively, the board of directors of Parent, the compensation committee of Parent and the board of directors of Employer are referred to as the "Board") shall have the right to increase Employee's compensation from time to time and Employee shall be entitled to an annual review thereof or more frequently as determined by the Board. In addition, the Board, in its discretion, may, with respect to any year during the term hereof, award a bonus or bonuses to Employee.

The compensation provided for in this Section 3(a) shall be in addition to any pension or profit sharing payments set aside or allocated for the benefit of Employee in either a tax qualified plan or otherwise.

(b) If the Board determines in its sole discretion that general economic conditions, the economic conditions of the oil and gas industry or the financial condition of Parent require such measures, the Board may reduce Employee's compensation hereunder, but in any such case by no more nor less than the percentage by which it has reduced and only if it reduces concurrently the compensation of all executive management and mid-management shore-based employees of Parent and its subsidiaries.

(c) Employer shall reimburse Employee for all reasonable expenses incurred by Employee in the performance of his duties under this Agreement; provided, however, that Employee must furnish to Employer an itemized account, satisfactory to Employer, in substantiation of such expenditures.

(d) Employee shall be entitled to such fringe benefits including, but not limited to, medical and family insurance benefits as may be provided from time to time by Employer to other senior officers of Employer; provided, however, that any health insurance shall not provide for a preexisting condition limitation, and, provided further, that during the term of this Agreement, such fringe benefits shall always be equal to, at a minimum, the maximum fringe benefits provided in a particular year to any other officer of Employer or Parent other than with respect to the grant of an award under any Incentive Compensation Plan of Employer.

(e) To the extent permitted by applicable law and terms of the benefit plans, Employer shall include in Employee's credited service, in any case where credited service is relevant in determining eligibility for or benefits under any employee benefits plan, the Employee's service for any parent, subsidiary or affiliate of Employer or for any predecessor thereof and time served at prior employers.

(f) Employer shall provide Employee with an automobile during the term of the Agreement as approved by the CEO and President. Employer will also pay for auto insurance, maintenance and fuel. Employee may use the automobile for personal use and will pay all taxes related to such personal use.

(g) Employee shall be eligible to participate in such incentive compensation and stock option plans that have been approved or may in the future be approved by the shareholders of Parent or Employer and administered by the Board.

4. Duties. Employee is engaged and shall serve as Controller Treasurer, or such other offices, including, but not limited to, Treasurer, in lieu of Controller Treasurer and such other duties as may from time to time be reasonably assigned to him by the Board, of (i) Parent, (ii) Hornbeck Offshore Services, Inc., (iii) Employer, (iv) LEEVAC Marine, Inc. and (v) any other subsidiaries of Parent that may be formed or acquired.

5. Extent of Services; Vacations and Days Off.

(a) During the term of his employment under this Agreement, Employee shall devote his full business time, energy and attention to the benefit and business of Employer as may be necessary in performing his duties pursuant to this Agreement. Employee shall not provide services of a business nature to any other person other than that which has been disclosed and permitted by the Employer.

(b) Employee shall be entitled to vacations and holidays with pay and to such personal and sick leave with pay in accordance with the policy of Employer as may be established from time to time by Employer and applied to other senior officers of Employer; provided, however, that Employee shall annually be entitled to the maximum number of vacation days and holidays afforded to any other officer of Employer or Parent.

6. Facilities. Employer shall provide Employee with a fully furnished office, and the facilities of Employer shall be generally available to Employee in the performance of his duties pursuant to this Agreement; it being understood and contemplated by the parties that all equipment, supplies and office personnel required for Employee's performance of duties under this Agreement shall be supplied by Employer.

7. Illness or Incapacity, Termination on Death.

(a) If Employee dies during the term of his employment, Employer shall pay to the estate of Employee such compensation, including any bonus compensation earned but not yet paid, as would otherwise have been payable to Employee for a period of six (6) months following his death and shall continue to provide medical insurance and other benefits to which Employee's dependents would otherwise have been entitled for the same period. Except for the benefits set forth in the preceding sentence and any life insurance benefits included in the benefit package provided at such time by Employer to Employee, Employer shall have no additional financial obligation under this Agreement to Employee or his estate. After receiving the payments and health insurance benefits provided in this subparagraph (a), Employee and his estate shall have no further rights under this Agreement.

(b)

(i) During any period of disability, illness or incapacity during the term of this Agreement that renders Employee at least temporarily unable to perform the services required under this Agreement for a period that shall not equal or exceed ninety (90) continuous days (provided that a return to full work status of less than five full days shall be deemed not to interrupt the calculation of such 90 days), Employee shall receive the compensation payable under Section 3(a) of this Agreement plus any bonus compensation earned through the last day of such ninety (90) day period but not yet paid, less any benefits received by him under any disability insurance carried by or provided by Employer. All rights of Employee under this Agreement (other than rights already accrued) shall terminate as provided below upon Employee's permanent disability (as defined below), although Employee shall continue to receive any disability benefits to

which he may be entitled under any disability income insurance that may be carried by or provided by Employer from time to time; Employer hereby agrees to provide such insurance on a same occupation basis.

(ii) The term "permanent disability" as used in this Agreement shall mean "permanent disability" under any long term disability plan maintained by Employer that covers Employee. In the absence of such a plan, "permanent disability" shall mean the inability of Employee, as determined by the Board, by reason of physical or mental disability to perform the duties required of him under this Agreement for a period of at least ninety (90) days in any one-year period. Upon such determination, the Board may terminate Employee's employment under this Agreement upon ten (10) days' prior written notice. If any determination of the Board with respect to permanent disability is disputed by Employee, the parties hereto agree to abide by the decision of a panel of three physicians. Employee and the Board shall each appoint one member, and the third member of the panel shall be appointed by the other two members. Employee agrees to make himself available for and submit to examinations by such physicians as may be directed by the Board. Failure to submit to any such examination shall constitute a breach of a material part of this Agreement.

8. Other Terminations.

(a)

(i) Employee may terminate his employment hereunder for any reason whatsoever upon giving at least thirty (30) days' prior written notice. In addition, Employee shall have the right to terminate his employment hereunder on the conditions and at the times provided for in Section 8(d) of the Agreement.

(ii) If Employee gives notice pursuant to Section 8(a)(i) above, Employer shall have the right to relieve Employee, in whole or in part, of his duties under this Agreement (without reduction in compensation through the termination date).

(b)

(i) Except as otherwise provided in this Agreement, Employer may terminate the employment of Employee hereunder only for "good cause" (as defined below) and upon written notice.

(ii) As used herein, "good cause" shall include:

(1) Employee's conviction of either a felony involving moral turpitude or any crime in connection with his employment by Employer that causes Employer a substantial detriment, but specifically shall not include traffic offenses;

(2) actions or inactions by Employee that clearly are contrary to the best interests of Employer;

(3) Employee's willful failure to take actions permitted by law and necessary to implement policies of the Board that the Board has communicated to him in writing, provided that such policies that are reflected in minutes of a Board meeting attended in its entirety by Employee shall be deemed communicated to Employee;

(4) Employee's continued failure to devote his full business time, energy and attention to his duties as an executive officer of Employer or its affiliates, following written notice from the Board to Employee of such failure; or

(5) any condition that either resulted from Employee's substantial dependence on alcohol, or any narcotic drug or other controlled or illegal substance. If any determination of substantial dependence is disputed by Employee, the parties hereto agree to abide by the decision of a panel of three physicians appointed in the manner specified in Section 7(b)(ii) of this Agreement.

(6) With respect to (2) through (5) above, such circumstances shall not constitute "good cause" unless Employee has failed to cure such circumstances within 10 business days following written notice thereof from the Board identifying in reasonable detail the manner in which the Employer believes that Employee has not performed such duties and indicating the steps Employer requires to cure such circumstances.

(iii) Termination of the employment of Employee for reasons other than those expressly specified in this Agreement as good cause shall be deemed to be a termination of employment "without good cause."

(c)

(i) If Employer shall terminate the employment of Employee without good cause effective on a date earlier than the termination date provided for in Section 2 (with the effective date of termination as so identified by Employer being referred to herein as the "Accelerated Termination Date"), Employee, until the termination date provided for in Section 2 or until the date that is six (6) months after the Accelerated Termination Date, whichever is later, shall continue to receive the salary and other compensation and benefits specified in Section 3, in each case in the amount and kind and at the time provided for in Section 3; provided that, notwithstanding such termination of employment, Employee's covenants set forth in Sections 10 and 11 shall remain in full force and effect; provided further that, at Employer's option, Employee's covenants set forth in Sections 10 and 11 shall remain in full force and effect for an additional six (6) months following the period referred to in Sections 10 and 11 if Employer elects to provide and provides to Employee the salary and other compensation and other benefits specified in Section 3 for an additional period of six (6) months following the period referred to in the first sentence of this Section (8)(c)(i).

(ii) If Employer shall terminate the employment of Employee without good cause effective on a date earlier than the termination date provided for in Section 2, any and all options, rights or awards granted in conjunction with Parent's or Employer's incentive compensation and stock option plans shall immediately vest.

(iii) The parties agree that, because there can be no exact measure of the damage that would occur to Employee as a result of a termination by Employer of Employee's employment without good cause, the payments and benefits paid and provided pursuant to this Section 8(c) shall be deemed to constitute liquidated damages and not a penalty for Employer's termination of Employee's employment without good cause, and Employer agrees that Employee should not be required to mitigate his damages.

(d)

(i) If a Change in Control of Employer, as defined in Section 8(d)(ii) shall occur, and Employee shall:

(1) have his employment constructively terminated by Employer because Employer:

(A) has after the Change in Control reduced Employee's annual base salary or potential bonus level or any incentive compensation or stock option plan benefit (as in effect immediately before such Change in Control);

(B) has relocated Employee's office to a location that is more than 35 miles from the location in which Employee principally works for Employer or Parent immediately before such Change in Control;

(C) has relocated the principal executive office of Parent, Employer or the office of Employer's operating group for which Employee performed the majority of his services for Employer during the year before the Change in Control to a location that is more than 35 miles from the location of such office immediately before such Change in Control;

(D) has required Employee, in order to perform duties of substantially equal status, dignity and character to those duties Employee performed immediately before the Change in Control, to travel on Employer's business to a substantially greater extent than is consistent with Employee's travel obligations immediately before such Change in Control;

(E) has failed to continue to provide Employee with benefits substantially equivalent to those enjoyed by Employee under any of Employer's life insurance, medical, health and

accident or disability plans and incentive compensation or stock option plans in which Employee was participating immediately before the Change in Control;

(F) has taken any action that would directly or indirectly materially reduce any of such benefits or deprive Employee of any material fringe benefit enjoyed by Employee immediately before the Change in Control;

(G) has failed to provide Employee with at least the number of paid vacation days to which Employee is entitled on the basis of years of service under Employer's normal vacation policy in effect immediately before the Change in Control giving credit for time served at prior employers;

(2) voluntarily terminate his employment within one year following such Change in Control and such termination shall be as a result of Employee's good faith determination that as a result of the Change in Control and a change in circumstances thereafter significantly affecting his position other than those listed in Section 8(d)(i)(1) above, he can no longer adequately exercise the authorities, powers, functions or duties attached to his position as an executive officer of Employer, Parent or any of their affiliates; or

(3) voluntarily terminate his employment within one year following such Change in Control, and such termination shall be as a result of Employee's good faith determination that he can no longer perform his duties as an executive officer of Employer by reason of a substantial diminution in his responsibilities, status, title or position;

(4) have his employment terminated by Employer for reasons other than those specified in Section 8(b)(ii) within one (1) year following such Change in Control;

then in any of the above four cases, Employee shall have, instead of the rights described in Section 3(a), the right to immediately terminate this Agreement and receive from Employer, within fifteen business days following the date Employee notifies Employer of his constructive or voluntary termination pursuant to this Section 8(d)(i)(1), (2) or (3) or within three business days of having his employment terminated under 8(d)(i)(4) above, (A) a lump sum cash payment equal to one and one-half times the amount of Employee's Basic Salary with respect to the year in which such termination has occurred plus one and one-half times the amount of any bonus awarded to Employee with respect to the year immediately preceding the year in which such termination occurred, provided, however, that if Employee for any reason did not receive a bonus in the immediately preceding year, Employee shall be deemed for purposes of this Section 8(d)(i) to have received a bonus in the amount of one-fourth of his annual Basic Salary for such year, and (B) medical plan coverage and other insurance benefits provided for himself and his spouse and dependents (to the extent his spouse and dependents are covered under the

medical plan and other insurance benefits as of the date of Employee's termination of employment) for a period of eighteen (18) months following the date of Employee's termination of employment, and (C) any and all options, rights or awards granted in conjunction with the Parent's or Employer's incentive compensation or stock option plans shall immediately vest. Employee shall not be required to mitigate the amount of any payment provided for in this Section 8(d)(i) by seeking other employment or otherwise. To the extent the provision of any such medical benefits are taxable to Employee or his spouse or dependents, Employer shall "gross up" Employee for such taxes based on Employee's actual tax rate (certified to Employer by Employee), up to 35% (without a "gross up" on the initial gross up). The obligation to provide this medical plan coverage shall terminate in the event Employee becomes employed by another employer that provides a medical plan that fully covers Employee and his dependents without a preexisting condition limitation.

(ii) For purposes of this Agreement, a "Change in Control" shall mean:

(1) the obtaining by any party or group acting in concert (other than current stockholders and warrantholders or their affiliates) of fifty percent (50%) or more of the voting shares of Parent pursuant to a "tender offer" for such shares as provided under Rule d-2 promulgated under the Securities Exchange Act of 1934, as amended, or any subsequent comparable federal rule or regulation governing tender offers; or

(2) individuals who were members of the Parent's board of directors immediately prior to any particular meeting of any Parent's shareholders that involves a contest for the election of directors fail to constitute a majority of the members of such Parent's board of directors following such election; or

(3) Parent executing an agreement concerning the sale of substantially all of its assets to a purchaser that is not the Employer, Parent or a direct or indirect subsidiary of Parent or the affiliate of Parent; or

(4) Parent's or Employer's adoption of a plan of dissolution or liquidation; or

(5) Parent's executing an agreement concerning a merger or consolidation in which Parent is not the surviving corporation or if, immediately following such merger or consolidation, less than fifty percent (50%) of the surviving corporation's outstanding voting stock is held by persons who were shareholders and/or warrantholders of Parent immediately prior to the merger or consolidation or their affiliates.

(iii) The provisions of Section 8(c) and this Section 8(d) are mutually exclusive; provided, however, that if within one year following commencement of a Section 8(c) payout there shall be a Change in Control as defined in Section 8(d)(ii), then Employee shall be entitled to the amount payable to Employee under Section 8(d)(i) reduced by the amount that Employee has received under Section 8(c) up to the date of the Change in Control. The triggering of the lump sum

payment requirement of this Section 8(d) shall cause the provisions of Section 8(c) to become inoperative. The triggering of the continuation of payment provisions of Section 8(c) shall cause the provisions of Section 8(d) to become inoperative except to the extent provided in this Section 8(d)(iii).

(e) If the employment of Employee is terminated for good cause under Section 8(b)(ii) of this Agreement, or if Employee voluntarily terminates his employment by written notice to Employer under Section 8(a) of this Agreement without reliance on Section 8(d), Employer shall pay to Employee any compensation earned but not paid to Employee prior to the effective date of such termination. Under such circumstances, such payment shall be in full and complete discharge of any and all liabilities or obligations of Employer to Employee hereunder, and Employee shall be entitled to no further benefits under this Agreement.

9. Inventions and Other Intellectual Property. Employee hereby agrees that any design, invention, copyright or trademark materials made or created as a result of or in connection with the duties of Employee hereunder shall be the sole and exclusive property of Employer, and Employee hereby assigns and transfers to Employer the entire right, title and interest of Employee in and to the foregoing. Employee further agrees that, at Employer's request and expense, Employee will execute any deeds, assignments or other documents necessary to transfer any such design, invention, copyright or trademark materials to Employer and will cooperate with Employer or its nominee in perfecting Employer's title (or the title of Employer's nominee) in such materials. During the term of his employment, Employee shall keep Employer informed of the development of all designs, inventions or copyright materials made, conceived or reduced to practice by Employee, in whole or in part, alone or with others, that either result from any work Employee may do for or at the request of Employer or any affiliate of Employer or are related to the present or contemplated activities, investigations or obligations of Employer or any affiliate of Employer. If any such design, invention, or copyright material relating in any manner to the business of Employer or Parent or any research and development of Employer or any affiliate of Employer is disclosed by Employee within six (6) months after leaving the employ of Employer, it shall be presumed that such design, invention, copyright or trademark materials resulted or were conceived from developments made during the period of the employment by Employer of Employee (unless Employee can conclusively prove that such design, invention, copyright or trademark materials were conceived, made and discovered solely during the period following termination of employment hereunder) and Employee agrees that any such design, invention, copyright or trademark materials shall belong to Employer.

10. Confidentiality. During the term of Employee's employment, whether pursuant to this Agreement, any automatic or other renewal hereof or otherwise, and for a period of six (6) months thereafter, and except as may be otherwise herein provided, Employee agrees to keep in strict secrecy and confidence any and all information Employee assimilates or to which he has access during his employment by Employer or its predecessor and which has not been publicly disclosed and is not a matter of common knowledge in the fields of work of Employer, including, but not limited to, customer list, vessel designs, operational methods and procedures, cost structures and contract terms. Employee agrees that both during and for a period of six (6) months after the term of his employment by Employer, he will not, without the prior written

consent of Employer, disclose any such confidential information to any third person, partnership, joint venture, company, corporation or other organization, nor exploit such information (either for Employee's or any other person's benefit). In the event that either party receives notice from any person that it may become legally compelled to disclose any of the other party's information, such party will immediately supply the other party with written notice thereof and such party shall not disclose any such information until the other party has had an opportunity to seek a protective order or other arrangement to prevent the disclosure of the information.

11. Noncompetition and Nonsolicitation. Employee hereby acknowledges that, during and, in some instances, solely as a result of his employment by Employer, he has received or shall receive and shall continue to receive access to confidential information and business and professional contacts of Employer. In consideration of the special and unique opportunities afforded to Employee by Employer as a result of Employee's employment, as outlined in the previous sentence, Employee hereby agrees as follows:

(a) During the term of Employee's employment, whether pursuant to this Agreement, any automatic or other renewal hereof or otherwise, and for a period of six (6) months thereafter, and, except as may be otherwise herein provided, Employee shall not, directly or indirectly, enter into, engage in, be employed by or consult any business which competes with the business of Employer by selling, offering to sell, soliciting offers to buy, or producing, or by consulting with others concerning the selling or producing of, any product or service substantially similar to those now sold, produced or provided by Employer in those locations where Employer or any of its affiliates has provided or offered to provide products or services ("Competitor"). Employee shall not engage in such prohibited activities, either as an individual, partner, officer, director, stockholder, employee, advisor, independent contractor, joint venturer, consultant, agent, or representative or salesman for any person, firm, partnership, corporation or other entity so competing with Employer. The restrictions of this Section 11 shall not be violated by (i) the ownership of no more than 5% of the outstanding securities of any company whose stock is publicly traded, (ii) other outside business investments approved in writing by the Chief Executive Officer or President of Employer that do not in any manner conflict with the services to be rendered by Employee for Employer and its affiliates and that do not diminish or detract from Employee's ability to render his attention to the business of Employer and its affiliates, or (iii) employment by a firm that may have as a client or customer: (A) a Competitor to Employer or (B) any of the clients or customers of Employer with whom Employee did business during the term of Employee's employment, so long as Employee does not indirectly serve, advise or consult in any way such Competitor to Employer or client or customer of Employer, respectively, for a period of six (6) months after Employee's termination.

(b) During his employment with Employer and for a period of six (6) months thereafter, and except as may be otherwise herein provided, Employee agrees he will refrain from and will not, directly or indirectly, as an individual, partner, officer, director, stockholder, employee, advisor, independent contractor, joint venturer, consultant, agent, representative, salesman or otherwise (1) solicit any of the employees of Employer to terminate their employment or (2) accept employment with or seek remuneration by any

of the clients or customers of Employer with whom Employer did business during the term of Employee's employment.

(c) The parties hereto agree that the foregoing restrictive covenants set forth in Sections 11(a) and (b) are essential elements of this Agreement, and that, but for the agreement of Employee to comply with such covenants, Employer would not have agreed to enter into this Agreement. Such covenants by Employee shall be construed as agreements independent of any other provision in this Agreement. The existence of any claim or cause of action of Employee against Employer, whether predicated on this Agreement, or otherwise, shall not constitute a defense to the enforcement by Employer of such covenants.

(d) The parties hereto agree that if any portion of the covenants set forth in this Section 11 are held to be invalid, unreasonable, arbitrary or against public policy, then such portion of such covenants shall be considered divisible both as to time and geographical area. Employer and Employee agree that, if any court of competent jurisdiction determines the specified time period or the specified geographical area applicable to this Section 11 to be invalid, unreasonable, arbitrary or against public policy, a lesser time period or geographical area which is determined to be reasonable, non-arbitrary and not against public policy may be enforced against Employee. Employer and Employee agree that the foregoing covenants are appropriate and reasonable when considered in light of the nature and extent of the business conducted by Employer.

12. Injunctive Relief. Employee agrees that damages at law will be an insufficient remedy to Employer if Employee violates or attempts or threatens to violate the terms of Sections 9, 10 or 11 of this Agreement and that Employer would suffer irreparable damage as a result of such violation or attempted or threatened violation. Accordingly, it is agreed that Employer shall be entitled, upon application to a court of competent jurisdiction, to obtain injunctive relief to enforce the provisions of such Sections, which injunctive relief shall be in addition to any other rights or remedies available to Employer, at law or in equity. In the event either party commences legal action relating to the enforcement of the terms of Sections 9, 10 or 11 of this Agreement, the prevailing party in such action shall be entitled to recover from the other party all of the costs and expenses in connection therewith, including reasonable fees and disbursements of counsel (both at trial and in appellate proceedings).

13. Compliance with Other Agreements. Employee represents and warrants that the execution of this Agreement by him and his performance of his obligations hereunder will not conflict with, result in the breach of any provision of or the termination of or constitute a default under any agreement to which Employee is a party or by which Employee is or may be bound.

14. Waiver of Breach. The waiver by Employer of a breach of any of the provisions of this Agreement by Employee shall not be construed as a waiver of any subsequent breach by Employee.

15. Binding Effect; Assignment. The rights and obligations of Employer under this Agreement shall inure to the benefit of and shall be binding upon the successors and assigns of

Employer. This Agreement is a personal employment contract and the rights, obligations and interests of Employee hereunder may not be sold, assigned, transferred, pledged or hypothecated.

16. Indemnification. Employee shall be entitled throughout the term of this Agreement and thereafter to indemnification by Parent and Employer in respect of any actions or omissions as an employee, officer or director of Parent, Employer (or any successor thereof) to the fullest extent permitted by law. Parent and Employer also agree to obtain directors and officers (D&O) insurance in a reasonable amount determined by the Board and to maintain such insurance during the term of this Agreement (as such Agreement may be extended from time to time) and for a period of six (6) months following the termination of this Agreement, as so extended.

17. Entire Agreement. This Agreement contains the entire agreement and supersedes all prior agreements and understandings, oral or written, with respect to the subject matter hereof. This Agreement may be changed only by an agreement in writing signed by the party against whom any waiver, change, amendment, modification or discharge is sought.

18. Construction and Interpretation.

(a) The Board shall have the sole and absolute discretion to construe and interpret the terms of this Agreement, unless another individual or entity is charged with such responsibility.

(b) This Agreement shall be construed pursuant to and governed by the laws of the State of Louisiana (but any provision of Louisiana law shall not apply if the application of such provision would result in the application of the law of a state or jurisdiction other than Louisiana).

(c) The headings of the various sections in this Agreement are inserted for convenience of the parties and shall not affect the meaning, construction or interpretation of this Agreement.

(d) Any provision of this Agreement that is determined by a court of competent jurisdiction to be prohibited, unenforceable or not authorized in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition, unenforceability or non-authorization without invalidating the remaining provisions hereof or affecting the validity, enforceability or legality of such provision in any other jurisdiction. In any such case, such determination shall not affect any other provision of this Agreement, and the remaining provisions of this Agreement shall remain in full force and effect. If any provision or term of this Agreement is susceptible to two or more constructions or interpretations, one or more of which would render the provision or term void or unenforceable, the parties agree that a construction or interpretation that renders the term or provision valid shall be favored.

19. Notice. All notices that are required or may be given under this Agreement shall be in writing and shall be deemed to have been duly given when received if personally delivered; when transmitted if transmitted by telecopy or similar electronic transmission method; one working day after it is sent, if sent by recognized expedited delivery service; and five days after

it is sent, if mailed, first class mail, certified mail, return receipt requested, with postage prepaid. In each case notice shall be sent to:

To Employer:

HORNBECK-LEEVAC Marine Operators, Inc.
Attention: Christian G. Vaccari, CEO
414 N. Causeway Blvd.
Mandeville, LA 70448

To Employee at his address herein first above written.

20. Venue; Process. The parties to this Agreement agree that jurisdiction and venue in any action brought pursuant to this Agreement to enforce its terms or otherwise with respect to the relationships between the parties shall properly lie in the 22nd Judicial District Court for the Parish of St. Tammany or in the United States District Court for the Eastern District of Louisiana, New Orleans Division, New Orleans Office. Such jurisdiction and venue are merely permissive; jurisdiction and venue shall also continue to lie in any court where jurisdiction and venue would otherwise be proper.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement the day and year first above written.

EMPLOYER:

HORNBECK-LEEVAC MARINE OPERATORS, INC.

By: /s/ CHRISTIAN G. VACCARI

Name: Christian G. Vaccari

Title: CEO

EMPLOYEE:

/s/ PAUL M. ORDOGNE

PAUL M. ORDOGNE

ACKNOWLEDGED AND AGREED TO FOR PURPOSES OF GUARANTEEING THE FINANCIAL OBLIGATIONS OF EMPLOYER TO EMPLOYEE:

HORNBECK-LEEVAC MARINE SERVICES, INC.

By: /s/ CHRISTIAN G. VACCARI

Name: Christian G. Vaccari

Title: CEO

EXHIBIT 10.5

AMENDED AND RESTATED
SENIOR
EMPLOYMENT AGREEMENT

THIS AMENDED AND RESTATED SENIOR EMPLOYMENT AGREEMENT ("Agreement") is made and entered into this 1st day of January, 2001, but is effective for all purposes as of the Commencement Date (as hereinafter defined), by and between HORNBECK-LEEVAC MARINE OPERATORS, INC., a Delaware corporation, (the "Employer"), and JAMES O. HARP, JR., residing at 53 Riverdale Drive, Covington, Louisiana 70433 (the "Employee").

WITNESSETH:

1. Employment. Employer hereby employs Employee, and Employee hereby accepts such employment, upon the terms and subject to the conditions set forth in this Agreement. Employee shall be employed by Employer but may serve (and if requested by Employer shall serve) as an officer and/or director of its parent, HORNBECK-LEEVAC Marine Services, Inc., a Delaware corporation ("Parent"), or any subsidiary or affiliate of Employer or Parent.

2. Term. The term of employment under this Agreement shall commence on January 1, 2001 (the "Commencement Date") and shall continue through December 31, 2003; provided, however, that beginning on January 1, 2004, and on every third January 1 thereafter (each a "Renewal Date"), the term of this Agreement shall automatically be extended three additional years unless either party gives the other written notice of termination at least ninety (90) days prior to any such Renewal Date. Written notice by Employer shall be solely pursuant to a duly adopted resolution of Employer's or Parent's board of directors or, at such time as Parent is subject to the reporting requirements of the Securities Exchange Act of 1934, as amended, the compensation committee of Parent's board of directors. If Employee is terminated by Employer pursuant to such notice of nonrenewal, Employer shall pay to Employee as severance pay an amount equal to one half of Employee's basic annualized salary for the year preceding such termination and shall continue Employee's medical insurance and other benefits for six months following such termination. Employee shall have no further rights or obligations hereunder.

3. Compensation and Benefits.

(a) Employer shall pay to Employee as compensation for all services rendered by Employee a basic annualized salary of $170,000 during the initial three (3) year term of this Agreement (the "Basic Salary"), or such other sums as the parties may agree on from time to time, payable semi-monthly or in other more frequent installments, as determined by the Board (as hereinafter defined). The compensation committee of the board of directors of Parent, by providing direction through the board of directors of Employer (collectively, the board of directors of Parent, the compensation committee of Parent and the board of directors of Employer are referred to as the "Board") shall have the right to increase Employee's compensation from time to time and Employee shall be entitled to an annual review thereof or more frequently as determined by the Board. In addition, the Board, in its discretion, may, with respect to any year during the term hereof, award a bonus or bonuses to Employee; provided, however, Employer shall annually provide Employee with a bonus as more particularly described in Appendix "A" attached hereto, which Appendix "A" may be modified, supplemented, or replaced from time to time by written agreement between Employer and Employee. The compensation provided for in this Section 3(a) shall be in addition to any pension or profit sharing payments set aside or allocated for the benefit of Employee in either a tax qualified plan or otherwise.

(b) If the Board determines in its sole discretion that general economic conditions, the economic conditions of the oil and gas industry or the financial condition of Parent require such measures, the Board may reduce Employee's compensation hereunder, but in any such case by no more nor less than the percentage by which it has reduced and only if it reduces concurrently the compensation of all executive management and mid-management shore-based employees of Parent and its subsidiaries.

(c) Employer shall reimburse Employee for all reasonable expenses incurred by Employee in the performance of his duties under this Agreement; provided, however, that Employee must furnish to Employer an itemized account, satisfactory to Employer, in substantiation of such expenditures.

(d) Employee shall be entitled to such fringe benefits including, but not limited to, medical and family insurance benefits as may be provided from time to time by Employer to other senior officers of Employer; provided, however, that any health insurance shall not provide for a preexisting condition limitation, and, provided further, that during the term of this Agreement, such fringe benefits shall always be equal to, at a minimum, the maximum fringe benefits provided in a particular year to any other officer of Employer or Parent other than with respect to the grant of an award under any Incentive Compensation Plan of Employer.

(e) To the extent permitted by applicable law and terms of the benefit plans, Employer shall include in Employee's credited service, in any case where credited service is relevant in determining eligibility for or benefits under any employee benefits plan, the Employee's service for any parent, subsidiary or affiliate of Employer or for any predecessor thereof and time served at prior employers.

(f) Employer shall provide Employee with an automobile during the term of the Agreement as approved by the CEO and President. Employer will also pay for auto insurance, maintenance and fuel. Employee may use the automobile for personal use and will pay all taxes related to such personal use.

(g) Employee shall be eligible to participate in such incentive compensation and stock option plans that have been approved or may in the future be approved by the shareholders of Parent or Employer and administered by the Board.

4. Duties. Employee is engaged and shall serve as Vice President and Chief Financial Officer of (i) Parent, (ii) Hornbeck Offshore Services, Inc., (iii) Employer, (iv) LEEVAC Marine, Inc. and (v) any other subsidiaries of Parent that may be formed or acquired. In addition, Employee shall have such other duties and hold such other offices as may from time to time be reasonably assigned to him by the Board.

5. Extent of Services; Vacations and Days Off.

(a) During the term of his employment under this Agreement, Employee shall devote his full business time, energy and attention to the benefit and business of Employer as may be necessary in performing his duties pursuant to this Agreement. Employee shall not provide services of a business nature to any other person other than that which has been disclosed and permitted by the Employer.

(b) Employee shall be entitled to vacations and holidays with pay and to such personal and sick leave with pay in accordance with the policy of Employer as may be established from time to time by Employer and applied to other senior officers of Employer; provided, however, that Employee shall annually be entitled to the maximum number of vacation days and holidays afforded to any other officer of Employer or Parent.

6. Facilities. Employer shall provide Employee with a fully furnished office, and the facilities of Employer shall be generally available to Employee in the performance of his duties pursuant to this Agreement; it being understood and contemplated by the parties that all equipment, supplies and office personnel required for Employee's performance of duties under this Agreement shall be supplied by Employer.

7. Illness or Incapacity, Termination on Death.

(a) If Employee dies during the term of his employment, Employer shall pay to the estate of Employee such compensation, including any bonus compensation earned but not yet paid, as would otherwise have been payable to Employee for a period of one (1) year following his death and shall

continue to provide medical insurance and other benefits to which Employee's dependents would otherwise have been entitled for the same period. Except for the benefits set forth in the preceding sentence and any life insurance benefits included in the benefit package provided at such time by Employer to Employee, Employer shall have no additional financial obligation under this Agreement to Employee or his estate. After receiving the payments and health insurance benefits provided in this subparagraph (a), Employee and his estate shall have no further rights under this Agreement.

(b)

(i) During any period of disability, illness or incapacity during the term of this Agreement that renders Employee at least temporarily unable to perform the services required under this Agreement for a period that shall not equal or exceed ninety (90) continuous days (provided that a return to full work status of less than five full days shall be deemed not to interrupt the calculation of such 90 days), Employee shall receive the compensation payable under Section 3(a) of this Agreement plus any bonus compensation earned through the last day of such ninety (90) day period but not yet paid, less any benefits received by him under any disability insurance carried by or provided by Employer. All rights of Employee under this Agreement (other than rights already accrued) shall terminate as provided below upon Employee's permanent disability (as defined below), although Employee shall continue to receive any disability benefits to which he may be entitled under any disability income insurance that may be carried by or provided by Employer from time to time; Employer hereby agrees to provide such insurance on a same occupation basis.

(ii) The term "permanent disability" as used in this Agreement shall mean "permanent disability" under any long term disability plan maintained by Employer that covers Employee. In the absence of such a plan, "permanent disability" shall mean the inability of Employee, as determined by the Board, by reason of physical or mental disability to perform the duties required of him under this Agreement for a period of at least ninety (90) days in any one-year period. Upon such determination, the Board may terminate Employee's employment under this Agreement upon ten (10) days' prior written notice. If any determination of the Board with respect to permanent disability is disputed by Employee, the parties hereto agree to abide by the decision of a panel of three physicians. Employee and the Board shall each appoint one member, and the third member of the panel shall be appointed by the other two members. Employee agrees to make himself available for and submit to examinations by such physicians as may be directed by the Board. Failure to submit to any such examination shall constitute a breach of a material part of this Agreement.

8. Other Terminations.

(a)

(i) Employee may terminate his employment hereunder for any reason whatsoever upon giving at least thirty (30) days' prior written notice. In addition, Employee shall have the right to terminate his employment hereunder on the conditions and at the times provided for in Section 8(d) of the Agreement.

(ii) If Employee gives notice pursuant to Section 8(a)(i) above, Employer shall have the right to relieve Employee, in whole or in part, of his duties under this Agreement (without reduction in compensation through the termination date).

(b)

(i) Except as otherwise provided in this Agreement, Employer may terminate the employment of Employee hereunder only for "good cause" (as defined below) and upon written notice.

(ii) As used herein, "good cause" shall include:

(1) Employee's conviction of either a felony involving moral turpitude or any crime in connection with his employment by Employer that causes Employer a substantial detriment, but specifically shall not include traffic offenses;

(2) actions or inactions by Employee that clearly are contrary to the best interests of Employer;

(3) Employee's willful failure to take actions permitted by law and necessary to implement policies of the Board that the Board has communicated to him in writing, provided that such policies that are reflected in minutes of a Board meeting attended in its entirety by Employee shall be deemed communicated to Employee;

(4) Employee's continued failure to devote his full business time, energy and attention to his duties as an executive officer of Employer or its affiliates, following written notice from the Board to Employee of such failure; or

(5) any condition that either resulted from Employee's substantial dependence on alcohol, or any narcotic drug or other controlled or illegal substance. If any determination of substantial dependence is disputed by Employee, the parties hereto agree to abide by the decision of a panel of three physicians appointed in the manner specified in Section 7(b)(ii) of this Agreement.

(6) With respect to (2) through (5) above, such circumstances shall not constitute "good cause" unless Employee has failed to cure such circumstances within 10 business days following written notice thereof from the Board identifying in reasonable detail the manner in which the Employer believes that Employee has not performed such duties and indicating the steps Employer requires to cure such circumstances.

(iii) Termination of the employment of Employee for reasons other than those expressly specified in this Agreement as good cause shall be deemed to be a termination of employment "without good cause."

(c)

(i) If Employer shall terminate the employment of Employee without good cause effective on a date earlier than the termination date provided for in Section 2 (with the effective date of termination as so identified by Employer being referred to herein as the "Accelerated Termination Date"), Employee, until the termination date provided for in Section 2 or until the date that is one (1) year after the Accelerated Termination Date, whichever is later, shall continue to receive the salary and other compensation and benefits specified in Section 3, in each case in the amount and kind and at the time provided for in Section 3; provided that, notwithstanding such termination of employment, Employee's covenants set forth in Sections 10 and 11 shall remain in full force and effect.

(ii) If Employer shall terminate the employment of Employee without good cause effective on a date earlier than the termination date provided for in Section 2, any and all options,

rights or awards granted in conjunction with Parent's or Employer's incentive compensation and stock option plans shall immediately vest.

(iii) The parties agree that, because there can be no exact measure of the damage that would occur to Employee as a result of a termination by Employer of Employee's employment without good cause, the payments and benefits paid and provided pursuant to this Section 8(c) shall be deemed to constitute liquidated damages and not a penalty for Employer's termination of Employee's employment without good cause, and Employer agrees that Employee should not be required to mitigate his damages.

(d)

(i) If a Change in Control of Employer, as defined in Section 8(d)(ii) shall occur, and Employee shall:

(1) have his employment constructively terminated by Employer because Employer:

(A) has after the Change in Control reduced Employee's annual base salary or potential bonus level or any incentive compensation or stock option plan benefit (as in effect immediately before such Change in Control);

(B) has relocated Employee's office to a location that is more than 35 miles from the location in which Employee principally works for Employer or Parent immediately before such Change in Control;

(C) has relocated the principal executive office of Parent, Employer or the office of Employer's operating group for which Employee performed the majority of his services for Employer during the year before the Change in Control to a location that is more than 35 miles from the location of such office immediately before such Change in Control;

(D) has required Employee, in order to perform duties of substantially equal status to those duties Employee performed immediately before the Change in Control, to travel on Employer's business to a substantially greater extent than is consistent with Employee's travel obligations immediately before such Change in Control;

(E) has failed to continue to provide Employee with benefits substantially equivalent to those enjoyed by Employee under any of Employer's life insurance, medical, health and accident or disability plans and incentive compensation or stock option plans in which Employee was participating immediately before the Change in Control;

(F) has taken any action that would directly or indirectly materially reduce any of such benefits or deprive Employee of any material fringe benefit enjoyed by Employee immediately before the Change in Control;

(G) has failed to provide Employee with at least the number of paid vacation days to which Employee is entitled on the basis of years of service under Employer's normal vacation policy in effect immediately before the Change in Control giving credit for time served at prior employers;

(2) voluntarily terminate his employment within one year following such Change in Control and such termination shall be as a result of Employee's good faith determination that as a result of the Change in Control and a change in circumstances thereafter significantly affecting his position other than those listed in Section 8(d)(i)(1) above, he can no longer adequately exercise the authorities, powers, functions or duties attached to his position as an executive officer of Employer, Parent or any of their affiliates; or

(3) voluntarily terminate his employment within one year following such Change in Control, and such termination shall be as a result of Employee's good faith determination that he can no longer perform his duties as an executive officer of Employer by reason of a substantial diminution in his responsibilities, status, title or position;

(4) have his employment terminated by Employer for reasons other than those specified in Section 8(b)(ii) within one (1) year following such Change in Control;

then in any of the above four cases, Employee shall have, instead of the rights described in Section 3(a), the right to immediately terminate this Agreement and receive from Employer, within fifteen business days following the date Employee notifies Employer of his constructive or voluntary termination pursuant to this Section 8(d)(i)(1), (2) or (3) or within three business days of having his employment terminated under 8(d)(i)(4) above, (A) a lump sum cash payment equal to three times the amount of Employee's Basic Salary with respect to the year in which such termination has occurred plus three times the amount of any bonus awarded to Employee with respect to the year immediately preceding the year in which such termination occurred, provided, however, that if Employee for any reason did not receive a bonus in the immediately preceding year, Employee shall be deemed for purposes of this Section 8(d)(i) to have received a bonus in the amount of one-fourth of his annual Basic Salary for such year, and (B) medical plan coverage and other insurance benefits provided for himself and his spouse and dependents (to the extent his spouse and dependents are covered under the medical plan and other insurance benefits as of the date of Employee's termination of employment) for a period of three (3) years following the date of Employee's termination of employment, and (C) any and all options, rights or awards granted in conjunction with the Parent's or Employer's incentive compensation or stock option plans shall immediately vest. Employee shall not be required to mitigate the amount of any payment provided for in this Section 8(d)(i) by seeking other employment or otherwise. To the extent the provision of any such medical benefits are taxable to Employee or his spouse or dependents, Employer shall "gross up" Employee for such taxes based on Employee's actual tax rate (certified to Employer by Employee), up to 35% (without a "gross up" on the initial gross up). The obligation to provide this medical plan coverage shall terminate in the event Employee becomes employed by another employer that provides a medical plan that fully covers Employee and his dependents without a preexisting condition limitation.

(ii) For purposes of this Agreement, a "Change in Control" shall mean:

(1) the obtaining by any party or group acting in concert (other than current stockholders and warrantholders or their affiliates) of fifty percent (50%) or more of the voting shares of Parent pursuant to a "tender offer" for such shares as provided under Rule d-2 promulgated under the Securities Exchange Act of 1934, as amended, or any subsequent comparable federal rule or regulation governing tender offers; or

(2) individuals who were members of the Parent's board of directors immediately prior to any particular meeting of any Parent's shareholders that involves a contest for the election of directors fail to constitute a majority of the members of such Parent's board of directors following such election; or

(3) Parent or a material subsidiary of Parent executing an agreement concerning the sale of substantially all of its assets to a purchaser that is not the Employer, Parent or a direct or indirect subsidiary of Parent or the affiliate of Parent; or

(4) Parent's or Employer's adoption of a plan of dissolution or liquidation; or

(5) Parent's executing an agreement concerning a merger or consolidation in which Parent is not the surviving corporation or if, immediately following such merger or consolidation, less than fifty percent (50%) of the surviving corporation's outstanding voting stock is held by persons who were shareholders and/or warrantholders of Parent immediately prior to the merger or consolidation or their affiliates.

(iii) The provisions of Section 8(c) and this Section 8(d) are mutually exclusive; provided, however, that if within one year following commencement of a Section 8(c) payout there shall be a Change in Control as defined in Section 8(d)(ii), then Employee shall be entitled to the amount payable to Employee under Section 8(d)(i) reduced by the amount that Employee has received under Section 8(c) up to the date of the Change in Control. The triggering of the lump sum payment requirement of this Section 8(d) shall cause the provisions of Section 8(c) to become inoperative. The triggering of the continuation of payment provisions of Section 8(c) shall cause the provisions of Section 8(d) to become inoperative except to the extent provided in this Section 8(d)(iii).

(e) If the employment of Employee is terminated for good cause under Section 8(b)(ii) of this Agreement, or if Employee voluntarily terminates his employment by written notice to Employer under Section 8(a) of this Agreement without reliance on Section 8(d), Employer shall pay to Employee any compensation earned but not paid to Employee prior to the effective date of such termination. Under such circumstances, such payment shall be in full and complete discharge of any and all liabilities or obligations of Employer to Employee hereunder, and Employee shall be entitled to no further benefits under this Agreement.

9. Inventions and Other Intellectual Property. Employee hereby agrees that any design, invention, copyright or trademark materials made or created as a result of or in connection with the duties of Employee hereunder shall be the sole and exclusive property of Employer, and Employee hereby assigns and transfers to Employer the entire right, title and interest of Employee in and to the foregoing. Employee further agrees that, at Employer's request and expense, Employee will execute any deeds, assignments or other documents necessary to transfer any such design, invention, copyright or trademark materials to Employer and will cooperate with Employer or its nominee in perfecting Employer's title (or the title of Employer's nominee) in such materials. During the term of his employment, Employee shall keep Employer informed of the development of all designs, inventions or copyright materials made, conceived or reduced to practice by Employee, in whole or in part, alone or with others, that either result from any work Employee may do for or at the request of Employer or any affiliate of Employer or are related to the present or contemplated activities, investigations or obligations of Employer or any affiliate of Employer. If any such design, invention, or copyright material relating in any manner to the business of Employer or Parent or any research and development of Employer or any affiliate of Employer is disclosed by Employee within six (6) months after leaving the employ of Employer, it shall be presumed that such design, invention, copyright or trademark materials resulted or were conceived from developments made during the period of the employment by Employer of Employee (unless Employee can conclusively prove that such design, invention, copyright or trademark materials were conceived, made and discovered solely during the period following termination of employment hereunder) and Employee agrees that any such design, invention, copyright or trademark materials shall belong to Employer.

10. Confidentiality. During the term of Employee's employment, whether pursuant to this Agreement, any automatic or other renewal hereof or otherwise, and for a period of eighteen (18) months thereafter, and except as may be otherwise herein provided, Employee agrees to keep in strict secrecy and confidence any and all information Employee assimilates or to which he has access during his employment by Employer or its predecessor and which has not been publicly disclosed and is not a matter of common knowledge in the fields of work of Employer, including, but not limited to, customer list, vessel designs, operational methods and procedures, cost structures and contract terms. Employee agrees that both during and for a period of eighteen (18) months after the term of his employment by Employer, he will not, without the prior written consent of Employer, disclose any such

confidential information to any third person, partnership, joint venture, company, corporation or other organization, nor exploit such information (either for Employee's or any other person's benefit). In the event that either party receives notice from any person that it may become legally compelled to disclose any of the other party's information, such party will immediately supply the other party with written notice thereof and such party shall not disclose any such information until the other party has had an opportunity to seek a protective order or other arrangement to prevent the disclosure of the information.

11. Noncompetition and Nonsolicitation. Employee hereby acknowledges that, during and, in some instances, solely as a result of his employment by Employer, he has received or shall receive and shall continue to receive access to confidential information and business and professional contacts of Employer. In consideration of the special and unique opportunities afforded to Employee by Employer as a result of Employee's employment, as outlined in the previous sentence, Employee hereby agrees as follows:

(a) During the term of Employee's employment, whether pursuant to this Agreement, any automatic or other renewal hereof or otherwise, and for a period of twelve (12) months thereafter, and, except as may be otherwise herein provided, Employee shall not, directly or indirectly, enter into, engage in, be employed by or consult any business that competes with the business of Employer by selling, offering to sell, soliciting offers to buy, or producing, or by consulting with others concerning the selling or producing of, any product or service substantially similar to those now sold, produced or provided by Employer in those locations where Employer or any of its affiliates has provided or offered to provide products or services ("Competitor"). Employee shall not engage in such prohibited activities, either as an individual, partner, officer, director, stockholder, employee, advisor, independent contractor, joint venturer, consultant, agent, or representative or salesman for any person, firm, partnership, corporation or other entity so competing with Employer. The restrictions of this Section 11 shall not be violated by (i) the ownership of no more than 5% of the outstanding securities of any company whose stock is publicly traded, (ii) other outside business investments approved in writing by the Chief Executive Officer or President of Employer that do not in any manner conflict with the services to be rendered by Employee for Employer and its affiliates and that do not diminish or detract from Employee's ability to render his attention to the business of Employer and its affiliates or (iii) employment by a certified public accounting firm or a commercial or investment bank that may have as a client or customer: (A) a Competitor to Employer or (B) any of the clients or customers of Employer with whom Employer did business during the term of Employee's employment, so long as Employee does not directly or indirectly serve, advise or consult in any way such Competitor to Employer or client or customer of Employer, respectively, for a period of twelve (12) months after Employee's termination.

(b) During his employment with Employer and for a period of twelve (12) months thereafter, and except as may be otherwise herein provided, Employee agrees he will refrain from and will not, directly or indirectly, as an individual, partner, officer, director, stockholder, employee, advisor, independent contractor, joint venturer, consultant, agent, representative, salesman or otherwise (1) solicit any of the employees of Employer to terminate their employment or (2) accept employment with or seek remuneration by any of the clients or customers of Employer with whom Employer did business during the term of Employee's employment.

(c) The parties hereto agree that the foregoing restrictive covenants set forth in Sections 11(a) and (b) are essential elements of this Agreement, and that, but for the agreement of Employee to comply with such covenants, Employer would not have agreed to enter into this Agreement. Such covenants by Employee shall be construed as agreements independent of any other provision in this Agreement. The existence of any claim or cause of action of Employee against Employer, whether predicated on this Agreement, or otherwise, shall not constitute a defense to the enforcement by Employer of such covenants.

(d) The parties hereto agree that if any portion of the covenants set forth in this Section 11 are held to be invalid, unreasonable, arbitrary or against public policy, then such portion of such covenants shall be considered divisible both as to time and geographical area. Employer and Employee agree that, if any court of competent jurisdiction determines the specified time period or the specified geographical area

applicable to this Section 11 to be invalid, unreasonable, arbitrary or against public policy, a lesser time period or geographical area that is determined to be reasonable, non-arbitrary and not against public policy may be enforced against Employee. Employer and Employee agree that the foregoing covenants are appropriate and reasonable when considered in light of the nature and extent of the business conducted by Employer.

12. Injunctive Relief. Employee agrees that damages at law will be an insufficient remedy to Employer if Employee violates or attempts or threatens to violate the terms of Sections 9, 10 or 11 of this Agreement and that Employer would suffer irreparable damage as a result of such violation or attempted or threatened violation. Accordingly, it is agreed that Employer shall be entitled, upon application to a court of competent jurisdiction, to obtain injunctive relief to enforce the provisions of such Sections, which injunctive relief shall be in addition to any other rights or remedies available to Employer, at law or in equity. In the event either party commences legal action relating to the enforcement of the terms of Section 9, 10 or 11 of this Agreement, the prevailing party in such action shall be entitled to recover from the other party all of the costs and expenses in connection therewith, including reasonable fees and disbursements of counsel (both at trial and in appellate proceedings).

13. Compliance with Other Agreements. Employee represents and warrants that the execution of this Agreement by him and his performance of his obligations hereunder will not conflict with, result in the breach of any provision of or the termination of or constitute a default under any agreement to which Employee is a party or by which Employee is or may be bound.

14. Waiver of Breach. The waiver by Employer of a breach of any of the provisions of this Agreement by Employee shall not be construed as a waiver of any subsequent breach by Employee.

15. Binding Effect; Assignment. The rights and obligations of Employer under this Agreement shall inure to the benefit of and shall be binding upon the successors and assigns of Employer. This Agreement is a personal employment contract and the rights, obligations and interests of Employee hereunder may not be sold, assigned, transferred, pledged or hypothecated.

16. Indemnification. Employee shall be entitled throughout the term of this Agreement and thereafter to indemnification by Parent and Employer in respect of any actions or omissions as an employee, officer or director of Parent, Employer (or any successor thereof) to the fullest extent permitted by law. Parent and Employer also agree to obtain directors and officers (D&O) insurance in a reasonable amount determined by the Board and to maintain such insurance during the term of this Agreement (as such Agreement may be extended from time to time) and for a period of twelve (12) months following the termination of this Agreement, as so extended.

17. Entire Agreement. This Agreement contains the entire agreement and supersedes all prior agreements and understandings, oral or written, with respect to the subject matter hereof. This Agreement may be changed only by an agreement in writing signed by the party against whom any waiver, change, amendment, modification or discharge is sought.

18. Construction and Interpretation.

(a) The Board shall have the sole and absolute discretion to construe and interpret the terms of this Agreement, unless another individual or entity is charged with such responsibility.

(b) This Agreement shall be construed pursuant to and governed by the laws of the State of Louisiana (but any provision of Louisiana law shall not apply if the application of such provision would result in the application of the law of a state or jurisdiction other than Louisiana).

(c) The headings of the various sections in this Agreement are inserted for convenience of the parties and shall not affect the meaning, construction or interpretation of this Agreement.

(d) Any provision of this Agreement that is determined by a court of competent jurisdiction to be prohibited, unenforceable or not authorized in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition, unenforceability or non-authorization without invalidating the remaining provisions hereof or affecting the validity, enforceability or legality of such provision in any other jurisdiction. In any such case, such determination shall not affect any other provision of this Agreement, and the remaining provisions of this Agreement shall remain in full force and effect. If any provision or term of this Agreement is susceptible to two or more constructions or interpretations, one or more of which would render the provision or term void or unenforceable, the parties agree that a construction or interpretation that renders the term or provision valid shall be favored.

19. Notice. All notices that are required or may be given under this Agreement shall be in writing and shall be deemed to have been duly given when received if personally delivered; when transmitted if transmitted by telecopy or similar electronic transmission method; one working day after it is sent, if sent by recognized expedited delivery service; and five days after it is sent, if mailed, first class mail, certified mail, return receipt requested, with postage prepaid. In each case notice shall be sent to:

To Employer:

HORNBECK-LEEVAC Marine Operators, Inc.
Attention: Christian G. Vaccari, CEO
414 N. Causeway Blvd.
Mandeville, LA 70448

To Employee at his address herein first above written.

20. Venue; Process. The parties to this Agreement agree that jurisdiction and venue in any action brought pursuant to this Agreement to enforce its terms or otherwise with respect to the relationships between the parties shall properly lie in the 22nd Judicial District Court for the Parish of St. Tammany or in the United States District Court for the Eastern District of Louisiana, New Orleans Division, New Orleans Office. Such jurisdiction and venue are merely permissive; jurisdiction and venue shall also continue to lie in any court where jurisdiction and venue would otherwise be proper.

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IN WITNESS WHEREOF, the parties hereto have executed this Agreement the day and year first above written.

EMPLOYER:

HORNBECK-LEEVAC MARINE OPERATORS, INC.

By: /s/ CHRISTIAN G. VACCARI
Name: Christian G. Vaccari
Title: CEO

EMPLOYEE:

/s/ JAMES O. HARP, JR.
JAMES O. HARP, JR.

ACKNOWLEDGED AND AGREED TO FOR PURPOSES OF GUARANTEEING THE FINANCIAL OBLIGATIONS OF EMPLOYER TO EMPLOYEE:

HORNBECK-LEEVAC MARINE SERVICES, INC.

By: /s/ CHRISTIAN G. VACCARI
Name: Christian G. Vaccari
Title: CEO

APPENDIX A

Employer shall annually provide Employee with a bonus that is at least equal as a percentage of Basic Salary as is determined by comparing the actual Parent (i) earnings before interest, taxes, depreciation, and amortization calculated on a consolidated basis with Parent's subsidiaries (the "EBITDA") and (ii) fully diluted earnings per share (the "EPS"), such actual Parent EBITDA and EPS performance, to be derived from audited financial statements of Parent and its consolidated subsidiaries prepared in accordance with generally accepted accounting principles ("GAAP"), taking into account accruals for such bonuses for Employee and other employees of Employer, to their respective Parent EBITDA and EPS targets set in advance by the Board (each referred to herein as a "Target" and collectively, as the "Targets") for each fiscal year under the term of this Agreement as contemplated below.

Employer and Employee agree that targets are to be aggressively set by the Board such that the bonus incentives for Employee are aligned with Parent shareholder goals for each fiscal year. Fifty percent (50%) of the bonus shall be based upon a percentage comparison of actual Parent EBITDA performance to the EBITDA Target for such fiscal year, and the remaining fifty percent (50%) shall be based upon a percentage comparison of actual Parent EPS performance to the EPS Target for such fiscal year.

Bonus awards for each Target based upon such percentage comparisons are as follows:

(i) achievement of eighty percent (80%) of Target earns a bonus of twelve and one-half percent (12.5%) of Basic Salary;

(ii) achievement of one hundred percent (100%) of Target earns a bonus of thirty-seven and one-half (37.5%) of Basic Salary; and

(iii) achievement of one hundred fifty percent (150%) of Target earns a bonus of seventy-five percent (75%) of Basic Salary.

Bonuses for Target achievement percentages (i) greater than eighty percent (80%) and less than one hundred percent (100%) and (ii) greater than one hundred percent (100%) but less than one hundred fifty percent (150%) shall be determined by the Board using a curve which is a straight line connecting eighty percent (80%) and one hundred percent (100%) and another line connecting one hundred percent (100%) and one hundred fifty percent (150%). Notwithstanding the above, the Board, in its sole discretion, may award a bonus to Employee for a Target achievement percentage that is less than eighty percent (80%), and the Board, in its sole discretion, may award an additional bonus to Employee for a Target achievement percentage in excess of one hundred fifty percent (150%).

Notwithstanding the above, the Year 2001 Target for Parent EBITDA performance shall be $21,700,000 and for Parent EPS performance shall be $0.22 per share. Based upon the RBC Dominion Securities prepared offering memorandum projections, the Year 2002 Target for Parent EBITDA performance shall be $35,200,000 and for Parent EPS performance shall be $0.36 per share.

EMPLOYER:

HORNBECK-LEEVAC MARINE OPERATORS, INC.

By: /s/ CHRISTIAN G. VACCARI

Name: Christian G. Vaccari

Title: CEO

EMPLOYEE:

/s/ JAMES O. HARP, JR.

JAMES O. HARP, JR.

ACKNOWLEDGED AND AGREED TO FOR
PURPOSES OF GUARANTEEING THE
FINANCIAL OBLIGATIONS OF EMPLOYER
TO EMPLOYEE:

HORNBECK-LEEVAC MARINE SERVICES, INC.

By: /s/ CHRISTIAN G. VACCARI

Name: Christian G. Vaccari

Title: CEO

EXHIBIT 10.6

HV MARINE SERVICES, INC.

INCENTIVE COMPENSATION PLAN

SECTION 1. PURPOSE OF THIS PLAN

The purposes of the HV Marine Services, Inc. Incentive Compensation Plan are to (i) promote the interests of HV Marine Services, Inc., a Delaware corporation (the "Company") and its shareholders by enabling the Company and each of its Subsidiaries (as hereinafter defined) to (A) attract, motivate and retain their respective employees and non-employee Directors (as hereinafter defined) by offering such employees and non-employee Directors performance-based stock incentives and other equity interests in the Company and other incentive awards and (B) compensate Consultants (as hereinafter defined) by offering such Consultants performance-based stock incentives and other equity interests in the Company and other incentive awards that recognize the creation of value for the shareholders of the Company and (ii) promote the Company's long-term growth and success. To achieve these purposes, eligible Persons may receive Stock Options, Stock Appreciation Rights, Restricted Stock, Performance Awards, Dividend Equivalent Rights and any other Awards (as such terms are hereinafter defined), or any combination thereof.

SECTION 2. DEFINITIONS

As used in this Plan, the following terms shall have the meanings set forth below unless the context otherwise requires:

2.1 "Award" shall mean the grant of a Stock Option, a Stock Appreciation Right, Restricted Stock, a Performance Award, a Dividend Equivalent Right or any other grant of incentive compensation pursuant to this Plan.

2.2 "Award Period" shall have the meaning set forth in Subsection 17.2 of this Plan.

2.3 "Book Value" shall mean the excess of the value of the assets of an entity over the liabilities of such entity (determined in accordance with United States generally accepted accounting principles, consistently applied).

2.4 "Board" shall mean the Board of Directors of the Company, as the same may be constituted from time to time.

2.5 "Cause" shall mean termination of a Participant's employment with the Company or a Subsidiary upon the occurrence of one or more of the following events:

(a) The Participant's failure to substantially perform such Participant's duties with the Company or any Subsidiary as determined by the Committee or

the Board following receipt by the Participant of written notice of such failure and the Participant's failure to remedy such failure within thirty (30) days after receipt of such notice (other than a failure resulting from the Participant's incapacity during physical or mental illness or disability);

(b) The Participant's willful failure or refusal to perform specific directives of the Board, which directives are consistent with the scope and nature of the Participant's duties and responsibilities, and which are not remedied by the Participant within thirty (30) days after being notified in writing of such Participant's failure by the Board;

(c) The Participant's conviction of a felony; or

(d) A breach of the Participant's fiduciary duty to the Company or any Subsidiary or willful violation in the course of performing the Participant's duties for the Company or any Subsidiary of any law, rule or regulation (other than traffic violations or other minor offenses). No act or failure to act on the Participant's part shall be considered willful unless done or omitted to be done in bad faith and without reasonable belief that the action or omission was in the best interest of the Company.

2.6 "Change in Control" shall mean, after the Effective Date, (i) the occurrence of an event of a nature that would be required to be reported by the Company in response to Item 1 of a Current Report on Form 8-K (or any successor to such form) promulgated pursuant to the Exchange Act; provided, without limitation, such a Change in Control shall be deemed to have occurred if (a) any Person or Group (other than (A) the Company, (B) a wholly-owned Subsidiary, (C) any employee benefit plan (including, without limitation, an employee stock ownership plan) adopted by the Company or any wholly-owned Subsidiary or (D) any trustee or other fiduciary holding securities under any employee benefit plan adopted by the Company or any Subsidiary), becomes the "beneficial owner" (as defined in Rule 13d-3 (or any successor to such rule) promulgated under the Exchange Act), directly or indirectly, of securities of the Company or any Material Subsidiary representing fifty percent (50%) or more of the combined voting power of the Company's or such Material Subsidiary's then outstanding securities or (b) during any period of twenty-four (24) months, individuals who at the beginning of such period constitute the Board cease for any reason to constitute at least a majority thereof, unless the election by the Board or the nomination for election by the Company's shareholders was approved by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors at the beginning of such twenty-four (24) month period or whose election or nomination for election was previously so approved; (ii) a Corporate Transaction is consummated, other than a Corporate Transaction that would result in substantially all of the holders of voting securities of the Company outstanding immediately prior thereto owning (directly or indirectly and in substantially the same proportions relative to each other) not less than fifty percent (50%) of the combined voting power of the voting securities of the issuing/surviving/resulting entity outstanding immediately after such Corporate Transaction

or (iii) an agreement for the sale or other disposition of all or substantially all of the Company's assets (evaluated on a consolidated basis, without regard to whether the sale or disposition is effected via a sale or disposition of assets of the Company, the sale or disposition of the securities of one or more Subsidiaries or the sale or disposition of the assets of one or more Subsidiaries) is consummated.

2.7 "Code" shall mean the Internal Revenue Code of 1986, as amended from time to time (or any successor to such legislation).

2.8 "Committee" shall mean the Compensation Committee of the Board as such Compensation Committee may be constituted from time to time; provided, however, membership on the Committee shall be limited to "Non-Employee Directors" (as that term is defined in Rule 16b-3 (or any successor to such rule) promulgated under the Exchange Act) who are also "outside directors," as required pursuant to Section 162(m) of the Code and such Treasury regulations as may be promulgated thereunder; and provided further, the Committee will consist of not less than two (2) such Directors. All members of the Committee will serve at the pleasure of the Board. Notwithstanding the foregoing, if the composition of the Committee does not comply with the foregoing provisions of this Subsection, the entire Board shall constitute the Committee until such time as a proper Committee is appointed in accordance with the foregoing provisions of this Subsection.

2.9 "Common Stock" shall mean the Common Stock, par value $.01 per share, of the Company.

2.10 "Company" shall have the meaning set forth in Section 1 of this Plan.

2.11 "Consultant" shall mean any Person who or which is engaged by the Company or any Subsidiary to render consulting services including, without limitation, any nonvoting advisory director who may be appointed by the Board.

2.12 "Corporate Transaction" shall mean any recapitalization (other than a transaction contemplated by Subsection 13(a)), merger, consolidation or conversion involving the Company or any exchange of securities involving the Common Stock (other than a transaction contemplated by Subsection 13(a)).

2.13 "Designated Beneficiary" shall mean the beneficiary designated by a Participant, in a manner authorized by the Committee or the Board, to exercise the rights of such Participant in the event of such Participant's death. In the absence of an effective designation by a Participant, the Designated Beneficiary shall be such Participant's estate.

2.14 "Director" shall mean any member of the Board.

2.15 "Disability" shall mean permanent and total inability to engage in any substantial gainful activity, even with reasonable accommodation, by reason of any medically determinable physical or mental impairment which has lasted or can reasonably

be expected to last without material interruption for a period of not less than twelve (12) months, as determined in the sole discretion of the Committee or the Board.

2.16 "Dividend Equivalent Right" shall mean the right of the holder thereof to receive payments based on the cash or stock dividends or other distributions that would have been paid on the number of Shares specified in an Award granting Dividend Equivalent Rights if the number of Shares subject to such Award were held by such holder on the record date for determining shareholders to whom dividends are payable.

2.17 "Effective Date" shall mean November _____, 1997.

2.18 "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended from time to time (or any successor to such legislation).

2.19 "Fair Market Value" shall mean with respect to the Shares, as of any date, (i) if the Common Stock is listed or admitted to trade on a national securities exchange, the closing price of the Common Stock on the composite tape, as published in The Wall Street Journal, of the principal national securities exchange on which the Common Stock is so listed or admitted to trade, on such date or, if there is no trading in Shares on such date, then the closing price of the Common Stock as quoted on such composite tape on the next preceding date on which there was trading in such Shares; (ii) if the Common Stock is not listed or admitted to trade on a national securities exchange, then the closing price of the Common Stock as quoted on the National Market System of the NASD; (iii) if the Common Stock is not listed or admitted to trade on a national securities exchange or the National Market System of the NASD, the mean between the bid and asked price for the Common Stock on such date, as furnished by the NASD through NASDAQ or a similar organization if NASDAQ is no longer reporting such information; or (iv) if the Common Stock is not listed or admitted to trade on a national securities exchange or the National Market System of the NASD and if bid and asked prices for the Common Stock are not so furnished by the NASD or a similar organization, the value established by the Board. Fair market value shall be determined without regard to any restriction other than a restriction which, by its terms, will never lapse.

2.20 "Group" shall have the meaning ascribed to such term in Section 13(d) of the Exchange Act.

2.21 "Incentive Stock Option" shall mean any option to purchase Shares awarded pursuant to this Plan which qualifies as an "Incentive Stock Option" pursuant to Section 422 of the Code.

2.22 "Limited Stock Appreciation Rights" shall have the meaning set forth in Subsection 7.4 of this Plan.

2.23 "Material Subsidiary" shall mean any Subsidiary of which the Book Value or fair market value (whichever is greater) constitutes fifty percent (50%) or more of the

Book Value of the Company. The fair market value of a Subsidiary will be determined in good faith by the Board.

2.24 "Named Executive Officer" shall have the meaning set forth in Subsection 17.1 of this Plan.

2.25 "NASD" shall mean the National Association of Securities Dealers, Inc.

2.26 "Non-Qualified Stock Option" shall mean any option to purchase Shares awarded pursuant to this Plan that does not qualify as an Incentive Stock Option (including, without limitation, any option to purchase Shares originally designated as or intended to qualify as an Incentive Stock Option but which does not (for whatever reason) qualify as an Incentive Stock Option).

2.27 "Non-Share Method" shall have the meaning set forth in Subsection 6.6(c) of this Plan.

2.28 "Non-Tandem Stock Appreciation Right" shall mean any Stock Appreciation Right granted alone and not in connection with an Award which is a Stock Option.

2.29 "Optionee" shall mean any Participant who has been granted and holds a Stock Option awarded pursuant to this Plan.

2.30 "Participant" shall mean any Person who has been granted and holds an Award granted pursuant to this Plan.

2.31 "Performance Award" shall mean any Award granted pursuant to this Plan of Shares, rights based upon, payable in or otherwise related to Shares (including Restricted Stock) or cash, as the Committee or Board may determine, at the end of a specified performance period established by the Committee or Board and may include, without limitation, Performance Shares or Performance Units.

2.32 "Performance Shares" shall have the meaning set forth in Subsection 9.1 of this Plan.

2.33 "Performance Units" shall have the meaning set forth in Subsection 9.1 of this Plan.

2.34 "Permitted Modification" shall be deemed to be any modification of an Award which is made in connection with a Corporate Transaction and which provides (i) in connection with a Stock Option, that subsequent to the consummation of the Corporate Transaction (A) the exercise price of such Stock Option will be proportionately adjusted to reflect the exchange ratio applicable to the particular Corporate Transaction and/or (B) the nature and amount of consideration to be received upon exercise of the Stock Option will be the same (on a per share basis) as was received by Persons who were

holders of shares of Common Stock immediately prior to the consummation of the Corporate Transaction, (ii) in connection with a Stock Appreciation Right, that subsequent to the consummation of the Corporate Transaction (A) the base price of such Stock Appreciation Right will be proportionately adjusted to reflect the exchange ratio applicable to the particular Corporate Transaction and/or (B) the benefits to be received by the holder of such Stock Appreciation Right will be measured based upon the nature and amount of consideration received (on a per share basis) by Persons who were holders of shares of Common Stock immediately prior to the consummation of the Corporate Transaction, and (iii) in connection with a Dividend Equivalent Right, that subsequent to the consummation of the Corporate Transaction the benefits to be received by the holder of such Dividend Equivalent Right will be measured based upon the nature and amount of consideration received (on a per share basis) by Persons who were holders of shares of Common Stock immediately prior to the consummation of the Corporate Transaction.

2.35 "Person" shall mean an individual, partnership, limited liability company, corporation, joint stock company, trust, estate, joint venture, association or unincorporated organization or any other form of business organization.

2.36 "Plan" shall mean this HV Marine Services, Inc. Incentive Compensation Plan as it may be amended from time to time.

2.37 "Reload Option" shall mean a Stock Option as defined in Subsection 6.6(b) of this Plan.

2.38 "Reorganization" shall mean any stock split, stock dividend, reverse stock split, combination of Shares or any other similar increase or decrease in the number of Shares issued and outstanding.

2.39 "Restricted Stock" shall mean any Shares granted pursuant to this Plan that are subject to restrictions or substantial risk of forfeiture.

2.40 "Retirement" shall mean termination of employment of an employee of the Company or any Subsidiary, other than discharge for Cause, after age 65 or on or before age 65 if pursuant to the terms of any retirement plan maintained by the Company or any Subsidiary in which such employee participates.

2.41 "Securities Act" shall mean the Securities Act of 1933, as amended from time to time (or any successor to such legislation).

2.42 "Share Retention Method" shall have the meaning set forth in Subsection 6.6(c) of this Plan.

2.43 "Shares" shall mean shares of the Common Stock and any shares of capital stock or other securities hereafter issued or issuable upon, in respect of or in substitution or exchange for shares of Common Stock.

2.44 "Stock Appreciation Right" shall mean the right of the holder thereof to receive property or Shares with a Fair Market Value equal to or cash in an amount equal to the excess of the Fair Market Value of the aggregate number of Shares subject to such Stock Appreciation Right on the date of exercise over the Fair Market Value of the aggregate number of Shares subject to such Stock Appreciation Right on the date of the grant of such Stock Appreciation Right (or such other value as may be specified in the agreement granting such Stock Appreciation Right). A Stock Appreciation Right may be a Tandem Stock Appreciation Right, Non-Tandem Stock Appreciation Right or Limited Stock Appreciation Right.

2.45 "Stock Option" shall mean any Incentive Stock Option or Non-Qualified Stock Option.

2.46 "Subsidiary" shall mean a subsidiary corporation of the Company, as defined in Section 424(f) of the Code.

2.47 "Tandem Stock Appreciation Right" shall mean a Stock Appreciation Right granted in connection with an Award which is a Stock Option.

2.48 "Transactional Consideration" shall have the meaning set forth in Subsection 13(b) of this Plan.

SECTION 3. ADMINISTRATION OF THIS PLAN

3.1 Committee. This Plan shall be administered and interpreted by the Committee.

3.2 Awards.

(a) Subject to the provisions of this Plan and directions from the Board, the Committee is authorized to:

(i) determine the Persons to whom Awards are to be granted;

(ii) determine the types and combinations of Awards to be granted; the number of Shares to be covered by an Award; the exercise price of an Award; the time or times when an Award shall be granted and may be exercised; the terms, performance criteria or other conditions, vesting periods or any restrictions for an Award; any restrictions on Shares acquired pursuant to the exercise of an Award; and any other terms and conditions of an Award;

(iii) interpret the provisions of this Plan;

(iv) prescribe, amend and rescind rules and regulations relating to this Plan;

(v) determine whether, to what extent and under what circumstances to provide loans from the Company to Participants to exercise Awards granted pursuant to this Plan, and the terms and conditions of such loans;

(vi) rely upon employees of the Company for such clerical and recordkeeping duties as may be necessary in connection with the administration of this Plan;

(vii) accelerate or defer (with the consent of the Participant) the vesting of any rights pursuant to an Award; and

(viii) make all other determinations and take all other actions necessary or advisable for the administration of this Plan.

(b) Without limiting the Board's right to amend this Plan pursuant to Section 14, the Board may take all actions authorized by Subsection 3.2(a) of this Plan, including, without limitation, granting such Awards pursuant to this Plan as the Board may deem necessary or appropriate.

3.3 Procedures.

(a) Proceedings by the Board with respect to this Plan will be conducted in accordance with the articles of incorporation and bylaws of the Company.

(b) A majority of the Committee members shall constitute a quorum for action by the Committee. All determinations of the Committee shall be made by not less than a majority of its members.

(c) All questions of interpretation and application of this Plan or pertaining to any question of fact or Award granted hereunder will be decided by the Committee or the Board, whose decision will be final, conclusive and binding upon the Company and each other affected party.

SECTION 4. SHARES SUBJECT TO PLAN

4.1 Limitations. The maximum number of Shares that may be issued with respect to Awards granted pursuant to this Plan shall not exceed 1,127,616 unless increased or decreased by reason of changes in the capitalization of the Company as hereinafter provided or by amendment of this Plan. The Shares issued pursuant to this Plan may be authorized but unissued Shares, or may be issued Shares which have been reacquired by the Company.

4.2 Changes. To the extent that any Award granted pursuant to this Plan shall be forfeited, shall expire or shall be cancelled, in whole or in part, then the number of Shares covered by the Award so forfeited, expired or cancelled may again be awarded pursuant to the provisions of this Plan. In the event that Shares are delivered to the Company in full or partial payment of the exercise price for the exercise of a Stock Option, the number of Shares available for future Awards granted pursuant to this Plan shall be reduced only by the net number of Shares issued upon the exercise of the Stock Option. Awards that may be satisfied either by the issuance of Shares or by cash or other consideration shall, until the form of consideration to be paid is finally determined, be counted against the maximum number of Shares that may be issued pursuant to this Plan. If the Award is ultimately satisfied by the payment of consideration other than Shares, as, for example, a Stock Option granted in tandem with a Stock Appreciation Right that is settled by a cash payment, such Shares may again be made the subject of an Award granted pursuant to this Plan. Awards will not reduce the number of Shares that may be issued pursuant to this Plan if the settlement of the Award will not require the issuance of Shares, as, for example, a Stock Appreciation Right that can be satisfied only by the payment of cash.

SECTION 5. ELIGIBILITY

Eligibility for participation in this Plan shall be confined to those individuals who are employed by the Company or a Subsidiary and such Consultants and non-employee Directors as may be designated by the Committee or the Board. In making any determination as to Persons to whom Awards shall be granted, the type of Award and/or the number of Shares to be covered by the Award, the Committee or the Board shall consider the position and responsibilities of the Person, the importance of the Person to the Company, the duties of the Person, the past, present and potential contributions of the Person to the growth and success of the Company and such other factors as the Committee or the Board may deem relevant in connection with accomplishing the purposes of this Plan.

SECTION 6. STOCK OPTIONS

6.1 Grants. The Committee or the Board may grant Stock Options alone or in addition to other Awards granted pursuant to this Plan to any eligible Person. Each Person so selected shall be offered a Stock Option to purchase the number of Shares determined by the Committee or the Board. The Committee or the Board shall specify whether such Stock Option is an Incentive Stock Option or Non-Qualified Stock Option and any other terms or conditions relating to such Award; provided, however only employees of the Company or a Subsidiary may be granted Incentive Stock Options. To the extent that any Stock Option designated as an Incentive Stock Option does not qualify as an Incentive Stock Option (whether because of its provisions, the failure of the shareholders of the Company to authorize the issuance of Incentive Stock Options, the time or manner of its exercise or otherwise), such Stock Option or the portion thereof which does not qualify shall be deemed to constitute a Non-Qualified Stock Option. Each Person to be granted

a Stock Option shall enter into a written agreement with the Company, in such form as the Committee or the Board may prescribe, setting forth the terms and conditions (including, without limitation, the exercise price and vesting schedule) of the Stock Option. At any time and from time to time, the Optionee and the Committee or the Board may agree to modify an option agreement in such respects as they may deem appropriate, including, without limitation, the conversion of an Incentive Stock Option into a Non-Qualified Stock Option. The Committee or the Board may require that an Optionee meet certain conditions before the Stock Option or a portion thereof may vest or be exercised, as, for example, that the Optionee remain in the employ of the Company or a Subsidiary for a stated period or periods of time.

6.2 Incentive Stock Options Limitations.

(a) In no event shall any individual be granted Incentive Stock Options to the extent that the Shares covered by any Incentive Stock Options (and any incentive stock options granted pursuant to any other plans of the Company or its Subsidiaries) that may be exercised for the first time by such individual in any calendar year have an aggregate Fair Market Value in excess of $100,000. For this purpose, the Fair Market Value of the Shares shall be determined as of the date(s) on which the Incentive Stock Options are granted. It is intended that the limitation on Incentive Stock Options provided in this Subsection 6.2(a) be the maximum limitation on Stock Options which may be considered Incentive Stock Options pursuant to the Code.

(b) The option exercise price of an Incentive Stock Option shall not be less than one hundred percent (100%) of the Fair Market Value of the Shares subject to such Incentive Stock Option on the date of the grant of such Incentive Stock Option.

(c) Notwithstanding anything herein to the contrary, in no event shall any employee owning more than ten percent (10%) of the total combined voting power of the Company or any Subsidiary be granted an Incentive Stock Option unless the option exercise price of such Incentive Stock Option shall be at least one hundred ten percent (110%) of the Fair Market Value of the Shares subject to such Incentive Stock Option on the date of the grant of such Incentive Stock Option.

(d) In no event shall any individual be granted an Incentive Stock Option after the expiration of ten (10) years from the date this Plan is adopted or is approved by the shareholders of the Company (if shareholder approval is required by Section 422 of the Code).

(e) To the extent shareholder approval of this Plan is required by Section 422 of the Code, no individual shall be granted an Incentive Stock Option unless this Plan is approved by the shareholders of the Company within twelve (12) months before or after the date this Plan is initially adopted. In the event this Plan

is amended to increase the number of Shares subject to issuance upon the exercise of Incentive Stock Options or to change the class of employees eligible to receive Incentive Stock Options, no individual shall be granted an Incentive Stock Option unless such amendment is approved by the shareholders of the Company within twelve (12) months before or after such amendment.

(f) No Incentive Stock Option shall be granted to any employee owning more than ten percent (10%) of the total combined voting power of the Company or any Subsidiary unless the term of such Incentive Stock Option is equal to or less than five (5) years measured from the date on which such Incentive Stock Option is granted.

6.3 Option Term. The term of a Stock Option shall be for such period of time from the date of its grant as may be determined by the Committee or the Board; provided, however, that no Incentive Stock Option shall be exercisable later than ten (10) years from the date of its grant.

6.4 Time of Exercise. No Stock Option may be exercised unless it is exercised prior to the expiration of its stated term and, in connection with options granted to employees of the Company or its Subsidiaries, at the time of such exercise, the Optionee is, and has been continuously since the date of grant of such Stock Option, employed by the Company or a Subsidiary, except that:

(a) A Stock Option may, to the extent vested as of the date the Optionee ceases to be an employee of the Company or a Subsidiary, be exercised during the three month period immediately following the date the Optionee ceases (for any reason other than death, Disability or termination for Cause) to be an employee of the Company or a Subsidiary (or within such other period as may be specified in the applicable option agreement), provided that, if the Stock Option has been designated as an Incentive Stock Option and the option agreement provides for a longer exercise period, the exercise of such Stock Option after such three-month period shall be treated as the exercise of a Non-Qualified Stock Option;

(b) If the Optionee dies while in the employ of the Company or a Subsidiary, or within three months after the Optionee ceases (for a reason other than termination for Cause) to be such an employee (or within such other period as may be specified in the applicable option agreement), a Stock Option may, to the extent vested as of the date of the Optionee's death, be exercised by the Optionee's Designated Beneficiary during the one year period immediately following the date of the Optionee's death (or within such other period as may be specified in the applicable option agreement);

(c) If the Optionee ceases to be an employee of the Company or a Subsidiary by reason of the Optionee's Disability, a Stock Option, to the extent vested as of the date the Optionee ceases to be an employee of the Company or a

Subsidiary, may be exercised by the Optionee or the Optionee's legal guardian during the one year period immediately following such date (or within such other period as may be specified in the applicable option agreement); provided that, if the Stock Option has been designated as an Incentive Stock Option and the option agreement provides for a longer exercise period, the exercise of such Stock Option after such one-year period shall be treated as the exercise of a Non-Qualified Stock Option; and

(d) If the Optionee's employment is terminated for Cause, all Stock Options held by such Optionee shall simultaneously terminate and will no longer be exercisable.

Nothing contained in this Subsection 6.4 will be deemed to extend the term of a Stock Option or to revive any Stock Option which has previously lapsed or been cancelled, terminated or surrendered. Stock Options granted under this Plan to Consultants or non-employee Directors will contain such terms and conditions with respect to the death or disability of a Consultant or non-employee Director or termination of a Consultant's or non-employee Director's relationship with the Company as the Committee or the Board deems necessary or appropriate. Such terms and conditions will be set forth in the option agreements evidencing the grant of such Stock Options.

6.5 Vesting of Stock Options.

(a) Each Stock Option granted pursuant to this Plan may only be exercised to the extent that the Optionee is vested in such Stock Option. Each Stock Option shall vest separately in accordance with the option vesting schedule determined by the Committee or the Board, which will be incorporated in the option agreement entered into between the Company and such Optionee. The option vesting schedule may be accelerated if, in the discretion of the Committee or the Board, the acceleration of the option vesting schedule would be in the best interests the Company.

(b) In the event of the dissolution or liquidation of the Company, each Stock Option granted pursuant to this Plan shall terminate as of a date to be fixed by the Committee or Board; provided, however, that not less than thirty (30) days' written notice of the date so fixed shall be given to each Optionee. During such period all Stock Options which have not previously been terminated, exercised or surrendered will (subject to the provisions of Subsections 6.3 and 6.4) fully vest and become exercisable, notwithstanding the vesting schedule set forth in the option agreement evidencing the grant of such Stock Option. Upon the date fixed by the Committee or the Board, any unexercised Stock Options shall terminate and be of no further effect.

(c) Upon the occurrence of a Change in Control, all Stock Options and any associated Stock Appreciation Rights shall become fully vested and immediately exercisable.

6.6 Manner of Exercise of Stock Options.

(a) Except as otherwise provided in this Plan, Stock Options may be exercised as to Shares only in amounts and at intervals of time specified in the written option agreement between the Company and the Optionee. Each exercise of a Stock Option, or any part thereof, shall be evidenced by a written notice delivered by the Optionee to the Company. The purchase price of the Shares as to which a Stock Option shall be exercised shall be paid in full at the time of exercise, and may be paid to the Company either:

(i) in cash (including check, bank draft or money order); or

(ii) by other consideration acceptable to the Committee in its sole discretion.

(b) If an Optionee delivers Shares (including Shares of Restricted Stock) already owned by the Optionee in full or partial payment of the exercise price for any Stock Option, or if the Optionee elects to have the Company retain that number of Shares out of the Shares being acquired through the exercise of the Stock Option having a Fair Market Value equal to the exercise price of the Stock Option being exercised, the Committee or the Board may, in its sole discretion, authorize the grant of a new Stock Option (a "Reload Option") for that number of Shares equal to the number of already owned Shares surrendered (including Shares of Restricted Stock) or newly acquired Shares being retained by the Company in payment of the option exercise price of the underlying Stock Option being exercised. The grant of a Reload Option will become effective upon the exercise of the underlying Stock Option. The option exercise price of the Reload Option shall be the Fair Market Value of a Share on the effective date of the grant of the Reload Option. Each Reload Option shall be exercisable no later than the time when the underlying stock option being exercised could be last exercised. The Committee or the Board may also specify additional terms, conditions and restrictions for the Reload Option and the Shares to be acquired upon the exercise thereof.

(c) The amount, as determined by the Committee or the Board, of any federal, state or local tax required to be withheld by the Company due to the exercise of a Stock Option shall, subject to the authorization of the Committee or the Board, be satisfied, at the election of the Optionee, either (a) by payment by the Optionee to the Company of the amount of such withholding obligation in cash or other consideration acceptable to the Committee or the Board in its sole discretion (the "Non-Share Method") or (b) through either the retention by the Company of a number of Shares out of the Shares being acquired through the exercise of the

Stock Option or the delivery of already owned Shares having a Fair Market Value equal to the amount of the withholding obligation (the "Share Retention Method"). If an Optionee elects to use the Share Retention Method in full or partial satisfaction of any tax liability resulting from the exercise of a Stock Option, the Committee or the Board may authorize the grant of a Reload Option for that number of Shares as shall equal the number of Shares used to satisfy the tax liabilities of the Optionee arising out of the exercise of such Stock Option. Such Reload Option will be granted at the price and on the terms set forth in Subsection 6.6 (b). The cash payment or an amount equal to the Fair Market Value of the Shares so withheld, as the case may be, shall be remitted by the Company to the appropriate taxing authorities.

(d) An Optionee shall not have any of the rights of a shareholder of the Company with respect to the Shares subject to a Stock Option except to the extent that such Stock Option is exercised and one or more certificates representing such Shares shall have been delivered to the Optionee.

SECTION 7. STOCK APPRECIATION RIGHTS

7.1 Grants. The Committee or the Board may grant to any eligible Consultant, non-employee Director or employee of the Company or a Subsidiary either Non-Tandem Stock Appreciation Rights or Tandem Stock Appreciation Rights. Stock Appreciation Rights shall be subject to such terms and conditions as the Committee or the Board shall impose. The grant of the Stock Appreciation Right may provide that the holder will be paid for the value of the Stock Appreciation Right either in cash or in Shares, or a combination thereof, at the sole discretion of the Committee or the Board. In the event of the exercise of a Stock Appreciation Right payable in Shares, the holder of the Stock Appreciation Right shall receive that number of whole Shares having an aggregate Fair Market Value on the date of exercise equal to the value obtained by multiplying (i) either (a) in the case of a Tandem Stock Appreciation Right, the difference between the Fair Market Value of a Share on the date of exercise over the per share exercise price of the related Stock Option, or (b) in the case of a Non-Tandem Stock Appreciation Right, the difference between the Fair Market Value of a Share on the date of exercise over the Fair Market Value on the date of the grant by (ii) the number of Shares as to which the Stock Appreciation Right is exercised. However, notwithstanding the foregoing, the Committee or the Board, in its sole discretion, may place a ceiling on the amount payable upon exercise of a Stock Appreciation Right, but any such limitation shall be specified at the time that the Stock Appreciation Right is granted.

7.2 Exercisability. A Tandem Stock Appreciation Right granted in connection with an Incentive Stock Option (i) may be exercised at, and only at, the times and to the extent the related Incentive Stock Option is exercisable, (ii) will expire upon the termination of the related Incentive Stock Option, (iii) may not exceed 100% of the difference between the exercise price of the related Incentive Stock Option and the Fair Market Value of the Shares subject to the related Incentive Stock Option at the time the

Tandem Stock Appreciation Right is exercised and (iv) may be exercised at, and only at, such times as the Fair Market Value of the Shares subject to the related Incentive Stock Option exceeds the exercise price of the related Incentive Stock Option. A Tandem Stock Appreciation Right granted in connection with a Non-Qualified Stock Option will be exercisable as provided by the Committee or the Board and will have such other terms and conditions as the Committee or the Board may determine. A Tandem Stock Appreciation Right may be transferred at, and only at, the times and to the extent the related Stock Option is transferable. If a Tandem Stock Appreciation Right is granted, there shall be surrendered and cancelled from the related Stock Option at the time of exercise of the Tandem Stock Appreciation Right, in lieu of exercise pursuant to the related Stock Option, that number of Shares as shall equal the number of Shares as to which the Tandem Stock Appreciation Right shall have been exercised.

7.3 Certain Limitations on Non-Tandem Stock Appreciation Rights. A Non-Tandem Stock Appreciation Right will be exercisable as provided by the Committee or the Board and will have such other terms and conditions as the Committee or the Board may determine. A Non-Tandem Stock Appreciation Right is subject to acceleration of vesting or immediate termination in certain circumstances in the same manner as Stock Options pursuant to Subsections 6.4 and 6.5 of this Plan.

7.4 Limited Stock Appreciation Rights. The Committee and the Board may grant "Limited Stock Appreciation Rights," either as Tandem Stock Appreciation Rights or Non-Tandem Stock Appreciation Rights. Limited Stock Appreciation Rights will become exercisable only upon the occurrence of a Change in Control or such other event as the Committee or the Board may designate at the time of grant or thereafter.

SECTION 8. RESTRICTED STOCK

8.1 Grants. The Committee or the Board may grant Awards of Restricted Stock to any Consultant, non-employee Director or employee of the Company or a Subsidiary for such minimum consideration, if any, as may be required by applicable law or such greater consideration as may be determined by the Committee or the Board, in its sole discretion. The terms and conditions of the Restricted Stock shall be specified by the grant agreement. The Committee or the Board, in its sole discretion, may specify any particular rights which the Participant to whom a grant of Restricted Stock is made shall have in the Restricted Stock during the restriction period and the restrictions applicable to the particular Award, the vesting schedule (which may be based on service, performance or other factors) and rights to acceleration of vesting (including, without limitation, whether non-vested Shares are forfeited or vested upon termination of employment). Further, the Committee or the Board may grant performance-based Awards consisting of Restricted Stock by conditioning the grant, or vesting or such other factors, such as the release, expiration or lapse of restrictions upon any such Award (including the acceleration of any such conditions or terms) of such Restricted Stock upon the attainment of specified performance goals or such other factors as the Committee or the Board may determine. The Committee or the Board shall also determine when the restrictions shall lapse or expire and the conditions, if any, pursuant to which the Restricted Stock will be forfeited or sold back to the Company. Each

Award of Restricted Stock may have different restrictions and conditions. Unless otherwise set forth in the grant agreement, Restricted Stock may not be sold, pledged, encumbered or otherwise disposed of by the recipient until the restrictions specified in the Award expire. Awards of Restricted Stock are subject to acceleration of vesting, termination of restrictions and termination in the same manner as Stock Options pursuant to Subsections 6.4 and 6.5 of this Plan.

8.2 Awards and Certificates. Any Restricted Stock issued hereunder may be evidenced in such manner as the Committee or the Board, in its sole discretion, shall deem appropriate including, without limitation, book-entry registration or issuance of a stock certificate or certificates. In the event any stock certificate is issued in respect of Shares of Restricted Stock, such certificate shall bear an appropriate legend with respect to the restrictions applicable to such Award. The Company may retain, at its option, the physical custody of any stock certificate representing any awards of Restricted Stock during the restriction period or require that the certificates evidencing Restricted Stock be placed in escrow or trust, along with a stock power endorsed in blank, until all restrictions are removed or expire.

SECTION 9. PERFORMANCE AWARDS

9.1 Grants. A Performance Award may consist of either or both, as the Committee or the Board may determine, of (i) the right to receive Shares or Restricted Stock, or any combination thereof as the Committee or the Board may determine ("Performance Shares"), or (ii) the right to receive a fixed dollar amount payable in Shares, Restricted Stock, cash or any combination thereof, as the Committee or the Board may determine ("Performance Units"). The Committee or the Board may grant Performance Awards to any eligible Consultant, non-employee Director or employee of the Company or a Subsidiary, for such minimum consideration, if any, as may be required by applicable law or such greater consideration as may be determined by the Committee or the Board, in its sole discretion. The terms and conditions of Performance Awards shall be specified at the time of the grant and may include provisions establishing the performance period, the performance criteria to be achieved during a performance period, the criteria used to determine vesting (including the acceleration thereof), whether Performance Awards are forfeited or vest upon termination of employment during a performance period and the maximum or minimum settlement values. Each Performance Award shall have its own terms and conditions, which shall be determined in the sole discretion of the Committee or the Board. If the Committee or the Board determines, in its sole discretion, that the established performance measures or objectives are no longer suitable because of a change in the Company's business, operations, corporate structure or for other reasons that the Committee or the Board deems satisfactory, the Committee or the Board may modify the performance measures or objectives and/or the performance period. Awards of Performance Shares and/or Performance Units are subject to acceleration of vesting, termination of restrictions and termination in the same manner as Stock Options pursuant to Subsections 6.4 and 6.5 of this Plan.

9.2 Terms and Conditions. Performance Awards may be valued by reference to the Fair Market Value of a Share or according to any other formula or method deemed appropriate by the Committee or the Board, in its sole discretion, including, but not limited to, achievement of specific financial, production, sales, cost or earnings performance objectives that the Committee or the Board believes to be relevant or the Company's performance or the performance of the Common Stock measured against the performance of the market, the Company's industry segment or its direct competitors. Performance Awards may also be conditioned upon the applicable Participant remaining in the employ of the Company or one of its Subsidiaries for a specified period. Performance Awards may be paid in cash, Shares (including Restricted Stock) or other consideration, or any combination thereof. Performance Awards may be payable in a single payment or in installments and may be payable at a specified date or dates or upon attaining the performance objective or objectives, all at the sole discretion of the Committee or the Board. The extent to which any applicable performance objective has been achieved shall be conclusively determined by the Committee or the Board in its sole discretion.

SECTION 10. DIVIDEND EQUIVALENT RIGHTS

The Committee or the Board may grant a Dividend Equivalent Right to any eligible Consultant, non-employee Director or employee of the Company or a Subsidiary, either as a component of another Award or as a separate Award, and, in general, each such Participant awarded a Dividend Equivalent Right that is outstanding on a dividend record date for the Common Stock shall be credited with an amount equal to the cash or stock dividends or other distributions that would have been received had the Shares subject to the Award been issued and outstanding on the dividend record date. The terms and conditions of the Dividend Equivalent Right shall be specified in a dividend equivalent right agreement which evidences such Award. Dividend Equivalent Rights may be settled in cash or Shares, or a combination thereof, in a single payment or in installments. A Dividend Equivalent Right granted as a component of another Award may provide that such Dividend Equivalent Right shall be settled upon exercise, settlement or payment for or lapse of restrictions on such other Award, and that such Dividend Equivalent Right shall expire or be forfeited or annulled pursuant to the same conditions as such other Award. A Dividend Equivalent Right granted as a component of another Award may also contain terms and conditions different from such other Award.

SECTION 11. OTHER AWARDS

The Committee or the Board may grant to any eligible Consultant, non-employee Director or employee of the Company or a Subsidiary other forms of Awards based upon, payable in or otherwise related to, in whole or in part, Shares, if the Committee or the Board, in its sole discretion, determines that such other form of Award is consistent with the purposes of this Plan. The terms and conditions of such other form of Award shall be specified in a written agreement which sets forth the terms and conditions of such Award, including, but not limited to, the price, if any, and the vesting schedule, if any, of such Award. Such Awards may be granted for such minimum consideration, if any, as may be required by applicable law or for such other greater consideration as may be determined by the Committee or the Board, in its sole discretion.

SECTION 12. COMPLIANCE WITH SECURITIES AND OTHER LAWS

As a condition to the issuance or transfer of any Award or any security issuable in connection with such Award, the Company may require an opinion of counsel, satisfactory to the Company, to the effect that (i) such issuance and/or transfer will not be in violation of the Securities Act or any other applicable securities laws and (ii) such issuance and/or transfer will not be in violation of the rules and regulations of any securities exchange or automated quotation system on which the Common Stock is listed or admitted to trading. Further, the Company may refrain from issuing, delivering or transferring any Award or any security issuable in connection with such Award until the Committee or the Board has determined that such issuance, delivery or transfer will not violate such securities laws or rules and regulations and that the recipient has tendered to the Company any federal, state or local tax owed as a result of such issuance, delivery or transfer, when the Company has a legal liability to satisfy such tax. The Company shall not be liable for damages due to delay in the issuance, delivery or transfer of any Award or any security issuable in connection with such Award or any agreement, instrument or certificate evidencing such Award or security for any reason whatsoever, including, but not limited to, a delay caused by the listing requirements of any securities exchange or automated quotation system or any registration requirements under the Securities Act, the Exchange Act, or under any other state or federal law, rule or regulation. The Company is under no obligation to take any action or incur any expense to register or qualify the issuance, delivery or transfer of any Award or any security issuable in connection with such Award under applicable securities laws or to perfect any exemption from such registration or qualification or to list any security on any securities exchange or automated quotation system. Furthermore, the Company will have no liability to any person for refusing to issue, deliver or transfer any Award or any security issuable in connection with such Award if such refusal is based upon the foregoing provisions of this Section 12. As a condition to any issuance, delivery or transfer of any Award or any security issuable in connection with such Award, the Company may place legends on any agreement, instrument or certificate evidencing such Award or security, issue stop transfer orders with respect thereto and require such agreements or undertakings as the Company may deem necessary or advisable to assure compliance with applicable laws or regulations, including, if the Company or its counsel deems it appropriate, representations from the recipient of such Award or security to the effect that such recipient is acquiring such Award or security solely for investment and not with a view to distribution and that no distribution of the Award or the security will be made unless registered pursuant to applicable federal and state securities laws, or in the opinion of counsel to the Company, such registration is unnecessary.

SECTION 13. ADJUSTMENTS UPON THE OCCURRENCE OF A REORGANIZATION OR CORPORATE TRANSACTION

(a) In the event of a Reorganization, the number of Shares subject to this Plan and to each outstanding Award, and the exercise price of each Award which is based upon Shares, shall (to the extent deemed appropriate by the Committee or the Board) be proportionately adjusted (as determined by the Committee or the Board in its sole discretion) to account for any increase or decrease in the number

of issued and outstanding Shares of the Company resulting from such Reorganization.

(b) If a Corporate Transaction is consummated and immediately following the consummation of such Corporate Transaction the Persons who were holders of shares of Common Stock immediately prior to the consummation of such Corporate Transaction do not receive any securities or other property (hereinafter collectively referred to as "Transactional Consideration") as a result of such Corporate Transaction and substantially all of such Persons continue to hold the shares of Common Stock held by them immediately prior to the consummation of such Corporate Transaction (in substantially the same proportions relative to each other), the Awards will remain outstanding and will (subject to the provisions of Subsections 6.1, 6.5(c), 7.1, 7.3, 8.1 and 9.1) continue in full force and effect in accordance with its terms (without any modification) following the consummation of the Corporate Transaction.

(c) If a Corporate Transaction is consummated and immediately following the consummation of such Corporate Transaction the Persons who were holders of shares of Common Stock immediately prior to the consummation of such Corporate Transaction do receive Transactional Consideration as a result of such Corporate Transaction or substantially all of such Persons do not continue to hold the shares of Common Stock held by them immediately prior to the consummation of such Corporate Transaction (in substantially the same proportions relative to each other), the terms and conditions of the Awards will be modified as follows:

(i) If the documentation pursuant to which a Corporate Transaction will be consummated provides for the assumption (by the entity issuing Transactional Consideration to the Persons who were the holders of shares of Common Stock immediately prior to the consummation of such Corporate Transaction) of the Awards granted pursuant to this Plan without any modification or amendment (other than Permitted Modifications and the modifications contemplated by Subsections 6.1, 6.5(c), 7.1, 7.3, 8.1 and 9.1 of this Plan), such Awards will remain outstanding and will continue in full force and effect in accordance with its terms following the consummation of such Corporate Transaction (subject to such Permitted Modifications and the provisions of Subsections 6.1, 6.5(c), 7.1, 7.3, 8.1 and 9.1.

(ii) If the documentation pursuant to which a Corporate Transaction will be consummated does not provide for the assumption by the entity issuing Transactional Consideration to the Persons who were the holders of shares of Common Stock immediately prior to the consummation of such Corporate Transaction of the Awards granted pursuant to this Plan without any modification or amendment (other than Permitted Modifications), all vesting restrictions (performance based or otherwise) applicable to Awards which will not be so assumed will accelerate and the holders of such Awards may (subject to the expiration of the term of such

Awards) exercise/receive the benefits of such Awards without regard to such vesting restrictions during the ten (10) day period immediately preceding the consummation of such Corporate Transaction. For purposes of the immediately preceding sentence, all performance based goals will be deemed to have been satisfied in full. The Company will provide each Participant holding Awards which will not be so assumed with reasonable notice of the termination of such vesting restrictions and the impending termination of such Awards. Upon the consummation of such a Corporate Transaction, all unexercised Awards which are not to be so assumed will automatically terminate and cease to be outstanding.

Nothing contained in this Section 13 will be deemed to extend the term of an Award or to revive any Award which has previously lapsed or been cancelled, terminated or surrendered.

SECTION 14. AMENDMENT OR TERMINATION OF THIS PLAN

14.1 Amendment of This Plan. Notwithstanding anything contained in this Plan to the contrary, all provisions of this Plan (including, without limitation, the maximum number of Shares that may be issued with respect to Awards to be granted pursuant to this Plan) may at any time or from time to time be modified or amended by the Board; provided, however, that no Award at any time outstanding pursuant to this Plan may be modified, impaired or cancelled adversely to the holder of the Award without the consent of such holder.

14.2 Termination of This Plan. The Board may suspend or terminate this Plan at any time, and such suspension or termination may be retroactive or prospective. Termination of this Plan shall not impair or affect any Award previously granted hereunder and the rights of the holder of the Award shall remain in effect until the Award has been exercised in its entirety or has expired or otherwise has been terminated by the terms of such Award.

SECTION 15. AMENDMENTS AND ADJUSTMENTS TO AWARDS

The Committee or the Board may amend, modify or terminate any outstanding Award with the Participant's consent at any time prior to payment or exercise in any manner not inconsistent with the terms of this Plan, including, without limitation, (i) to change the date or dates as of which and/or the terms and conditions pursuant to which (A) a Stock Option becomes exercisable or (B) a Performance Award is deemed earned, (ii) to amend the terms of any outstanding Award to provide an exercise price per share which is higher or lower than the then current exercise price per share of such outstanding Award or (iii) to cancel an Award and grant a new Award in substitution therefor under such different terms and conditions as the Committee or the Board determines in its sole discretion to be appropriate including, but not limited to, having an exercise price per share which may be higher or lower than the exercise price per share of the cancelled Award. The Committee or the Board may also make adjustments in the terms and conditions of,

and the criteria included in agreements evidencing Awards in recognition of unusual or nonrecurring events (including, without limitation, the events described in Section 13 hereof) affecting the Company, or the financial statements of the Company or any Affiliate, or of changes in applicable laws, regulations or accounting principles, whenever the Committee or the Board determines that such adjustments are appropriate to prevent reduction or enlargement of the benefits or potential benefits intended to be made available pursuant to this Plan. Any provision of this Plan or any agreement regarding an Award to the contrary notwithstanding, the Committee or the Board may cause any Award granted to be cancelled in consideration of a cash payment or alternative Award made to the holder of such cancelled Award equal in value to the Fair Market Value of such cancelled Award. The determinations of value pursuant to this Section 15 shall be made by the Committee or the Board in its sole discretion.

SECTION 16. GENERAL PROVISIONS

16.1 No Limit on Other Compensation Arrangements. Nothing contained in this Plan shall prevent the Company from adopting or continuing in effect other compensation arrangements, and such arrangements may be either generally applicable or applicable only in specific cases.

16.2 No Right to Employment or Continuation of Relationship. Nothing in this Plan or in any Award, nor the grant of any Award, shall confer upon or be construed as giving any Participant any right to remain in the employ of the Company or a Subsidiary or to continue as a Consultant or non-employee Director. Further, the Company or a Subsidiary may at any time dismiss a Participant from employment or terminate the relationship of any Consultant or non-employee Director with the Company or any Subsidiary, free from any liability or any claim pursuant to this Plan, unless otherwise expressly provided in this Plan or in any agreement evidencing an Award made under this Plan. No Consultant, non-employee Director or employee of the Company or any Subsidiary shall have any claim to be granted any Award, and there is no obligation for uniformity of treatment of any Consultant, non-employee Director or employee of the Company or any Subsidiary or of any Participants.

16.3 GOVERNING LAW. THE VALIDITY, CONSTRUCTION AND EFFECT OF THIS PLAN AND ANY RULES AND REGULATIONS RELATING TO THIS PLAN SHALL BE DETERMINED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS, WITHOUT GIVING EFFECT TO THE CONFLICT OF LAWS PRINCIPLES THEREOF.

16.4 Severability. If any provision of this Plan or any Award is or becomes or is deemed to be invalid, illegal or unenforceable in any jurisdiction or as to any individual or Award, or would disqualify this Plan or any Award under any law deemed applicable by the Committee or the Board, such provision shall be construed or deemed amended to conform to applicable law, or if it cannot be construed or deemed amended without, in the sole determination of the Committee or the Board, materially altering the intent of this Plan

or the Award, such provision shall be stricken as to such jurisdiction, individual or Award and the remainder of this Plan and any such Award shall remain in full force and effect.

16.5 No Fractional Shares. No fractional Shares shall be issued or delivered pursuant to this Plan or any Award, and the Committee or the Board shall determine, in its sole discretion, whether cash, other securities or other property shall be paid or transferred in lieu of any fractional Shares or whether such fractional Shares or any rights thereto shall be cancelled, terminated or otherwise eliminated.

16.6 Headings. Headings are given to the Sections and Subsections of this Plan solely as a convenience to facilitate reference. Such headings shall not be deemed in any way material or relevant to the construction or interpretation of this Plan or any provision thereof.

16.7 Effective Date. The provisions of this Plan that relate to the grant of Incentive Stock Options shall be effective as of the date of the approval of this Plan by the shareholders of the Company. All other provisions of this Plan shall be effective as of the Effective Date.

16.8 Transferability of Awards. Awards shall not be transferable otherwise than by will or the laws of descent and distribution without the written consent of the Committee or the Board (which may be granted or withheld at the sole discretion of the Committee or the Board). Awards may be exercised, during the lifetime of the holder, only by the holder (or the holder's legal guardian in the event of the holder's Disability or incompetence). Any attempted assignment, transfer, pledge, hypothecation or other disposition of an Award contrary to the provisions hereof, or the levy of any execution, attachment or similar process upon an Award shall be null and void and without effect.

16.9 Rights of Participants. Except as hereinbefore expressly provided in this Plan, any Person to whom an Award is granted shall have no rights by reason of any subdivision or consolidation of stock of any class or the payment of any stock dividend or any other increase or decrease in the number of shares of stock of any class or by reason of any dissolution, liquidation, reorganization, merger or consolidation or spinoff of assets or stock of another corporation, and any issue by the Company of shares of stock of any class or securities convertible into shares of stock of any class shall not affect, and no adjustment by reason thereof shall be made with respect to, the number or exercise price of Shares subject to an Award.

16.10 No Limitation Upon the Rights of the Company. The grant of an Award pursuant to this Plan shall not affect in any way the right or power of the Company to make adjustments, reclassifications, or changes of its capital or business structure; to merge, convert or consolidate; to dissolve or liquidate; or sell or transfer all or any part of its business or assets.

16.11 Date of Grant of an Award. Except as noted in this Section 16.11, the granting of an Award shall take place only upon the execution and delivery by the Company and the Participant of a written agreement and neither any other action taken by the Committee or the Board nor anything contained in this Plan or in any resolution adopted or to be adopted by the Committee, the Board or the shareholders of the Company shall constitute the granting of an Award pursuant to this Plan. Solely, for purposes of determining the Fair Market Value of the Shares subject to an Award, such Award will be deemed to have been granted as of the date specified by the Committee or the Board notwithstanding any delay which may elapse in executing and delivering the applicable agreement.

SECTION 17. NAMED EXECUTIVE OFFICERS

17.1 Applicability of Section 17. The provisions of this Section 17 shall apply only to those executive officers (i) whose compensation is required to be reported in the Company's proxy statement pursuant to Item 402(a)(3)(i) and (ii) (or any successor thereto) of Regulation S-K (or any successor thereto) under the general rules and regulations under the Exchange Act and (ii) whose total compensation, including estimated Awards, is determined by the Committee or the Board to possibly be subject to the limitations on deductions imposed by Section 162(m) of the Code ("Named Executive Officers"). In the event of any inconsistencies between this Section 17 and the other Plan provisions as they pertain to Named Executive Officers, the provisions of this Section 17 shall control.

17.2 Establishment of Performance Goals. Awards for Named Executive Officers, other than Stock Options and Stock Appreciation Rights, shall be based on the attainment of certain performance goals. No later than the earlier of (i) ninety (90) days after the commencement of the applicable fiscal year of the Company or one of its Subsidiaries or such other award period as may be established by the Committee or the Board ("Award Period") and (ii) the completion of twenty-five percent (25%) of such Award Period, the Committee or the Board shall establish, in writing, the performance goals applicable to each such Award for Named Executive Officers. At the time the performance goals are established, their outcome must be substantially uncertain. In addition, the performance goal must state, in terms of an objective formula or standard, the method for computing the amount of compensation payable to the Named Executive Officer if the goal is obtained. Such formula or standard shall be sufficiently objective so that a third party with knowledge of the relevant performance results could calculate the amount to be paid to the subject Named Executive Officer. The material terms of the performance goals for Named Executive Officers and the compensation payable thereunder shall be submitted to the shareholders of the Company for their review and approval if and to the extent required for such compensation to be deductible pursuant to Section 162(m) (or any successor thereto) of the Code, and the Treasury Regulations thereunder. Shareholder approval, if necessary, shall be obtained for such performance goals prior to any Award being paid to such Named Executive Officer. If shareholder approval is required and not received with respect to such performance goals, no amount shall be paid to such Named Executive Officer for such applicable Award Period pursuant to this Plan.

17.3 Components of Awards. Each Award granted to a Named Executive Officer, other than Stock Options and Stock Appreciation Rights, shall be based on performance goals which are sufficiently objective so that a third party having knowledge of the relevant facts could determine whether the goal was met. Except as provided in Subsection 17.8 herein, performance measures which may serve as determinants of Named Executive Officers' Awards shall be limited to the following measures: earnings per share; return on assets; return on equity; return on capital; net profit after taxes; net profit before taxes; operating profits; stock price; and sales or expenses. Within ninety (90) days following the end of each Award Period, the Committee or the Board shall certify in writing that the performance goals, and any other material terms were satisfied. Thereafter, Awards shall be made for each Named Executive Officer as determined by the Committee or the Board. The Awards may not vary from the pre-established amount based on the level of achievement.

17.4 No Mid-Year Change in Awards. Except as provided in Subsections 17.8 and 17.9 herein, each Named Executive Officer's Awards shall be based exclusively on the performance measures established by the Committee or the Board pursuant to Subsections 17.2 and 17.3.

17.5 No Partial Award Period Participation. A Named Executive Officer who becomes eligible to participate in this Plan after performance goals have been established in an Award Period pursuant to Subsections 17.2 and 17.3 may not participate in this Plan prior to the next succeeding Award Period, except with respect to Awards which are Stock Options or Stock Appreciation Rights.

17.6 Performance Goals. Except as provided in Subsection 17.8 herein, performance goals shall not be changed following their establishment, and Named Executive Officers shall not receive any payout, except with respect to Awards which are Stock Options or Stock Appreciation Rights, when the minimum performance goals are not met or exceeded.

17.7 Individual Performance and Discretionary Adjustments. Except as provided in Subsection 17.8 herein, subjective evaluations of individual performance of Named Executive Officers shall not be reflected in their Awards, other than Awards which are Stock Options or Stock Appreciation Rights. The payment of such Awards shall be entirely dependent upon the attainment of the preestablished performance goals.

17.8 Amendments. No amendment of this Plan with respect to any Named Executive Officer may be made which would (i) increase the maximum amount that can be paid to any one Participant pursuant to this Plan, (ii) change the specified performance goal for payment of Awards, or (iii) modify the requirements as to eligibility for participation in this Plan, unless the Company's shareholders have first approved such amendment in a manner which would permit the deduction under Section 162(m) (or any successor thereto) of the Code of such payment in the fiscal year it is paid. The Committee or the Board shall amend this Section 17 and such other provisions as it deems appropriate, to cause amounts payable to Named Executive Officers to satisfy the requirements of

Section 162(m) (or any successor thereto) and the Treasury regulations promulgated thereunder.

17.9 Stock Options and Stock Appreciation Rights. Notwithstanding any provision of this Plan (including the provisions of this Section 17) to the contrary, the amount of compensation which a Named Executive Officer may receive with respect to Stock Options and Stock Appreciation Rights which are granted hereunder is based solely on an increase in the value of the applicable Shares after the date of grant of such Award. Thus, no Stock Option may be granted hereunder to a Named Executive Officer with an exercise price less than the Fair Market Value of Shares on the date of grant. Furthermore, the maximum number of Shares (or cash equivalent value) with respect to which Stock Options or Stock Appreciation Rights may be granted hereunder to any Named Executive Officer during any calendar year may not exceed 411,000 Shares, subject to adjustment as provided in Section 13 hereunder.

17.10 Maximum Amount of Compensation. The maximum amount of compensation payable as an Award (other than an Award which is a Stock Option or Stock Appreciation Right) to any Named Executive Officer during any calendar year may not exceed $1,000,000.

EXHIBIT 10.7

AMENDMENT NO. 1

TO THE

HV MARINE SERVICES, INC.
("Company")

INCENTIVE COMPENSATION PLAN

Pursuant to approval by the Written Consent of Directors in Lieu of a Special Meeting dated June 24, 1998 and by the Company's stockholders at the Company's Annual Meeting of Stockholders held on July 9, 1998, the Company adopted the following as an amendment added to the end of Section 2.6 of the Company's Incentive Compensation Plan:

; provided, however, that a "Change in Control" shall not be deemed to have occurred (i) as a result of the entry into the Securities Purchase Agreement dated June 5, 1998 (the "Agreement") by and among the Company, Enron Capital & Trade Resources Corp. and Joint Energy Development Investments II Limited Partnership (the "Purchasers") and the Stockholders and Warrantholders Agreement of even date therewith by and among the Company, the Purchasers and certain Stockholders of the Company (the "Stockholders' Agreement"), (ii) as a result of the issuance of the Warrants and/or the Additional Warrants (as each item is defined in the Agreement) pursuant to the terms of the Agreement, (iii) as a result of the issuance of Common Stock of the Company to the Purchasers (or any Affiliates of either Purchaser; for purposes hereof, an "affiliate" of a Purchaser being any person or entity that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, such Purchaser) upon the exercise of the Warrants and/or Additional Warrants pursuant to the terms of the Agreement, or (iv) if the individuals who constitute the Board at any given time cease to constitute at least a majority thereof, due to the designation of one or more new directors to the Board by the Purchasers pursuant to the terms of the Stockholders' Agreement.

EXHIBIT 10.8

ASSET PURCHASE AGREEMENT

dated as of

MAY 31, 2001

among

LEEVAC MARINE, INC.,

HYGRADE OPERATORS, INC.,

RED STAR TOWING AND TRANSPORTATION COMPANY, INC.,

SHERIDAN TOWING CO., INC.,

IRA S. BUSHEY & SONS, INC.

and

AMERADA HESS CORPORATION

Relating to the purchase and sale

of the

Vessels and Other Assets named herein

ASSET PURCHASE AGREEMENT

AGREEMENT dated as of May 31, 2001, among LEEVAC Marine, Inc. ("BUYER"), a Louisiana corporation, Hygrade Operators, Inc., a New York corporation, Red Star Towing and Transportation Company, Inc., a New York corporation, Sheridan Towing Co., Inc., a Delaware corporation (each, a "SELLER" and collectively, the "SELLERS"), Ira S. Bushey & Sons, Inc. ("PARENT"), a New York corporation and Amerada Hess Corporation, a Delaware corporation ("HESS").

WITNESSETH:

WHEREAS, each Seller desires to sell to Buyer; Parent and Hess desire to facilitate such sale; and Buyer desires to purchase from each Seller, the business and substantially all of the assets of each Seller for the aggregate purchase price and upon and subject to the terms and conditions set forth in this Agreement;

NOW THEREFORE, in consideration of the foregoing and the mutual covenants and agreements hereinafter set forth, the parties hereto agree as follows:

ARTICLE 1
DEFINITIONS

The following capitalized terms, as used in this Agreement, shall have the meanings set forth below:

"Affiliate" means, with respect to any Person, any other Person directly or indirectly controlling, controlled by, or under common control with such Person.

"Balance Sheets" means the balance sheets of each of the Companies as of December 31, 2000.

"Balance Sheet Date" means December 31, 2000.

"Closing Date" means the date of the Closing.

"Companies" means Hygrade, Red Star and Sheridan.

"Hygrade" means Hygrade Operators, Inc.

"Joint Exposure Claim" means a claim asserted by a person that is or was an employee of Buyer based upon exposure during the course of employment both before and after the Closing Date to any Contaminant.

"Knowledge" means with respect to Sellers, Parent and/or Hess the actual knowledge after due inquiry of supervisory and management level personnel of Sellers, Parent and Hess who by virtue of their job responsibilities would be in a position to know the relevant facts.

"Material Adverse Effect" means a material adverse effect on the condition (financial or otherwise) of the Vessel Business (as defined herein), the Vessels (as defined herein) and the Other Assets (as defined herein) taken as a whole.

"Person" means an individual, a corporation, an association, a partnership, a limited liability company, an estate, a trust, or any other entity or organization, governmental or otherwise.

"Red Star" means Red Star Towing and Transportation Company, Inc.

"Sheridan" means Sheridan Towing Co., Inc.

ARTICLE 2
PURCHASE AND SALE

Section 2.01 Purchase and Sale. Upon the terms and subject to the conditions of this Agreement, each Seller agrees to sell to Buyer, and Buyer agrees to purchase from each Seller, all of such Seller's right, title and interest to all of such Seller's properties and assets including, but not limited to, the vessels set forth beneath the name of such Seller on SCHEDULE 2.01(a) attached hereto (the vessels named beneath each Seller's name shall collectively be referred to as, the "Vessels") and the Other Assets (as defined in Section 3.09) of such Seller, free and clear of all Liens (as defined in Section 3.04) other than with respect to the Vessels any Lien which arises by operation of law, has not been recorded and has not been asserted by the holder thereof. Buyer expressly agrees that the retained assets listed on SCHEDULE 2.01(b) hereof (the "RETAINED ASSETS") shall be excluded from the sale. The aggregate purchase price for the Vessels and Other Assets is $28,030,000, which amount includes $1,030,000 due to Hess for drydocking certain Vessels prior to closing (the "PURCHASE PRICE"), payable in cash. The Purchase Price shall be paid as provided in Section 2.02.

Section 2.02 Closing. The closing (the "CLOSING") of the purchase and sale of the Vessels and Other Assets hereunder shall take place at the offices of Hess, 1185 Avenue of the Americas, New York, New York, or at such other location as the parties may agree, on such date and at such time as the parties may agree, but no later than June 1, 2001. At the Closing:

(a) Buyer shall deliver to Sellers the Purchase Price in immediately available funds by wire transfer to an account of Sellers with a bank in New York City designated by Sellers by notice to Buyer, not later than two business days prior to the Closing Date.

(b) The Vessels, including any and all Other Assets and documents and certificates appurtenant to and/or required to be on board the Vessels, shall be delivered by Sellers and taken over by Buyer safely afloat in international waters offshore New York or in New York Harbor, and the remaining Other Assets shall be delivered by Sellers to Buyer at the offices of Hess or such other location as may be agreed between Buyer and Sellers.

(c) The parties shall deliver such other documents, instruments and agreements required to be delivered under Article 8 of this Agreement.

(d) The parties agree that, if by the time of the scheduled date for closing, Buyer has been unable to assure itself of sufficient employee retention or replacement hires, the Closing Date may be postponed for a reasonable time to allow Buyer assurance of sufficient qualified employees to service the Vessel Business as it has historically been serviced and to provide the service under the Contract of Affreightment attached hereto as EXHIBIT A.

Section 2.03 Excluded Liabilities. Notwithstanding anything contained herein to the contrary, except for the assumption of contracts listed on SCHEDULE 2.03, Buyer shall not assume or agree to pay, perform or discharge any debts, obligations or liabilities of any Seller, Parent, Hess or any Affiliate Employer of any kind or nature, whether or not such debts, liabilities or obligations related to or arose out of the conduct of the Vessel Business or the use, operation or ownership of the Vessels and Other Assets, whether accrued, absolute, contingent or otherwise, or whether due or to become due, or otherwise, whether known or unknown, which liabilities and obligations, if ever in existence, shall continue to be liabilities and obligations of each Seller, Parent or Hess as the case may be (the "EXCLUDED LIABILITIES").

ARTICLE 3
REPRESENTATIONS AND WARRANTIES OF SELLERS

Sellers, jointly and severally with Parent, represent and warrant to Buyer, and with respect to the representations applicable to Hess, Hess severally but not jointly represents and warrants to Buyer, that:

Section 3.01 Corporate Existence and Power. Each Seller, Parent and Hess is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation, and has all corporate powers and all material governmental licenses, authorizations, consents and approvals required to hold, use and lease its properties and assets and to carry on its business as now conducted. Each Seller, Parent and Hess is duly qualified to do business as a foreign corporation and is in good standing in each jurisdiction where the nature of its activities makes such qualification necessary, except for those jurisdictions where the failure to be so qualified would not, individually or in the aggregate, have a Material Adverse Effect. Each Seller has heretofore delivered to Buyer true and complete copies of such Seller's certificate of incorporation and bylaws as currently in effect.

Section 3.02 Corporate Authorization. The execution, delivery and performance by each Seller, Parent and Hess of this Agreement and any other documents contemplated hereby to be executed by each Seller and/or Parent or Hess, and the consummation by each Seller, Parent and Hess of the transactions contemplated hereby and thereby are within such Seller's, Parent's and Hess's corporate powers and have been duly authorized by all necessary corporate action. This Agreement constitutes, and any other documents contemplated hereby to be executed by each Seller and/or Parent or Hess will upon execution constitute, valid and legally binding agreements of each Seller, Parent and Hess enforceable against each Seller, Parent and Hess in accordance with their terms.

Section 3.03 Governmental Authorization. The execution, delivery and performance by each Seller, Parent and Hess of this Agreement requires no action by or in respect of, or filing with, any governmental body, agency, official or authority.

Section 3.04 Non-contravention. The execution, delivery and performance by each Seller, Parent and Hess of this Agreement and any other documents contemplated hereby to be executed by each Seller and/or Parent or Hess, and the consummation by each Seller, Parent and Hess of the transactions contemplated hereby and thereby do not and will not (a) contravene or conflict with the certificate of incorporation or bylaws of any Seller, Parent or Hess, (b) assuming compliance with the matters referred to in Section 3.03, contravene or conflict with or constitute a violation of any provision of any law, regulation, judgment, injunction, order or decree applicable to any Seller, Parent or Hess, (c) constitute a default under or give rise to a right of termination, cancellation or acceleration of any right or obligation or to a loss of any benefit under any provision of any agreement, contract or other instrument by which any of the Vessels or Other Assets are subject or any license, franchise, permit or other similar authorization applicable to any of the Vessels or Other Assets, or (d) result in the creation or imposition of any Lien on any of the Vessels or Other Assets. For purposes of this Agreement, "LIEN" means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind, recorded or unrecorded, in respect of such asset.

Section 3.05 Ownership of Sellers and Parent. Parent is the record and beneficial holder of all of the issued and outstanding capital stock of each Seller. There is no existing option, warrant, call, commitment or other agreement with respect to the capital stock of any Seller. Hess is the record and beneficial holder of all of the issued and outstanding capital stock of Parent. There is no option, warrant, call, commitment or other agreement with respect to the capital stock of Parent.

Section 3.06 Ownership of Vessels and Other Assets. Each Seller is the legal, record and beneficial owner of all of its Vessels and Other Assets, free and clear of any and all preemptive rights, claims or Liens other than, with respect to the Vessels, Liens which arise by operation of law, which have not been recorded and have not been asserted by the holder thereof. Seller has the authority to sell, transfer, assign and deliver its Vessels and Other Assets to Buyer, and such sale, transfer, assignment and delivery of such Vessels and Other Assets to Buyer will vest in Buyer good and marketable title to such Vessels and Other Assets, free and clear of any and all preemptive rights, claims or Liens other than, with respect to the Vessels, Liens which arise by operation of law, which have not been recorded and have not been asserted by the holder thereof.

Section 3.07 Consents and Approvals. Except for the consents and approvals set forth on SCHEDULE 3.07 hereof (which consents and approvals shall be obtained on or before the Closing Date), the execution and delivery by each Seller, Parent and Hess of this Agreement and any other documents contemplated hereby to be executed by each Seller and/or Parent and Hess, compliance by each Seller, Parent and Hess with the terms hereof and thereof and consummation by each Seller, Parent and Hess of the transactions contemplated hereby and thereby do not require such Seller, Parent or Hess to obtain any consent, approval or action of any corporation, person, firm or other entity, or any public governmental or judicial authority (including any maritime-related agency).

Section 3.08 Financial Statements. Parent has delivered to Buyer true, complete and correct copies of the combined financial statements (including balance sheet, statements of

income, cash flow and Shareholders' equity) of Sellers for the years ended December 31, 2000, 1999 and 1998, including the notes relating thereto (collectively, the "FINANCIAL STATEMENTS"). The Financial Statements of Sellers provided to Buyer fairly present, in conformity with generally accepted accounting principles consistently applied the combined financial position of Sellers as of the dates thereof and their combined results of operations and changes in financial position for the periods then ended (subject to normal year-end adjustments in the case of any unaudited interim financial statements). There are no significant assets used in the Vessel Business that are not reflected in the Financial Statements.

Section 3.09 Title to Properties; Condition.

(a) Each Seller has good and marketable title to its Vessels and its Other Assets (as defined below). For purposes of this Agreement, Other Assets with respect to any Seller shall mean any and all of such Seller's properties and assets (other than the Vessels) pertaining to, used in or necessary for the conduct of its business (for each Seller individually and for the Sellers, collectively, the "VESSEL BUSINESS"), other than the Retained Assets including, without limitation, those assets specifically identified on SCHEDULE 3.09, all equipment, pumps, gear, outfit, furniture, furnishings, fittings, fuel, lubricants, apparel (other than with logos), appurtenances, appliances, drawings, logs, spare and replacement parts, consumables and stores and all other items as are on board, off board or identified to each Vessel and such assets as appear in the inventory and pictorial condition survey for each of the Vessels completed in February - March 2001, contract rights, assignable leases, assignable licenses, assignable permits, customer contact lists, rights to or associated with each Vessel's name and all rights and value associated therewith, all machinery and equipment of each Seller not used in connection or associated with the Vessels, inventories, supplies, manuals (or copies thereof), specifications, equipment warranties, office furniture and equipment, other furnishings, fittings, fixtures, accessories and appliances to the extent such furniture, equipment, furnishings, fittings, fixtures, accessories and appliances are now or have during the last 12 months been located in the Brooklyn, New York marine facility, contracts, financial books and records, vendor relationships, goodwill, operating rights, rights to telephone numbers for the Brooklyn, New York marine facility and fuel and lubricants on board. Notwithstanding the foregoing, except for provisions essential to the operation of the Vessels (other than fuel and lubricants on board), properties of third parties that are on board the Vessels, such as personal effects of crew members and cargo, are not included in Other Assets. Each Vessel is duly documented with the United States Coast Guard in the name of the Seller under whose name the Vessel is listed on SCHEDULE 2.01, and is afloat. Each Seller, Parent and Hess has at all times that any Vessel was owned by any Seller or an Affiliate of any Seller been a citizen of the United States within the meaning of Section 2 of the Shipping Act of 1916, as amended, (the "SHIPPING ACT") and the Vessels are under United States flag and qualified to engage in United States coastwise trade as set forth in the Shipping Act and the applicable regulations pertaining thereto. At no time have the Vessels been sold, chartered or otherwise transferred to any person in violation of any applicable laws, rules or regulations. The Vessels will, on the Closing Date, have current Certificates of Inspection in effect from the United States Coast Guard or the American Bureau of Shipping and an American Bureau of Shipping Loadline Certificate and Hull and Machinery Classification, free of reported or reportable exceptions or notations for record.

(b) There are no actual, pending or to the Knowledge of Sellers, Parent or Hess after due inquiry threatened claims against the Vessels or the Other Assets that could reasonably be expected to give rise to a Lien (other than Liens that would be covered by valid and collectible insurance that would be assigned to Buyer hereunder, including applicable deductibles), or acts or incidents which could reasonably be expected to give rise to any such claims, relating to or arising out of the Vessels or the Other Assets or the operation of the Vessel Business. Except as set forth on SCHEDULE 3.09, all material assets necessary or useful in or to the business of each Seller as presently operated by such Seller are owned of record and beneficially by such Seller which owns them and not by any affiliate of such Seller or by any other party. SCHEDULE 3.09 includes a list of all leases, licenses and permits included in the Other Assets. As to each license or permit the licensee's or permit holder's interest in which constitutes part of the Other Assets, such license or permit is in full force and effect, no notice of cancellation or termination under any option or right reserved to the licensor or permit holder under such license or permit or notice of default has been received by the Seller that is a party thereto and no event or condition has occurred or exists which, with notice or lapse of time or both would constitute a default thereunder. No Seller has assigned its interests under any such license or permit or sublicensed or assigned the right, license or permit granted thereby. Each Seller has the right to transfer all of its right, title and interest in the licenses and permits included in the Other Assets which by their terms are permitted to be transferred or assigned without any consent, and the transfer contemplated hereby will not affect their validity or enforceability.

(c) Each Vessel is seaworthy, properly manned, equipped and supplied for its current or next upcoming voyage, the cargo tanks, pipelines, and valves of each Vessel are suitable for cargo, and the pumps and heating coils, if any, of each Vessel are in good working condition. Nothing has occurred to the physical condition of any Vessel since the date of inspection by Buyer of such Vessel or to the Other Assets since December 31, 2000 that would have any material adverse effect on the value of the Vessels or the Other Assets or the suitability of the Vessels or the Other Assets for the purposes for which they have been and are being employed in the operation of the Vessel Business. Except as otherwise set forth in this Section 3.09(c), as to condition the Vessels are being sold AS IS, WHERE IS.

Section 3.10 Absence of Certain Changes. Since December 31, 2000 (except with respect to Section 3.10(a) below as to which for each Vessel it is since the date of Buyer's inspection of such Vessel), each Seller has conducted its business in the ordinary course consistent with past practice and there has not been:

(a) any event, occurrence or development of a state of circumstances or facts which has had or reasonably could be expected to have a Material Adverse Effect;

(b) any creation or assumption by any Seller of any Lien on any of the Vessels or Other Assets other than with respect to the Vessels, any Lien which arises by operation of law, has not been recorded and has not been asserted by the holder thereof;

(c) any transaction or commitment made, or any contract or agreement entered into, by any Seller relating to the Vessel Business or binding upon the Vessels or Other Assets (including the acquisition or disposition of any of the Vessels or Other Assets) or any

relinquishment by any Seller of any contract or other right, in either case, material to such Seller, other than transactions and commitments in the ordinary course of business consistent with past practice and those contemplated by this Agreement;

(d) any change in any method of accounting or accounting practice by any Seller, except for any such change required by reason of a concurrent change in generally accepted accounting principles;

(e) any (i) grant of any severance or termination pay to any officer or employee of any Seller except in connection with the transactions contemplated under this Agreement, (ii) entering into of any employment, deferred compensation or other similar agreement (or any amendment to any such existing agreement) with any officer or employee of any Seller, (iii) increase in benefits payable under any existing severance or termination pay policies or employment agreements or (iv) increase in compensation, bonus or other benefits payable to officers or employees of any Seller, other than in the ordinary course of business consistent with past practice;

(f) any labor dispute, other than routine individual grievances, or any activity or proceeding by a labor union or representative thereof to organize any employees of any Seller or any Affiliate Employer (as hereinafter defined), which employees were not subject to a collective bargaining agreement at December 31, 2000, or any lockouts, strikes, slowdowns, work stoppages or threats thereof by or with respect to such employees;

(g) any material revaluation, write-down or write-off by any Seller of any of the Vessels or Other Assets;

(h) any amendment or termination of any material contract relating to the Vessel Business;

(i) any breach of the terms of any of the material contracts relating to the Vessel Business;

(j) any commencement or notice of commencement or, the threat of commencement of any litigation or any governmental proceeding against or investigation of any Seller or any Seller's Vessel Business which would have a Material Adverse Effect or adversely affect the ability of any Seller, Parent or Hess to consummate the transactions contemplated hereby;

(k) any waiver or release of any material right or claim of any Seller which constitutes a part of the Vessels or Other Assets; or

(l) to the Knowledge of Sellers, Parent and Hess, any entry into any commitment of any kind, or the occurrence of any event giving rise to any contingent liability not covered by the foregoing that would have a Material Adverse Effect or adversely affect the ability of any Seller, Parent or Hess to consummate the transaction contemplated hereby.

Section 3.11 Material Contracts.

(a) Except as disclosed in SCHEDULE 3.11, no Seller is a party to or bound by any written contract (i) with a term greater than one year or (ii) which will involve annual consideration in excess of $500,000. Each Seller has delivered to Buyer a copy of each contract listed on SCHEDULE 3.11.

(b) Each contract disclosed in SCHEDULE 3.11 to this Agreement is a valid and legally binding agreement of the Seller that is a party thereto, and is in full force and effect, and no Seller, or to the Knowledge of Sellers, any other party thereto is in default or breach under the terms of any such contract, and, to the Knowledge of Sellers, no event or circumstance has occurred that, with notice or lapse of time or both, would constitute any event of default thereunder.

(c) The transfer contemplated herein will not affect the validity or enforceability of any contract disclosed on SCHEDULE 3.11.

Section 3.12 Compliance with Laws and Court Orders. No Seller is in violation of, none has since December 31, 2000 violated, and to Sellers', Parent's or Hess's Knowledge no Seller is under investigation with respect to and has not been threatened to be charged with or given notice of any violation of, any applicable law, rule, regulation, judgment, injunction, order or decree that could have a Material Adverse Effect or adversely affect the ability of any Seller, Parent or Hess to consummate the transactions contemplated hereby.

Section 3.13 Absence of Defaults. None of the Sellers, Parent or Hess is in default, and no event has occurred which with notice or lapse of time or both would constitute a material default, in any way under any term or provision of any agreement or instrument to which any Seller, Parent or Hess is a party or by which any Seller, Parent or Hess is bound or by or to which the Vessel Business or any of the Vessels or Other Assets is bound or subject that could have a Material Adverse Effect or adversely affect the ability of any Seller, Parent or Hess to consummate the transactions contemplated hereby.

Section 3.14 Litigation. Except as set forth on SCHEDULE 3.14, (a) there are no actions, claims, suits, investigations, inquiries or proceedings pending against any Seller, Parent or Hess or in rem against any of the Vessels or Other Assets or, to Sellers', Parent's or Hess's Knowledge, threatened against any Seller, Parent or Hess or in rem against any of the Vessels or Other Assets, at law or in equity, in any court, or before or by any federal, state, municipal or other governmental department, commission, board, bureau, agency or other instrumentality which if adversely decided could (i) affect the validity or enforceability of this Agreement or the documents contemplated hereby to be executed by any Seller and/or Parent or Hess; (ii) prevent or delay consummation of the transactions contemplated hereby or (iii) establish a Lien against any of the Vessels or Other Assets; and (b) none of the Sellers, Parent or Hess is in violation of any order, decree, judgment, award, determination, ruling or regulation of any court, governmental department, commission, board, bureau, agency or other instrumentality, the result of which violation individually or violations in the aggregate has had or could have a Material Adverse Effect or could (i) affect the validity or enforceability of this Agreement or the documents contemplated to be executed by any Seller and/or Parent or Hess; (ii) prevent or delay

consummation of the transactions contemplated hereby; or (iii) establish a Lien against any of the Vessels or Other Assets.

Section 3.15 Environmental Matters.

(a) In this Section 3.15(a), all terms appearing in initial capitals shall have the meaning given them in Section 3.15(b) hereof. With respect to the Vessel Business and except as to those matters identified on SCHEDULE 3.15(a);

(i) the operations of Sellers have complied in all material respects with all applicable Domestic Environmental Laws in all jurisdictions in which any Seller currently conducts business;

(ii) none of the operations of any Seller are subject to any judicial or administrative proceeding alleging the violation of any Domestic Environmental Law;

(iii) none of the operations of any Seller are the subject of any federal or state investigation evaluating whether any Remedial Action is needed to respond to a Release of any Contaminant or other substance into the environment;

(iv) no Seller has filed any notice under any Domestic Environmental Law applicable to the jurisdiction in which operations of any Seller are conducted indicating past or present treatment, storage or disposal of a hazardous waste or reporting a Release of a Contaminant or other substance into the environment;

(v) none of the operations of any Seller involve the generation, transportation, treatment or disposal of hazardous waste, as defined under 40 C.F.R. Parts 260-270 (in effect as of the date of this Agreement) or any state equivalent thereof, in violation of any Domestic Environmental Law applicable to the jurisdiction in which operations of any Seller are conducted, including without limitation statutes, regulations and laws pertaining to permits and manifests;

(vi) no Seller has disposed of any hazardous waste or substance or other material by placing it in or on the ground or waters of any premises owned, leased or used by any Seller in violation of any Domestic Environmental Law applicable to the jurisdiction in which operations of any Seller are conducted; and

(vii) no Lien in favor of any governmental authority for any liability under Domestic Environmental Laws applicable to the jurisdiction in which operations of any Seller with respect to the Vessel Business of any Seller are conducted, or damages arising from or costs incurred by such governmental authority in response to a release of a Contaminant or other substance into the environment has been filed or attached to any of the Vessels or Other Assets or any of the locations upon which the operations of any Seller with respect to the Vessel Business of any Seller is conducted

which, in the case of any non-compliance, violation, disposal. Release, liability or other condition or circumstance identified in (i) -- (vii) above, could have a Material Adverse Effect or adversely affect the ability of any Seller, Parent or Hess to consummate the transactions contemplated hereby.

(b) The following terms shall have the meanings set forth below:

(i) "Contaminant" shall mean those substances or materials that are defined as hazardous or toxic or that are regulated by or form the basis of liability under any Domestic Environmental Law, including without limitation asbestos, polychlorinated biphenyls ("PCBs"), and radioactive substances, or any other material or substance that constitutes a health, safety or environmental hazard to any person or property.

(ii) "Domestic Environmental Laws" shall mean all federal, state or local laws relating to the environment, including without limitation the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA") (42 U.S.C. Section 9601 et seq.), the Hazardous Material Transportation Act (49 U.S.C. Section 1801 et seq.), the Resource Conservation and Recovery Act (42 U.S.C. Section 6901 et seq.), the Clean Air Act (42 U.S.C. Section 7401 et seq.), the Clean Water Act (33 U.S.C. Section 1251 et seq.), the Toxic Substances Control Act, as amended (15 U.S.C. Section 2601 et seq.), the National Environmental Policy Act (42 U.S.C. Section 4321 et seq.), the Oil Pollution Act (33 U.S.C. Section 2701 et seq.), the Marine Protection, Research and Sanctuaries Act (33 U.S.C. Section 1401 et seq.), the Outer Continental Shelf Lands Act (43 U.S.C. Section 1331 et seq.) and the Act to Prevent Pollution from Ships (33 U.S.C. Sections 1902-1912, including without limitation Annexes I, II and V of the International Convention for the Prevention of Pollution from Ships, 1973, as modified by the Protocol of 1978 relating thereto (MARPOL 73/78) done at London on February 17, 1978) and other treaties or conventions into which the United States has entered, as these laws have been amended or supplemented, and any analogous state or local statutes, rules or ordinances and the regulations promulgated pursuant thereto.

(iii) "Permit" shall mean any permit, approval, authorization, license variance, or permission required from a governmental authority under any applicable Domestic Environmental Laws.

(iv) "Release" shall mean any release, spill, emission, leaking, pumping, injection, deposit, disposal, discharge, dispersal, leaching, or migration into the indoor or outdoor environment, or into or out of any property owned or leased by any of the Companies, including the movement of any Contaminant through or in the air, soil, surface water, groundwater, or property and including without limitation the meanings of such words as set forth in the laws, applicable treaties, rules, ordinances or regulations or analogous governmental provisions referred to under Domestic Environmental Laws.

(v) "Remedial Action" shall mean all actions required or voluntarily undertaken to (i) clean up, remove, treat, or in any other way address any Contaminant in the indoor or outdoor environment; (ii) prevent the Release or threat of Release, or minimize the further Release of any Contaminant so it does not migrate or endanger or threaten to endanger public health or welfare of the indoor or outdoor environment; or (iii) perform pre-remedial studies and investigations and post-remedial monitoring and care.

(c) This warranty in Section 3.15 shall not give rise to any remedy relating to the structural soundness, condition, repair or adequacy for use of the Vessels or Other Assets.

Section 3.16 ERISA and Related Matters.

(a) Set forth on SCHEDULE 3.16(a) is a list of all "employee pension benefit plans" and all "employee welfare benefit plans" within the meaning of, respectively, Sections 3(2) and 3(1) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA") (determined without regard to any regulatory exceptions to such statutory definitions), in which employees of any Seller or Spentonbush/Red Star Companies, Inc. ("Spentonbush/Red Star") participate or have participated within the six-year period ending on the Closing Date (collectively, including any Multiemployer Plans as defined below, the "PLANS"). Except as set forth on SCHEDULE 3.16(a), there are no "multiemployer plans" within the meaning of Section 3(37) of ERISA ("MULTIEMPLOYER PLANS") in which any Seller or Spentonbush/Red Star participate or have been a participating employer within the last six (6) years or in which employees of any such entities participate or have participated within the last six (6) years.

(b) All contributions which are required under any Plan for all plan years ending on or prior to the date hereof which have become due have been made.

(c) Each Plan is in material compliance, in form and in operation, with its terms and all applicable laws. Neither Hess, Parent nor any Seller has received any written notice (formal or informal) that any Plan has been operated in violation of any applicable laws.

(d) No excise tax is due (or would be due in the absence of a waiver) under Code Section 4971 with respect to any Plan.

(e) Each Seller and all ERISA Affiliates have paid all premiums (and interest charges and penalties for late payment, if applicable) due to the PBGC with respect to each Pension Plan which is covered by Title IV of ERISA for each plan year thereof for which such premiums are required.

(f) None of the Sellers nor any ERISA Affiliate have any unpaid "withdrawal liability" (as defined by Section 4201 of ERISA) to any Multiemployer Plan which affects the employees of the Vessel Business.

(g) Except as set forth on SCHEDULE 3.16(i), the execution of this Agreement and the consummation of the transactions contemplated hereby will not result in any payment becoming due from any Seller under any employee benefit arrangement or plan or any Plan. There is no

agreement, plan, or arrangement covering any current or former employee, director, or consultant of any Seller that, individually or collectively, could give rise to the payment of any amount that would not be deductible pursuant to the terms of Code Sections 162(m) or 280G.

(h) As used in this Section 3.16, the following terms shall have the meanings set forth below:

(i) "ERISA Affiliate" shall mean any entity which is (or at any relevant time was) a member of a "controlled group of corporations" with, under common control" with, or a member of an "affiliated service group" with Seller as such terms are defined in Section 414(b), (c), (m) or (o) of the Code.

(ii) "PBGC" shall mean the Pension Benefit Guaranty Corporation.

(iii) "Pension Plan" shall mean any "employee pension benefit plan" as defined in Section 3(2) of ERISA (other than a Multiemployer Plan) which (a) is (or was within the six-year period ending on the Closing Date) entered into, maintained, administered, contributed to or required to be contributed to, as the case may be, by any Seller or any ERISA Affiliate and (b) which covers (or covered within the six-year period ending on the Closing Date) any current or former employee, director, or consultant of any Seller, or any ERISA Affiliate (with respect to their relationship with such entities).

Section 3.17 Customers and Suppliers. SCHEDULE 3.17 lists the names and addresses of all of the customers and suppliers of Sellers (and including the dollar amount of total sales to each such customer or purchases from each such supplier to the extent separable from other Hess operations not included in the Vessel Business) from January 1, 2000 through the most recent month ending prior to the Closing Date. To Sellers', Parent's and Hess's Knowledge, the relationships of each applicable Seller with the customers and suppliers listed in SCHEDULE 3.17 are satisfactory, and Sellers are not aware of any unresolved disputes involving amounts greater than $10,000 individually or $30,000 in the aggregate with any of such customers or suppliers. Since January 1, 2000, no material customer or material supplier (for this purpose, a "material customer" means a customer that accounts for more than $10,000 in sales per any twelve month period and a "material supplier" means a supplier from which purchases totaled $10,000 per any twelve month period) has, in writing, cancelled, limited or notified any Seller of its intent to cancel or limit its relationship with Sellers.

Section 3.18 Patents, Trademarks and Copyrights. Except as set forth on SCHEDULE 3.18, no Seller owns nor is a licensee or sublicensee of any patents, trademarks, copyrights or other intellectual property rights used in the Vessel Business except for (i) the corporate names that are owned by each Seller, (ii) those rights that are incorporated by the manufacturers into the Vessels or Other Assets, without granting any Seller any specified rights therein; and (iii) software license agreements and related contracts, pursuant to which the payment of all costs, fees and royalties have been duly and timely paid by each Seller and no event of default has occurred thereunder. There have been no claims made, and none of Hess, Parent nor any Seller has received any notice and none of Hess, Parent or any Seller otherwise

knows or has reason to believe that the operation of the Vessel Business or any of the Vessels or Other Assets is in conflict with the rights of any third party with respect to intellectual property.

Section 3.19 Insurance. SCHEDULE 3.19 sets forth a true, complete and correct list of all insurance policies of any kind or nature covering each Seller with respect to the Vessel Business, and the Vessels and Other Assets, including without limitation policies of fire, theft, employee fidelity, worker's compensation, property and other casualty and liability insurance, and indicates the type of coverage, name of insured, the insurer, the expiration date of each policy and the amount of coverage for statutory workers' compensation. SCHEDULE 3.19 also sets forth a list of any currently pending claims under such policies or similar prior policies. The premiums for the insurance policies listed in SCHEDULE 3.19 have been fully paid. The insurance afforded under such policies or certificates is in full force and effect and will continue to cover each Seller with respect to the Vessel Business, and the Vessels and Other Assets through the Closing. Copies of each such policy have been made available to Buyer.

Section 3.20 Employees. Sellers have separately provided to Buyer a chart listing of all employees of each Seller and each employee of each Affiliate Employer who are now employed in Sellers' Brooklyn marine facility or on the Vessels providing services to one or more Sellers and the rates of pay for and all commission, bonus or other compensation or expense reimbursement or allowance arrangements regarding such employees. Such chart lists each management or employment contract or contract for personal services and a description of any understanding or commitment between any Seller or any Affiliate of Seller and any employee listed on such chart. A description of such understandings and commitments has been delivered to Buyer. Except as agreed to beforehand by Buyer, no Seller has through the date of this Agreement made, and none will hereafter make, any statement or communication of any kind regarding whether, or the terms and conditions upon which, any such employee may continue to be employed by Buyer.

Section 3.21 Labor Agreements; Disputes. Except as set forth on SCHEDULE 3.21, no Seller nor any Affiliate of any Seller employing employees listed on the chart referred to in Section 3.20 to either Seller or the Vessel Business (an "Affiliate Employer") is a party to and has an obligation under any collective bargaining agreement or other labor union contract, white paper or side agreement with any labor union or organization, nor any obligation to recognize or deal with any labor union or organization. Except as set forth on SCHEDULE 3.21, there are, and in the last three (3) years there have been, no pending or overtly threatened representation campaigns, elections or proceedings or questions concerning union representation involving any employees of any Seller or any Affiliate Employer. Except as set forth on SCHEDULE 3.21, there are, and in the last three (3) years there have been, no overt activities or efforts of any labor union or organization (or representatives thereof) to organize any employees engaged in the Vessel Business of any Seller, nor of any demands for recognition or collective bargaining, nor of any strikes, slowdowns, work stoppages or lock-outs of any kind, or overt threats thereof, by or with respect to any employees of the Vessel Business, or any actual or claimed representatives thereof, and no such activities, efforts, demands, strikes, slowdowns, work stoppages or lock-outs occurred during the three-year period preceding the date hereof. There are no pending, or to the Knowledge of Sellers, Parent or Hess threatened, charges or complaints involving any federal, state or local civil rights enforcement agency or court; complaints or citations under the

Occupational Safety and Health Act or any state or local occupational safety act or regulation; unfair labor practice charges or complaints with the National Labor Relations Board; or other claims, charges, actions or controversies pending, or, to Sellers', Parent's or Hess's Knowledge, threatened or proposed, involving any Seller or any Affiliate Employer and any employee, former employee or any labor union or other organization representing or claiming to represent such employees' interests, which could have a Material Adverse Affect. To the Knowledge of Sellers, Parent and Hess, each Seller and each Affiliate Employer is and has been in compliance in all respects with all laws, rules and regulations respecting employment and employment practices, terms and conditions of employment and wages and hours, the sponsorship, maintenance, administration and operation of (or the participation of its employees in) employee benefit plans and arrangements and occupational safety and health programs except where the failure to be in compliance would not result in a Material Adverse Effect, and no Seller nor any Affiliate Employer is engaged in any violation of any law, rule or regulation related to employment, including unfair labor practices or acts of employment discrimination, which could have a Material Adverse Effect.

Section 3.22 Regulatory Filings. Each Seller has filed all reports, statements, documents, registrations, filings or submissions required, in connection with the operation of the Vessel Business or the Vessels or Other Assets, to be filed by each Seller with any federal, state, municipal or other governmental department, commission, board, bureau, agency or other instrumentality, the failure to file which would have a Material Adverse Effect. All such filings complied with applicable law when filed and no deficiencies have been asserted by any such regulatory authority with respect to such filings or submissions.

Section 3.23 Transactions with Affiliates. Except as set forth on SCHEDULE 3.23, there are no contracts or arrangements (formal or informal, written or oral) related directly or indirectly to the Vessel Business or the Vessels or Other Assets between any Seller and any other persons controlling, under common control with or controlled by such Seller.

Section 3.24 Finder's Fee. All negotiations with respect to this Agreement and the transactions contemplated hereby have been carried out by Sellers directly with Buyer without the intervention of any person on behalf of Parent, Hess and Sellers in such manner as to give rise to any valid claim by any such person against Buyer for a finder's fee, brokerage commission or similar payment.

Section 3.25 Customary Business Practice. None of Sellers, Parent or Hess has conducted or maintained any material business practices or relationships in connection with the Vessel Business in any manner other than is customary or standard in the industry, and there are no special relationships with any suppliers or customers that are inconsistent with customary and standard practice in the industry.

Section 3.26 No MARAD Financings or Guarantees. The United States Maritime Administration has not financed or guaranteed any obligation of any Seller that is presently outstanding.

Section 3.27 Disclosure. Each response by Brian Douty, Stan Chelluck and Joe Gehegan to inquiries in connection with the due diligence performed by representatives of Buyer

(other than responses to interviews by Buyer for purposes of making employment decisions), as revised or updated by subsequent disclosures and this Agreement, was complete and accurate in all material respects. Copies of the most recent versions of all documents and other written information referred to herein or in the schedules that have been delivered or made available to Buyer are true, correct and complete copies thereof and include all amendments, supplements or modifications thereto or waivers thereunder. Such documents and other written information do not omit any material facts necessary, in light of the circumstances under which such information was furnished, to make the statements set forth therein not misleading. Except as expressly set forth in this Agreement and the schedules or in the certificates or other documents delivered pursuant hereto, including written due diligence materials, there are no other facts other than facts generally known to the public which impact on the tug and barge industry generally which will have a material adverse effect on the value of the Vessel Business or the Vessels or Other Assets.

ARTICLE 4
REPRESENTATIONS AND WARRANTIES OF BUYER

Buyer represents and warrants to Seller that:

Section 4.01 Corporate Existence and Power. Buyer is a corporation duly incorporated, validly existing and in good standing under the laws of its jurisdiction of incorporation and has all corporate powers and has, or will by the Closing Date have, all material governmental licenses, authorization, consents and approvals required to hold, use and lease its properties and assets and to carry on its business as now conducted or as required to carry out its obligations under the Contract of Affreightment attached hereto as EXHIBIT A. Buyer is duly qualified, or by the Closing Date will be qualified, to do business as a foreign corporation and is or will be in good standing in each jurisdiction where the failure to be so qualified would have a Material Adverse Effect or as may be required to perform in all material respects under the Contract of Affreightment. Buyer is a citizen of the United States within the meaning of Section 2 of the Shipping Act, and qualified to operate vessels in the coastwise trade of the United States as set forth in the Shipping Act and the applicable regulations pertaining thereto.

Section 4.02 Corporate Authorization. The execution, delivery and performance by Buyer of this Agreement and the consummation by Buyer of the transactions contemplated hereby are within the corporate powers of Buyer and have been duly authorized by all necessary corporate action. This Agreement constitutes a valid and binding agreement of Buyer.

Section 4.03 Governmental Authorization. The execution, delivery and performance by Buyer of this Agreement and the consummation by Buyer of the transactions contemplated by this Agreement require no action by or in respect of, or filing with, any governmental body, agency, official or authority.

Section 4.04 Non-contravention. Except as set forth on SCHEDULE 4.04, for which matter a consent will be obtained prior to Closing, the execution, delivery and performance by Buyer of this Agreement and the consummation by Buyer of the transactions contemplated hereby do not and will not (a) contravene or conflict with the certificate of incorporation or bylaws of Buyer, (b) assuming compliance with the matters referred to in Section 4.03,

contravene or conflict with any provision of law, regulation; judgment, order or decree binding upon Buyer, or (c) constitute a default under or give rise to any right of termination, cancellation or acceleration of any right or obligation of Buyer or to a loss of any benefit to which Buyer is entitled under any agreement, contract or other instrument binding upon Buyer.

Section 4.05 Finders' Fees. All negotiations with respect to this Agreement and the transactions contemplated hereby have been carried out by Buyer directly with Sellers, Parent and Hess without the intervention of any person on behalf of Buyer in such manner as to give rise to any valid claim by any such person against Sellers, Parent or Hess for a finder's fee, brokerage commission or similar payment, other than RBC Dominion Securities Corporation, which has been engaged by Buyer to represent it in this transaction at Buyer's sole expense.

Section 4.06 Financing. Buyer has, or will have by the Closing Date, sufficient cash, available lines of credit or other sources of immediately available funds to enable it to make payment of the Purchase Price less, the Good Faith Deposit.

ARTICLE 5
COVENANTS OF SELLERS

Each Seller, Parent and Hess, jointly and severally, agree that from the date hereof until the Closing Date:

Section 5.01 Conduct of the Companies. Sellers shall, and Parent shall cause Sellers to, conduct its Vessel Business in the ordinary course consistent with past practice and use its reasonable commercial efforts to maintain, preserve and protect the Vessels and Other Assets and the Vessel Business, keep available the services of the present officers and employees of the Vessel Business and preserve the present relationships with persons having business dealings with Sellers. Without limiting the generality of the foregoing, from the date hereof until the Closing Date:

(a) No Seller will adopt or propose any change in its certificate of incorporation or bylaws which would affect its ability to complete the transactions contemplated in this Agreement;

(b) No Seller will, merge or consolidate with any other Person or acquire a material amount of assets of any other Person which would affect its ability to complete the transactions contemplated in this Agreement;

(c) No Seller will, without the prior written approval of Buyer, sell, lease, license or otherwise dispose of any Vessels or Other Assets or property except (i) pursuant to existing contracts or commitments or (ii) in the ordinary course consistent with past practice;

(d) No Seller will, (i) take or agree or commit to take any action that would make any representation and warranty of Sellers hereunder inaccurate in any material respect at, or as of any time prior to, the Closing Date or (ii) omit or agree or commit to omit to take any action necessary to prevent any such representation or warranty from being inaccurate in any material respect at any such time.

(e) No Seller will increase the pay rates of existing employees except (i) pursuant to existing contracts or commitments or (ii) in the ordinary course of business consistent with past practice; and

(f) No Seller will allow its fuel and lubricants on board the Vessels at the Closing to decline below a level consistent with its routine historical performance.

(g) No Seller will agree or commit to do any of the foregoing.

Section 5.02 Access to Information. Sellers shall permit Buyer and its counsel, accountants and other representatives reasonable access during normal business hours to all of their properties, books, contracts, commitments and other records relating to the Vessel Business, Vessels and Other Assets, including without limitation tax returns, declarations of estimated tax and tax reports, and during such period Sellers shall furnish promptly to Buyer all other information concerning the Vessel Business, Vessels and Other Assets and personnel as Buyer may reasonably request; provided, however, that, no investigation pursuant to this Section 5.02 or otherwise shall limit the effect of any representations or warranties contained in this Agreement. Without limiting the generality of the foregoing, each Seller shall deliver to Buyer copies of all financial statements, reports or analyses with respect to the Vessel Business, Vessels and Other Assets which are prepared or received between the date hereof and the Closing Date promptly after such preparation or receipt regardless of whether such financial statements, reports or analyses are prepared internally or by third parties.

Section 5.03 Notices of Certain Events. Each Seller shall promptly notify Buyer of:

(a) any notice or other communication from any Person alleging that the consent of such Person is or may be required in connection with the transactions contemplated by this Agreement;

(b) any notice or other communication from any governmental or regulatory agency or authority in connection with the transactions contemplated by this Agreement; and

(c) any actions, suits, claims, investigations or proceedings commenced or, to Sellers', Parent's or Hess's Knowledge threatened against, relating to or involving or otherwise affecting any Seller, the Vessels, the Other Assets or the Vessel Business which, if pending on the date of this Agreement, would have been required to have been disclosed pursuant to Section 3.14 or which relate to the consummation of the transactions contemplated by this Agreement.

Section 5.04 Continued Administration.

(a) Sellers, Parent and Hess shall use their best efforts to cause to have their Plan Administrators administer each and every Plan listed in SCHEDULE 3.16(a) hereto in accordance with its terms and the provisions of the Code and ERISA. Sellers shall, and shall not permit their Affiliates to amend or terminate any such Plan except as described on SCHEDULE 3.16(a).

(b) Neither Buyer nor any of its affiliates shall adopt, become a sponsoring employer of, nor have any obligations under or with respect to any employee pension benefit plans or employee welfare benefits plans maintained by the Seller, including but not limited to the Plans listed on SCHEDULE 3.16(a), and Seller shall retain all liabilities thereunder.

(c) Seller acknowledges that Seller is responsible, and Buyer is not responsible, for determining whether restrictions on distributions from a plan pursuant to Section 401 (k)(10) of the Internal Revenue Code, as amended (the "CODE"), apply for purposes of any current employees of Seller who become employees of Buyer as a result of this Agreement.

Section 5.05 Records. Sellers shall maintain their books, accounts and records in the usual, regular and ordinary manner.

Section 5.06 Maintenance of Insurance. Sellers shall maintain in full force and effect all of their presently existing insurance coverage described in SCHEDULE 3.19 hereto, or insurance comparable to such existing coverage. Sellers shall cause Buyer to be named as an additional insured and loss payee under such policies except for its P&I insurance effective from the signing of this Agreement and will provide written notice to Buyer of all insured claims arising between the date of this Agreement and the Closing Date.

Section 5.07 Additional Disclosure. Sellers and/or Parent or Hess shall promptly, after the occurrence thereof is known to any Seller and/or Parent or Hess, advise Buyer of each event subsequent to the date hereof which causes any covenant of any Seller and/or Parent or Hess to be breached or causes any representation or warranty of any Seller and/or Parent or Hess contained herein to no longer be true, correct or complete.

Section 5.08 Taxes. Each Seller shall (and Parent shall cause each Seller to) continue to timely file all Tax Returns with the appropriate governmental agencies in all jurisdictions in which such returns or reports are required to be filed, and ensure that all Taxes have been properly accrued and paid when due.

Section 5.09 Approvals. Sellers, Parent and Hess shall obtain, and shall cooperate with Buyer in obtaining, as promptly as possible, all approvals, authorizations and clearances of governmental and regulatory bodies and officials required by such relevant person to consummate the transactions contemplated hereby. Each Seller, Parent and Hess shall provide such information and communications to governmental and regulatory authorities, as such governmental and regulatory authorities or Buyer may reasonably request and shall obtain the requisite consents of third parties required to consummate the transactions contemplated hereby. Notwithstanding any other language herein, none of Sellers, Parent, Hess or Buyer shall be required to make any payment or other concession or to assume any obligation in connection with obtaining such consents.

Section 5.10 Compliance with Legal Requirements. Sellers, Parent and Hess shall use their reasonable commercial efforts to comply promptly with all requirements which federal or state law may impose on any Seller, Parent or Hess with respect to the transactions contemplated by this Agreement, and will promptly cooperate with and furnish information to Buyer in connection with any such requirements imposed upon them in connection therewith.

Section 5.11 Certain Acts or Omissions. Sellers shall not, and Parent shall cause Sellers not to (a) omit to take any action called for by any of its covenants contained in this Agreement, or (b) take any action which it is required to refrain from taking by any of such covenants. Sellers, Parent and Hess shall, and Parent and Hess shall cause each Seller to, before the Closing, use reasonably commercial efforts to cure any violation or breach of any of its representations, warranties or covenants contained in this Agreement which becomes known, occurs or arises subsequent to the date of this Agreement and shall obtain the satisfaction of all conditions to Closing set forth in this Agreement.

Section 5.12 Personnel. Sellers shall not, and Parent shall cause Sellers not to, take any action in connection with the settlement or termination of any employment terms, plans, agreements or benefits regarding employees of any Seller or any Affiliate Employer that could reasonably be expected to interfere with Buyer's ability to hire any such employees after the Closing on terms reasonably satisfactory to Buyer.

Section 5.13 Repairs. Any Vessels or Other Assets under repair on the date hereof shall be delivered to Buyer upon completion of such repairs and all costs therewith shall be paid by Sellers.

Section 5.14 Transition Matters. Sellers shall, and Parent shall cause Sellers to, cooperate with Buyer to effect an orderly and timely transfer by the Closing Date of all licenses, permits and the like that Buyer is to acquire pursuant to this Agreement or, if any such licenses, permits and the like have not been fully transferred as of the Closing Date, to the extent permitted by law allow Buyer to use and operate under the same in Sellers' names until such time as they have been completely transferred to Buyer. Immediately following the Closing each Seller shall permanently cease to use its corporate name in the operation of any vessel transportation business; provided that, with respect to the operation of the Ocean Star in the Caribbean, Sellers shall be permitted to use its corporate name for 90 days following the Closing Date.

Section 5.15 May 31 Financials. Parent shall, prior to June 12, 2001, deliver to Buyer true, complete and correct copies of the combined unaudited financial statements (including balance sheet, statements of income, cash flow and shareholders' equity) of Sellers for the period ended May 31, 2001, including the notes relating thereto. Such financial statements of Sellers provided to Buyer shall fairly present, in conformity with generally accepted accounting principles consistently applied the combined financial position of Sellers as of the date thereof and their combined results of operations and changes in financial position for the period then ended (subject to normal period-end adjustments).

ARTICLE 6
COVENANTS OF BUYER

Buyer agrees that:

Section 6.01 Approvals. Buyer shall take all reasonable steps, and shall use reasonable commercial efforts to obtain, and shall cooperate with each Seller, Parent and Hess in obtaining, as promptly as possible, all approvals, authorizations and clearances of governmental and

regulatory bodies and officials required to consummate the transactions contemplated hereby. Buyer shall provide such information and communications to governmental and regulatory authorities as such governmental and regulatory authorities or any Seller, Parent or Hess may reasonably request and shall use reasonable commercial efforts to obtain any requisite consents of third parties, to the extent required to consummate the transactions contemplated hereby but only if no payment or other concessions are required of Buyer to obtain such consents.

Section 6.02 Compliance with Legal Requirements. Buyer shall use reasonable commercial efforts to comply promptly with all requirements which federal or state law may impose on them or any of their affiliates with respect to the transactions contemplated by this Agreement and will promptly cooperate with and furnish information to Sellers in connection with any such requirements imposed upon them in connection therewith.

Section 6.03 Certain Acts or Omissions. Buyer shall not (a) omit to take any action called for by any of its covenants in this Agreement or (b) take any action which it is required to refrain from taking by any of such covenants. Buyer shall use all reasonable efforts to cure, before the Closing, any violation or breach of any of its representations, warranties or covenants contained in this Agreement which becomes known, occurs or arises subsequent to the date of this Agreement and to obtain the satisfaction of all conditions to Closing set forth in this Agreement.

Section 6.04 Repainting Vessels. Within 90 days of Closing, Buyer shall, at Buyer's expense, remove or paint over the Hess logos (including any Hess Affiliate logos) on each Vessel and the Hess colors on each Vessel above the waterline.

Section 6.05 WARN Act. Buyer has offered all employees of Sellers or any Affiliate Employer employed in the Vessel Business employment. Buyer agrees that if WARN Act issues arise, the Closing may be delayed until appropriate notices can be given under such act.

Provided that the first sentence in this Section 6.05 is true, Seller has not violated, and will not violate, the WARN Act, or any similar state or local law. Seller shall further indemnify and hold harmless Buyer from any WARN Act and similar state or local law liability that may result from an "Employment Loss," as defined by 29 U.S.C. Section 2101(a)(6), caused by Seller.

Section 6.06 Recordkeeping; Use of Sellers' Manuals.

(a) For 6 years, Buyer shall grant Hess reasonable access to all files pertaining to the pre-closing operation of the Vessel Business currently stored on the premises at the Brooklyn marine facility and shall not remove, discard or destroy any such files without first notifying Hess and providing Hess with a reasonable opportunity to review and, at Hess' cost, to copy or remove such files. After 6 years from the date hereof, if Buyer is planning to destroy or discard files pertaining to the pre-closing operation of the Vessel Business, it will use reasonable efforts to notify Hess and give Hess 5 days to remove such files. However, with respect to Buyer's obligations after year 6, the parties agree that Buyer will have no liability to Hess if Buyer fails to notify Hess. Buyer also agrees to use commercially reasonable efforts to forward as promptly as practicable all telephone calls, faxes, mail and similar items pertaining to the pre-Closing

operation of the Vessel Business to David Cerulo, Amerada Hess Corporation, 1185 Avenue of the Americas, New York, NY 10036 (telephone: 212-536-8498; fax: 212-536-8621).

(b) Buyer agrees as promptly as practicable after Closing to delete all references to Seller, Hess or any of their affiliates in any Vessel Business manuals and to indemnify Sellers, Hess and their affiliates from any claims arising from Buyer's use of such manuals post-Closing.

(c) Seller agrees to use commercially reasonable efforts to forward as promptly as practicable all telephone calls, faxes, mail and similar items pertaining to the post-Closing operation of the Vessel Business to Buyer.

ARTICLE 7
COVENANTS OF BUYER, SELLERS AND PARENT

The parties hereto agree that:

Section 7.01 Confidentiality.

(a) Prior to the Closing Date and after any termination of this Agreement, Buyer will hold, and will use its best efforts to cause its officers, directors, employees, accountants, counsel, consultants, advisors and agents to hold, in confidence, unless compelled to disclose by judicial or administrative process or by other requirements of law, all confidential documents and information concerning Sellers furnished to Buyer in connection with the transactions contemplated by this Agreement, except to the extent that such information can be shown to have been (a) previously known on a nonconfidential basis by Buyer, (b) in the public domain through no fault of Buyer or (c) later lawfully acquired by Buyer from sources other than Sellers, Parent or Hess; provided that Buyer may disclose such information to its officers, directors, employees, accountants, counsel, consultants, advisors and agents in connection with the transactions contemplated by this Agreement and to its lenders in connection with obtaining the financing for the transactions contemplated by this Agreement so long as such Persons are informed by Buyer of the confidential nature of such information and are directed by Buyer to treat such information confidentially. Buyer's obligation to hold any such information in confidence shall be satisfied if it exercises the same care with respect to such information as it would take to preserve the confidentiality of its own similar information. If this Agreement is terminated, Buyer will, and will use its best efforts to cause its officers, directors, employees, accountants, counsel, consultants, advisors and agents to, destroy or deliver to Hess, upon request, all documents and other materials, and all copies thereof, obtained by Buyer or on its behalf from Sellers, Parent or Hess in connection with this Agreement that are subject to such confidence.

(b) Prior to the Closing Date and after any termination of this Agreement, each Seller, Parent and Hess will hold, and will use their best efforts to cause their respective officers, directors, employees, accountants, counsel, consultants, advisors and agents to hold, in confidence, unless compelled to disclose by judicial or administrative process or by other requirements of law, all confidential documents and information concerning Buyer furnished to any Seller, Parent or Hess in connection with the transactions contemplated by this Agreement, except to the extent that such information can be shown to have been (a) previously known on a nonconfidential basis by any Seller, Parent or Hess, (b) in the public domain through no fault of

Seller or (c) later lawfully acquired by any Seller, Parent or Hess from sources other than Buyer; provided that any Seller, Parent or Hess may disclose such information to their respective officers, directors, employees, accountants, counsel, consultants, advisors and agents in connection with the transactions contemplated by this Agreement and to their respective lenders in connection with obtaining the financing for the transactions contemplated by this Agreement so long as such Persons are informed by such Seller, Parent or Hess of the confidential nature of such information and are directed by such Seller, Parent or Hess to treat such information confidentially. Parent's, Hess' and any Seller's obligation to hold any such information in confidence shall be satisfied if it exercises the same care with respect to such information as it would take to preserve the confidentiality of its own similar information. If this Agreement is terminated, Seller, Parent or Hess will, and will use their best efforts to cause their respective officers, directors, employees, accountants, counsel, consultants, advisors and agents to, destroy or deliver to Buyer, upon request, all documents and other materials, and all copies thereof, obtained by such Seller, Parent or Hess or on its behalf from Buyer in connection with this Agreement that are subject to such confidence.

Section 7.02 Public Announcements. Buyer, each Seller, Parent and Hess will consult with each other before issuing any press release or making any public statement with respect to this Agreement and the transactions contemplated hereby and, except as may be required by applicable law or any listing agreement with any national securities exchange, will not issue any such press release or make any such public statement prior to such consultation.

Section 7.03 BDIS System. Hess retains a personal, nontransferable and nonexclusive right to use BDIS solely for internal business purposes. Such right to use includes the right to modify BDIS and to prepare derivative works based on BDIS, provided that any such modification or derivative work that contains any part of BDIS subject to this Agreement is treated hereunder the same as BDIS. Buyer claims no ownership interest in any portion of such a modification or derivative work that is not part of BDIS.

ARTICLE 8
CONDITIONS TO CLOSING

Section 8.01 Conditions to the Obligations of the Parties. The obligations of Sellers and Buyer to consummate the Closing are subject to the satisfaction of the following conditions:

(a) if required by applicable law, this Agreement shall have been adopted by the stockholders of Sellers in accordance with such law;

(b) any applicable waiting period (and any extensions thereof) under the HSR Act relating to the sale shall have expired or been terminated, and no condition with respect to obtaining such termination shall have been imposed on any Seller or Buyer;

(c) On the Closing Date, no action or proceeding by any public authority or any other person shall be pending before any court or administrative body or overtly threatened to restrain, enjoin or otherwise prevent the consummation of this Agreement or the transactions contemplated hereby, and no action or proceeding by any public authority or private person shall be pending before any court or administrative body or overtly threatened to recover any damages

or obtain other relief as a result of this Agreement or the transactions contemplated herein or as a result of any agreement entered into in connection with or as a condition precedent to the consummation thereof, which action or proceeding could result in a decision, ruling or finding which would have a Material Adverse Effect or prevent or interfere with Buyer's ability to conduct normal operations after the Closing with the Vessel Business, Vessels or Other Assets or the ability of Buyer or any Seller or Parent to fulfill its obligations under this Agreement;

(d) All orders, consents, permits, authorizations, approvals and waivers of every governmental entity or third party required for the consummation of the transactions contemplated hereby, and all filings, registrations and notifications to or with all governmental entities required with respect to the consummation of such transactions, shall have been obtained or given.

Section 8.02 Conditions to the Obligations of Buyer. The obligations of Buyer to consummate the Closing are subject to the satisfaction of the following further conditions:

(a) Each Seller, Parent and Hess shall have performed all of its obligations hereunder required to be performed by it at or prior to the Closing Date, the representations and warranties of each Seller, Parent and Hess contained in this Agreement and in any certificate or other writing delivered by any Seller, Parent or Hess pursuant hereto shall be true in all material respects at and as of the Closing Date as if made at and as of such time and Buyer shall have received a certificate signed by an executive officer of each of Sellers, Parent and Hess dated as of the Closing Date to the foregoing effect;

(b) All action necessary to authorize the execution, delivery and performance by the each Seller, Parent and Hess of this Agreement shall have been duly and validly taken by the each Seller and Parent, and each Sellers, Parent and Hess shall have delivered to Buyer copies, certified as of the Closing Date by its Secretary, of all resolutions of the Board of Directors authorizing this Agreement and the transactions contemplated by this Agreement;

(c) Buyer shall have received an opinion, addressed to Buyer and dated the Closing Date, of General Counsel for Sellers, Parent and Hess, in a form and containing provisions satisfactory to Buyer;

(d) Each Seller shall deliver fully executed and duly acknowledged instruments of conveyance and transfer, including, but not limited to, Bills of Sale and Satisfaction of Mortgages and Abstracts of Title, and such other instruments conveying title to the Vessels and Other Assets, free and clear of all Liens. All such instruments of conveyance shall be in form and content reasonably satisfactory to Buyer and its counsel;

(e) No incident or event shall have occurred resulting in the destruction, damage to, or loss of any Vessel or Other Asset (whether or not covered by insurance) in excess of $100,000 that has not been cured to a commercially reasonable standard by Sellers;

(f) Sellers, Parent and Hess shall have delivered to Buyer true, complete and correct copies of audited combined financial statements (including balance sheet, statements of income, cash flow and shareholder's equity) of Sellers for the years ended December 31, 2000, 1999 and

1998, including the notes relating thereto, which shall not vary materially from the Financial Statements, and Buyer shall have received from a certified public accounting firm chosen by Buyer a clean opinion that the financial statements are presented fairly in accordance with generally accepted accounting principles, without exception with the cost of such audit to be paid by Buyer;

(g) Hess and Buyer shall have entered into a Contract of Affreightment, substantially in the form which is attached hereto as EXHIBIT A;

(h) Each lender of Sellers shall have released any Liens on the Vessels and Other Assets and consented to the conveyance of the Vessels and Other Assets to Buyer, free and clear of any and all Liens other than with respect to the Vessels any Liens which arose by operation of law, have not been recorded and have not been asserted by the holder thereof;

(i) Effective physical possession and control of the Vessels and Other Assets shall have been tendered by each Seller and Parent to Buyer;

(j) Specific assignments of material contracts and any proprietary information, licenses and permits to the extent permitted by law that Buyer may reasonably request to assure their continuity, together with any consents to such assignments that may have been obtained;

(k) Buyer and Hess shall have entered into a lease regarding Sellers' office space and dock space in the form attached hereto as EXHIBIT B; and

(l) The following additional documents shall have been executed and delivered by Sellers:

(i) CONSENTS. Copies of all required consents and approvals;

(ii) RELEASES. A release in a form and containing terms satisfactory to Buyer of any and all claims of Sellers, Parent or Hess, if any, may have against the Vessels or Other Assets or Buyer, except as may arise under this Agreement, under the Contract of Affreightment, or under any other documents executed in connection herewith;

(iii) CERTIFICATE OF SECRETARY. A Certificate of Secretary of each Seller, Parent and Hess attesting to the incumbency and the signature specimens with respect to the officers of such entities executing this Agreement and any other document delivered pursuant to this Agreement by or on behalf of such entities, and attesting to such other instruments and documents as counsel for Buyer shall reasonably request;

(iv) OTHER REQUESTED DOCUMENTS. Further instruments and documents, in form and content reasonably satisfactory to counsel for Buyer, as may be necessary or reasonably appropriate more fully to consummate the transactions contemplated hereby.

Section 8.03 Conditions to the Obligations of Sellers and Parent. The obligations of each Seller, Parent and Hess to consummate the Closing are subject to the satisfaction of the following further conditions:

(a) Buyer shall have performed all of its obligations hereunder required to be performed by it at or prior to the Closing Date, the representations and warranties of Buyer contained in this Agreement and in any certificate or other writing delivered by Buyer pursuant hereto shall be true in all material respects at and as of the Closing Date as if made at and as of such time and Seller shall have received a certificate signed by the President of Buyer dated as of the Closing Date to the foregoing effect;

(b) Hess and Buyer shall have entered into a Contract of Affreightment, the form of which is attached hereto as EXHIBIT A;

(c) Seller shall have received the Purchase Price;

(d) The following additional documents shall have been executed and delivered by Buyer:

(i) Consents. Copies of all required consents and approvals;

(ii) Certificate of Secretary. A Certificate of Secretary of Buyer attesting to the incumbency and the signature specimens with respect to the officers of such entity executing this Agreement and any other document delivered pursuant to this Agreement by or on behalf of such entity, and attesting to such other instruments and documents as counsel for Seller shall reasonably request;

(iii) Other Requested Documents. Further instruments and documents, in form and content reasonably satisfactory to counsel for Sellers, as may be necessary or reasonably appropriate more fully to consummate the transactions contemplated hereby.

(e) All action necessary to authorize the execution, delivery and performance by Buyer of this Agreement shall have been duly and validly taken by Buyer and Buyer shall have delivered to Sellers, Parent and Hess copies, certified as of the Closing Date by the Secretary of Buyer, of all resolutions of the board of directors of Buyer authorizing this Agreement and the transactions contemplated by this Agreement.

ARTICLE 9
TAX MATTERS

Section 9.01 Preparation and Filing of Tax Returns. Sellers, jointly and severally with Parent and Hess represent and warrant to Buyer that:

(a) Insofar as the same relates to the Vessels and/or Other Assets, all returns (including, income, franchise, sales and use, excise, severance, property, gross receipts, payroll

and withholding tax returns and information returns), deposits and reports (all such returns, deposits and reports herein referred to collectively as "Tax Returns" or singularly as a "Tax Return") of or relating to any United States (including state or local) or foreign tax that are required to be filed (taking into account all extensions) on or before the Closing Date by Sellers, have been or will be timely filed with the appropriate federal, state, local and foreign authorities;

(b) Insofar as the same relates to the Vessels and/or Other Assets, all state, local and foreign income, excise, property, sales and use taxes, assessments, interest, penalties, deficiencies, fees and other governmental charges or impositions which are called for as due by the Tax Returns, or which are claimed to be due with respect to the periods covered thereby, from Sellers (the "Taxes"), have been properly accrued or paid. Sellers have not received any notice of assessment or proposed assessment by any taxing authority in connection with any Tax Returns and there are no pending tax examinations of any Tax Returns of or tax claims in respect of the Tax Returns asserted with respect to the Vessels and Other Assets; and

(c) There has been no disregard of any applicable statute, regulation, rule, revenue ruling or other authority in the preparation of any Tax Return applicable to the Vessels or Other Assets. There are no tax liens on any of the Vessels or Other Assets except for Liens for current taxes not yet due and payable. There is no basis for any additional assessment of any Taxes, penalties or interest with respect to the Vessels and Other Assets. Sellers have not waived any law or regulation fixing, or consented to the extension of, any period of time for assessment of any Taxes which waiver or consent is currently in effect.

Section 9.02 Access to Information. After the Closing:

(a) Sellers, Parent, Hess and each member of the affiliated group of corporations filing consolidated United States Income Tax Returns which include the Sellers (the "Hess Group") shall grant to Buyer (or its designees) access at all reasonable times to all of the information, books and records relating to the Vessels and Other Assets within the possession of Hess or any member of Hess Group (including without limitation work papers and correspondence with taxing authorities), and shall afford Buyer (or its designees) the right (at Buyer's expense) to take extracts therefrom and to make copies thereof, to the extent reasonably necessary to permit Buyer (or its designees) to prepare Tax Returns, to conduct negotiations with Tax authorities, and to implement the provisions of, or to investigate or defend any claims between the parties arising under, this Agreement.

(b) Buyer shall grant to Parent (or its designees) access at all reasonable times to all of the information, books and records relating to the Vessels and Other Assets within the possession of Buyer (including without limitation work papers and correspondence with taxing authorities), and shall afford Parent (or its designees) the right (at Parent's expense) to take extracts therefrom and to make copies thereof, to the extent reasonably necessary to permit Parent (or its designees) to prepare Tax Returns, to conduct negotiations with Tax Authorities, and to implement the provisions of, or to investigate or defend any claims between the parties arising under, this Agreement.

(c) Each of the parties hereto will preserve and retain all schedules, work papers and other documents relating to any Tax Returns of or with respect to the Vessels and Other Assets

or to any claims, audits or other proceedings affecting the Vessels and Other Assets until the expiration of the statute of limitations (including extensions) applicable to the taxable period to which such documents relate or until the final determination of any controversy with respect to such taxable period, and until the final determination of any payments that may be required with respect to such taxable period under this Agreement.

Section 9.03 Sales Taxes. The Purchase Price excludes, and Buyer will be liable for, any Transfer Taxes (as defined below) required to be paid in connection with the sale of the Vessels and Other Assets pursuant to this Agreement. "TRANSFER TAXES" shall mean any sales, use, excise, stock, document, filing, recording, authorization, transfer and similar taxes, fees and charges.

Section 9.04 Apportionment of Property Taxes. All ad valorem, real property and personal property taxes attributable to the Vessels and Other Assets for the tax period during which the Closing Date occurs shall be prorated as of the Closing Date based upon such tax assessed against the assets for the tax period. The owner of record of the Companies on the assessment date will cause the Companies to file all required reports and returns incident to the Property Taxes.

Section 9.05 Other Taxes. With the exception of income and franchise taxes, all federal, state and local taxes (including interest and penalties attributable thereto) on the ownership or operations of the Vessels and Other Assets which are imposed with respect to periods or portions of periods to the Closing Date shall be paid by Sellers and all such taxes imposed with respect to periods or portions of periods beginning on or after the Closing Date shall be paid by Buyer.

Section 9.06. Purchase Price Allocations.

(a) On or before the Closing Date, Sellers and Buyer mutually agree to allocate the Purchase Price among the Vessels and Other Assets as set forth in EXHIBIT C attached hereto. Sellers and Buyer agree that said allocation as set forth in EXHIBIT C is the proper allocation of the Purchase Price in accordance with the fair market value of the Vessels and Other Assets and that said allocation of the Purchase Price of the Vessels and Other Assets as set forth in EXHIBIT C shall apply for purposes of Section 1060 of the Internal Revenue Code of 1986 (as amended and together with any regulations promulgated thereunder, the "Code"). Sellers and Buyer agree (and each agrees to cause its affiliates) to report the federal, state and local income and other tax consequences of the transactions contemplated herein, and in particular to report the information required under Section 1060(b) of the Code (and any regulations promulgated thereunder), in a manner consistent with such allocation.

(b) Sellers and Buyer further agree (and each agrees to cause its affiliates) to not take any tax position inconsistent with such allocation in connection with the examination of any of their tax returns, refund claims or litigation, investigations or other proceedings involving any of their tax returns. Sellers and Buyer each further agree that they will not take any position inconsistent with this allocation in preparing financial statements, tax returns, reports to shareholders or government authorities or otherwise.

(c) Sellers and Buyer each agree to furnish the other a copy of IRS Form 8594 (Asset Acquisition Statement under Section 1060 of the Code) as filed with the Internal Revenue Service by such party or any affiliate thereof, pursuant to Section 1060 of the Code, as a result of the consummation of the transactions contemplated hereby, within thirty (30) days of the filing of such form with the Internal Revenue Service.

ARTICLE 10
INDEMNIFICATION

Section 10.01 Indemnification of Buyer Indemnitees. Each Seller, jointly and severally with Parent hereby agrees to indemnify and hold Buyer and its respective officers, directors, stockholders, agents, employees, and attorneys (the "BUYER INDEMNITEES") harmless from and against any and all liabilities, obligations, damages, deficiencies, losses and expenses:

(a) resulting from any misrepresentation or breach of warranty of the surviving Representations and Warranties as set forth on SCHEDULE 12.03 or nonfulfillment of any covenant or agreement on the part of any Seller, Parent or Hess under the terms of this Agreement;

(b) comprising or resulting from any Excluded Liabilities;

(c) arising as a result of the ownership of the Vessels and/or Other Assets and/or the use and operation of the Vessels and Other Assets and the conduct by Sellers and the employees of any Affiliate Employer of the Vessel Business before the Closing Date;

(d) resulting from any Liens existing on the Closing Date which arose out of the action (or failure to act) of any Seller, Parent or Hess; and

(e) resulting from all actions, suits, proceedings, demands, assessments, judgments, costs and expenses, including reasonable attorneys' fees, incident to the foregoing.

Section 10.02 Indemnification of Seller Indemnitees. Buyer agrees to indemnify and hold Sellers and Parent and their respective officers, directors, stockholders, agents, employees, and attorneys (the "SELLER INDEMNITEES") harmless from and against any and all liabilities, obligations, damages, deficiencies, losses and expenses:

(a) resulting from any misrepresentation, breach of warranty or nonfulfillment of any covenant or agreement on the part of Buyer under the terms of this Agreement;

(b) arising as a result of the ownership of the Vessels and Other Assets and/or the use and operation of any of the Vessels and Other Assets and the conduct of the Vessel Business from and after the Closing Date provided that this provision of this Agreement shall not be deemed to have any effect with respect to Buyer's services to Hess or its Affiliates subsequent to the Closing Date; and

(c) resulting from all actions, suits, proceedings, demands, assessments, judgments, costs and expenses, including reasonable attorneys' fees, incident to the foregoing.

Section 10.03 Method of Asserting Claims, Etc. The items listed in Section 10.01 and Section 10.02 are sometimes collectively referred to herein as "DAMAGES"; provided, however, that such reference shall be understood to mean the respective damages from and against which the Buyer Indemnitees or Seller Indemnitees, as the case may be, are indemnified as the context requires. The person claiming indemnification hereunder, whether a Buyer Indemnitee or a Seller Indemnitee, is sometimes referred to as the "INDEMNIFIED PARTY" and the party against whom such claims are asserted hereunder is sometimes referred to as the "INDEMNIFYING PARTY". All claims for indemnification by an Indemnified Party under Section 10.01 or Section 10.02 hereof, as the case may be, shall be asserted and resolved as follows:

(a) If any claim or demand for which an Indemnifying Party would be liable for Damages to an Indemnified Party hereunder is overtly asserted against or sought to be collected from such Indemnified Party by a third party (a "THIRD PARTY CLAIM"), such Indemnified Party shall with reasonable promptness (but in no event later than thirty (30) days after the Third Party Claim is so asserted or sought against the Indemnified Party) notify in writing the Indemnifying Party of such Third Party Claim enclosing a copy of all papers served, if any, and specifying the nature of and specific basis for such Third Party Claim and the amount or the estimated amount thereof to the extent then feasible, which estimate shall not be conclusive of the final amount of such Third Party Claim (the "CLAIM NOTICE"). For this purpose the commencement of any audit or other investigation respecting Taxes shall constitute a Third Party Claim. Notwithstanding the foregoing, failure to so provide a Claim Notice as provided above shall not relieve the Indemnifying Party from its obligation to indemnify the Indemnified Party with respect to any such Third Party Claim except to the extent that a failure to so notify the Indemnifying Party in reasonably sufficient time prejudices the Indemnifying Party's ability to defend against the Third Party Claim. The Indemnifying Party shall have thirty (30) days from delivery of the Claim Notice (the "NOTICE PERIOD") to notify the Indemnified Party (i) whether or not the Indemnifying Party disputes the liability of the Indemnifying Party to the Indemnified Party hereunder with respect to such Third Party Claim and (ii) whether or not the Indemnifying Party desires, at the sole cost and expense of the Indemnifying Party, to defend the Indemnified Party against such Third Party Claim.

(b) If the Indemnifying Party notifies the Indemnified Party within the Notice Period that the Indemnifying Party does not dispute its liability to the Indemnified Party and that the Indemnifying Party desires to defend the Indemnified Party with respect to the Third Party Claim pursuant to this Article, then the Indemnifying Party shall have the right to defend, at its sole cost and expense, such Third Party Claim by all appropriate proceedings, which proceedings shall be diligently prosecuted by the Indemnifying Party to a final conclusion or settled at the discretion of the indemnifying Party (but only if the Indemnifying Party is liable hereunder to the Indemnified Party for the full amount of, and all obligations under, such settlement; otherwise, no such settlement shall be agreed to without the prior written consent of the Indemnified Party). If the Indemnifying Party is liable hereunder to the Indemnified Party for the full amount of such Third Party Claim, the Indemnifying Party shall have full control of such defense and proceedings, including any compromise or settlement thereof; provided, however, that the Indemnified Party is hereby authorized, at the sole cost and expense of the Indemnifying Party (but only if the Indemnified Party is actually entitled to indemnification hereunder or if the Indemnifying Party assumes the defense with respect to the Third Party Claim), to file during the

Notice Period any motion, answer or other pleadings which the Indemnified Party shall deem necessary or appropriate to protect its interests or those of the Indemnifying Party and not prejudicial to the Indemnifying Party (it being understood and agreed that if an Indemnified Party takes any such action which is prejudicial and conclusively causes a final adjudication which is adverse to the Indemnifying Party, the Indemnifying Party shall be relieved of its obligations hereunder with respect to such Third Party Claim); and provided further, that if requested by the Indemnifying Party, the Indemnified Party agrees, at the sole cost and expense of the Indemnifying Party, to cooperate with the Indemnifying Party and its counsel in contesting any Third Party Claim which the indemnifying Party elects to contest, or, if appropriate and related to the Third Party Claim in question, in making any counterclaim against the person asserting the Third Party Claim, or any cross-complaint against any person. The Indemnified Party may participate in, but not control (except if the Indemnifying Party is not liable hereunder to the Indemnified Party for the full amount of such Third Party Claim, in which case whichever of the Indemnifying Party or the indemnified Party is liable for the largest amount of Damages with respect to the Third Party Claim shall control), any defense or settlement of any Third Party Claim with respect to which the Indemnifying Party is participating pursuant to this Section 10.03(b), and except as provided in the preceding sentence, the Indemnified Party shall bear its own costs and expenses with respect to such participation.

(c) If the Indemnifying Party fails to notify the Indemnified Party within the Notice Period that the Indemnifying Party does not dispute its liability to the Indemnified Party and that the Indemnifying Party desires to defend the Indemnified Party pursuant to this Article, then the Indemnified Party shall have the right to defend, at the sole cost and expense of the Indemnifying Party, the Third Party Claim by all appropriate proceedings, which proceedings shall be promptly and vigorously prosecuted by the Indemnified Party to a final conclusion or settled. The Indemnified Party shall have full control of such defense and proceedings, including any compromise or settlement thereof; provided however, that if requested by the Indemnified Party, the Indemnifying Party agrees, at the sole cost and expense of the Indemnifying Party, to cooperate with the Indemnified Party and its counsel in contesting any Third Party Claim which the Indemnified Party is contesting, or, if appropriate and related to the Third Party Claim in question, in making any counterclaim against the person asserting the Third Party Claim, or any cross-complaint against any person. Notwithstanding the foregoing provisions of this Section 10.03(c), if the Indemnifying Party has timely notified the Indemnified Party that the Indemnifying Party disputes its liability to the Indemnified Party and if such dispute is resolved in favor of the Indemnifying Party by final, non-appealable order of a court of competent jurisdiction, the Indemnifying Party shall not be required to bear the costs and expenses of the Indemnified Party's defense pursuant to this Section 10.03(c) or of the Indemnifying Party's participation therein at the Indemnified Party's request and the Indemnified Party shall reimburse the Indemnifying Party in full for all costs and expenses of such litigation. The Indemnifying Party may participate in, but not control, any defense or settlement controlled by the Indemnified Party pursuant to this Section 10.03(c) (other than a dispute as to the Indemnifying Party's liability to the Indemnified Party) and the Indemnifying Party shall bear its own costs and expenses with respect to such participation.

(d) If any Indemnified Party should have a claim against any Indemnifying Party hereunder which does not involve a Third Party Claim, the Indemnified Party shall notify the

Indemnifying Party of such claim by the Indemnified Party in writing, specifying the nature of and specific basis for such claim and the amount or the estimated amount of such claim (the "INDEMNITY NOTICE"). If the Indemnifying Party does not notify the Indemnified Party in writing within thirty (30) days from delivery of the Indemnity Notice that the Indemnifying Party disputes such claim, the amount or estimated amount of such claim specified by the Indemnified Party shall be conclusively deemed a liability of the Indemnifying Party hereunder. If the Indemnifying Party has timely disputed such claim, as provided above, such dispute shall be resolved by litigation in an appropriate court of competent jurisdiction or as the parties otherwise at such time agree.

Section 10.04 Limitation. The maximum liability under the indemnification provisions of this Article 10 shall be limited to an amount equal to the Purchase Price. Notwithstanding anything contained elsewhere in this Agreement, an Indemnifying Party shall have no liability for indemnification hereunder until the Indemnified Party's Damages exceed $25,000, in the aggregate (the "Threshold Amount") and then only to the extent of such excess. With respect to the remedies available under this Agreement, the Indemnifying Party shall not be responsible for any resulting indirect, incidental, consequential, exemplary, punitive or special damages, whether or not the Indemnifying Party was made aware of such damages or the possibility thereof.

Section 10.05 Special Allocation of Damages for Joint Exposure Claims. In the event Damages are incurred in respect of Joint Exposure Claims, such Damages (other than punitive or special damages) shall be allocated among Sellers and Buyer as herein set forth notwithstanding any evidence, analysis or determination indicating a different allocation of responsibility for such Damages amongst the Parties. With respect to Joint Exposure Claims, the portion of such Damages allocable to a Seller shall equal that fraction the numerator of which is the total number of days the employee making the Joint Exposure Claim was employed by Seller and exposed to the substance or material giving rise to the Joint Exposure Claim and the denominator of which is the total number of days such employee has been employed by Seller and Buyer and exposed to the substance or material giving rise to the Joint Exposure Claim. Similarly, the portion of such Damages allocable to Buyer shall equal that fraction the numerator of which is the total number of days the employee making the Joint Exposure Claim was or has been employed by Buyer and exposed to the substance or material giving rise to the Joint Exposure Claim and the denominator of which is the total number of days such employee was or has been employed by Buyer and Seller and exposed to the substance or material giving rise to the Joint Exposure Claim.

ARTICLE 11
TERMINATION

Section 11.01 Termination. This Agreement may be terminated at any time prior to the Closing:

(a) by mutual written consent of Sellers and Parent (acting unanimously) and Buyer;

(b) by either Sellers and Parent (acting unanimously) or Buyer by giving written notice to the other in accordance with Section 12.01, if there shall be any law or regulation that

makes consummation of the transaction illegal or otherwise prohibited or if any judgment, injunction, order or decree enjoining Buyer or any Seller or Parent from consummating the transaction is entered and such judgment, injunction, order or decree shall become final and nonappealable.

(c) by Buyer, upon notice of termination of its obligation to consummate the transaction delivered to Sellers, Parent and Hess, if Buyer reasonably has determined that there has been any breach of any material covenant of any Seller, Parent or Hess or that any Seller, Parent or Hess has materially breached any of its material representations or warranties, stating in particularity the default or defaults on which the notice is based; provided, however, that such Seller, Parent or Hess shall, after receipt of such notice, have thirty (30) days in which to cure such breach and, if so cured, Buyer shall, for that reason, have no right to terminate this Agreement; or

(d) by Sellers and Parent, upon notice of termination of its obligation to consummate the transaction delivered to Buyer, if Sellers and Parent reasonably and unanimously have determined that there has been any breach of any covenant of Buyer or that Buyer has materially breached any of its representations or warranties, stating in particularity the default or defaults on which the notice is based; provided, however, that Buyer shall, after receipt of such notice, have thirty (30) days in which to cure such breach and, if so cured, Sellers and Parent shall, for that reason, have no right to terminate this Agreement.

Section 11.02 Effect of Termination. If this Agreement is terminated pursuant to Section 11.01, this Agreement shall become void and of no effect with no liability on the part of any party hereto, and provided that the agreements contained in Section 7.01 and Section 12.05 shall survive the termination hereof.

ARTICLE 12
MISCELLANEOUS

Section 12.01 Notices. All notices, requests and other communications to any party hereunder shall be in writing (including telecopy or similar writing) and shall be given,

if to Buyer, to:

LEEVAC Marine, Inc.
c/o HORNBECK-LEEVAC Marine Services, Inc.
414 North Causeway Boulevard
Mandeville, Louisiana 70448
Attn: Christian G. Vaccari
Telecopy: (504) 727-2006

with a copy to:

R. Clyde Parker, Jr.
Winstead Sechrest & Minick P.C.
910 Travis, Suite 2400
Houston, Texas 77002
Telecopy: (713) 650-2400

if to Sellers or Parent, to:

Lawrence H. Ornstein
Amerada Hess Corporation
1185 Avenue of the Americas
New York, New York 10036
Telecopy: (212) 536-8458

with a copy to:

Nicholas P. Brountas, Jr.
Amerada Hess Corporation
1185 Avenue of the Americas
New York, New York 10036
Telecopy: (212) 536-8241

or such other address or telecopy number as such party may hereafter specify for the purpose by notice to the other parties hereto. Each such notice, request or other communication shall be effective (a) if given by telecopy, when such telecopy is transmitted to the telecopy number specified in this Section and the appropriate telecopy confirmation is received or (b) if given by any other means, when delivered at the address specified in this Section.

Section 12.02 Risk of Loss. The risk of any loss, damage, impairment, confiscation or condemnation of the Vessels or Other Assets or any part thereof shall be upon Sellers at all times prior to the Closing Date. In any such event, Sellers may either (a) repair, replace or restore any such property as soon as possible after its loss, impairment, confiscation or condemnation, or (b) if insurance proceeds are sufficient to repair, replace or restore the property, pay such proceeds to Buyer; provided however, that any repair, replacement or restoration or the determination that insurance proceeds are sufficient must be made, or provide sufficient funds so that repairs can be made, in such a manner as to return the Vessel to at least the same operating condition and value as existed immediately preceding the event. During any such repair, replacement or restoration, and during any drydocking contemplated in Section 5.13, Buyer shall be entitled to have a representative present at the shipyard or other applicable location.

Section 12.03 Survival of Representations and Warranties. The respective representations and warranties made by the parties in this Agreement or in any certificate or document executed and delivered by either party to the other party pursuant to this Agreement,

shall survive the Closing Date and the consummation of the transactions contemplated hereby for the periods set forth on SCHEDULE 12.03.

Section 12.04 Amendments; No Waivers. Any provision of this Agreement may be amended or waived prior to the Closing Date if, and only if, such amendment or waiver is in writing and signed, in the case of an amendment, by Sellers, Parent, Hess and Buyer or in the case of a waiver, by the party against whom the waiver is to be effective. No failure or delay by any party in exercising any right, power or privilege hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein provided shall be cumulative and not exclusive of any rights or remedies provided by law.

Section 12.05 Expenses. All costs and expenses incurred in connection with this Agreement shall be paid by the party incurring such cost or expense. Buyer shall be responsible for all fees and expenses of the escrow agent.

Section 12.06 Successors and Assigns. The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns, provided that no party may assign, delegate or otherwise transfer any of its rights or obligations under this Agreement without the consent of the other parties hereto except that Buyer may assign this Agreement to one or more of its affiliates so long as Buyer guarantees the performance of this Agreement.

Section 12.07 Governing Law. This Agreement shall be construed in accordance with and governed by the law of the State of New York, without regard to conflicts of law rules of such state.

Section 12.08 Counterparts; Effectiveness. This Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument. This Agreement shall become effective when each party hereto shall have received counterparts hereof signed by all of the other parties hereto.

Section 12.09 Jurisdiction. Except as otherwise expressly provided in this Agreement, the parties hereto agree that any suit, action or proceeding seeking to enforce any provision of, or based on any matter arising out of or in connection with, this Agreement or the transactions contemplated hereby may be brought in the United States District Court for the Southern District of New York or any New York State court sitting in New York City, and each of the parties hereby consents to the jurisdiction of such courts (and of the appropriate appellate courts therefrom) in any such suit, action or proceeding and irrevocably waives, to the fullest extent permitted by law, any objection which it may now or hereafter have to the laying of the venue of any such suit, action or proceeding in any such court or that any such suit, action or proceeding which is brought in any such court has been brought in an inconvenient forum. Process in any such suit, action or proceeding may be served on any party anywhere in the world, whether within or without the jurisdiction of any such court. Without limiting the foregoing, each party agrees that service of process on such party as provided in Section 12.01 shall be deemed effective service of process on such party.

Section 12.10 Entire Agreement. This Agreement and the documents to be executed in connection herewith contain, and is intended as, and represents a complete statement of all of the terms, understandings and the arrangements between the parties hereto with respect to the matters provided for in this Agreement, supersedes any previous or contemporaneous agreements and understandings whether oral or written between the parties hereto with respect to those matters, and cannot be changed or terminated except as provided in this Agreement. None of the parties makes, and each of the parties hereby expressly disclaims any reliance upon, any representations or warranties with respect to the transaction which is the subject of this Agreement other than those set forth herein.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

LEEVAC MARINE, INC.

By: /s/ CHRISTIAN G. VACCARI

Name: Christian G. Vaccari

Title: CEO

HYGRADE OPERATORS, INC.

By: /s/ JOSEPH P. GEHEGAN

Name: Joseph P. Gehegan

Title: Vice President

RED STAR TOWING AND TRANSPORTATION COMPANY, INC.

By: /s/ JOSEPH P. GEHEGAN

Name: Joseph P. Gehegan

Title: Vice President

SHERIDAN TOWING CO., INC.

By: /s/ JOSEPH P. GEHEGAN

Name: Joseph P. Gehegan

Title: Vice President

IRA S. BUSHEY & SONS, INC.

By: /s/ JOSEPH P. GEHEGAN

Name: Joseph P. Gehegan

Title: Vice President

AMERADA HESS CORPORATION

By: /s/ L.H. ORNSTEIN

Name: L.H. Ornstein

Title: Senior Vice President

The undersigned hereby guarantees each and every obligation and performance of each of the Sellers and Parent under this Agreement.

AMERADA HESS CORPORATION

By: /s/ L.H. ORNSTEIN

Name: L.H. Ornstein

Title: Senior Vice President

EXHIBIT 10.9

CONTRACT OF AFFREIGHTMENT

AGREEMENT dated May 31, 2001, between Amerada Hess Corporation, a Delaware corporation, having an office at 1185 Avenue of the Americas, New York, New York, 10036 (herein "Hess") and LEEVAC Marine, Inc., a Louisiana corporation having an office at 414 North Causeway Boulevard, Mandeville, Louisiana 70448 (herein "Owner" or "LMI").

RECITALS:

A. Hess will employ the services of vessels, tugs and barges for the transportation of liquid petroleum products in bulk from and to various coastal and inland waterway locations in the northeastern United States;

B. Owner is willing to furnish the services of vessels, tugs and barges as may be required by Hess from time to time subject to the terms and conditions set forth herein.

THE PARTIES AGREE AS FOLLOWS:

ARTICLE 1 - SCOPE OF WORK

A. 1. Subject to the limitations set forth herein, Owner will transport liquid petroleum products in bulk from and to various coastal and inland waterway locations in the northeastern United States that have historically been serviced by any of Hygrade Operators, Inc., Red Star Towing and Transportation Company and Sheridan Towing, as per Schedule A, as requested by Hess, through the use of Provided Vessels (as defined in Article 3B). Owner will furnish such service to Hess under the terms in this Agreement. Except as otherwise provided in this Agreement, Hess will be obligated to use Owner's services for Hess's waterway transport requirements in the northeastern United States for the term of this Agreement. If, subject to Article 1H, at any time Owner is unable to meet Hess's requirements, under the terms of this Agreement, Hess may procure transportation services elsewhere, subject to a good faith effort to pursue such services at a commercially reasonable rate, and Owner will be responsible for any excess costs above the rates in Schedule A for such procured transportation services, for up to the [Confidential material omitted and filed separately with the Commission] barrels maximum per month; provided that no more than [Confidential material omitted and filed separately with the Commission] barrels per month shall be dirty barrels.

2. Except in the circumstances provided in Article 1A3 below, if Hess requests transportation of barrels above the [Confidential material omitted and filed separately with the Commission] monthly maximum (or the [Confidential material omitted and filed separately with the Commission] dirty barrel maximum, as applicable), Owner will use

commercially reasonable efforts, subject to Article 1H, to move Hess barrels in vessels owned by Owner, its parent or any affiliate and not otherwise committed at the Schedule A rates. If such owned vessels are not available, above the [Confidential material omitted and filed separately with the Commission] monthly maximum (or the dirty barrel maximum, as applicable), Owner will use commercially reasonable efforts to charter third-party vessels at market rates and on such other terms and conditions as are reasonably satisfactory to Hess and pass the cost through to Hess. If, above the [Confidential material omitted and filed separately with the Commission] monthly maximum (or the dirty barrel maximum, as applicable), Owner is unable to charter third party vessels, or such vessels are either not available at market rates or not acceptable to Hess, it shall not constitute a breach of this Agreement or be counted against Owner for purposes of Article 47A or B. In such event, Hess may procure transportation services elsewhere for such volumes in excess of the monthly maximum. Hess will pay in a timely fashion all invoices of any Provided Vessel chartered in by Owner to move Hess barrels upon receipt of the relevant invoice in accordance with Article 43 and the parties will use their best efforts to reconcile such payments and credit the proper party (Hess or Owner) at the end of each month consistent with the interest otherwise expressed in this Article 1A2 and in Article 1A1. above.

3. Hess will provide Owner with 60 days' written notice of any permanent new transportation needs that exceed the [Confidential material omitted and filed separately with the Commission] barrels monthly (or the dirty barrel maximum, as applicable). Owner will, within 30 days following receipt of such notice provide Hess with a preliminary indication of Owner's intentions with respect to transporting Hess's additional need and prior to the end of the 60-day notice period, prepare and deliver a written proposal to Hess concerning a means acceptable to Owner to satisfy Hess's new transportation needs or a notice that, despite commercially reasonable efforts, it is unable to make such a proposal. Within 30 days following receipt of Owner's proposal, Hess shall advise Owner in writing of its acceptance or rejection of the proposal. If accepted, Owner will implement the proposal in accordance with its terms. If rejected, Hess may procure transportation services elsewhere for such new needs. If, despite commercially reasonable efforts, Owner is not able to provide such a proposal to Hess or Hess rejects the proposal, it shall not constitute a breach of this Agreement or be counted against Owner for purposes of Article 47A or B.

B. Hess commits to a [Confidential material omitted and filed separately with the Commission] barrel minimum annual volume for each Contract Year.

If Hess fails to ship the minimum annual volume for each Contract Year and the failure to ship is not excused by force majeure or by the inability of Owner to furnish necessary vessels to fulfill its obligations, Hess will pay to Owner the deficiency in the number of barrels that Hess has failed to ship multiplied by the

factor of [Confidential material omitted and filed separately with the Commission] per barrel ("Deficiency Payment"). Those barrels constituting uncontested, paid Dead Freight will be included in the minimum annual volume as if those barrels had been shipped by Hess. Payment of the Deficiency Payment for each Contract Year will be reconciled and paid within 30 days following the end of such Contract Year.

C. Hess will be entitled to an offset against any Deficiency Payment due for an applicable Contract Year in the manner set forth below in this paragraph. To the extent Owner, as a result of increased availability of its owned vessels due to Hess's shortfall in transported volumes, transports in such Contract Year, barrels in the northeastern United States for third parties that were not the result of commercial arrangements existing prior to the time of the decline in transported Hess volumes that resulted in or contributed to Hess's shortfall ("Third Party Volume"), Hess will be entitled to offset the Deficiency Payment by an amount calculated by multiplying $[Confidential material omitted and filed separately with the Commission] times the number determined by subtracting (i) the aggregate of barrels transported for Hess in the northeastern United States in such Contract Year ("Hess Volume") from (ii) the aggregate of Hess Volume in such Contract Year plus Third Party Volume; provided that the number used for purposes of this clause (ii) will not exceed [Confidential material omitted and filed separately with the Commission] barrels.

Example 1: [Confidential material omitted and filed separately with the Commission]

Example 2: [Confidential material omitted and filed separately with the Commission]

D. 1. In the event of a significant change in business due to an unforeseen event or interruption in business of Hess (for example, a sale or closing of assets constituting all or a substantial portion of a business operation such as retail locations, a terminal or a refinery), Hess will have the option to permanently reduce the required annual minimum barrels to the extent attributable to the event or interruption for the remainder of the term of this Agreement.

2. Hess will be required to give Owner a ninety (90) day written notice of its intent to permanently reduce the minimum barrels under this Agreement, and in such event, Hess will pay to Owner the Adjustment Fee. Such a notice of reduction, once delivered to Owner, shall be irrevocable. Payment of the Adjustment Fee shall be made as follows: [Confidential material omitted and filed separately with the Commission]% of the Adjustment Fee on the 90th day following written notice, [Confidential material omitted and filed separately with the Commission]% of the Adjustment Fee on the same day of each of the third, sixth and ninth months following the 90th day.

3. The Adjustment Fee shall be defined as $[Confidential material omitted and filed separately with the Commission] per day times the days remaining under this Agreement following the effective date of the reduction in the minimum, times the percentage reduction (calculated to one decimal place) in the minimum annual barrels provided for in this Agreement.

4. In the event of a permanent reduction in minimums as contemplated in this Article 1D, the monthly maximum volumes provided for in this Agreement shall be reduced by the same percentage that the minimums are reduced.

E. Owner will make all reasonable efforts to safely navigate in ice and break ice, if necessary. Owner will be compensated for this in accordance with Schedule B. Hess will pay Owner an ice charge equal to the hourly rate in Schedule B, over

and above the freight rate, for each hour that a tug and barge unit is operating in ice or is stuck in ice. If Owner requires the services of an assist tug, its costs, as stipulated on Schedule B when breaking ice, will be paid by Hess. All invoices for ice charges are payable in full upon receipt and shall be submitted together with copies of ice logs from each Provided Vessel invoiced, duly signed by the Master of the Provided Vessel. In addition, a copy of the United States Coast Guard's (USCG) daily Ice Report will be provided by Owner when available.

Whenever possible, Owner will notify Hess prior to commencing any voyage where ice charges and delays are anticipated. Upon receipt of such information, Hess may elect to direct the Provided Vessel to another terminal or port. In such event and if the Provided Vessel is already in transit, then Hess will pay Owner any deviation costs resulting from the change in destination.

F. For the stub period commencing June 1, 2001, the minimum volumes shall be [Confidential material omitted and filed separately with the Commission], and for purposes of the stub period in 2006, the minimum volumes shall be the average actual volumes for such stub period over the prior 3 years.

G. Owner will coordinate the provision of barge services to Hess in the southeastern United States in exchange for a commission equal to [Confidential material omitted and filed separately with the Commission]% of the freight charges paid by Hess for such barges coordinated by Owner. Owner and Hess agree to establish procedures for the nomination of such barges. Freight charges through December 31, 2001, will be according to the currently existing rate schedule with Vane Brothers shown on Schedule C attached hereto, and thereafter freight charges will be at generally prevailing area rates until such time, if any, as Hess and Vane Brothers or another transportation provider shall negotiate a new schedule of freight charges. Owner's responsibility extends solely to using reasonable commercial efforts to coordinate the barge services and manage the logistics thereof, and Owner will not be responsible for the actual provision of barge services or be liable or penalized in any way if such barge services are not provided. Within 30 days after December 31 of each year of this contract, Hess shall have the right to discontinue the services provided by Owner under this Article 1G, provided Hess provides Owner with written notice within such 30-day period.

H. It is Owner's policy not to haul dirty barrels on single-hull vessels. Owner will only transport dirty barrels on double bottomed or double hulled vessels. In no event will Hess require Owner to use any vessel owned by Owner in contravention of this policy. Owner has time chartered the barge "New Jersey" from Moran at a rate of $[Confidential material omitted and filed separately with the Commission]/day for a one-year period beginning on or around July 1, 2001 to transport Hess dirty barrels. Notwithstanding anything to the contrary contained in this Agreement, Hess will be responsible for the costs of such time charter (or any time charter of an agreed substitute vessel); it being understood that Owner agrees to reimburse Hess at the time charter rate for any days the "New Jersey" (or an agreed upon substitute vessel) is used for non-Hess moves. If, at any time, Hess requires the transport of dirty barrels from any Hess-owned inner berth and Owner has no double bottomed or doubled hulled

vessels available and provided the "New Jersey" (or any agreed upon substitute vessel) is moving barrels for Hess' account at that time, Owner will use commercially reasonable efforts to charter appropriate third-party vessels at market rates and on such other terms and conditions as are reasonably satisfactory to Hess and pass the cost through to Hess. If Owner is unable to charter third-party vessels for such inner berth moves, or such vessels are either not available at market rates or not acceptable to Hess, provided the "New Jersey" (or any agreed upon substitute vessel) is moving barrels for Hess' account at that time, it shall not constitute a breach of this Agreement or be counted against Owner for purposes of Article 47A or B.

ARTICLE 2 - PERIOD OF AGREEMENT

The original term of this Agreement will be from the effective date of this Agreement through March 31, 2006. The parties agree to negotiate in good faith to reach acceptable terms and conditions to extend the Agreement past the end of its term by September 30, 2005. If no agreement is reached by such date, each party will be relieved of any further obligation regarding any extension of this Agreement.

ARTICLE 3 - DEFINITIONS

A. "Cargo" means clean or dirty petroleum products, maximum of (3) grades, within a vessel's natural segregations with grades defined as including specific grades of gasoline as separate grades. Additional grades may be carried with single valve segregation with some line admixture.

B "vessel" means any barge or tow, whichever is appropriate. The term "tow" means any combination of tugs and barges with the ability to function as a single unit. "Provided Vessel" means a vessel, owned or chartered by Owner, or its parent or other affiliate, and provided for service under this Agreement.

C. "Terminal" or "Port" means any refinery, terminal or vessel delivering product to or receiving product from Provided Vessels under this Agreement.

D. "All Fast" means that the vessel is safely secured to the dock and that there is unrestricted access to the vessel, including the gangway being down and secured.

E. "Dead Freight" means a charge at the rate specified in Schedule A on the difference between actual volume loaded and minimum volume ordered when actual volume is less than minimum volume ordered.

F. "Contract Year" means (i) the period of time between the effective date of this Agreement and December 31, 2001; (ii) each period of time between January 1

and December 31 for the years 2002, 2003, 2004, and 2005; and (iii) the period of time between January 1, 2006 and March 31, 2006.

G. "Master" means any of the master of the vessel, the captain of the vessel or the Owner.

H. "Dirty barrels" means Nos. 4, 5 or 6 oil, vacuum gas oil, slurry and Algerian resid.

ARTICLE 4 - VAPOR PRESSURE

Owner will not be required and shall have no obligation under this Agreement to carry or ship Cargo which has a vapor pressure exceeding [Confidential material omitted and filed separately with the Commission] pounds at [Confidential material omitted and filed separately with the Commission] degrees Fahrenheit as determined by the Reid Method.

ARTICLE 5 - SEAWORTHINESS

Owner warrants that at the commencement of loading (i) each Provided Vessel will be seaworthy, properly manned, equipped and supplied for the voyage, (ii) the cargo tanks, pipelines, and valves of each Provided Vessel will be suitable for the Cargo, and (iii) the pumps and heating coils, if any, of each Provided Vessel will be in good working condition. Owner will, as far as these conditions can be obtained with the exercise of due diligence, further maintain such condition and will use best efforts in the loading, stowage, custody, care and delivery of the Cargo. Owner will provide sufficient towing power including assisting tugs to handle properly and safely any Provided Vessel(s) while both in loaded and light conditions. Owner will use best efforts to maintain the seaworthiness of all Provided Vessels throughout the voyage and Owner and the Provided Vessels will be in compliance with all local, state and federal laws, ordinances and regulations at all times.

ARTICLE 6 - CARGO TANK INSPECTION

Hess or its representative may, before loading, inspect all cargo tanks of each Provided Vessel. Prior to inspection, all Provided Vessel pipeline and manifold valves will be opened in a manner that allows compatible products to collect in single segregated compartments. Owner will inform Hess of prior cargo and the associated general specifications of Cargo(es) last carried by the applicable Provided Vessel. If any tank is found to be unfit for the Cargo by reason of contamination, Hess or its representative may refuse to load Cargo into such tank and the Cargo capacity of the tank will not be included in the Provided Vessel's minimum Cargo. Hess or its representative's failure to inspect will not relieve Owner of any liability for Cargo loss or contamination due to Owner's failure to make the Provided Vessel seaworthy, suitable for the Cargo or free of contamination. No such inspection by Hess or its representative will relieve Owner of any of its obligations under this Agreement.

ARTICLE 7 - VESSEL CONNECTION CONSTRUCTION

All flanges, fittings, spool pieces and reducers must be of steel construction.

ARTICLE 8 - SAFE BERTH, SHIFTING

A. The loading and discharging berths will be such Terminal, wharf, craft or other place alongside a Provided Vessel, designated by Hess and accessible and ready when the Provided Vessel arrives and at which the Provided Vessel can lie safely afloat (within the specified maximum drafts and the specified minimum water depths) free of all wharfage and dockage dues. All charges at the Terminals for duties, tugs and pilots and mooring masters will be borne by Owner. All charges at the Terminals for line handling, booming and tax on services for Cargo Transfers will be borne by Hess. Hess will not be deemed to warrant the safety of any channel, fairway, anchorage or other waterway used in approaching the designated berth. Hess will not be liable for:

1. Any loss, damage, injury, or delay to any Provided Vessel resulting from the use of such waterways;

2. Any damage to Provided Vessels at Hess's facility or any other such facility designated by Hess when such damage is caused by other vessels passing in the waterway unless such damage is a result of improperly maintained Hess facilities.

Hess will comply with all applicable federal, state and local laws and regulations relating to safe berthing.

B. At Hess's owned or operated Terminals, Hess will furnish Provided Vessels with a berth(s) in order of their arrival, as determined by receipt of Notice of Readiness ("NOR"). Hess or its representative has the right to require a Provided Vessel to shift berth from one safe berth to another safe berth. When such shifting is done for the convenience of Hess or its representative, Hess will pay all pilot, tug, and port expenses incurred in shifting the Provided Vessel, and the time consumed on account of such shifting will count as used laytime. When the shifting is required due to the fault or condition of a Provided Vessel, Owner will pay all expenses incurred in shifting the Provided Vessel, and time consumed on account of such shifting will not count as used laytime, or demurrage if the Provided Vessel is on demurrage.

C. Hess or its representative has the right to instruct the Provided Vessel to vacate its berth if it appears that the Provided Vessel will not, because of disability or any other cause on the part of the Provided Vessel, be able to complete loading or discharge of Cargo within the "allowed laytime"; provided that the Provided Vessel will not be required to vacate a berth unless that berth is needed to

accommodate another vessel. In such instance, laytime will be calculated in accordance with Article 17E. The Provided Vessel, after tendering NOR to recommence loading or discharging, will be reberthed in order of its original arrival as determined by the original confirmed receipt of each Provided Vessel or other vessel NOR and laytime will resume upon the Provided Vessel's reberthing. If the Provided Vessel does not vacate the berth within four (4) hours following such instructions, Owner will reimburse Hess, upon demand and receipt of proper supporting documents, for any demurrage claims Hess may be required to pay third parties, which reimbursement by Owner to Hess for the first six hours following the initial four hour period is limited to the demurrage rate on the Provided Vessel and thereafter is limited to the demurrage rate Hess is required to pay to such third parties.

D. If the Master of the Provided Vessel determines that a stand-by tug is required for assistance, and such tug assistance is not required by the Terminal or wharf, all resulting charges for such tug assistance will be for Owner's account. There are currently no standby tugs required in New York Harbor except when loaded barges are at anchorage. In such instance or instances charges for standby tugs will be to Hess' account.

ARTICLE 9 - PUMPING IN AND OUT

Cargo will be pumped into the cargo tanks of the Provided Vessel by Hess (or its supplier) at its expense but at its risk and peril only to the point where the Provided Vessel's hoses are attached to the shipper's lines or if such Provided Vessel's hoses are not used, then to the permanent hose connections on the Provided Vessel receiving the Cargo. Loading will be done as quickly as the Provided Vessel can safely receive the Cargo and within the shore constraints.

Cargo will be pumped out of the cargo tanks by Owner at its expense but at its risk and peril only to the point where the Provided Vessel's hoses are connected to the receiver's lines, or if the Provided Vessel's hoses are not used, then to the permanent hose connections on the Provided Vessel discharging the Cargo. If Hess or receiver requires any of the Cargo to be heated before discharge from a Provided Vessel fitted with heating coils, steam will be furnished by Hess or its designee at Hess's expense unless the Provided Vessel is equipped with its own heating plant.

Owner warrants that each Provided Vessel is capable of discharging its full Cargo by maintaining pressure of [Confidential material omitted and filed separately with the Commission] psi at the Provided Vessel's manifold or within the time specified in Schedule "B," providing shore facilities permit. If the Provided Vessel does not maintain the warranted discharge rate or pressure, the time used discharging in excess of allowed time will not count as used laytime, or as demurrage if the Provided Vessel is on demurrage provided the Provided Vessel's failure to comply with the foregoing warranty was not caused by factors onshore beyond the control of the Provided Vessel.

ARTICLE 10 - FREIGHT AND TAXES

A. Hess or its authorized representative will furnish Owner, free of cost, copies of Loading Certificates. Freight will be paid on intake quantity, as determined in Article 12.

B. Freight will be earned and payable to Owner under the terms of this Agreement at the rate specified in Schedule A for specific routes and movements, without discount, when Cargo is loaded based on the quantity loaded as determined in Article 12 at the loading location as shown by the Provided Vessel's gauges at load port adjusted by the Provided Vessel's experience factor for the previous five independently inspected loadings (VEF) which determination may be verified by an Independent Certified Petroleum Inspector at Hess' option and expense. In the absence of such Provided Vessel's gauge information, the relevant shore tank gauges as recorded by the associated facility will be used. If shore tank gauges are unavailable, freight will be payable based on an Independent Certified Petroleum Inspector's Report of such quantity.

C. Moves not specified in Schedule A will be determined with reference to the rates and terms as set out in Schedules A and B.

D. Unless otherwise specified and to the extent not prohibited by law, dues, taxes and other charges upon the Provided Vessel (excluding those assessed on the quantity of Cargo loaded or discharged or on the freight) will be paid by Owner and dues, taxes and other charges on the Cargo will be paid by Hess. Hess will be responsible for any charges for the use of any place(s) arranged by Hess solely for the purpose of loading or discharging cargo. However, Owner will be responsible for charges for any such place(s) when used solely for purposes of the Provided Vessel, such as, but not limited to, awaiting Owner's orders, tank cleaning, repairs, before, during or after loading or discharging. If the parties enter into a Use Agreement for Hess's Brooklyn, New York, facility, Owner's tugs and/or barges (without gas bottoms) will be able to lay up at Pier 2.

E. The rates stipulated in Schedules A and B will be fixed for the first Contract Year, with an escalation of [Confidential material omitted and filed separately with the Commission]% in each of the second through sixth Contract Years, to be applied to the then current rates per Schedules A and B.

F. If the operating costs of the Provided Vessels increase or decrease due to the imposition of new taxes or the increase or decrease in existing taxes and fees (exclusive of income taxes); or due to changes in the rules and regulations for the manning and operation of the tow; then the affected party will have the right to a corresponding increase or decrease in Schedule A rates which will directly reflect such increased or decreased costs. The affected party will present its request to the other party in writing together with a detailed line-by-line accounting of its operating costs, if applicable, together with supporting documentation for the new or increased or decreased taxes, fees and/or

operating costs and other such documentation as the other party may reasonably request. Hess will have the right to an independent audit of the books and accounts of Owner relating to the expense of Owner to which an increase in Schedule A and B rates is sought. If the Parties agree, the adjustment of Schedule A and B rates will become effective on an agreed date. If the parties cannot agree, the matter may be resolved as set forth in Article 41.

G. Dead Freight shall be payable by Hess on the same terms and conditions as though actually transported.

ARTICLE 11 - FUEL PRICE

Freight rates per barrel as specified in Article 10 are based upon a fuel price of $[Confidential material omitted and filed separately with the Commission] per gallon. The rates will be increased or decreased weekly based on the previous week ending's posting for Mobil Marine Diesel dockside fuel prices at IMTT Bayonne. There will be no adjustment to the per barrel freight rates in Article 10 if the above-referenced price is between $[Confidential material omitted and filed separately with the Commission] and $[Confidential material omitted and filed separately with the Commission] per gallon. Above $[Confidential material omitted and filed separately with the Commission] per gallon, for every $[Confidential material omitted and filed separately with the Commission] per gallon (or part thereof) increase in the contract fuel price, there will be a [Confidential material omitted and filed separately with the Commission]% increase in the per barrel freight rate. Below $[Confidential material omitted and filed separately with the Commission] per gallon, for every $[Confidential material omitted and filed separately with the Commission] per gallon decrease in the contract fuel price (or part thereof), there will be a [Confidential material omitted and filed separately with the Commission]% decrease in the per barrel freight rate. In connection with transportation under this Agreement on third-party vessels chartered by Owner for transportation services below the monthly maximum (or the dirty barrel maximum, as applicable), Owner shall be entitled to pass through to Hess fuel charges from such third party vessels in excess of $[Confidential material omitted and filed separately with the Commission] per gallon for the first [Confidential material omitted and filed separately with the Commission] barrels so moved each month.

ARTICLE 12 - QUANTITY DETERMINATION

In the event that shore tank figures are used as the basis for quantity determination, the quantity loaded and discharged will be determined by properly calibrated meters or, if none, by manual gauging of shore tanks before and after delivery. Shore tanks will not be gauged for custody transfer when the floating roof is in the critical zone. If a shore tank becomes active after the opening gauge and prior to the closing gauges, thereby necessitating measurement adjustments, the volume delivered will be based on the most accurate measurements available as determined by the inspector in consultation with receiving facility personnel. These measurements will recognize receiving tank gauges, other tank or custody transfer meters or volume measurements of the Provided Vessel before and after Cargo transfer adjusted by VEF. All such Provided Vessels' gauges, cargo temperatures and samples will be obtained manually through open hatches where the practice is not prohibited by the Terminal or local, state or federal regulations. The quantity delivered will be reported in barrels (42 U.S. gallons of 231 cubic inches) corrected to 60 degrees Fahrenheit in accordance with the American Petroleum Institute ("API") Manual of Petroleum Measurement Standards or similar standards.

A. Delivery by Shore Tank to Provided Vessel:

Free water as determined by water cuts of the shore tank will be deducted from the total observed volume in the shore tank prior to applying temperature correction factors.

B. Delivery by Provided Vessel to Shore Tank:

Total volume received by shore tank corrected to 60 degrees Fahrenheit will be reduced by the amount of free water delivered by the Provided Vessel as determined from water cuts of each Provided Vessel tank.

C. Delivery by Ship to Provided Vessel:

Total volume received by the Provided Vessel based on the Provided Vessel's gauges, adjusted for VEF, corrected to 60 degrees Fahrenheit, will be reduced by the amount of free water on the barge prior to loading and as determined by an independent public gauger.

All metering, meter proving, gauging, sampling, temperature measurement, analysis and calculation procedures will be in accordance with the latest applicable chapters of the API Manual of Petroleum Measurements Standards or similar standard in effect at the designated receiving facility.

Each party, at its expense, may have a representative present to witness the measurements and tests required in this Agreement.

ARTICLE 13 - NOMINATION AND ETA

A. Advance Scheduling Information:

Each week, Hess will provide to Owner a nonbinding schedule of expected barge movement needs for the following week.

B. Nomination Procedure:

Hess will order transportation by giving Owner notice (Nomination Order) specifying the following:

1. [Confidential material omitted and filed separately with the Commission], Hess will advise preliminary loading and discharging locations and approximate quantity and grade of Cargo to be loaded.

2. [Confidential material omitted and filed separately with the Commission] hours prior to loading, Hess will fix a 24-hour window loading range, with the expected time of loading, with firm advice on

loading/discharging locations and approximate quantity and grade of Cargo to be loaded.

3. [Confidential material omitted and filed separately with the Commission] before the beginning of the window loading range, Hess will designate time, berth and final loading orders and approximate quantity and grade of Cargo to be loaded.

4. At any time, Hess may request transportation outside of the nominating procedure. Owner will use its reasonable commercial efforts to provide this transportation, but failure to meet nominating window for this transportation will not count against Owner under Article 47A or B, will not constitute a breach of this Agreement and the Cargo to be transported will not be included in the calculation of the minimum annual volume requirements unless and until the Cargo is transported by Owner.

Within twenty-four hours of receipt of the Nomination Order, Owner will identify to Hess the Provided Vessel(s) designated to be provided and their last three (3) cargoes.

Owner may, at its option at any time prior to loading, substitute another vessel for the previously designated Provided Vessel subject to the acceptance of such substitute vessel by Hess.

C. ETA Clause:

The Owner will notify the Terminal of the arrival time of each vessel nominated as a Provided Vessel not less than once during each [Confidential material omitted and filed separately with the Commission] period commencing concurrently when NOR is tendered at the final port(s) of call on the previous voyage but not more than [Confidential material omitted and filed separately with the Commission] prior to the estimated time of arrival ("ETA"). The Owner will confirm or amend the ETA approximately [Confidential material omitted and filed separately with the Commission] prior to the arrival time of the Provided Vessel designated to be provided. The Owner will notify the Terminal no less than [Confidential material omitted and filed separately with the Commission] before such Provided Vessel's arrival.

D. Voyage Cancellation

1. If Hess cancels a voyage due to failure on the part of Owner to provide the Provided Vessel designated to be provided at the time agreed upon in the Nomination Order, Hess will not be obligated to pay any cancellation fee or demurrage to Owner.

2. If Hess cancels a voyage prior to [Confidential material omitted and filed separately with the Commission] prior to the Provided Vessel designated to be provided tendering its NOR/Notice of Arrival ("NOA"), Hess will not be obligated to pay any cancellation fee to Owner.

3. If Hess cancels a voyage within the [Confidential material omitted and filed separately with the Commission] and [Confidential material omitted and filed separately with the Commission] period of Owner's nominated date and time of loading, Hess will be obligated to pay a cancellation fee to Owner in an amount of [Confidential material omitted and filed separately with the Commission] day of [Confidential material omitted and filed separately with the Commission] demurrage for the nominated vessel at the demurrage rate specified in Schedule B of this Agreement.

4. If Hess cancels a voyage within the [Confidential material omitted and filed separately with the Commission] period of Owner's nominated date and time of loading, Hess will be obligated to pay a cancellation fee to Owner in an amount of [Confidential material omitted and filed separately with the Commission] demurrage for the nominated vessel at the demurrage rate specified in Schedule B of this Agreement.

5. If the nominated vessel has not given an NOR or NOA, as applicable, to load or if the nominated vessel is not suitable for loading by the designated time, Hess will have the right to cancel the voyage. Otherwise, the Nomination Order will remain in effect.

ARTICLE 14 - NOTICE

A. The Terminal may be notified by radio, letter, telephone, telecopy/rapifax or electronic mail of the ETA of each Provided Vessel designated to be provided not [Confidential material omitted and filed separately with the Commission] prior to such Provided Vessel's expected arrival date. The Terminal will be further notified of scheduled arrival [Confidential material omitted and filed separately with the Commission] and [Confidential material omitted and filed separately with the Commission] in advance of arrival. After the [Confidential material omitted and filed separately with the Commission] notice, the Terminal will be immediately notified when a scheduled arrival time changes by more than [Confidential material omitted and filed separately with the Commission]. Failure to adhere to these ETA notices will result in laytime commencing when such Provided Vessel is made All Fast at the designated berth. The Provided Vessel's log or any other form mutually agreed to by Hess and Owner shall serve as official record of NOA, detailing the date, time and name of Hess's representative who was notified.

B. The Provided Vessel will be required to promptly respond to any Terminal preberthing questions.

C. No later than [Confidential material omitted and filed separately with the Commission], the original ETA will be confirmed by Owner and Hess, or if necessary, the nominated date, time and the Provided Vessel designated to be provided may be amended with the concurrence of both parties.

ARTICLE 15 - VESSEL CLEARANCE

At the time the Terminal is first notified of the Provided Vessel designated to be provided and its last three cargoes, the Terminal will have the right to refuse acceptance of such Provided Vessel if in the facility's reasonable opinion such Provided Vessel is unacceptable. The acceptance or rejection of the nominated vessel by Hess will be confirmed to the Owner within [Confidential material omitted and filed separately with the Commission] after the receipt of Nomination Order. The acceptance of a Provided Vessel designated to be provided will not constitute a continuing acceptance of such Provided Vessel for any subsequent loading or discharge.

ARTICLE 16 - NOTICE OF READINESS (NOR)/NOTICE OF ARRIVAL (NOA)

After the Provided Vessel designated to be provided has arrived at the customary anchorage or other place of waiting and is otherwise ready to receive or discharge Cargo, including having received all clearances and required approvals from local, state or federal agencies, the Owner or his agent will cause NOR/NOA of the Provided Vessel designated to be provided to be tendered to the Terminal by letter, telegraph, telex or telecopy, rapifax, wireless, radio telephone or telephone. The notice will not be given until after the Provided Vessel designated to be provided has received all port clearances. The Terminal will attempt to berth the Provided Vessel designated to be provided on an equal basis with all other vessels arriving at the port to load or discharge in order of rotation determined by receipt of NOR by the Terminal. The NOR/NOA will not constitute an agreement to alter the nominated or scheduled time of the Provided Vessel designated to be provided.

ARTICLE 17 - LAYTIME

A. As detailed below, total laytime will consist of laytime allowed to provide berth (as set forth in Article 17B1 below) and to prepare for loading or unloading, plus the time allowed for loading or unloading, day or night, Saturdays, Sundays and holidays not excepted.

B. Commencement Of Laytime

1. Laytime for Provided Vessels designated to be provided tendering NOR within the nominated/scheduled time will commence after receipt of NOR or upon such Provided Vessel being All Fast to the berth, whichever occurs first.

2. If a Provided Vessel arrives before the latest accepted scheduled time, used laytime will not commence until the scheduled time, unless the Terminal elects to accept the Provided Vessel earlier, in which case used laytime will begin after the Provided Vessel has been made All Fast.

3. If the Provided Vessel arrives after the original scheduled time or agreed upon rescheduled time, laytime will commence after the Provided Vessel is secured to the dock and been made All Fast. Further, the Terminal may discontinue loading/discharging and order the Provided Vessel out of berth prior to completion of loading/discharging, without liability, so as to meet the Terminal's obligations to accommodate another vessel; provided that such Provided Vessel shall be entitled on a first priority basis to the next available berth. All costs and expenses for such shifting Provided Vessel in and out of berth will be for Hess's account. At its election, Hess may order the Provided Vessel to depart the Terminal where it is taking on barrels with less than the originally nominated quantity of barrels for delivery, in which event Hess shall remain responsible for payment of the applicable Dead Freight. Further, Hess may order the Provided Vessel to depart the Terminal where it is deliverying barrels with a quantity of barrels remaining on board that it was scheduled to deliver at such Terminal, in which event the further transportation of such barrels remaining on board other than for transportation to a berth for loading purposes shall be subject to freight charges on the same terms and conditions as any other barrels transported hereunder.

C. The amount of laytime to load or discharge from Provided Vessels will be as specified in Schedule B.

D. When discharging, the Provided Vessel will maintain:

1. A pressure of [Confidential material omitted and filed separately with the Commission] psi at the Provided Vessel's rail, provided the Terminal is capable of receiving at that pressure; or

2. A rate sufficient to allow the Provided Vessel to discharge completely within the allowed laytime per Schedule "B" less two hours, assuming the Terminal is capable of receiving at such rate.

E. Time consumed due to any of the following will not count as used laytime:

1. Any delay in the Provided Vessel reaching or departing the berth (including weather delays) caused by any reason or condition not reasonably within the Terminal's control.

2. Any delay, unless ordered by a regulatory authority, on an inward passage including, but not limited to, awaiting daylight, tide, tugs or pilot, time used on lightering operations, and moving from an anchorage or other waiting place, until the Provided Vessel is All Fast.

2. Any delay due to the Provided Vessel's condition or breakdown, or other causes attributable to the Provided Vessel, or failure to maintain agreed pumping rates or discharge pressure, or inability of the Provided Vessel's facilities to load or discharge Cargo within the allowed laytime.

3. Any delay due to prohibition of loading or discharging at any time by Owner or operator of the Provided Vessel or by the port authorities unless the prohibition is caused by the Terminal's failure to comply with applicable laws and regulations.

4. Any delay due to bunkering or provisioning of the Provided Vessel.

5. Any delay due to discharging or shifting of slops, ballast or contaminated Cargo of the Provided Vessel or for any other purpose of the Provided Vessel.

6. Any delay due to the Provided Vessel's incompatibility with the configuration of the berthing, or other port facilities, including time consumed in making up connections to remedy any incompatibility.

7. Any delay due to pollution or threat thereof caused by any defect in the Provided Vessel or any act or omission to act by the Master or crew of the Provided Vessel.

8. Any delay due to the Provided Vessel's violation of the operating or safety regulations of the Terminal, noncompliance with federal or state laws or U.S. Coast Guard or other applicable regulations, or failure to obtain or maintain required certification.

9. Any delay caused by strike, lockout, stoppage or restraint of labor of Master, Officers or crew of the Provided Vessel or of tugboats or pilots.

10. Any delay due to the Provided Vessel not being capable of discharging the entire Cargo within the allotted laytime or maintaining the applicable discharge rate while maintaining [Confidential material omitted and filed separately with the Commission] psi at the ship's rail provided shore facilities are capable of receiving at that pressure. Time used for pumping beyond the allowed laytime will not count as used laytime unless the Provided Vessel has maintained [Confidential material omitted and filed separately with the Commission] psi at ship's rail or maintained the applicable discharge rate (except during stripping operations) as specified in Schedule B of this Agreement.

11. Any delay due to the Provided Vessel awaiting U.S. Coast Guard, Customs and/or Immigration clearance(s) and pratique, if applicable.

F. Used laytime will cease upon disconnection of hoses after all Cargo has been loaded or discharged and the Provided Vessel has been released by the Terminal. The Provided Vessel will vacate its berth expeditiously consistent with safe operating practices (unless permission to remain is expressly granted by the Terminal or refinery). When the Provided Vessel has completed loading or discharging, time awaiting arrival of towboat or any other delay of departure of the Provided Vessel in excess of [Confidential material omitted and filed separately with the Commission] following notice of the request

therefor, unless caused by fault or negligence of Hess, will be for Owner's account. Any delays caused by Owner or the Provided Vessel in completing, loading or discharging and expeditiously (not in excess of [Confidential material omitted and filed separately with the Commission] following notice of the request therefor) vacating the berth which results in Hess incurring third party demurrage and additional expenses will be for Owner's account. Hess will notify Owner when it becomes aware that demurrage may be incurred.

G. Laytime Reversibility. The total laytime will be the sum of the laytime allowed at loading Terminal and discharging Terminal.

ARTICLE 18 - SHORE RELEASE CLAUSE

Time spent awaiting the release of the Provided Vessel by shore authorities or Cargo inspector after disconnection of hoses will count as used laytime or demurrage if the Provided Vessel is on demurrage.

ARTICLE 19 - DEMURRAGE

A. Demurrage, if any, will be at the agreed rates provided in Schedule B of this Agreement for the Provided Vessel and will be invoiced on a per voyage basis independent of freight earned. Any dispute relative to demurrage as invoiced will not delay the payment of freight earned as invoiced under this Agreement.

B. Hess will pay demurrage per running hour and pro rata for a part thereof, at the applicable rate specified in Schedule B of this Agreement for all time that used laytime exceeds the allowed laytime. If, however, demurrage is incurred at ports of loading or discharge by reason of fire, explosion, weather, strike, lockout, stoppage, or restraint of labor in or about any Terminal or refinery, owned or controlled supplier or receiver of the Cargo, the rate of demurrage will be reduced [Confidential material omitted and filed separately with the Commission] of the amount per running hour or pro rata for part of any hour for demurrage so incurred. Hess will not be liable for demurrage for delay caused by strike, lockout, stoppage or restraint of labor of the Master, officers and crew of the Provided Vessel or pilots or any other act or condition within Owner's or the Provided Vessel's control.

C. If loading or discharging is terminated prematurely as the result of a force majeure situation used laytime will cease at the time the incident causing the termination of the operation commences.

D. Demurrage claims must be accompanied by such supporting data as may be reasonably requested; e.g. copies of the Provided Vessel's port log signed by the Master, copy of any pump readings, copy of the charter party agreement (if applicable), NOR, laytime statement, copy of carrier's paid invoice (if applicable), or any other agreed form, etc. Neither party subject to this Agreement will be obligated to pay demurrage in excess of the total demurrage amount actually

incurred. All claims must be made within [Confidential material omitted and filed separately with the Commission] from the date of the completion of loading or discharge, as applicable, of the Cargo in question. Demurrage claims not received within the [Confidential material omitted and filed separately with the Commission] time frame will be deemed to have been waived.

E. Tug demurrage is not applicable in [Confidential material omitted and filed separately with the Commission]. [Confidential material omitted and filed separately with the Commission] is defined as bounded by the [Confidential material omitted and filed separately with the Commission] on the north, [Confidential material omitted and filed separately with the Commission] on the east and [Confidential material omitted and filed separately with the Commission] on the south.

F. Demurrage charges will be based upon the size of the Provided Vessel as set forth in Schedule B.

ARTICLE 20 - SPECIFIC PORTS AND PLACES

Subject to any changes in U.S. law that would otherwise permit Owner to transit through Cuba, Owner represents and warrants for each voyage, that the Provided Vessel has not called on Cuba in the previous 180 days.

ARTICLE 21 - STATEMENT OF FACTS

Owner will instruct any port agent to release port information to Hess on request and to forward to Hess copies of the Statement of Facts and NOR as soon as possible after the Provided Vessel has completed loading or discharge at the port. No port agents will be required at Hess-owned or operated Terminals.

ARTICLE 22 - CARGO RETENTION

A. IN-TRANSIT LOSS: Owner will not be liable for: (i) nonpumpable cargo not caused by the fault or neglect of Owner, the Provided Vessel, its Masters, Officers, or Crew and (ii) in-transit losses of less than [Confidential material omitted and filed separately with the Commission]% on clean cargoes and [Confidential material omitted and filed separately with the Commission]% on dirty cargoes carried, not caused by the fault or neglect of Owner, the Provided Vessel, its Masters, Officers, or Crew. The determination of any losses that may occur will be based on the agreed barge ullage or innage measurement/gauging at the loading or discharge ports as they may apply.

B. If any Cargo remains on board any Provided Vessel upon completion of discharge, Hess will have the right to deduct from freight payable to Owner or to invoice Owner separately an amount according to the FOB port loading value of the Cargo, plus freight, provided an independent surveyor requested by Hess and appointed by Hess, subject to Owner's reasonable approval, certifies that all such Cargo is liquid and free-flowing and can be reached by the Provided Vessel's pumps and pipes. If such later certification is the case, the time and cost of the survey will be for Owner's account. In all other cases, such time and

expense will be for Hess's account. Prior to the inspection for Cargo remaining on board (ROB), all pipeline and manifold valves of the Provided Vessel will be opened in a manner that allows compatible products to collect in single segregated compartments. Owner will not be responsible for any loss or damage arising from inherent defect, quality or vice of the Cargo, nor will Owner be responsible for normal and ordinary variation in measured quantity of Cargo up to [Confidential material omitted and filed separately with the Commission]% on clean cargoes and [Confidential material omitted and filed separately with the Commission]% on dirty cargoes.

ARTICLE 23 - REPRESENTATIVE CLAUSE

Owner will permit Hess representatives aboard any Provided Vessel at loading and discharging port(s) to inspect the Provided Vessel or monitor cargo operations. However, the Master and officers of the Provided Vessel will at all times be responsible for cargo operations.

ARTICLE 24 - QUARANTINE/FUMIGATION

Time lost at any port due to quarantine will not count against laytime or for demurrage unless such quarantine was in force at the time when the port was nominated by Hess.

ARTICLE 25 - TANK CLEANING

Owners will exercise due diligence to ensure that the Provided Vessel presents for loading with its tanks, pumps and pipelines properly cleaned (subject to the last sentence of this Article 25) consistent with industry practice to the satisfaction of any inspector appointed by or on behalf of Hess and ready for loading the Cargo. Any time used to clean tanks, pumps and pipelines to an independent inspector's satisfaction will not count as laytime or, if the Provided Vessel is on demurrage, as demurrage and will, together with any costs incurred in the foregoing operations, be for Owner's account. If Hess requires a barge to be changed from dirty to clean service or from clean to dirty service, the cost of cleaning will be for Hess's account. Hess will continue to permit the loading of No. 2 Oil and No. 2 Diesel over gas bottoms to the extent permitted by law for so long as Hess determines in its reasonable judgment that such practice does not result in an unsafe or unhealthy work environment; provided further, that if Hess makes a determination that such practice can not continue for such reasons, Owner shall have the right to recover additional costs related to such change in practice to the extent permitted under the procedures set forth in Article 10F.

ARTICLE 26 - INERT GAS SYSTEM

All Provided Vessels that are equipped with an inert gas system will keep the system operable at all times during berthing, while at berth and during unberthing. The Master

of such a Provided Vessel will provide the Terminal with a signed declaration that the Provided Vessel's inert gas system is operational and that the cargo and slop tanks are inerted. The Master of the Provided Vessel will immediately notify the Terminal if the inert gas system becomes inoperable or if such a Provided Vessel is unable to maintain a positive pressure and/or oxygen content at or below [Confidential material omitted and filed separately with the Commission] percent by volume in the cargo and slop tanks. In addition, such a Provided Vessel will comply with any Terminal guidelines on inert gas systems. None of the Provided Vessels currently has inert gas systems.

ARTICLE 27 - CLOSED CARGO OPERATIONS

Owners undertake that any Provided Vessel so fitted for closed cargo operations complies with, and will be operated for the duration of this Agreement in accordance with the recommendations regarding closed loading and closed discharging operations as set out in the 1996 Edition of ISGOTT as amended.

If the Provided Vessel has closed sampling equipment, the equipment will be used, when appropriate, during this Agreement.

ARTICLE 28 - WHARF DAMAGE

Owner assumes full responsibility for any damage sustained by wharves, berths, or docks owned or maintained by Terminal arising out of the negligent or improper operation of the Provided Vessel, or of any other waterborne craft owned or operated by Owner or being operated by subcontractors of Owner. Owner will defend and indemnify Hess and the Terminal for any claims, losses, costs or expense, incurred by or asserted against Hess or the Terminal for all wharf, berth or dock damages to the extent caused by the negligent or improper operation of the Provided Vessel or by such Provided Vessel's unseaworthiness.

ARTICLE 29 - AGENCY

Owner will appoint, instruct and pay for any agents of a Provided Vessel at all loading and discharging ports and for custom house and other business relating to any such Provided Vessel.

ARTICLE 30 - ASSIST TUGS

All pilotage and assist tugs, except those assist tugs required by any Terminal, will be for Owner's account. Hess does not require assist tugs at its facilities.

ARTICLE 31 - INDEMNIFICATION

Hess will have no obligation or liability for the control, maintenance and operation of the Provided Vessels in the performance of this Agreement; Owner will defend and indemnify (collectively referred to as "Indemnity") Hess, its partners, managers, officers, employees and agents against all suits, actions, claims, expenses, demands and damages, losses or other liabilities (including reasonable attorney's fees and court costs) (collectively referred to as "Liability"), arising from, based upon or relating to such operation, maintenance and control of the Provided Vessels and from Owner's nonperformance or breach of its obligations hereunder; provided, however, the Indemnity will not be provided to the extent the Liability arises from the negligence or willful misconduct of Hess. Owner's indemnification obligations are subject to the limitations set forth in the first sentence of the final paragraph of Article 36B.

Hess will not be responsible for any admixture and for any leakage, contamination or deterioration incurred on a Provided Vessel as a result of:

A. A material or structural defect in the Provided Vessel at the inception of or during the voyage.

B. Error or fault of the Master, mariners or other servants of Owner during loading, care, and/or discharge of the Cargo.

ARTICLE 32 - INSURANCE

Owner will maintain, at its sole cost, and will require any subcharters it may engage to maintain, at all times while performing under this Agreement, in addition to other customary insurance, the insurance coverage set forth below with companies satisfactory to Hess with full policy limits applying, but not less than as required herein. A certificate evidencing these coverages providing a 30-day written notice of cancellation will be delivered to Hess prior to commencement of this Agreement.

A. Hull and Machinery and War Risk Insurance in an amount of not less than the market value of each Provided Vessel as determined by an agreed upon broker, owned or chartered and used in performing work or rendering services hereunder. Such insurance will be endorsed to include navigation limits sufficient to cover all locations and collision and towers liability with the sistership clause unamended.

B. Owners Protection and Indemnity Insurance as defined and available in the current Rules of the International Group of P&I Clubs with limits of not less than $100,000,000.

C. Owners Pollution Liability Insurance in the amount of not less than $1,000,000,000 placed with a P&I Club which is a member of the International Group of P&I Clubs.

ARTICLE 33 - POLLUTION PREVENTION AND RESPONSIBILITY

A. When an escape or discharge of product occurs from the Terminal, the Terminal will take whatever measures are reasonably necessary to clean up the spill or discharge and to mitigate any pollution damage. If the Terminal does not take adequate measures to clean up and mitigate damage, then the Provided Vessel may, at its option and upon written notice to Terminal, undertake such measures as are reasonable and necessary under the circumstances; and all such reasonably necessary measures so taken will be for the account of Terminal unless, as provided in paragraph B hereof, the spill or discharge is the fault of the Provided Vessel or the Provided Vessel's personnel. The Terminal will comply with and cooperate with all authorized Agencies involved in the remediation of any pollution incident.

B. If an escape or discharge of product occurs from the Provided Vessel and causes or threatens to cause pollution damage, the Provided Vessel will promptly take whatever measures are necessary to prevent or mitigate such damage. The Provided Vessel hereby authorizes the Terminal, or its nominee at the Terminal's option, upon notice to the Provided Vessel, to undertake such measures as are reasonably necessary to prevent or mitigate the pollution damage. The Provided Vessel will comply with and cooperate with all authorized governmental agencies involved in the remediation of any pollution incident. The Terminal or its nominee will keep the Provided Vessel advised of the nature and results of any such measures taken, and if time permits, the nature of the measures intended to be taken. Any of the above measures will be at the Provided Vessel's expense with the right to deduct the costs thereof from moneys as set forth in this Agreement (except to the extent that such escape or discharge was caused by the Terminal), provided that if the Provided Vessel reasonably determines such measures should be discontinued, the Provided Vessel will so notify the Terminal or its nominee and thereafter the Terminal or its nominee will have no right to continue such measures at the Provided Vessel's authority or expense. The preceding sentence will not affect any liability of the Provided Vessel to the Terminal or third parties, including but not limited to governments.

C. The Provided Vessel will comply with the U.S. Federal Water Pollution Control Act, as amended, 33 U.S.C. Sec 1321 et seq., and will have secured and will carry aboard the Provided Vessel a current U.S. Coast Guard Certificate of Financial Responsibility (Water Pollution).

D. During the term of this Agreement, Owner warrants that Owner will comply with all financial capability, responsibility, security or like laws, regulations and other requirements with respect to oil, petroleum products, or other pollution damage applicable to the Provided Vessel emerging, leaving, remaining at or passing through any ports or places or waters in the performance of the Agreement. Owner at its sole risk and expense will make all arrangements by bond,

insurance or otherwise and obtain all such certificates or other documentary evidence and take all such other action, as may be necessary, to satisfy such laws, regulations and other requirements. Any delay resulting to the Provided Vessel will not count as used laytime or for demurrage and will be at the risk and for the account of the Owner.

ARTICLE 34 - ENVIRONMENTAL COMPLIANCE

Each Provided Vessel will comply with all applicable local, state, and federal environmental laws, ordinances and regulations while berthed at the Terminal. If a Provided Vessel fails to comply with such laws, ordinances and regulations, the Provided Vessel will be required to leave the Terminal or cease operations. Any Provided Vessel delay time caused by the Provided Vessel's failure to meet such laws, ordinances and regulations will not count as used laytime, or demurrage if the Provided Vessel is on demurrage.

ARTICLE 35 - U.S. COAST GUARD COMPLIANCE

Each Provided Vessel will comply with all applicable U.S. Coast Guard regulations in effect as of the date of such Provided Vessel's berth: Any delay resulting from a Provided Vessel's non-compliance will not count as used laytime, or demurrage if the Provided Vessel is on demurrage.

ARTICLE 36 - BREACH

A. In addition to any breach provisions elsewhere in this Agreement, the occurrence of any of the following events is a breach of this Agreement:

1. Failure of Owner to proceed with or complete its services as provided in this Agreement.

2. Failure of Hess to proceed with or complete its commitments as provided in this Agreement.

3. Either party shall commence a voluntary case or other proceeding seeking liquidation, reorganization, rehabilitation or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law or shall make a general assignment for the benefit of creditors, or shall take any corporate action to authorize any of the foregoing, or an involuntary case or proceeding shall be commenced against either party seeking such relief.

4. [Confidential material omitted and filed separately with the Commission]

5. Owner fails to maintain the Provided Vessels that are owned by Owner in operating condition or to make available supplies or personnel that are reasonably required for Owner's performance under this Agreement.

6. Breach of any warranty or representation of this Agreement that has not been cured within a reasonable amount of time.

B. Upon the occurrence of any breach, if the breaching party has not cured such breach within thirty days following receipt of notice of such breach from the nonbreaching party and provided the nonbreaching party is not itself in material breach and the notice is given prior to the earlier of a cure of the breach or 10 days after such nonbreaching party becomes aware of such breach, the nonbreaching party, in addition to all remedies available to the nonbreaching party at law or equity:

1. May terminate this Agreement immediately by giving written notice of termination to the other party, if the breach is material; or

2. Shall take such action that is reasonably necessary to remedy the breach or mitigate damages, including hiring another transporter to perform any necessary services, subject to having used good faith effort to obtain such services at commercially reasonable rates.

In the event of a material breach by Owner which has not been cured, Hess must, within thirty (30) days following the end of the cure period with respect to such breach either terminate this Agreement or be deemed to have waived the breach; provided, however, that termination for a breach other than as described in the Article 36A4 or 36A5 shall not limit Hess's rights to seek damages as provided below.

If following a material breach by Owner, Hess, under the terms of this Agreement, has elected to terminate (other than for a breach under Articles 36A4 or 36A5), or Hess has been deemed to have waived the breach but not terminated the Agreement or in the event of a breach by Owner other than a material breach, the maximum amount that may be recovered by Hess is an aggregate amount equal to the additional costs which Hess incurs as a result of any action taken to remedy the breach, including reimbursing Hess for any rates and charges of the substitute transporter that are greater than those of Owner pursuant to this Agreement, for a period of [Confidential material omitted and filed separately with the Commission] days, subject to Hess having used good faith efforts to obtain such substitute transportation at commercially reasonable rates.

With respect to the remedies available under this Agreement, including any indemnification by Owner, the breaching party shall not be responsible for any resulting indirect, incidental, consequential, exemplary, punitive or special damages, including, without limitation, loss of profits or revenues, loss of use of facilities, cost of capital, cost of substitute service except as otherwise provided in this Agreement or downtime, whether or not the breaching party was made aware of such damages or the possibility

thereof. Further, with respect to breaches described in Articles 36A4 and 36A5, Hess's sole remedy shall be to terminate this Agreement.

ARTICLE 37 - COGSA AND TITLE TO CARGO:

Except as provided in Article 5. (Seaworthiness) herein, the Carriage of Goods By Sea Act ("COGSA"), 46 U.S.C. Sections 1301-1315, as applied to common carriage, is incorporated in this Agreement by reference. Cargo transported will be in the Owner's care and custody from the time it passes into the Provided Vessel's permanent manifold connection (or Owner furnished reducer or hose) during loading, and until the time it passes out of the Provided Vessel's permanent manifold connection (or Owner furnished reducer or hose) during discharge.

ARTICLE 38 - FORCE MAJEURE

Neither any Provided Vessel, her Master, Owner, nor Hess, will be responsible for any loss or damage to the Provided Vessel or cargo or for any delay to or failure to discharge or deliver the Cargo or for any failure in performing hereunder (except as provided in Article 33) arising or resulting from: act of God; act of war; perils of the seas; act of public enemies, pirates or any assailing thieves; arrest or restraint of princes, rulers or people, or seizure under legal process provided bond is promptly furnished to release the Provided Vessel or Cargo; subject to Article 46, strike or lockout or stoppage or restraint of labor, either partial or general; riot or civil commotion or similar want or occurrence beyond the control of the relevant party. Provided Vessels will have liberty to sail with or without pilots, to tow or to be towed, to go to the assistance of vessels in distress and to deviate for the purpose of saving life or property or for landing any ill or injured person abroad.

ARTICLE 39 - SUBCHARTERING AND ASSIGNMENT

Hess may subcharter or assign this Agreement to any individual or company, but Amerada Hess Corporation will always remain responsible for the fulfillment of this Agreement. Owner may not assign this Agreement or Owner's obligations hereunder without the written consent of Hess which will not be unreasonably withheld provided that if Owner assigns this Agreement to an affiliate, Owner shall remain responsible for the fulfillment of this Agreement.

ARTICLE 40 - APPLICABLE LAW

This agreement and all amendments, waivers and consents hereunder will be governed by and construed in accordance with the internal laws of the state of New York, without regard to conflict of laws principles.

ARTICLE 41 - DISPUTE RESOLUTION

All unsettled disputes in amounts up to [Confidential material omitted and filed separately with the Commission], excluding interest, attorney fees and court costs, will be resolved through binding arbitration in Stamford, Connecticut in accordance with the Commercial Arbitration Rules of the American Arbitration Association before a board of three persons, consisting of one arbitrator to be appointed by Owner, one by Hess, and one by the two chosen. The decision of any two of the three on any point will be final. The arbitrators may grant any relief which they, or a majority of them, deem just and equitable and within the scope of the agreement of the parties, including, specific performance. Awards made under this clause may include costs including a reasonable allowance for attorney's fees. Judgment upon the award may be entered in any court having jurisdiction. A party ("claimant") having a claim in excess of [Confidential material omitted and filed separately with the Commission], excluding interest, attorney fees and court costs, may not cause binding arbitration without the defending parties' consent but may elect to have the claim resolved through litigation commenced in United States District Court in New York. If that Court does not have jurisdiction, the litigation may be commenced in any U.S. state court having jurisdiction.

ARTICLE 42 - DEMISE

Nothing herein contained will be construed as creating a demise of any of the Provided Vessels to Hess.

ARTICLE 43 - INVOICING AND AUDIT

A. 1. Invoices for freight and other charges, except demurrage and ice charges, will be payable net [Confidential material omitted and filed separately with the Commission] business days after receipt, by wire transfer, and demurrage and ice charges will be payable net [Confidential material omitted and filed separately with the Commission] days after receipt of invoice, with proper documentation, by check or wire transfer.

2. Within 10 days after the end of each month, Owner shall provide Hess with the information set forth on Exhibit I for the month most recently ended. Hess will have 10 days to review such information and dispute, in writing, any of the information as well as the rates charged by Owner on any freight invoices. Owner and Hess will use their commercially reasonable efforts to resolve any disputes within 30 days of Hess' notice. Disputes not settled within such time period will be subject to resolution under Article 41.

B. All sums that become due under this Agreement will be paid by Hess or Owner, as the case may be, in accordance with the above after submission of an itemized invoice to Hess or Owner, as the case may be. If Hess or Owner, as the case may be, objects to any item contained in any non-freight invoice, or to the sufficiency of the documents submitted in support of any such item, Hess will provide Owner or Owner will provide Hess, as the case may be, written

explanation outlining disputed charges within 30 days of receipt of invoice. Hess will pay Owner or Owner will pay Hess, as the case may be, that portion of the invoice amount not in dispute, within the above time. Any dispute not settled within 30 days will be subject to resolution under Article 41.

ARTICLE 44 - DRUG AND ALCOHOL POLICY

Owner represents and warrants that it has a policy on drug and alcohol abuse applicable to the Provided Vessels which meets or exceeds the standards contained in the most current/revised edition of the Oil Companies International Marine Forum Guidelines for the Control of Drugs and Alcohol Onboard Ship. Owner further represents and warrants that its policy will remain in effect during the term of this Agreement and that Owner will ensure compliance with the policy.

ARTICLE 45 - CLAIMS TIME BAR

Hess or Owner, as the case may be, will be discharged and released from all liability for any claim for demurrage, deviation or detention which Hess or Owner, as the case may be, may have under this Agreement unless a claim in writing has been presented to Hess or Owner, as the case may be, together with all supporting documentation, within forty-five (45) days of the completion of discharge of the Cargo to which the claim applies.

ARTICLE 46 - LABOR AGREEMENT

[Confidential material omitted and filed separately with the Commission]

ARTICLE 47 - PERFORMANCE GUARANTIES

A. Nominated Orders. Owner warrants that, so long as this Agreement is in effect, including during any cure periods, and subject to the provisions governing monthly maximums set forth herein, a Provided Vessel will arrive at the nominated loading port within the nominated window. Failure to provide a Provided Vessel for the nominated time will void the exclusivity of the Agreement for that move as follows:

1. Hess will have the right to secure a transporter on its own. Provided Hess has used good faith efforts to obtain such services at commercially reasonable rates, costs in excess of the Schedule A rates will be reimbursed by Owner.

B. Performance Test. Hess will have the right to terminate this Agreement if Owner fails to perform within the nominated windows less than [Confidential material omitted and filed separately with the Commission]% of the nominations. Measurement of Owner's performance under this section will not begin until ninety (90) days after the commencement of this Agreement. Hess will review Owner's performance on a quarterly basis. Any delays caused by Hess will not count against Owner's performance.

C. Pollution Incidents. Any pollution incident aboard any Provided Vessels as a result of Owner's actions or the condition of the Provided Vessels, in excess of [Confidential material omitted and filed separately with the Commission] over the initial term of this Agreement or multiple incidents that total [Confidential material omitted and filed separately with the Commission] or more will give Hess the option to terminate the Agreement. If Hess does not give written notice of termination of this Agreement to Owner within 30 days of its right to terminate accruing, it will lose the right to terminate for any prior incidents, and the accumulation of [Confidential material omitted and filed separately with the Commission] for purposes of this provision will reset to [Confidential material omitted and filed separately with the Commission]. Any notice of termination will give Owner [Confidential material omitted and filed separately with the Commission] days' notice of termination.

D. Cargo Contaminations. If more than one (1) cargo contamination occurs during any calendar quarter, as a result of Owner's actions or the condition of the Provided Vessels, Hess will have the option, in addition to recovering all costs associated with contaminations, to count the contaminated volumes toward the minimums as provided in this Agreement or terminate this Agreement.

E. Weather. Delays in reaching the nominated loading Terminal or arriving at the discharge Terminal resulting from weather conditions that prevent the safe movement of vessels in the affected area of the northeastern United States or enroute to the discharge Terminal as evidenced by the majority of tug and barge units in the affected area of the northeastern United States remaining at berth or anchorage or by direction of U.S. Coast Guard will not count against Owner's performance obligations. Performance obligations in other areas of the northeastern United States not then so affected by the weather will not be subject to the preceding sentence.

ARTICLE 48 - MISCELLANEOUS

A. Entirety of Agreement. This Agreement, any exhibits, schedules or attachments hereto and thereof supersede all prior agreements and undertakings between the parties hereto relating to the subject matter of this Agreement. No course of prior dealings between the parties or their predecessors will be relevant to supplement or explain any terms used herein.

B. Section Headings. The section and clause headings contained in this Agreement are for reference purposes only and will not affect in any way the meaning or interpretation of this Agreement.

C. Severability. This Agreement is subject to all applicable federal and state laws and nothing herein is intended to violate any such law. If any clause or provisions of this Agreement is held to be invalid or unenforceable by any court, the invalidity or unenforceability of such clause or provisions will not affect the remaining provisions of this Agreement and this Agreement will be construed and enforced as if such invalid or unenforceable clause or provisions had not been contained in this Agreement.

D. Counterparts. This Agreement may be executed in one or more counterparts, each of which will be deemed to be an original, but all of which together will constitute one instrument.

E. Independent Contractor. Owner is an independent contractor and has the full power and authority to select the means, methods and manner of performing the services herein set forth, including, subject to Article 39, having such work performed by other persons or business entities, and is responsible to Hess only for the results contracted for.

F. Exceeding Maximums. Owner makes no representations or commitments in this Agreement (except for the commitments set forth in Article IA2 and IA3) with respect to third-party owned vessels used to transport volumes for Hess in excess of the then current monthly maximum (or dirty barrel maximum, as applicable) provided such third-party operator has executed a master service agreement acceptable to Hess and Owner.

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Agreement as of the day and year first above written.

LEEVAC MARINE, INC.	AMERADA HESS CORPORATION
By: /s/ CHRISTIAN G. VACCARI	By: /s/ L.H. ORNSTEIN
Name: Christian G. Vaccari	Name: L.H. Ornstein
Its: CEO	Its: Senior Vice President
Witness: /s/ TODD M. HORNBECK	Witness: /s/ ILLEGIBLE
Date: May 31, 2001	Date: May 31, 2001

The undersigned hereby guarantees the obligations and performance of Owner under this Agreement.

HORNBECK-LEEVAC MARINE
SERVICES, INC.

By: /s/ CHRISTIAN G. VACCARI

Name: Christian G. Vaccari

Its: CEO

Witness: /s/ James O. Harp, Jr.

Date: May 31, 2001

EXHIBIT 12

HORNBECK-LEEVAC Marine Services, Inc.
CALCULATION OF RATIO OF EARNINGS TO FIXED CHARGES

	YEAR ENDED DECEMBER 31,				SIX MONTHS ENDED JUNE 30,	
	1997	1998	1999	2000	2000	2001
					PRO-FORMA	PRO-FORMA AS ADJUSTED
Earnings:						
Income before income taxes	(260)	(59)	869	4,288	4,430	728
	7,872	5,985				
Fixed charges (computed below)	338	2,122	7,264	8,821	18,271	4,686
	3,995	11,464				
Interest capitalized	(--)	(769)	(1,628)	(365)	(465)	189
	(1,053)	966				
Total	78	1,294	6,505	12,744	22,236	5,225
	10,814	16,483				
Fixed charges:						
Interest expense	324	1,155	5,092	7,911	20,510	4,217
	2,565	10,121				
Interest capitalized	--	769	1,628	365	465	189
	1,053	966				
Amortization of debt costs	--	161	391	396	600	203
	293	293				
Amortization of warrants	--	--	100	100	100	50
	50	50				
Interest as a component of rent expense	14	37	53	49	49	27
	34	34				
	---	338				

2,122 7,261
8,821
21,724
4,686 3,995
11,464
Ratio of earnings to fixed charges(1)
N/A N/A N/A
1.4 N/A 1.1
2.7 1.4

(1) For the years ended December 31, 1997, 1998 and 1999, earnings were deficient to cover fixed charges by $260, $828, and $756, respectively.

(2) For the pro-forma as adjusted for the year ended December 31, 2000, earnings were insufficient to cover fixed charges by $1,726.

EXHIBIT 21

SUBSIDIARIES OF HORNBECK-LEEVAC MARINE SERVICES, INC.

SUBSIDIARY NAME	STATE OF INCORPORATION	NAME DOING BUSINESS AS
Hornbeck Offshore Services, Inc.	Delaware	Hornbeck Offshore Services, Inc.
HORNBECK-LEEVAC Marine Operators, Inc.	Delaware	HORNBECK-LEEVAC Marine Operators, Inc. LEEVAC Marine, Inc.
Louisiana LEEVAC Marine, Inc.	Louisiana	LEEVAC Marine, Inc.
Energy Services Puerto Rico, Inc.	Louisiana	Energy Services Puerto Rico, Inc.

EXHIBIT 23.3

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the use of our reports (and to all references to our Firm) included in or made a part of this registration statement.

/s/ ARTHUR ANDERSEN LLP

Arthur Andersen LLP
New Orleans, LA
September 20, 2001

EXHIBIT 24

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that Richard W. Cryar, whose signature appears below, constitutes and appoints CHRISTIAN G. VACCARI, TODD M. HORNBECK and JAMES O. HARP, and each one of them, his true and lawful attorney-in-fact and agent with full power of substitution and resubstitution for him and in his name, place and stead, in any and all capacities, to sign the Form S-4 Registration Statement to be filed on behalf of HORNBECK-LEEVAC Marine Services, Inc. with respect to the offer to exchange the 10 5/8% Series A Senior Notes due 2008 for 10 5/8% Series B Senior Notes due 2008 and any and all amendments (including post-effective amendments) thereto, and to file same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto such attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that such attorneys-in-fact and agents or any of them, whether substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

/s/ RICHARD W. CRYAR

Richard W. Cryar

September 19, 2001

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that Bruce W. Hunt, whose signature appears below, constitutes and appoints CHRISTIAN G. VACCARI, TODD M. HORNBECK and JAMES O. HARP, and each one of them, his true and lawful attorney-in-fact and agent with full power of substitution and resubstitution for him and in his name, place and stead, in any and all capacities, to sign the Form S-4 Registration Statement to be filed on behalf of HORNBECK-LEEVAC Marine Services, Inc. with respect to the offer to exchange the 10 5/8% Series A Senior Notes due 2008 for 10 5/8% Series B Senior Notes due 2008 and any and all amendments (including post-effective amendments) thereto, and to file same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto such attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that such attorneys-in-fact and agents or any of them, whether substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

/s/ BRUCE W. HUNT

Bruce W. Hunt

September 19, 2001

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that Andrew L. Waite, whose signature appears below, constitutes and appoints CHRISTIAN G. VACCARI, TODD M. HORNBECK and JAMES O. HARP, and each one of them, his true and lawful attorney-in-fact and agent with full power of substitution and resubstitution for him and in his name, place and stead, in any and all capacities, to sign the Form S-4 Registration Statement to be filed on behalf of HORNBECK-LEEVAC Marine Services, Inc. with respect to the offer to exchange the 10 5/8% Series A Senior Notes due 2008 for 10 5/8% Series B Senior Notes due 2008 and any and all amendments (including post-effective amendments) thereto, and to file same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto such attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that such attorneys-in-fact and agents or any of them, whether substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

/s/ ANDREW L. WAITE

Andrew L. Waite

September 19, 2001

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that Jesse E. Neyman, whose signature appears below, constitutes and appoints CHRISTIAN G. VACCARI, TODD M. HORNBECK and JAMES O. HARP, and each one of them, his true and lawful attorney-in-fact and agent with full power of substitution and resubstitution for him and in his name, place and stead, in any and all capacities, to sign the Form S-4 Registration Statement to be filed on behalf of HORNBECK-LEEVAC Marine Services, Inc. with respect to the offer to exchange the 10 5/8% Series A Senior Notes due 2008 for 10 5/8% Series B Senior Notes due 2008 and any and all amendments (including post-effective amendments) thereto, and to file same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto such attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that such attorneys-in-fact and agents or any of them, whether substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

/s/ JESSE E. NEYMAN

Jesse E. Neyman

September 19, 2001

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that Larry D. Hornbeck, whose signature appears below, constitutes and appoints CHRISTIAN G. VACCARI, TODD M. HORNBECK and JAMES O. HARP, and each one of them, his true and lawful attorney-in-fact and agent with full power of substitution and resubstitution for him and in his name, place and stead, in any and all capacities, to sign the Form S-4 Registration Statement to be filed on behalf of HORNBECK-LEEVAC Marine Services, Inc. with respect to the offer to exchange the 10 5/8% Series A Senior Notes due 2008 for 10 5/8% Series B Senior Notes due 2008 and any and all amendments (including post-effective amendments) thereto, and to file same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto such attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that such attorneys-in-fact and agents or any of them, whether substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

/s/ LARRY D. HORNBECK

Larry D. Hornbeck

September 19, 2001

EXHIBIT 25

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM T-1

STATEMENT OF ELIGIBILITY
UNDER THE TRUST INDENTURE ACT OF 1939 OF A
CORPORATION DESIGNATED TO ACT AS TRUSTEE

____CHECK IF AN APPLICATION TO DETERMINE ELIGIBILITY OF A TRUSTEE PURSUANT TO SECTION 305(b)(2)

WELLS FARGO BANK MINNESOTA, NATIONAL ASSOCIATION
(Exact name of trustee as specified in its charter)

A U.S. NATIONAL BANKING ASSOCIATION (Jurisdiction of incorporation or organization if not a U.S. national bank)	41-1592157 (I.R.S. Employer Identification No.)
SIXTH STREET AND MARQUETTE AVENUE Minneapolis, Minnesota (Address of principal executive offices)	55479 (Zip code)

Stanley S. Stroup, General Counsel
WELLS FARGO BANK MINNESOTA, NATIONAL ASSOCIATION
Sixth Street and Marquette Avenue
Minneapolis, Minnesota 55479
(612) 667-1234
(Agent for Service)

HORNBECK-LEEVAC MARINE SERVICES, INC.
(Exact name of obligor as specified in its charter)

DELAWARE (State or other jurisdiction of incorporation or organization)	72-1375844 (I.R.S. Employer Identification No.)
414 NORTH CAUSEWAY BOULEVARD MANDEVILLE, LOUISIANA (Address of principal executive offices)	70448 (Zip code)

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10 5/8% SENIOR NOTES DUE 2008
(Title of the indenture securities)

Item 1. General Information. Furnish the following information as to the trustee:

(a) Name and address of each examining or supervising authority to which it is subject.

Comptroller of the Currency
Treasury Department
Washington, D.C.

Federal Deposit Insurance Corporation
Washington, D.C.

The Board of Governors of the Federal Reserve System
Washington, D.C.

(b) Whether it is authorized to exercise corporate trust powers.

The trustee is authorized to exercise corporate trust powers.

Item 2. Affiliations with Obligor. If the obligor is an affiliate of the trustee, describe each such affiliation.

None with respect to the trustee.

No responses are included for Items 3-14 of this Form T-1 because the obligor is not in default as provided under Item 13.

Item 15. Foreign Trustee. Not applicable.

Item 16. List of Exhibits. List below all exhibits filed as a part of this Statement of Eligibility. Wells Fargo Bank incorporates by reference into this Form T-1 the exhibits attached hereto.

Exhibit 1. a. A copy of the Articles of Association of the trustee now in effect.***

Exhibit 2. a. A copy of the certificate of authority of the trustee to commence business issued June 28, 1872, by the Comptroller of the Currency to The Northwestern National Bank of Minneapolis.*

b. A copy of the certificate of the Comptroller of the Currency dated January 2, 1934, approving the consolidation of The Northwestern National Bank of Minneapolis and The Minnesota Loan and Trust Company of Minneapolis, with the surviving entity being titled Northwestern National Bank and Trust Company of Minneapolis.*

c. A copy of the certificate of the Acting Comptroller of the Currency dated January 12, 1943, as to change of corporate title of Northwestern National Bank and Trust Company of Minneapolis to Northwestern National Bank of Minneapolis.*

d. A copy of the letter dated May 12, 1983 from the Regional Counsel, Comptroller of the Currency, acknowledging receipt of notice of name

change effective May 1, 1983 from Northwestern National Bank of Minneapolis to Norwest Bank Minneapolis, National Association.*

e. A copy of the letter dated January 4, 1988 from the Administrator of National Banks for the Comptroller of the Currency certifying approval of consolidation and merger effective January 1, 1988 of Norwest Bank Minneapolis, National Association with various other banks under the title of "Norwest Bank Minnesota, National Association."*

f. A copy of the letter dated July 10, 2000 from the Administrator of National Banks for the Comptroller of the Currency certifying approval of consolidation effective July 8, 2000 of Norwest Bank Minnesota, National Association with various other banks under the title of "Wells Fargo Bank Minnesota, National Association."****

Exhibit 3. A copy of the authorization of the trustee to exercise corporate trust powers issued January 2, 1934, by the Federal Reserve Board.*

Exhibit 4. Copy of By-laws of the trustee as now in effect.***

Exhibit 5. Not applicable.

Exhibit 6. The consent of the trustee required by Section 321(b) of the Act.

Exhibit 7. Attached

Exhibit 8. Not applicable.

Exhibit 9. Not applicable.

* Incorporated by reference to exhibit number 25 filed with registration statement number 33-66026.

*** Incorporated by reference to exhibit T3G filed with registration statement number 022-22473.

**** Incorporated by reference to exhibit number 25.1 filed with registration statement number 001-15891.

SIGNATURE

Pursuant to the requirements of the Trust Indenture Act of 1939, as amended, the trustee, Wells Fargo Bank Minnesota, National Association, a national banking association organized and existing under the laws of the United States of America, has duly caused this statement of eligibility to be signed on its behalf by the undersigned, thereunto duly authorized, all in the City of Minneapolis and State of Minnesota on the 19th day of September 2001.

WELLS FARGO BANK MINNESOTA,
NATIONAL ASSOCIATION

/s/ ROBERT L. REYNOLDS

Robert L. Reynolds
Vice President

EXHIBIT 6

September 19, 2001

Securities and Exchange Commission
Washington, D.C. 20549

Gentlemen:

In accordance with Section 321(b) of the Trust Indenture Act of 1939, as amended, the undersigned hereby consents that reports of examination of the undersigned made by Federal, State, Territorial, or District authorities authorized to make such examination may be furnished by such authorities to the Securities and Exchange Commission upon its request therefor.

Very truly yours,

WELLS FARGO BANK MINNESOTA,
NATIONAL ASSOCIATION

/s/ ROBERT L. REYNOLDS

Robert L. Reynolds
Vice President

Board of Governors of the Federal Reserve System
OMB Number: 7100-0036
Federal Deposit Insurance Corporation
OMB Number: 3064-0052
Office of the Comptroller of the Currency
OMB Number: 1557-0081
FEDERAL FINANCIAL INSTITUTIONS EXAMINATION COUNCIL Expires March 31, 2004

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Please Refer to page i, Table of Contents, for the required disclosure of estimated burden.

CONSOLIDATED REPORTS OF CONDITION AND INCOME FOR
A BANK WITH DOMESTIC AND FOREIGN OFFICES - FFIEC 031

REPORT AT THE CLOSE OF BUSINESS JUNE 30, 2001

20010630
(RCRI 9999)

This report is required by law: 12 U.S.C. Section 324 (State member banks); 12 U.S.C. Section 1817 (State nonmember banks); and 12 U.S.C. Section 161 (National banks).

This report form is to be filed by banks with domestic offices only. Banks with foreign offices (as defined in the instructions) must file FFIEC 031.

NOTE: The Reports of Condition and Income must be signed by an authorized officer and the Report of Condition must be attested to by not less than two directors (trustees) for State nonmember banks and three directors for State member and National banks.

The Reports of Condition and Income are to be prepared in accordance with Federal regulatory authority instructions.

I, JAMES E. HANSON, VICE PRESIDENT
Name and Title of Officer Authorized to Sign Report

of the named bank do hereby declare that the Reports of Condition and Income (including the supporting schedules) for this report date have been prepared in conformance with the instructions issued by the appropriate Federal regulatory authority and are true to the best of my knowledge and belief.

/s/ JAMES E. HANSON
Signature of Officer Authorized to Sign Report

7/27/2001
Date of Signature

We, the undersigned directors (trustees), attest to the correctness of this Report of Condition (including the supporting schedules) and declare that it has been examined by us and to the best of our knowledge and belief has been prepared in conformance with the instructions issued by the appropriate Federal regulatory authority and is true and correct.

/s/ JAMES E. HANSON
Director (Trustee)

/s/ [ILLEGIBLE]
Director (Trustee)

/s/ [ILLEGIBLE]
Director (Trustee)

SUBMISSION OF REPORTS

Each bank must prepare its Reports of Condition and Income either:

(a) in electronic form and then file the computer data file directly with the banking agencies' collection agent, Electronic Data Systems Corporation (EDS), by modem or on computer diskette; or
(b) in hard-copy (paper) form and arrange for another party to convert the paper report to electronic form. That party (if other than EDS) must transmit the bank's computer data file to EDS.

For electronic filing assistance, contact EDS Call Report Services, 2150 N. Prospect Ave., Milwaukee, WI 53202, telephone (800) 255-1571.

To fulfill the signature and attestation requirement for the Reports of Condition and Income for this report date, attach this signature page (or a photocopy or a computer-generated version of this page) to the hard-copy record of the complete report that the bank places in its files.

FDIC Certificate Number 05208 (RCRI 9050)

WELLS FARGO BANK MINNESOTA, N.A.
Legal Title of Bank (TEXT 9010)

http://www.wellsfargo.com
Primary Internet Web Address of Bank (Home Page), if any (TEXT 4087)
(Example: www.examplebank.com)

MINNEAPOLIS
City (TEXT 9130)

MN 55479
State Abbrev. (TEXT 9200) Zip Code (TEXT 9220)

CONSOLIDATED REPORTS OF CONDITION AND INCOME FOR
A BANK WITH DOMESTIC OFFICES ONLY

TABLE OF CONTENTS

DISCLOSURE OF ESTIMATED BURDEN

The estimated average burden associated with this information collection is 35.5 hours per respondent and is estimated to vary from 14 to 500 hours per response, depending on individual circumstances. Burden estimates include the time for reviewing instructions, gathering and maintaining data in the required form, and completing the information collection, but exclude the time for compiling and maintaining business records in the normal course of a respondent's activities. A Federal agency may not conduct or sponsor, and an organization (or a person) is not required to respond to a collection of information, unless it displays a currently valid OMB control number. Comments concerning the accuracy of this burden estimate and suggestions for reducing this burden should be directed to the Office of Information and Regulatory Affairs, Office of Management and Budget, Washington, D.C. 20503, and to one of the following:

Secretary
Board of Governors of the Federal Reserve System
Washington, D.C. 20551

Legislative and Regulatory Analysis Division
Office of the Comptroller of the Currency
Washington, D.C. 20219

Assistant Executive Secretary
Federal Deposit Insurance Corporation
Washington, D.C. 20429

For information or assistance, national and state nonmember banks should contact the FDIC's Reports Analysis and Quality Control Section, 550 17th Street, NW, Washington D.C. 20429, toll free on (800) 688-FDIC(3342), Monday through Friday between 8:00 a.m. and 5:00 p.m., Eastern time. State member banks should contact their Federal Reserve District Bank.

WELLS FARGO BANK MINNESOTA, N.A.	FFIEC 031
Legal Title of Bank	RI-1

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MINNEAPOLIS
City

MN	55479
State	Zip Code

FDIC Certificate No. - 05208

CONSOLIDATED REPORT OF INCOME
FOR THE PERIOD JANUARY 1, 2001 - JUNE 30, 2001

ALL REPORT OF INCOME SCHEDULES ARE TO BE REPORTED ON A CALENDAR YEAR-TO-DATE BASIS IN THOUSANDS OF DOLLARS.

SCHEDULE RI--INCOME STATEMENT

Dollar Amounts in Thousands RIAD Bil Mil Thou ---------- 1. Interest income: a. Interest and fee income on loans: (1) In domestic offices: (a) Loans secured by real estate..... 4011 530,769 1.a.1.a (b) Loans to finance agricultural production and other loans to farmers..... 4024 7,946 1.a.1.b (c) Commercial and industrial loans..... 4012 226,049 1.a.1.c (d) Loans to individuals for household, family and other personal expenditures: (1) CREDIT CARDS ..... B485 92,487 1.a.1.d.1 (2) OTHER (INCLUDES SINGLE PAYMENT, INSTALLMENT, ALL STUDENT LOANS, AND REVOLVING CREDIT PLANS OTHER THAN CREDIT CARDS)..... B486 60,708 1.a.1.d.2 (e) Loans to foreign governments and official institutions..... 4056 0 1.a.1.e (f) ALL OTHER LOANS IN DOMESTIC OFFICES..... B487 96,708 1.a.1.f (2) In foreign offices, Edge and Agreement subsidiaries, and IBFs..... 4059 230 1.a.2 (3) Total Interest and fee income on loans (sum of items 1.a.(1)(a) through 1.a.(2))..... 4010 1,014,897 1.a.3 b. INCOME FROM LEASE FINANCING RECEIVABLES..... 4065 74,122 1.b c. INTEREST INCOME ON BALANCES DUE FROM DEPOSITORY INSTITUTIONS: (1)..... 4115 776 1.c d. Interest and dividend income on securities: (1) U.S. TREASURY SECURITIES AND U.S. GOVERNMENT AGENCY OBLIGATIONS (EXCLUDING MORTGAGE-BACKED SECURITIES..... B488 12,185 1.d.1 (2) MORTGAGE-BACKED SECURITIES..... B489 35,337 1.d.2 (3) ALL OTHER SECURITIES (INCLUDES SECURITIES ISSUED BY STATES AND POLITICAL SUBDIVISIONS IN THE U.S.)..... 4060 19,232 1.d.3 e. Interest income from trading assets..... 4069 276 1.e f. Interest income on federal funds sold and securities purchased under agreements to resell..... 4020 403,242 1.f g. OTHER INTEREST INCOME..... 4518 8,673 1.g h. Total interest income (sum of items 1.a.(3) through 1.g)..... 4107 1,568,740 1.h 2. Interest expense: a. Interest on deposits: (1) Interest on deposits in domestic offices: (a) Transaction accounts (NOW accounts, ATS accounts and telephone and preauthorized transfer accounts)..... 4508 2,603 2.a.1.a (b) Nontransaction accounts: (1) SAVINGS DEPOSITS (INCLUDES MMDAS)..... 0093 117,671 2.a.1.b.1 (2) Time deposits of $100,000 or more..... A517 9,210 2.a.1.b.2 (3) Time deposits of less than $100,000..... A518 52,067 2.a.1.b.3 (2) Interest on deposits in foreign offices, Edge and agreement subsidiaries, and IBFs..... 4172 187,538 2.a.2 b. Expense of federal funds purchased and securities sold under agreements to repurchase..... 4180 234,614 2.b c. Interest on trading liabilities and other borrowed money..... 4185 166,292 2.c ---------- (1) Includes interest income on time certificates of deposits not held for trading.

WELLS FARGO BANK MINNESOTA, N.A. FFIEC 031
RI-2
Legal Title of Bank

FDIC Certificate Number - 05208 4

SCHEDULE RI--CONTINUED

Year-to-date ---------- Dollar Amounts in Thousands RIAD Bil Mil Thou -

---------- 2. Interest expense (continued): d. Interest on subordinated notes and debentures.....4200 0 2.d e. Total interest expense (sum of items 2.a through 2.d).....4073 769,995 2.e 3. Net interest income (item 1.h minus 2.e)..... 4074 798,745 3 4. PROVISION FOR LOAN AND LEASE LOSSES..... 4230 46,699 4 5. Noninterest income: a. Income from fiduciary activities(1).....4070 143,404 5.a b. Service charges on deposit accounts in domestic offices.....4080 67,051 5.b c. Trading revenue(2).....A220 515 5.c d. INVESTMENT BANKING, ADVISORY, BROKERAGE, AND UNDERWRITING FEES AND COMMISSIONS.....B490 31,435 5.d e. VENTURE CAPITAL REVENUE.....B491 0 5.e f. NET SERVICING FEES.....B492 1 5.f g. NET SECURITIZATION INCOME.....B493 0 5.g h. INSURANCE COMMISSIONS AND FEES.....B494 17,753 5.h i. NET GAINS (LOSSES) ON SALES OF LOANS AND LEASES.....5416 675 5.i j. NET GAINS (LOSSES) ON SALES OF OTHER REAL-ESTATE OWNED.....5415 118 5.j k. NET GAINS (LOSSES) ON SALES OF OTHER ASSETS (EXCLUDING SECURITIES)....B496 555 5.k l. Other noninterest income*.....B497 198,969 5.l m. Total noninterest income (sum of items 5.a through 5.i)..... 4079 460,476 5.m 6. a. Realized gains (losses) on held-to-maturity securities..... 3521 0 6.a b. Realized gains (losses) on available-for-sale securities..... 3196 2,332 6.b 4. Noninterest expense: a. Salaries and employee benefits.....4135 257,275 7.a b. Expenses of premises and fixed assets (net of rental income) (excluding salaries and employee benefits and mortgage interest).....4217 54,090 7.b c. AMORTIZATION EXPENSE OF INTANGIBLE ASSETS (INCLUDING GOODWILL).....4531 5,628 7.c d. Other noninterest expense*.....4092 385,915 7.d e. Total noninterest expense (sum of items 7.a through 7.d)..... 4093 702,908 7.e 8. Income (loss) before income taxes and extraordinary items, and other adjustments (item 3 plus or minus items 4, 5.m, 6.a, 6.b, and 7.e)..... 4301 508,946 8 9. Applicable income taxes (on item 8)..... 4302 187,617 9 10. Income (loss) before extraordinary items and other adjustments (item 8 minus 9)..... 4300 321,329 10 11. Extraordinary items and other adjustments, net of income taxes*..... 4320 0 11 12. Net income (loss) (sum of items 10 and 11)..... 4340 321,329 12

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* Describe on Schedule RI-E -- Explanations.

(1) For banks required to complete Schedule RC-T, items 12 through 19, income from fiduciary activities reported in Schedule RI, item 5.a, must equal the amount reported in Schedule RC-T, item 19.

(2) For banks required to complete Schedule RI, Memorandum item 8, trading revenue reported in Schedule RI, item 5.c must equal the sum of Memorandum items 8.a through 8.d.

WELLS FARGO BANK MINNESOTA, N.A. FFIEC 031
RI-3
Legal Title of Bank

FDIC Certificate Number - 05208 5

SCHEDULE RI--CONTINUED

Year-to-date ---------- MEMORANDA Dollar Amounts in Thousands RIAD Bil Mil Thou ---------- 1. Interest expense incurred to carry tax-exempt securities, loans, and leases acquired after August 7, 1986, that is not deductible for federal income tax purposes..... 4513 278 M.1 2. Income from the sale and servicing of mutual funds and annuities in domestic offices (included in Schedule RI, item 8)..... 8431 1,585 M.2 3. INCOME ON TAX-EXEMPT LOANS AND LEASES TO STATES AND POLITICAL SUBDIVISIONS IN THE U.S (INCLUDED IN SCHEDULE RI, ITEM 1.a AND 1.b)..... 4313 817 M.3 4. Income on tax-exempt securities issued by states and political subdivisions in the U.S. (included in Schedule RI, item 1.d. (3))..... 4507 5,827 M.4 5. Number of full-time equivalent employees at end of current period (round to NUMBER nearest whole number)..... 4150 7,284 M.5 6. Not applicable 7. If the reporting bank has restated its balance sheet as a result of applying push down CCYY/MM/DD accounting this calendar year, report the date of the bank's acquisition(1)..... 9106 N/A M.7 8. Trading revenue (from cash instruments and derivative instruments) (sum of Memorandum items 8.a through 8.d must equal Schedule RI, item 5.c) (TO BE COMPLETED BY BANKS THAT REPORTED AVERAGE TRADING ASSETS (SCHEDULE RC-K, ITEM 7) OF $2 MILLION OR MORE FOR ANY QUARTER OF THE PRECEDING CALENDAR YEAR.): RIAD Bil Mil Thou a. Interest rate exposures..... 8757 400 M.8.a b. Foreign exchange exposures..... 8758 115 M.8.b c. Equity security and index exposures..... 8759 0 M.8.c d. Commodity and other exposures..... 8760 0 M.8.d 9. Impact on income of derivatives held for purposes other than trading: RIAD Bil Mil Thou a. Net increase (decrease) to interest income..... 8761 0 M.9.a b. Net (increase) decrease to interest expense..... 8762 0 M.9.b c. Other (noninterest) allocations..... 8763 0 M.9.c 10. Credit losses on derivatives (see instructions)..... A251 0 M.10 11. Does the reporting bank have a Subchapter S election in effect for federal income tax YES/NO purposes for the current tax year?..... A530 NO M.11

---------- (1) For example, a bank acquired on June 1, 2001, would report 20010601

WELLS FARGO BANK MINNESOTA, N.A. FFIEC 031
RI-4
Legal Title of Bank

FDIC Certificate Number - 05208 6

SCHEDULE RI-A--CHANGES IN EQUITY CAPITAL

Indicate decreases and losses in parentheses.

Dollar Amounts in Thousands RIAD Bil Mil Thou

1. TOTAL EQUITY CAPITAL MOST RECENTLY REPORTED FOR THE DECEMBER 31, 2000, REPORTS OF CONDITION AND INCOME (I.E., AFTER ADJUSTMENTS FROM AMENDED REPORTS OF INCOME) 3217 3,084,474 1

2. RESTATEMENTS DUE TO CORRECTIONS OF MATERIAL ACCOUNTING ERRORS AND CHANGES IN ACCOUNTING PRINCIPLES*

B507 0 2 3. BALANCE END OF PREVIOUS CALENDAR YEAR AS RESTATED (SUM OF ITEMS 1 AND 2) B508 3,084,474 3 4. Net income (loss) (must equal Schedule RI, item 12) 4340 321,329 4 5. SALE, CONVERSION, ACQUISITION, OR RETIREMENT OF CAPITAL STOCK, NET (EXCLUDING TREASURY STOCK TRANSACTIONS) B509

0 5 6. TREASURY STOCK TRANSACTIONS, NET B510 0 6 7. Changes incident to business combinations, net 4356

23,496 7 8. LESS: Cash dividends declared on preferred stock 4470 0 8 9. LESS: Cash dividends declared on common stock 4460 245,000 9 10. OTHER COMPREHENSIVE INCOME(1) B511 11,094 10 11. Other transactions with parent holding company* (not included in items 5, 6, 8 or 9 above) 4415 51,188 11 12. Total equity capital end of current period (sum of items 3 through 11) (must equal Schedule RC, item 28) 3210 3,249,581 12

---

* Describe on Schedule RI-E--Explanations.

(1) Includes changes in net unrealized holding gains (losses) on available-for-sale securities, changes in accumulated net gains (losses) on cash flow hedges, foreign currency translation adjustments, and changes in minimum pension liability adjustments.

SCHEDULE RI-B--CHARGE-OFFS AND RECOVERIES ON LOAN AND LEASES AND CHANGES IN ALLOWANCE FOR LOAN AND LEASE LOSSES

PART I. CHARGE-OFFS AND RECOVERIES ON LOANS AND LEASES

PART I EXCLUDES CHARGE-OFFS AND RECOVERIES THROUGH THE ALLOTTED TRANSFER RISK RESERVE.

(Column A) (Column B) Charge-offs(1) Recoveries
Calendar year-to-date
Dollar Amounts in Thousands RIAD Bil Mil Thou RIAD Bil Mil Thou

1. Loans secured by real estate: a. CONSTRUCTION, LAND DEVELOPMENT, AND OTHER LAND LOANS IN DOMESTIC OFFICES

3582 8 3583 91 1.a b. Secured by farmland in domestic offices 3584 275 3585 16 1.b c. Secured by 1-4 family residential properties in domestic offices: (1) Revolving, open-end loans secured by 1-4 family residential properties and extended under lines of credit 5411 247 5412 2 1.c.1 (2) Closed-end loans secured by 1-4 family residential properties... 5413 354 5414 606 1.c.2 d. Secured by multifamily (5 or more) residential properties in domestic offices 3588 0 3589 0 1.d e. Secured by nonfarm nonresidential properties in domestic offices..... 3590 841 3591 858 1.e f. IN FOREIGN OFFICES B512 0 B513 0 1.f 2. Loans to depository institutions and acceptances of other banks: a. To U.S. banks and other U.S. depository institutions 4653 0 4663 0 2.a b. To foreign banks 4654 0 4664 0 2.b 3. Loans to finance agricultural production and other loans to farmers..... 4655 3 4665 425 3 4. Commercial and industrial loans: a. To U.S. addressees (domicile) 4645 19,064 4617 1,751 4.a b. To non-U.S. addressees (domicile) 4646 0 4618 0 4.b 5. Loans to individuals for household, family, and other personal expenditures: a. CREDIT CARDS B514 34,846 B515 1,034 5.a b. OTHER (INCLUDES SINGLE PAYMENT, INSTALLMENT, ALL STUDENT LOANS AND REVOLVING CREDIT PLANS OTHER THAN CREDIT CARDS) B516 10,666 B517 4,780 5.b

---

(1) Include write-downs arising from transfers of loans to the held-for-sale account.

WELLS FARGO BANK MINNESOTA, N.A. FFIEC 031
RI-5
Legal Title of Bank

FDIC Certificate Number - 05208 7

SCHEDULE RI-B--CONTINUED

PART I. CONTINUED

(Column A) (Column B) Charge-offs(1) Recoveries
Calendar year-to-date
Dollar Amounts in Thousands RIAD Bil Mil Thou RIAD Bil Mil Thou

6. Loans to foreign governments and official institutions 4643 0 4627 0 6 7. All other loans 4644 715 4628 42 7 8. Lease financing receivables: a. To U.S. addressees (domicile) 4658 0 4668 0 8.a b. To non-U.S. addressees (domicile) 4659 0 4669 0 8.b 9. Total (sum of items 1 through 8) 4635 67,019 4605 9,605 9

MEMORANDA	(Column A) Charge-offs(1) Calendar year-to-date RIAD	Bil Mil Thou	(Column B) Recoveries Calendar year-to-date RIAD	Bil Mil Thou	
Dollar Amounts in Thousands					
1. Loans to finance commercial real estate, construction, and land development activities (not secured by real estate) included in Schedule RI-B, part I, items 4 and 7, above	5409	0	5410	0	M.1
2. Loans secured by real estate to non-U.S. addresses (domicile) (included in Schedule RI-B, part I, item 1, above):	4652	0	4662	0	M.2

---

(1) Include write-downs arising from transfers of loans to the held-for-sale account.

PART II. CHANGES IN ALLOWANCE FOR LOAN AND LEASE LOSSES

Dollar Amounts in Thousands RIAD Bil Mil Thou

1. BALANCE MOST RECENTLY REPORTED FOR THE DECEMBER 31, 2000, REPORTS OF CONDITION AND INCOME (I.E., AFTER ADJUSTMENTS FROM AMENDED REPORTS OF INCOME) B522 259,516 1 2. Recoveries (must equal part I, item 9, column B above) 4605 9,605 2 3. LESS: Charge-offs (must equal part I, item 9, column A above and Schedule RI-E. item 6.a) C079 67,019 3 4. PROVISION FOR LOAN AND LEASE LOSSES (MUST EQUAL SCHEDULE RI, ITEM 4) 4230 49,699 4 5. Adjustments * (see instructions for this schedule) 4815 25,705 5 6. Balance end of current period (sum of items 1 through 5) (must equal Schedule RC, item 4.c) 3123 277,506 6

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* Include as a negative number write-downs arising from transfers of loans to the held-for-sale account. Describe all adjustments on Schedule RI-E--Explanations, item 6.

WELLS FARGO BANK MINNESOTA, N.A. FFIEC 031
Legal Title of Bank RI-6

FDIC Certificate Number - 05208 8

SCHEDULE RI-D--INCOME FROM INTERNATIONAL OPERATIONS

FOR ALL BANKS WITH FOREIGN OFFICES, EDGE OR AGREEMENT SUBSIDIARIES, OR IBFS WHERE INTERNATIONAL OPERATIONS ACCOUNT FOR MORE THAN 10 PERCENT OF TOTAL REVENUES, TOTAL ASSETS, OR NET INCOME.

Year-to-date	Dollar Amounts in Thousands	RIAD	Bil	Mil	Thou
1. INTEREST INCOME AND EXPENSE ATTRIBUTABLE TO INTERNATIONAL OPERATIONS: a. GROSS INTEREST INCOME		B523	N/A	1.a	
b. GROSS INTEREST EXPENSE		B524	N/A	1.b	
2. NET INTEREST INCOME ATTRIBUTABLE TO INTERNATIONAL OPERATIONS (ITEM 1.a MINUS 1.b)		B525	N/A	2	
3. Noninterest income and expense attributable to international operations: a. Noninterest income attributable to international operations		4097	N/A	3.a	
b. Provision for loan and lease losses attributable to international operations		4235	N/A	3.b	
c. Other noninterest expense attributable to international operations		4239	N/A	3.c	
d. Net noninterest income (expense) attributable to international operations (item 3.a minus 3.b and 3.c)		4843	N/A	3.d	
4. Estimated pretax income attributable to international operations before capital allocation adjustment (sum of items 2 and 3.d)		4844	N/A	4	
5. Adjustment to pretax income for internal allocations to international operations to reflect the effects of equity capital on overall bank funding costs		4845	N/A	5	
6. Estimated pretax income attributable to international operations after capital allocation adjustment (sum of items 4 and 5)		4846	N/A	6	
7. Income taxes attributable to income from international operations as estimated in item 6		4797	N/A	7	
8. Estimated net income attributable to international operations (item 6 minus 7)		4341	N/A		

WELLS FARGO BANK MINNESOTA, N.A. FFIEC 031
Legal Title of Bank RI-7

FDIC Certificate Number - 05208 9

SCHEDULE RI-E--EXPLANATIONS

SCHEDULE RI-E IS TO BE COMPLETED EACH QUARTER ON A CALENDER YEAR-TO-DATE BASIS.

Detail all adjustments in Schedule RI-A and RI-B, all extraordinary items and other adjustments in Schedule RI, and all significant items of other noninterest income and other noninterest expense in Schedule RI. (See instructions for details.)

Year-to-date ---------- Dollar Amounts in Thousands RIAD Bil Mil Thou ---

---------- 1. OTHER NONINTEREST INCOME (FROM SCHEDULE RI, ITEM 5.1) ITEMIZE AND DESCRIBE THE THREE LARGEST OTHER AMOUNTS THAT EXCEED 1% OF THE SUM OF SCHEDULE RI, ITEMS 1.h AND 5.m: TEXT a. C013 Income and fees from the printing and sale of checks..... C013 0 1.a b. C014 Earnings on/increase in value of cash surrender value of life insurance.....
C014 0 1.b c. C016 Income and fees from automated teller machines (ATMs)..... C016 0 1.c d. 4042 Rent and other income from other real estate owned..... 4042 0 1.d e. C015 Safe deposit box rent.....
C015 0 1.e f. 4461 Affiliate service fee..... 4461 90,258 1.f g. 4462 Credit loan fees..... 4462 61,302 1.g h. 4463
.....
4463 0 1.h 2. OTHER NONINTEREST EXPENSE (FROM SCHEDULE RI, ITEM 7.d): ITEMIZE AND DESCRIBE THE THREE LARGEST OTHER AMOUNTS THAT EXCEED 1% OF THE SUM OF SCHEDULE RI, ITEMS 1.h AND 5.m: TEXT a. C017 Data processing expenses..... C017 0 2.a b. 0497 Advertising and marketing expenses..... 0497 0 2.b c. 4136 Directors fees..... 4136 0 2.c d. C018 Printing, stationary, and supplies..... C018 0 2.d e. 8403 Postage.....
8403 0 2.e f. 4141 Legal fees and expenses..... 4141 0 2.f g. 4146 FDIC deposit insurance assessments..... 4146 0 2.g h. 4464 Affiliate expense allocation..... 4464 180,752 2.h i. 4467
.....
4467 0 2.i j. 4468
.....
4468 0 2.j 3. Extraordinary items and other adjustments and applicable income tax effect (from Schedule RI, item 11) (itemize and describe all extraordinary items and other adjustments): TEXT a. (1) 6373 Effect of adopting FAS 133, "Accounting for Derivative instruments and Hedging Activities" ..... 6373 0 3.a.1 (2) Applicable income tax effect..... 4486 0 3.a.2 b. (1) 4487
.....
4487 0 3.b.1 (2) Applicable income tax effect.....
4488 0 3.b.2 c. (1) 4489
.....
4489 0 3.c.1 (2) Applicable income tax effect.....
4491 0 3.c.2

WELLS FARGO BANK MINNESOTA, N.A. FFIEC 031
RI-8
Legal Title of Bank

FDIC Certificate Number - 05208 10

SCHEDULE RI-E--CONTINUED

Year-to-date ---------- Dollar Amounts in Thousands RIAD Bil Mil Thou ----------

---------- 4. RESTATEMENTS DUE TO CORRECTIONS OF MATERIAL ACCOUNTING ERRORS AND CHANGES IN ACCOUNTING PRINCIPLES (from Schedule RI-A, item 2)(itemize and describe all restatements): TEXT a. B526

B526 0 4.a b. B527

B527 0 4.b 5. Other transactions with parent holding company (from Schedule RI-A, item 11) (itemize and describe all such transactions): TEXT a. 4498 Capital infusion..... 4498
51,188 5.a b. 4499

4499 0 5.b 6. ADJUSTMENTS TO ALLOWANCE FOR LOAN AND LEASE LOSSES (FROM SCHEDULE RI-B, PART II, ITEM 5) (ITEMIZE AND DESCRIBE ALL ADJUSTMENTS): TEXT a. 5523 Write-downs arising from transfers of loans in the held-for-sale account..... 5523
0 6.a b. 4522 Loan purchase.....

4522 25,705 6.b 7. Other explanations (the space below is provided for the bank to briefly describe, at its option, any other significant items affecting the Report of Income):

RIAD

X = NO COMMENT - Y = COMMENT .... [4769] [X]
Other explanations (please type or print clearly):

TEXT (70 CHARACTERS PER LINE)

4769 ----------

WELLS FARGO BANK MINNESOTA, N.A. FFIEC 031
RC-1
Legal Title of Bank

MINNEAPOLIS 11
CITY

MN 55479
State Zip Code

FDIC Certificate Number - 05208

CONSOLIDATED REPORT OF CONDITION FOR INSURED COMMERCIAL AND STATE-CHARTERED SAVINGS BANKS FOR JUNE 30, 2001

All schedules are to be reported in thousands of dollars. Unless otherwise indicated, report the amount outstanding as of the last business day of the quarter.

SCHEDULE RC--BALANCE SHEET

Dollar Amounts in Thousands	RCFD	Bil	Mil	Thou	
ASSETS 1. Cash and balances due from depository institutions (from Schedule RC-A): a. Noninterest-bearing balances and currency and coin(1)	0081	1,511,091			1.a
b. Interest bearing balances(2)	0071	40,664			1.b
2. Securities: a. Held-to-maturity securities (from Schedule RC-B, column A)	1754	0			2.a
b. Available-for-sale securities (from Schedule RC-B, column D)	1773	2,060,059			2.b
3. Federal funds sold and securities purchased under agreements to resell	1350	3,186,756			3
4. Loans and lease financing receivables (from Schedule RC-C): a. LOANS AND LEASES HELD FOR SALE	5369				
12,405,215					4.a
b. LOANS AND LEASES, NET OF UNEARNED INCOME	B528	18,568,274			4.b
c. LESS: Allowance for loan and lease losses	3123	277,506			4.c
d. LOANS AND LEASES, NET OF UNEARNED INCOME AND ALLOWANCE (ITEM 4.b MINUS 4.c)	B529	18,290,768			4.d
5. Trading assets (from Schedule RC-D)	3545	31,782			5
6. Premises and fixed assets (including capitalized leases)	2145	164,883			6
7. Other real estate owned (from Schedule RC-M)	2150	3,825			7
8. Investments in unconsolidated subsidiaries and associated companies (from Schedule RC-M)	2130	0			8
9. Customers' liability to this bank on acceptances outstanding	2155	4,407			9
10. Intangible assets					
a. GOODWILL	3163	142,236			10.a
b. OTHER INTANGIBLE ASSETS (FROM SCHEDULE RC-M)	0426	2,850			10.b
11. Other assets (from Schedule RC-F)	2160	1,308,434			11
12. Total assets (sum of items 1 through 11)	2170	39,153,170			12

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(1) Includes cash items in process of collection and unposted debits.

(2) Includes time certificates of deposit not held for trading.

WELLS FARGO BANK MINNESOTA, N.A. FFIEC 031
RC-2
Legal Title of Bank

FDIC Certificate Number - 05208 12

SCHEDULE RC--CONTINUED

Dollar Amounts in Thousands Bil Mil Thou

- LIABILITIES 13. Deposits: a. In domestic offices (sum of totals of columns A and C from Schedule RC-E, RCON part I)..... 2200 21,753,983 13.a (1) Noninterest-bearing(1).....6631 11,528,299 13.a.1 (2) Interest-bearing.....6636 10,225,684 13.a.2 b. In foreign offices, Edge and Agreement subsidiaries, and IBFs RCFN (from Schedule RC-E, part II)..... 2200 5,138,796 13.b (1) Noninterest-bearing.....6631 9,307 13.b.1 (2) Interest-bearing.....6636 5,129,489 RCFD 13.b.2 14. Federal funds purchased and securities sold under agreements to repurchase..... 2800 2,339,754 14 15. Trading liabilities (from Schedule RC-D)..... 3548 24,635 15 16. OTHER BORROWED MONEY (INCLUDES MORTGAGE INDEBTEDNESS AND OBLIGATIONS UNDER CAPITALIZED LEASES)(FROM SCHEDULE RC-M):..... 3190 5,872,485 16 17. Not applicable 18. Bank's liability on acceptances executed and outstanding..... 2920 4,607 18 19. Subordinated notes and debentures(2)..... 3200 0 19 20. Other liabilities (from Schedule RC-G)..... 2930 769,329 20 21. Total liabilities (sum of items 13 through 20)..... 2948 35,903,589 21 22. MINORITY INTEREST IN CONSOLIDATED SUBSIDIARIES..... 3000 0 22 EQUITY CAPITAL 23. Perpetual preferred stock and related surplus..... 3838 0 23 24. Common stock..... 3230 100,000 24 25. Surplus (exclude all surplus related to preferred stock)..... 3839 1,712,625 25 26. a. Retained earnings..... 3632 1,401,850 26.a b. ACCUMULATED OTHER COMPREHENSIVE INCOME(3)..... B530 35,106 26.b 27. OTHER EQUITY CAPITAL COMPONENTS(4)..... A130 0 27 28. Total equity capital (sum of items 23 through 27)..... 3210 3,249,581 28 29. Total liabilities, minority interest, and equity capital (sum of items 21, 22, and 28).... 3300 39,153,170 29 MEMORANDUM TO BE REPORTED ONLY WITH THE MARCH REPORT OF CONDITION. 1. Indicate in the box at the right the number of the statement below that best describes the most comprehensive level of auditing work performed for the bank RCFD NUMBER by independent external auditors as of any date during 2000..... 6724 N/A M.1

1 = Independent audit of the bank conducted in accordance 4 = Directors' examination of the bank conducted in accordance with with generally accepted auditing standards by a certified generally accepted auditing standards by a certified public public accounting firm which submits a report on the bank accounting firm (may be required by state chartering authority) 2 = Independent audit of the bank's parent

holding company 5 = Directors' examination of the bank performed by other external conducted in accordance with generally accepted auditing auditors (may be required by state chartering authority) standards by a certified public accounting firm which 6 = Review of the bank's financial statements by external auditors submits a report on the consolidated holding company 7 = Compilation of the bank's financial statements by external (but not on the bank separately) auditors 3 = ATTESTATION ON BANK MANAGEMENT'S ASSERTION ON THE 8 = Other audit procedures (excluding tax preparation work) EFFECTIVENESS OF THE BANK'S INTERNAL CONTROL OVER 9 = No external audit work FINANCIAL REPORTING BY A CERTIFIED PUBLIC ACCOUNTING FIRM

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(1) Includes total demand deposits and noninterest-bearing time and savings deposits.
(2) Includes limited-life preferred stock and related surplus.
(3) Includes net unrealized holding gains (losses) on available-for-sale securities, accumulated net gains (losses) on cash flow hedges, cumulative foreign currency translation adjustments, and minimum pension liability adjustments.
(4) Includes treasury stock and unearned Employee Stock Ownership Plan shares.

WELLS FARGO BANK MINNESOTA, N.A. FREC 031
RC-3
Legal Title of Bank

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FDIC Certificate Number - 05208

SCHEDULE RC-A--CASH AND BALANCES DUE FROM DEPOSITORY INSTITUTIONS

Exclude assets held for trading.

(Column A)	(Column B)	Consolidated Domestic Bank Offices			
		Dollar Amounts in Thousands	RCFD		
Bil	Mil	Thou	RCON	Bil	Mil	Thou
			1. Cash items in process of collection, unposted debits, and currency and coin			
			0022	1,309,753	1 a. Cash items in process of collection and unposted debits				0020	1,124,161	1.a b. Currency and coin				0080	185,592	1.b 2. Balance due from depository institutions in the U.S.				0082	215,413	2 a. U.S. branches and agencies of foreign banks (including their IBFs)				0083	0	2.a b. Other commercial banks in the U.S. and other depository institutions in the U.S (including their IBFs)				0085	215,413	2.b 3. Balances due from banks in foreign countries and foreign central banks				0070	2,008	3 a. Foreign branches of other U.S. banks				0073	0	3.a b. Other banks in foreign countries and foreign central banks				0074	2,008	3.b 4. Balances due from Federal Reserve Banks				0090	24,581	0090	24,581	4 5. Total (sum of items 1 through 4) (total of column A must equal Schedule RC, sum of items 1.a and 1.b)				0010	1,551,755	0010	1,551,755	5

SCHEDULE RC-B--SECURITIES

Exclude assets held for trading.

Held-to-maturity				Available-for-sale			
(Column A)		(Column B)		(Column C)		(Column D)	
Amortized Cost		Fair Value		Amortized Cost		Fair Value	
Dollar Amounts in Thousands	RCFD	Bil	Mil	Thou	RCFD	Bil	Mil	Thou	RCFD	Bil	Mil	Thou	RCFD	Bil	Mil	Thou
								1. U.S. Treasury securities	0211	0			0213	0			1286	309,149	1287	320,067	1 2. U.S. Government agency obligations (exclude mortgage-backed securities): a. Issued by U.S. Government agencies(1)	1289	0			1290	0			1291	669	1293	725	2.a b. Issued by U.S. Government-sponsored agencies(2)	1294	0			1295	0			1297	63,951	1298	65,817	2.b 3. SECURITIES ISSUED BY STATES AND POLITICAL SUBDIVISIONS IN THE U.S.	8496	0			8497	0			8498	198,132	8499	210,473	3

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(1) Includes Small Business Administration "Guaranteed Loan Pool Certificates," U.S. Maritime Administration obligations, and Export-Import Bank participation certificates.
(3) Includes obligations (other than mortgage-backed securities) issued by the Farm Credit System, the Federal Home Loan Bank System, the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, the Financing Corporation, Resolution Funding Corporation, the Student Loan Marketing Association, and the Tennessee Valley Authority.

WELLS FARGO BANK MINNESOTA, N.A. FFIEC 031

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Legal Title of Bank

FDIC Certificate Number - 05208 14

SCHEDULE RC-B--CONTINUED

Held-to-maturity		Available-for-sale	
(Column A)	(Column B)	(Column C)	(Column D)
Amortized Cost	Fair Value	Amortized Cost	Fair Value
Dollar Amounts in Thousands	RCFD		
Bil Mil Thou	RCFD	Bil Mil Thou	RCFD Bil Mil Thou
4. Mortgage-backed securities (MBS): a. Pass-through securities: (1) Guaranteed by GNMA.....	1698	0 1699	0 1701 377,001
1702 384,035	4.a.1 (2) Issued by FNMA and FHLMC.....	1703	0 1705
0 1706 649,033	1707 661,460	4.a.2 (3) Other pass-through securities.....	1709
0 1710	0 1711	0 1713	0 4.a.3 b. Other mortgage-backed securities (include CMOs, REMICs, and stripped MBS): (1) Issued or guaranteed by FNMA, FHLMC, or GNMA.....	1714
0 1715	0 1716	5,023 1717	5,029 4.b.1 (2) Collateralized by MBS issued or guaranteed by FNMA, FHLMC, or GNMA.....	1718
0 1719	0 1731	0 1732	0 4.b.2 (3) All other mortgage-backed securities....	1733
0 1734	0 1735	17,083 1736	18,176 4.b.3 5. ASSET-BACKED SECURITIES (ABS): a. CREDIT CARD RECEIVABLES.....	B838
0 B839	0 B840	3,340 B841	3,350 5.a b. HOME EQUITY LINES.....	B842
0 B843	0 B844	0 B845	0 5.b c. AUTOMOBILE LOANS.....	B846
0 B847	0 B848	1,953 B849	1,954 5.c d. OTHER CONSUMER LOANS.....	B850
0 B851	0 B852	6,276 B853	6,625 5.d e. COMMERCIAL AND INDUSTRIAL LOANS.....	B854
0 B855	0 B856	713 B857	751 5.e f. OTHER.....	
B858	0 B859	0 B860	0 B861	0 5.f 6. Other debt securities: a. Other domestic debt securities.....	1737
0 1738	0 1739	268,189 1741	272,710 6.a b. Foreign debt securities.....	1742
0 1743	0 1744	72,177 1746	82,108 6.b 7. Investments in mutual funds and other equity securities with readily determinable fair values(1).....	
A510	29,028 A511	26,779	7 8. Total (sum of items 1 through 7)(total of Column A must equal Schedule RC item 2.a) (total of Column D must equal Schedule RC, item 2.b).....	
1754	0 1771	0 1772	2,001,717 1773	2,060,059
8				

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(1) Report Federal Reserve Stock, Federal Home Loan Bank stock, and banker's bank stock in Schedule RC-F, item 4.

SCHEDULE RC-B--CONTINUED

MEMORANDA Dollar Amounts in Thousands RCFD Bil Mil Thou ----------

---------- 1. Pledged securities(1)..... 0416 342,185 M.1 2. Maturity and repricing data for debt securities (1, 2)(excluding those in nonaccrual status): a. Securities issued by the U.S. Treasury, U.S. Government agencies, and states and political subdivisions in the U.S.; other non-mortgage debt securities; and mortgage pass-through securities other than those backed by closed-end first lien 1-4 family residential mortgages with a remaining maturity or next repricing date of: (3, 4) (1) Three months or less..... A549 9,782 M.2.a.1 (2) Over three months through 12 months..... A550 193,157 M.2.a.2 (3) Over one year through three years..... A551 221,501 M.2.a.3 (4) Over three years through five years..... A552 75,676 M.2.a.4 (5) Over five years through 15 years..... A553 340,155 M.2.a.5 (6) Over 15 years..... A554 124,309 M.2.a.6 b. Mortgage pass-through securities backed by closed-end first lien 1-4 family residential mortgages with a remaining maturity or next repricing date of: (3, 5) (1) Three months or less..... A555 20,670 M.2.b.1 (2) Over three months through 12 months..... A556 8,378 M.2.b.2 (3) Over one year through three years..... A557 1,100 M.2.b.3 (4) Over three years through five years..... A558 7,731 M.2.b.4 (5) Over five years through 15 years..... A559 24,162 M.2.b.5 (6) Over 15 years..... A560 983,454 M.2.b.6 c. Other mortgage-backed securities (include CMOs, REMICs, and stripped MBS; exclude mortgage pass-through securities) with an expected average life of: (6) (1) Three years or less..... A561 3,337 M.2.c.1 (2) Over three years..... A562 19,868 M.2.c.2 d. Debt securities with a REMAINING MATURITY of one year or less (included in Memorandum items 2.a through 2.c above..... A248 201,183 M.2.d 3. Amortized cost of held-to-maturity securities sold or transferred to available-for-sale or trading securities during the calendar year-to-date (report the amortized cost at date of sale or transfer)..... 1778 0 M.3 4. Structured notes (included in the held-to-maturity and available-for-sale accounts in Schedule RC-B, items 2, 3, 5, and 6): a. Amortized cost..... 8782 0 M.4.a b. Fair value..... 8783 0 M.4.b

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(1) Includes held-to-maturity securities at amortized cost and available-for-sale securities at fair value.
(2) Exclude investments in mutual funds and other equity securities with readily determinable fair values.
(3) Report fixed rate debt securities by remaining maturity and floating rate debt securities by repricing date.
(4) Sum of Memorandum item 2.a.(1) through 2.a.(6) plus any nonaccrual debt securities in the categories of debt securities reported in Memorandum item 2.a that are included in Schedule RC-N, item 9, column C, must equal Schedule RC-B, sum of items 1, 2, 3, 5, and 6, columns A and D, plus mortgage pass-through securities other than those backed by closed-end first lien 1-4 family residential mortgages included in Schedule RC-B, item 4.a, columns A and D.
(5) Sum of Memorandum items 2.b.(1) through 2.b.(6) plus any nonaccrual mortgage pass-through securities backed by closed-end first lien 1-4 family residential mortgages included in Schedule RC-N, item 9, column C, must equal Schedule RC-B, item 4.a, sum of columns A and D, less the amount of mortgage pass-through securities other than those backed by closed-end first lien 1-4 family residential mortgages included in Schedule RC-B, item 4.a, columns A and D.
(6) Sum of Memorandum items 2.c.(1) and 2.c.(2) plus any nonaccrual "Other mortgage-backed securities" included in Schedule RC-N, item 9, column C, must equal Schedule RC-B, item 4.b, sum of columns A and D.

WELLS FARGO BANK MINNESOTA, N.A. FFIEC 031
RC-6
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FDIC Certificate Number - 05208 16

SCHEDULE RC-C--LOANS AND LEASE FINANCING RECEIVABLES

PART I. LOANS AND LEASES

Do not deduct the allowance for loan and lease losses from amounts reported in this schedule. Report (1) loans and leases held for sale and (2) other loans and leases, net of unearned income. REPORT LOANS AND LEASES NET OF ANY APPLICABLE ALLOCATED TRANSFER RISK RESERVE. Exclude assets held for trading and commercial paper.

(Column A) Dollar Amounts in Thousands	RCFD	Bil Mil Thou	(Column B) Consolidated Domestic Bank Offices RCON	Bil Mil Thou
1. Loans secured by real estate	1410	17,311,709	1	
a. CONSTRUCTION, LAND DEVELOPMENT, AND OTHER LAND LOANS	1415	89,917	1.a	
b. Secured by farmland (including farm residential and other improvements)	1420	106,206	1.b	
c. Secured by 1-4 family residential properties: (1) Revolving, open-end loans secured by 1-4 family residential properties and extended under lines of credit	1797	928,913	1.c.1	
(2) Closed-end loans secured by 1-4 family residential properties: (a) Secured by first liens	5367	13,450,330	1.c.2.a	
(b) Secured by junior liens	5368	1,963,097	1.c.2.b	
d. Secured by multifamily (5 or more) residential properties	1460	67,002	1.d	
e. Secured by nonfarm nonresidential properties	1480	706,224	1.e	
2. LOANS TO DEPOSITORY INSTITUTIONS AND ACCEPTANCES OF OTHER BANKS: a. To commercial banks in the U.S.	B531	2,881,305	2.a	
(1) To U.S. branches and agencies of foreign banks	B532	0	2.a.1	
(2) To other commercial banks in the U.S.	B533	2,882,268	2.a.2	
b. To other depository institutions in the U.S.	B534	0	2.b	
c. To banks in foreign countries	B535	1,113	2.c	
(1) To foreign branches of other U.S. banks	B536	0	2.c.1	
(2) To other banks in foreign countries	B537	1,243	2.c.2	
3. Loans to finance agricultural production and other loans to farmers	1590	199,694	1590	199,694
3			4. Commercial and industrial loans: a. To U.S. addressees (domicile)	1763	4,869,418
1763	4,869,418	4.a		
b. To non-U.S. addressees (domicile)	1764	2,236	1764	0
4.b				
5. Not applicable. 6. Loans to individuals for household, family, and other personal expenditures (i.e., consumer loans) (includes purchased paper): a. CREDIT CARDS	B538	1,125,314	B538	1,125,314
6.a				
b. OTHER REVOLVING CREDIT PLANS	B539	306,226	B539	306,226
6.b				
c. Other consumer loans (includes single payment, installment, and all student loans)	2011	1,095,549	2011	1,095,549
6.c				
7. Loans to foreign governments and official institutions (including foreign central banks)	2081	0	2081	0
7				
8. Obligations (other than securities and leases) of states and political subdivisions in the U.S.	2107	25,015	2017	25,015
8				
9. Other loans	1563	724,382	9	
a. Loans for purchasing or carrying securities (secured and unsecured)	1545	183,145	9.a	
b. All other loans (exclude consumer loans)	1564	541,237	9.b	
10. Lease financing receivables (net of unearned income)	2165	2,430,435	10	
a. Of U.S. addressees (domicile)	2182	2,430,435	10.a	
b. Of non-U.S. addressees (domicile)	2183	0	10.b	
11. LESS: Any unearned income on loans reflected in items 1-9 above	2123	0	2123	0
11				
12. Total loans and leases, net of unearned income (sum of items 1 through 10 minus item 11) (total of column A must equal Schedule RC, item 4.a and 4.b)	2122	30,973,489	2122	30,970,160
12				

WELLS FARGO BANK MINNESOTA, N.A. FFIEC 031

RC-7

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FDIC Certificate Number - 05208 17

SCHEDULE RC-C--CONTINUED

PART I. CONTINUED

Memoranda Dollar Amounts in Thousands RCFD Bil Mil Thou

1. LOANS AND LEASES RESTRUCTURED AND IN COMPLIANCE WITH MODIFIED TERMS (INCLUDED IN SCHEDULE RC-C, PART I, AND NOT REPORTED AS PAST DUE OR NONACCRUAL IN SCHEDULE RC-N, MEMORANDUM ITEM 1) (EXCLUDE LOANS SECURED BY 1-4 FAMILY RESIDENTIAL PROPERTIES AND LOANS TO INDIVIDUALS FOR HOUSEHOLD, FAMILY, AND OTHER PERSONAL EXPENDITURES)..... 1616 0 M.1 2. Maturity and repricing data for loans and leases (excluding those in nonaccrual status): a. Closed-end loans secured by first liens on 1-4 family residential properties in domestic offices (reported in Schedule RC-C, part I, item 1.c.(2)(a), Column B) with a remaining maturity or repricing date of:(1)(2) RCON (1) Three months or less..... A564 11,755,850 M.2.a.1 (2) Over three months through 12 months..... A565 658,114 M.2.a.2 (3) Over one year through three years..... A566 44,604 M.2.a.3 (4) Over three years through five years..... A567 69,872 M.2.a.4 (5) Over five years through 15 years..... A568 412,282 M.2.a.5 (6) Over 15 years..... A569 502,117 M.2.a.6 b. All loans and leases (reported in Schedule RC-C, part I, items 1 through 10, column A) EXCLUDING closed-end loans secured by first liens on 1-4 family residential properties in domestic offices (reported in Schedule RC-C, part 1 item 1.c.(2)(a), column B) with a remaining maturity or next repricing date of: (1,3) RCFD (1) Three months or less..... A570 8,457,995 M.2.b.1 (2) Over three months through 12 months..... A571 2,799,789 M.2.b.2 (3) Over one year through three years..... A572 2,452,907 M.2.b.3 (4) Over three years through five years..... A573 1,681,751 M.2.b.4 (5) Over five years through 15 years..... A574 1,402,286 M.2.b.5 (6) Over 15 years..... A575 532,791 M.2.b.6 c. Loans and leases (reported in Schedule RC-C, part I, items 1 through 10, column A) with a REMAINING MATURITY of one year or less (excluding those in nonaccrual status)..... A247 18,227,703 M.2.c 3. Loans to finance commercial real estate, construction, and land development activities (not secured by real estate) included in Schedule RC-C, part I, items 4 and 9, column A(4)..... 2746 0 M.3 4. Adjustable rate closed-end loans secured by first liens on 1-4 family residential properties in domestic offices RCON (included in Schedule RC-C, part I, item 1.c.(2)(a), column B)..... 5370 3,764,041 M.4 5. LOANS SECURED BY REAL ESTATE TO NON-U.S. ADDRESSES (DOMICILE) (INCLUDED IN RCFD SCHEDULE RC-C, PART I, ITEM 1, COLUMN A)..... B837 0 M.5

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(1) Report fixed rate loans and leases by remaining maturity and floating rate loans by next repricing date.
(2) Sum of Memorandum items 2.a.(1) through 2.a.(6) plus total nonaccrual closed-end loans secured by first liens on 1-4 family residential properties in domestic offices included in Schedule RC-N, item 1.c.(2), column C must equal total closed-end loans secured by first liens on 1-4 family residential properties from Schedule RC-C, part I, item 1.c.(2)(a), column B.
(3) Sum of Memorandum items 2.b.(1) through 2.b.(6) plus total nonaccrual loans and leases from Schedule RC-N, sum of items 1 through 8, column C, minus nonaccrual closed-end loans secured by first liens on 1-4 family residential properties in domestic offices included in Schedule RC-N, item 1.c.(2), column C, must equal total loans and leases from Schedule RC-C, Part I, sum or items 1 through 10, column A, minus total closed-end loans secured by first liens on 1-4 family residential properties in domestic offices from Schedule RC-C, part I, item 1.c.(2)(a), column B.
(4) Exclude loans secured by real estate that are included in Schedule RC-C, part I, item 1, column A.

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SCHEDULE RC-C--CONTINUED

PART II. LOANS TO SMALL BUSINESSES AND SMALL FARMS

SCHEDULE RC-C, PART II IS TO BE REPORTED ONLY WITH THE JUNE REPORT OF CONDITION.

Report the number and amount currently outstanding as of June 30 of business loans with "original amounts" of $1,000,000 or less and farm loans with "original amounts" of $500,000 or less. The following guidelines should be used to determine the "original amount" of a loan: (1) For loans drawn down under lines of credit or loan commitments, the "original amount" of the loan is the size of the line of credit or loan commitment when the line of credit or loan commitment was most recently approved, extended, or renewed prior to the report date. However, if the amount currently outstanding as of the report date exceeds this size, the "original amount" is the amount currently outstanding on the report date. (2) For loan participations and syndications, the "original amount" of the loan participation or syndication is the entire amount of credit originated by the lead lender. (3) For all other loans, the "original amount" is the total amount of the loan at origination or the amount currently outstanding as of the report date, whichever is larger.

LOANS TO SMALL BUSINESSES

1. Indicate in the appropriate box at the right whether all or substantially all of the dollar volume of your bank's "Loans secured by nonfarm nonresidential properties" in domestic offices reported in Schedule RC-C, part I, item 1.e, column B, and all or substantially all of the dollar volume of your bank's "Commercial and industrial loans to U.S. addressees" in domestic offices reported in Schedule RC-C, part I, item 4.a, column B, have original amounts of $100,000 or less (If your bank has no loans outstanding in BOTH of these two loan categories, place an "X" in the box marked "NO.")	RCON 6999	YES/NO NO	1

If YES, complete items 2.a and 2.b below, skip items 3 and 4, and go to item 5. If NO, and your bank has loans outstanding in either loan category, skip items 2.a and 2.b, complete items 3 and 4 below, and go to item 5. If NO and your bank has no loans outstanding in both loan categories, skip items 2 through 4, and go to item 5.

		Number of Loans	
2. Report the total number of loans currently outstanding for each of the following Schedule RC-C, part I, loan categories:			
a. "Loans secured by nonfarm nonresidential properties" in domestic offices reported in Schedule RC-C, part I, item 1.e, column B (Note: Item 1.e, column B divided by the number of loans should NOT exceed $100,000.)	RCON 5562	N/A	2.a
b. "Commercial and industrial loans to U.S. addressees" in domestic offices reported in Schedule RC-C, part I, item 4.a, column B (Note: Item 4.a, column B, divided by the number of loans should NOT exceed $100,000.)	5563	N/A	2.b

(Column B) Dollar Amounts in Thousands	(Column A) Amount Currently Outstanding	Number of Loans	
RCON	RCON	Bil Mil Thou	
3. Number and amount currently outstanding of "Loans secured by nonfarm nonresidential properties" in domestic offices reported in Schedule RC-C, part I, item 1.e, column B (sum of items 3.a through 3.c must be less than or equal to Schedule RC-C, part I, item 1.e, column B): a. With original amounts of $100,000 or less	5564	1,281	5565
3.a b. With original amounts of more than $100,000 through $250,000	5566	891	5567
122,388	3.b		
c. With original amounts of more than $250,000 through $1,000,000	5568	868	5569
346,932	3.c		
4. Number and amount currently outstanding of "Commercial and industrial loans to U.S. addressees" in domestic offices reported in Schedule RC-C, part I, item 4.a, column B (sum of items 4.a through 4.c must be less than or equal to Schedule RC-C, part I, item 4.a, column B): a. With original amounts of $100,000 or less	5570	14,464	5571
418,845	4.a		
b. With original amounts of more than $100,000 through $250,000	5572	3,634	5573
409,987	4.b		
c. With original amounts of more than $250,000 through $1,000,000	5574	2,762	5575
933,328	4.c		

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SCHEDULE RC-C--CONTINUED

PART II. CONTINUED

AGRICULTURAL LOANS TO SMALL FARMS

	RCON	YES/NO	
5. Indicate in the appropriate box at the right whether all or substantially all of the dollar volume of your bank's "Loans secured by farmland (including farm residential and other improvements)" in domestic offices reported in Schedule RC-C, part I, item 1.b, column B, and all or substantially all of the dollar volume of your bank's "Loans to finance agricultural production and other loans to farmers" in domestic offices reported in Schedule RC-C, part I, item 3, column B, have original amounts of $100,000 or less (If your bank has no loans outstanding in BOTH of these two loan categories, place an "X" in the box marked "NO.")	6860	NO	5

If YES, complete items 6.a and 6.b below and do not complete items 7 and 8. If NO, and your bank has loans outstanding in either loan category, skip items 6.a and 6.b and complete items 7 and 8 below. If NO and your bank has no loans outstanding in both loan categories, do not complete items 6 through 8.

	RCON	Number of Loans	
6. Report the total number of loans currently outstanding for each of the following Schedule RC-C, part I, loan categories:			
a. "Loans secured by farmland (including farm residential and other improvements)" in domestic offices reported in Schedule RC-C, part I, item 1.b, column B (Note: Item 1.b, column B, divided by the number of loans should NOT exceed $100,000.)	5576	N/A	6.a
b. "Loans to finance agricultural production and other loans to farmers" in domestic offices reported in Schedule RC-C, part I, item 3, column B (Note: Item 3, column B, divided by the number of loans should NOT exceed $100,000.)	5577	N/A	6.b

(Column B) Dollar Amounts in Thousands	(Column A) Amount Outstanding	Number of Loans Currently	
7. Number and amount currently outstanding of "Loans secured by farmland (including farm residential and other improvements)" in domestic offices reported in Schedule RC-C, part I, item 1.b, column B (sum of items 7.a through 7.c must be less than or equal to Schedule RC-C, part I, item 1.b, column B): a. With original amounts of $100,000 or less	5578	689	5579
7.a b. With original amounts of more than $100,000 through $250,000	5580	296	5581
7.b c. With original amounts of more than $250,000 through $500,000	5582	67	5583
7.c 8. Number and amount currently outstanding of "Loans to finance agricultural production and other loans to farmers" in domestic offices reported in Schedule RC-C, part I, item 3, column B, (sum of items 8.a through 8.c must be less than or equal to Schedule RC-C, part I, item 3 column B): a. With original amounts of $100,000 or less	5584	2,460	5585
8.a b. With original amounts of more than $100,000 through $250,000	5586	435	5587
8.b c. With original amounts of more than $250,000 through $500,000	5588	142	5589
8.c		41,904	

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SCHEDULE RC-D--TRADING ASSETS AND LIABILITIES

SCHEDULE RC-D IS TO BE COMPLETED BY BANKS THAT REPORTED AVERAGE TRADING ASSETS (SCHEDULE RC-K, ITEM 7) OF $2 MILLION OR MORE FOR ANY QUARTER OF THE PRECEDING YEAR.

Dollar Amounts in Thousands RCON Bil Mil Thou ASSETS

1. U.S. Treasury securities in domestic offices 3531 0 1 2. U.S. Government agency obligations in domestic offices (exclude mortgage-backed securities) 3532 0 2 3. Securities issued by states and political subdivisions in the U.S. in domestic offices 3533 0 3 4. Mortgage-backed securities (MBS) in domestic offices: a. Pass-through securities issued or guaranteed by FNMA, FHLMC, or GNMA 3534 3,496 4.a b. Other mortgage-backed securities issued or guaranteed by FNMA, FHLMC, or GNMA (include CMOs, REMICs, and stripped MBS) 3535 0 4.b c. All other mortgage-backed securities 3536 0 4.c 5. Other debt securities in domestic offices 3537 0 5 6. - 8. Not applicable 9. Other trading assets in domestic offices 3541 0 9 RCFN 10. Trading assets in foreign offices 3542 0 10 11. Revaluation gains on interest rate, foreign exchange rate, and other commodity and equity contracts RCON a. In domestic offices 3543 28,286 11.a RCFN b. In foreign offices 3543 0 11.b RCFD 12. Total trading assets (sum of items 1 through 11) (must equal Schedule RC, item 5) 3545 31,782 12

RCFD Bil Mil Thou LIABILITIES

13. Liability for short positions 3546 0 13 14. Revaluation losses on interest rate, foreign exchange rate, and other commodity and equity contracts 3547 24,635 14 15. Total trading liabilities (sum of items 13 and 14) (must equal Schedule RC, item 15) 3548 24,635 15

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SCHEDULE RC-E--DEPOSIT LIABILITIES

PART 1. DEPOSITS IN DOMESTIC OFFICES

Nontransaction Accounts		Transaction Accounts	
	(Column A)	(Column C)	Total (Column B)
	Total nontransaction accounts (including total (including demand deposits) COLUMN A)	MEMO: TOTAL DEMAND DEPOSITS (INCLUDED IN MMDAs)	
	Dollar Amounts in Thousands RCON	Bil Mil Thou RCON	Bil Mil Thou RCON	Bil Mil Thou
DEPOSITS OF: 1. Individuals, partnerships and corporations (INCLUDE ALL CERTIFIED AND OFFICIAL CHECKS)	B549	3,187,097	B550	17,847,115	1
2. U.S. Government	2202	9,101	2520	180	2
3. States and political subdivisions in the U.S.	2203	70,511	2530	267,451	3
4. COMMERCIAL BANKS AND OTHER DEPOSITORY INSTITUTIONS IN THE U.S.	B551	372,528	B552	0	4
5. Banks in foreign countries	2213	0	2236	0	5
6. Foreign governments and official institutions (including foreign central banks)	2216	0	2377	0	6
7. Total (sum of items 1 through 6) (sum of columns A and C must equal Schedule RC, item 13.a)	2215	3,639,237	2210	3,431,766	2385	18,114,746	7

MEMORANDA Dollar Amounts in Thousands	RCON	Bil Mil Thou
1. Selected components of total deposits (i.e., sum of item 7, columns A and C): a. Total Individual Retirement Accounts (IRAs) and Keogh Plan accounts	6835	518,662	M.1.a
b. Total brokered deposits	2365	0	M.1.b
c. Fully insured brokered deposits (included in Memorandum item 1.b above): (1) Issued in denominations of less than $100,000	2343	0	M.1.c.1
(2) Issued either in denominations of $100,000 or in denominations greater than $100,000 and participated out by the broker in shares of $100,000 or less	2344	0	M.1.c.2
d. Maturity data for brokered deposits: (1) Brokered deposits issued in denominations of less than $100,000 with a remaining maturity of one year or less (included in Memorandum item 1.c.(1) above)	A243	0	M.1.d.1
(2) Brokered deposits issued in denominations of $100,000 or more with a remaining maturity of one year or less (included in Memorandum item 1.b above)	A244	0	M.1.d.2
e. Preferred deposits (uninsured deposits of states and political subdivisions in the U.S. reported in item 3 above which are secured or collateralized as required under state law) (TO BE COMPLETED FOR THE DECEMBER REPORT ONLY)	5590	N/A	M.1.e
2. Components of total nontransaction accounts (sum of Memorandum items 2.a through 2.c must equal item 7, Column C, above): a. Savings deposits: (1) Money market deposit accounts (MMDAs)	6810	5,672,946	M.2.a.1
(2) Other savings deposits (excludes MMDAs)	0352	10,277,763	M.2.a.2
b. Total time deposits of less than $100,000	6648	1,871,563	M.2.b
c. Total time deposits of $100,000 or more	2604	292,474	M.2.c

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SCHEDULE RC-E--CONTINUED

Part I. Continued

Memoranda (Continued) Dollar Amounts in Thousands RCON Bil Mil Thou

3. Maturity and repricing data for time deposits of less than $100,000: a. Time deposits of less than $100,000 with a remaining maturity or next repricing date of (1, 2) (1) Three months or less A579 332,082
M.3.a.1 (2) Over three months through 12 months A580 817,523 M.3.a.2 (3) Over one year through three years A581 564,402 M.3.a.3 (4) Over three years A582 157,556 M.3.a.4 b. Time deposits of less than $100,000 with a REMAINING MATURITY of one year or less (included in Memorandum items 3.a.(1) through 3.a.(4) above) (3) A241 1,149,605 M.3.b 4. Maturity and repricing data for time deposits of $100,000 or more: a. Time deposits of $100,000 or more with a remaining maturity or next repricing date of (1, 4) (1) Three months or less A584 90,508
M.4.a.1 (2) Over three months through 12 months A585 117,910 M.4.a.2 (3) Over one year through three years A586 51,559 M.4.a.3 (4) Over three years A587 32,497 M.4.a.4 b. Time deposits of $100,000 or more with a REMAINING MATURITY of one year or less (included in Memorandum items 4.a.(1) through 4.a.(4) above) (3) A242 208,418 M.4.b

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(1) Report fixed rate time deposits by remaining maturity and floating rate time deposits by next repricing date.
(2) Sum of Memorandum items 3.a.(1) through 3.a.(4) must equal Schedule RC-E, Memorandum item 2.b.
(3) Report both fixed and floating rate time deposits by remaining maturity. Exclude floating rate time deposits with a next repricing date of one year or less that have a remaining maturity of over one year.
(4) Sum of Memorandum items 4.a.(1) through 4.a.(4) must equal Schedule RC-E, Memorandum item 2.c.

PART II. DEPOSITS IN FOREIGN OFFICES (INCLUDING EDGE AND AGREEMENT SUBSIDIARIES AND IBFS)

Dollar Amounts in Thousands RCFN Bil Mil Thou

Deposits of: 1. INDIVIDUALS, PARTNERSHIPS, AND CORPORATIONS (INCLUDE ALL CERTIFIED AND OFFICIAL CHECKS) B553 1,916,465 1 2. U.S. BANKS (INCLUDING IBFS AND FOREIGN BRANCHES OF U.S. BANKS) AND OTHER U.S. DEPOSITORY INSTITUTIONS B554 3,218,278 2 3. Foreign banks (including U.S. branches and agencies of foreign banks, including their IBFs) 2625 4,053 3 4. Foreign governments and official institutions (including foreign central banks) 2650 0 4 5. U.S. GOVERNMENT AND STATES AND POLITICAL SUBDIVISIONS IN THE U.S. B555 0 5 6. Total (sum of items 1 through 5) (must equal Schedule RC, item 13.b) 2200 5,138,796 6

MEMORANDUM Dollar Amounts in Thousands RCFN Bil Mil Thou

1. Time deposits with a remaining maturity of one year or less (included in Part II, Item 6 above) A245 5,123,395 M.1

SCHEDULE RC-F--OTHER ASSETS

Dollar Amounts in Thousands RCFD Bil Mil Thou

--------- 1. ACCRUED INTEREST
RECEIVABLE(1).....
B556 182,382 1 2. Net deferred tax
assets(2).....
2148 0 2 3. Interest-only strips receivable (not in the form of a security)
(3) on: a. Mortgage
loans.....
A519 0 3.a b. Other financial
assets..... A520
0 3.b 4. EQUITY SECURITIES THAT DO NOT HAVE READILY DETERMINABLE FAIR
VALUES(4)..... 1752 326,653 4 5. Other (itemize and describe
amounts greater than $25,000 that exceed 25% of this item).. 2168 799,399 5
TEXT a. 2166 Prepaid expenses..... 2166 0 5.a b.
C009 Cash surrender value of life insurance....R... C009 239,284 5.b c.
1578 Repossessed personal property (including
vehicles)..... 1578 0 5.c d. C010
Derivatives with a positive fair value held for purposes other than
tradi..... C010 0 5.d e. 3549 Affiliated accounts
receivable..... 3549 323,569 5.e f. 3550
..... 3550 0 5.f g. 3551
..... 3551 0 5.g 6. Total (sum of
items 1 through 5) (must equal Schedule RC, item 11).....
2160 1,308,434 6

SCHEDULE RC-G-- OTHER LIABILITIES

Dollar Amounts in Thousands RCON Bil Mil Thou

---------- 1. a. Interest accrued and unpaid on deposits in
domestic offices(5)..... 3645 44,757 1.a RCFD b.
Other expenses accrued and unpaid (includes accrued income taxes
payable)..... 3646 103,484 1.b 2. Net deferred tax
liabilities(2).....
3049 409,664 2 3. ALLOWANCE FOR CREDIT LOSES ON OFF-BALANCE SHEET
CREDIT EXPOSURES..... B557 0 3 4. Other (itemize
and describe amounts greater than $25,000 that exceed 25% of this
item).. 2938 211,424 4 TEXT a. 3066: Accounts
payable..... 3066 181,876 4.a b. C011:
Deferred compensation liabilities..... C011 0 4.b c. 2932:
Dividends declared but not yet
payable..... 2932 0 4.c d. C012:
Derivatives with a negative fair value held for purposes other than
trade..... C012 0 4.d e. 3552:
..... 3552 0 4.e f. 3553:
..... 3553 0 4.f g. 3554:
..... 3554 0 4.g 5. Total (sum
of items 1 through 4) (must equal Schedule RC, item
20)..... 2930 769,329 5

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(1) Include accrued interest receivable on loans, leases, debt securities, and other interest-bearing assets.
(2) See discussion of deferred income taxes in Glossary entry on "income taxes."
(3) Report interest-only strips receivable in the form of a security as available-for-sale securities in Schedule RC, item 2.b, or as trading assets in Schedule RC, item 5, as appropriate.
(4) Include Federal Reserve stock, Federal Home Loan Bank stock, and bankers' bank stock.
(5) For savings banks, includes "dividends" accrued and unpaid on deposits.

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SCHEDULE RC-H--SELECTED BALANCE SHEET ITEMS FOR DOMESTIC OFFICES

	Domestic Offices Dollar Amounts in Thousands	RCON	Bil Mil Thou
1.	Customers' liability to this bank on acceptances outstanding.	2155	2,070 1
2.	Bank's liability on acceptances executed and outstanding.	2920	2,070 2
3.	Federal funds sold and securities purchased under agreements to resell.	1350	3,186,756 3
4.	Federal funds purchased and securities sold under agreements to repurchase	2800	2,339,754 4
5.	Other borrowed money.	3190	5,872,485 5
EITHER 6.	Net due from own foreign offices, Edge and Agreement subsidiaries, and IBFs.	2163	N/A 6
OR 7.	Net due to own foreign offices, Edge and Agreement subsidiaries,		

and IBFs. . . . . 2941 5,215,407 7 8. Total assets (excludes net due from foreign offices, Edge and Agreement subsidiaries, and IBFs) . . . . . 2192 39,131,850 8 9. Total liabilities (excludes net due to foreign offices, Edge and Agreement subsidiaries, and IBFs) . . . . . 3129 30,666,862 9 RCON Bil Mil Thou ---------- -------- IN ITEMS 10-17 REPORT THE AMORTIZED (HISTORICAL) COST OF BOTH HELD-TO-MATURITY AND AVAILABLE-FOR-SALE SECURITIES IN DOMESTIC OFFICES. 10. U.S. Treasury securities. . . . . 1039 309,149 10 11. U.S. Government agency obligations (exclude mortgage-backed securities) . 1041 64,620 11 12. Securities issued by states and political subdivisions in the U.S.. . . . 1042 198,132 12 13. Mortgage-backed securities (MBS): a. Pass-through securities: (1) Issued or guaranteed by FNMA, FHLMC, or GNMA 1043 1,026,034

13a.1 (2) Other pass-through securities. . . . . 1044 0 13a.2 b. Other mortgage-backed securities (include CMOs, REMICs, and stripped MBS): (1) Issued or guaranteed by FNMA, FHLMC, or GNMA . . . . . 1209 5,023 13b.1 (2) All other mortgage-backed securities . . . . . 1280 17,083 13b.2 14. Other domestic debt securities (include domestic asset-backed securities) . . . . . 1281 280,471 14 15. Foreign debt securities (include foreign asset-backed securities) . . . . 1282 72,177 15 16. Investments in mutual funds and other equity securities with readily determinable fair values. . . . . A510 29,028 16 17. Total amortized (historical) cost of both held-to-maturity and available-for-sale securities (sum of items 10 through 16) . . . . . 1374 2,001,717 17 18. Equity securities that do not have readily determinable fair values . . . 1752 326,653 18

SCHEDULE RC-I--SELECTED ASSETS AND LIABILITIES OF IBFS

TO BE COMPLETED ONLY BY BANKS WITH IBFS AND OTHER "FOREIGN" OFFICES.

	Dollar Amounts in Thousands RCFN Bil Mil Thou	
1. Total IBF assets of the consolidated bank (component of Schedule RC, Item 12)	2133	0 1 2
2. Total IBF liabilities (component of Schedule RC, item 21)	2898	0 2

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SCHEDULE RC-K--QUARTERLY AVERAGES(1)

Dollar Amounts in Thousands RCFD	Bil	Mil	Thou
ASSETS 1. Interest-bearing balances due from depository institutions.	3381	40,398	1
2. U.S. TREASURY SECURITIES AND U.S. GOVERNMENT AGENCY OBLIGATIONS(2) (EXCLUDING MORTGAGE-BACKED SECURITIES)	B558	376,828	2
3. MORTGAGE-BACKED SECURITIES(2)	B559	1,013,461	3
4. ALL OTHER SECURITIES(2,3) (INCLUDES SECURITIES ISSUED BY STATES AND POLITICAL SUBDIVISIONS IN THE U.S	B560	571,199	4
5. Federal funds sold and securities purchased under agreements to resell. .	3365	11,312,806	5
6. Loans: a. Loans in domestic offices: RCON (1) Total loans	3360	26,516,962	
6.a.1 (2) Loans secured by real estate	3385	15,435,758	
6.a.2 (3) Loans to finance agricultural production and other loans to farmers.	3386	191,764	6.a.3
(4) Commercial and industrial loans.	3387		

4,764,368 6.a.4 (5) Loans to individuals for household, family, and other personal expenditures: (a) CREDIT CARDS . . . . . B561 1,125,278 6.a.5.a (b) OTHER (INCLUDES SINGLE PAYMENT, INSTALLMENT, ALL STUDENT LOANS, AND REVOLVING CREDIT CARDS OTHER THAN CREDIT CARDS) . . B562 1,447,218 6.a.5.b b. Total loans in foreign offices, Edge and Agreement subsidiaries, RCFN and IBFs . . . . . 3360 3,280 6.b RCFD 7. Trading assets. . . . . 3401 37,005 7 8. Lease financing receivables (net of unearned income). . . . . 3484 2,396,367 8 9. Total assets(4) . . . . . 3368 44,638,314 9 LIABILITIES 10. Interest-bearing transaction accounts in domestic offices (NOW accounts, ATS accounts, and telephone and preauthorized transfer accounts) RCON (exclude demand deposits) . . . . . 3485 267,841 10 11. Nontransaction accounts in domestic offices: a. SAVINGS DEPOSITS (INCLUDES MMDAs). . . . . B563 16,820,348 11.a b. Time deposits of $100,000 or more. . . . . A514 305,933 11.b c. Time deposits of less than $100,000. . . .

. . . . . .
. . . . . .
A529 1,929,882
11.c 12.
Interest-
bearing
deposits in
foreign
offices, Edge
and Agreement
RCFN
subsidiaries,
and IBFs . . .
. . . . . .
. . . . . .
. . . . . .
3404 5,974,413
12 13. Federal
funds purchased
and securities
sold under
agreements to
RCFD repurchase
. . . . . .
. . . . . .
. . . . . .
. . . . . .
3353 5,975,598
13 14. Other
borrowed money
(includes
mortgage
indebtedness
and obligations
under
capitalized
leases) . . . .
. . . . . .
. . . . . .
. . . . 3355
5,801,141 14

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(1) For all items, banks have the option of reporting either (1) an average of DAILY figures for the quarter, or (2) an average of WEEKLY figures (i.e., the Wednesday of each week of the quarter).
(2) Quarterly averages for all debt securities should be based on amortized cost.
(3) Quarterly averages for all equity securities should be based on historical cost.
(4) The quarterly average for total assets should reflect all debt securities (not held for trading) at amortized cost, equity securities with readily determinable fair values at the lower of cost or fair value, and equity securities without readily determinable fair values at historical cost.

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SCHEDULE RC-L--DERIVATIVES AND OFF-BALANCE SHEET ITEMS

Please read carefully the instructions for the preparation of Schedule RC-L. Some of the amounts reported in Schedule RC-L are regarded as volume indicators and not necessarily as measures of risk.

Dollar Amounts in Thousands	RCFD	Bil	Mil	Thou
1. Unused commitments: a. Revolving, open-end lines secured by 1-4 family residential properties, e.g., home equity lines	3814	1,029,259		
1.a b. Credit card lines	3815	0		
1.b c. Commercial real estate, construction, and land development: (1) Commitments to fund loans secured by real estate	3816	74,678		
1.c.1 (2) Commitments to fund loans not secured by real estate	6550	0		
1.c.2 d. Securities underwriting	3817	0		
1.d e. Other unused commitments	3818	2,400,541		
1.e 2. Financial standby letters of credit and foreign office guarantees	3819	54,089		
2. a. Amount of financial standby letters of credit conveyed to others	3820	0		
2.a 3. Performance standby letters of credit and foreign office guarantees	3821	241,654		
3. a. Amount of performance standby letters of credit conveyed to others	3822	73		
3.a 4. Commercial and similar letters of credit	3411	51,259		
4 5. To be completed by banks with $100 million or more in total assets: Participations in acceptances (as described in the instructions) conveyed to others by the reporting bank	3428	0		
5 6. Securities lent (including customers' securities lent where the customer is indemnified against loss by the reporting bank)	3433	4,588,409		
6 7. Notional amount of credit derivatives: a. Credit derivatives on which the reporting bank is the guarantor	A534	0		
7.a b. Credit derivatives on which the reporting bank is the beneficiary	A535	0		
7.b 8. Spot foreign exchange contracts	8765	45,838		
8 9. All other off-balance sheet liabilities (exclude derivatives) (itemize and describe each component of this item over 25% of Schedule RC, item 28, "Total equity capital")	3430	7,137,990		
9 TEXT a. 3432: Securities borrowed	3432	7,137,990		
9.a b. 3434: Commitments to purchase when-issued securities	3434	0		
9.b c. 3555:	3555	0		
9.c d. 3556:	3556	0		
9.d e. 3557:	3557	0		
9. 10. All other off-balance sheet assets (exclude derivatives)(itemize and describe each component of this item over 25% Schedule RC item 28., "Total equity capital")	5591	0		
10 TEXT a. 3435: Commitments to sell when-issued securities	3435	0		
10.a b. 5592:	5592	0		
10.b c. 5593:	5593	0		
10.c d. 5594:	5594	0		
10.d e. 5595:	5595	0		
10.e				

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SCHEDULE RC-L--CONTINUED

Dollar Amounts in Thousands	(Column A)	(Column B)	(Column C)	(Column D)
	Interest Rate Contracts	Foreign Exchange Contracts	Equity Derivative Contracts	Commodity And Other Contracts
Derivatives Position Indicators	Bil Mil Thou	Tril Bil Mil Thou	Tril Bil Mil Thou	Tril Bil Mil Thou
11. Gross amounts (e.g., notional amounts)(for each column, sum of items 11.a through 11.e must equal sum of items 12 and 13):	RCFD 8693	RCFD 8694	RCFD 8695	RCFD 8696
a. Futures contracts	0	0	0	0
11.a	RCFD 8697	RCFD 8698	RCFD 8699	RCFD 8700
b. Forward contracts	0	0	0	0
11.b c. Exchange-traded option contracts:	RCFD 8701	RCFD 8702	RCFD 8703	RCFD 8704
(1) Written options	0	0	0	0
11.c.1	RCFD 8705	RCFD 8706	RCFD 8707	RCFD 8708
(2) Purchased options	0	0	0	0
11.c.2 d. Over-the-counter option contracts:	RCFD 8709	RCFD 8710	RCFD 8711	RCFD 8712
(1) Written options	338,564	0	0	35,538
11.d.1	RCFD 8713	RCFD 8714	RCFD 8715	RCFD 8716
(2) Purchased options	275,722	0	0	35,195
11.d.2	RCFD 3450	RCFD 3826	RCFD 8719	RCFD 8720
e. Swaps	885,191	0	0	20,414
11.e	RCFD A126	RCFD A127	RCFD 8723	RCFD 8724
12. Total gross notional amount of derivative contracts held for trading	1,499,477	0	0	91,147
12				
13. Total gross notional amount of derivative contracts held for	RCFD 8725	RCFD 8726	RCFD 8727	RCFD 8728
purposes other than trading	0	0	0	0
13 a. Interest rate swaps where the bank	RCFD A589			
has agreed to pay a fixed rate	0			
13.a				
14. Gross fair values of derivative contracts:				
a. Contracts held for trading:	RCFD 8733	RCFD 8734	RCFD 8735	RCFD 8736
(1) Gross positive fair value	13,120	0	0	9,730
14.a.1	RCFD 8737	RCFD 8738	RCFD 8739	RCFD 8740
(2) Gross negative fair value	8,921	0	0	9,280
14.a.2				
b. Contracts held for purposes other than trading:	RCFD 8741	RCFD 8742	RCFD 8743	RCFD 8744
(1) Gross positive fair value	0	0	0	0
14.b.1	RCFD 8745	RCFD 8746	RCFD 8747	RCFD 8748
(2) Gross negative fair value	0	0	0	0
14.b.2				

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SCHEDULE RC-M--MEMORANDA

Dollar Amounts in Thousands RCFD Bil Mil Thou

1. Extensions of credit by the reporting bank to its executive officers, directors, principal shareholders, and their related interests as of the report date: a. Aggregate amount of all extensions of credit to all executive officers, directors, principal shareholders and their related interests..... 6164 795 1.a b. Number of executive officers, directors, and principal shareholders to whom the amount of all extensions of credit by the reporting bank (including extensions of credit to related interests) equals or exceeds the lesser of $500,000 or 5 percent of total capital as NUMBER defined for this purpose in agency regulations..... 6165 0 1.b 2. INTANGIBLE ASSETS OTHER THAN GOODWILL: a. Mortgage Servicing Assets..... 3164 0 2.a (1) Estimated fair value of mortgage servicing assets ..... A590 0 2.a.1 b. Purchased credit card relationships and nonmortgage servicing assets..... B026 0 2.b c. All other identifiable intangible assets..... 5507 2,850 2.c d. TOTAL (SUM OF ITEMS 2.a, 2.b, AND 2.c) (MUST EQUAL SCHEDULE RC, ITEM 10.b)..... 0426 2,850 2.d 3. Other real estate owned: a. Direct and indirect investments in real estate ventures..... 5372 0 3.a b. All other real estate owned: RCON (1) CONSTRUCTION, LAND DEVELOPMENT, AND OTHER LAND IN DOMESTIC OFFICES..... 5508 0 3.b.1 (2) Farmland in domestic offices..... 5509 274 3.b.2 (3) 1-4 family residential properties in domestic offices..... 5510 3,551 3.b.3 (4) Multifamily (5 or more) residential properties in domestic offices..... 5511 0 3.b.4 (5) Nonfarm nonresidential properties in domestic offices..... 5512 0 3.b.5 RCFN (6) In foreign offices..... 5513 0 3.b.6 RCFD c. Total (sum of items 3.a and 3.b) (must be equal Schedule RC, item 7)..... 2150 3,825 3.c 4. Investments in unconsolidated subsidiaries and associated companies: a. Direct and indirect investments in real estate ventures..... 5374 0 4.a b. All other investments in unconsolidated subsidiaries and associated companies..... 5375 0 4.b c. Total (sum of items 4.a and 4.b) (must equal Schedule RC, item 8)..... 2130 0 4.c 5. OTHER BORROWED MONEY: a. FEDERAL HOME LOAN BANK ADVANCES: (1) WITH A REMAINING MATURITY OF ONE YEAR OR LESS..... 2651 4,778,000 5.a.1 (2) WITH A REMAINING MATURITY OF MORE THAN ONE YEAR THROUGH THREE YEARS..... B565 200,000 5.a.2 (3) WITH A REMAINING MATURITY OF MORE THAN THREE YEARS..... B566 500,000 5.a.3 b. OTHER BORROWINGS: (1) WITH A REMAINING MATURITY OF ONE YEAR OR LESS..... B571 238,019 5.b.1 (2) WITH A REMAINING MATURITY OF MORE THAN ONE YEAR THROUGH THREE YEARS..... B567 75,433 5.b.2 (3) WITH A REMAINING MATURITY OF MORE THAN THREE YEARS..... B568 81,033 5.b.3 c. TOTAL (SUM OF ITEMS 5.a.(1) THROUGH 5.b.(3) MUST EQUAL SCHEDULE RC, ITEM 16)..... 3190 5,872,485 5.c YES/NO ------ 6. DOES THE REPORTING BANK SELL PRIVATE LIABLE OR THIRD PARTY MUTUAL FUNDS AND ANNUITIES?.. B569 YES 6 RCFD Bil Mil Thou ----------

7. ASSETS UNDER THE REPORTING BANK'S MANAGEMENT IN PROPRIETARY MUTUAL FUNDS AND ANNUITIES?..... B570 0 7

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SCHEDULE RC-N--PAST DUE AND NONACCRUAL LOANS, LEASES, AND OTHER ASSETS

(Column A) (Column B) (Column C) Past due Past due 90 Nonaccrual 30 through 89 days or more days and still and still accruing accruing ---------- ---------- ---------- Dollar Amounts in Thousands RCON Bil Mil Thou RCON Bil Mil Thou RCON Bil Mil Thou ---------- ---------- ---------- ---- ---- ---- ---- ---- ---- 1. Loans secured by real estate: a. CONSTRUCTION, LAND DEVELOPMENT, AND OTHER LAND LOANS IN DOMESTIC OFFICES..... 2759 9,034 2769 2,572 3492 808 1.a b. Secured by farmland in domestic offices..... 3493 3,479 3494 479 3495 4,243 1.b c. Secured by 1-4 family residential properties in domestic offices: (1) Revolving, open-end loans secured by 1-4 family residential properties and extended under lines of credit..... 5398 1,336 5399 153 5400 0 1.c.1 (2) Closed-end loans secured by 1-4 family residential properties..... 5401 19,096 5402 2,841 5403 7,491 1.c.2 d. Secured by multifamily (5 or more) residential properties in domestic offices..... 3499 3,684 3500 0 3501 217 1.d e. Secured by nonfarm nonresidential properties in domestic offices..... 3502 15,251 3503 2,420 3504 12,842 1.e RCFN RCFN RCFN f. IN FOREIGN OFFICES..... B572 0 B573 0 B574 0 1.f 2. Loans to depository institutions and acceptances of other banks: a. To U.S. banks and other U.S. depository RCFD RCFD RCFD institutions..... 5377 0 5378 0 5379 0 2.a b. To foreign banks..... 5380 0 5381 0 5382 0 2.b 3. Loans to finance agricultural production and other loans to farmers..... 1594 13,055 1597 1,423 1583 2,837 3 4. Commercial and industrial loans: a. To U.S. addressees (domicile)..... 1251 70,864 1252 7,047 1253 59,072 4.a b. To non-U.S. addressees (domicile)..... 1254 0 1255 0 1256 0 4.b 5. Loans to individuals for household, family, and other personal expenditures: a. CREDIT CARDS..... B575 18,308 B576 15,006 B577 0 5.a b. OTHER (INCLUDES SINGLE PAYMENT, INSTALLMENT, AND ALL STUDENT LOANS, AND REVOLVING CREDIT PLANS OTHER THAN CREDIT CARDS)..... B578 19,431 B579 13,289 B580 312 5.b 6. Loans to foreign governments and official institutions..... 5389 0 5390 0 5391 0 6 7. All other loans..... 5459 10,088 5460 373 5461 0 7 8. Lease financing receivables: a. Of U.S. addressees (domicile)..... 1257 0 1258 0 1259 115,349 8.a b. Of non-U.S. addressees (domicile)..... 1271 0 1272 0 1791 0 8.b 9. Debt securities and other assets (exclude other real estate owned and other repossessed assets)..... 3505 0 3506 0 3507 0 9

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SCHEDULE RC-N--CONTINUED

Amounts reported in Schedule RC-N, items 1 through 8, above include guaranteed and unguaranteed portions of past due and nonaccrual loans and leases. Report in item 10 below certain guaranteed loans and leases that have already been included in the amounts reported in items 1 through 8.

	(Column A) Past due 30 through 89 days and still accruing	(Column B) Past due 90 or more days and still accruing	(Column C) Nonaccrual
	Dollar Amounts in Thousands	RCFD Bil Mil Thou	RCFD Bil Mil Thou	RCFD Bil Mil Thou
10. Loans and leases reported in items 1 through 8 above which are wholly or partially guaranteed by the U.S. Government	5612 7,933	5613 9,974	5614 127
10.a Guaranteed portion of loans and leases included in item 10 above	5615 7,813	5616 9,950	5617 86

	(Column A) Past due 30 through 89 days and still accruing	(Column B) Past due 90 or more days and still accruing	(Column C) Nonaccrual
MEMORANDA	Dollar Amounts In Thousands	RCFD Bil Mil Thou	RCFD Bil Mil Thou	RCFD Bil Mil Thou
1. Restructured loans and leases included in Schedule RC-N, items 1 through 8, above (and not reported in Schedule RC-C, part I, Memorandum item 1)	1658 0	1659 0	1661 0	M.1
2. Loans to finance commercial real estate, construction, and land development activities (not secured by real estate) included in Schedule RC-N, items 4 and 7, above	6558 0	6559 0	6560 0	M.2
3. Loans secured by real estate, to non-U.S. addresses (domicile) (included in Schedule RC-N, item 1, above)	1248 0	1249 0	1250 0	M.3
4. Not applicable				

	(Column A) Past due 30 through 89 days	(Column B) Past due 90 days or more	
	Dollar Amounts in Thousands	RCON Bil Mil Thou	RCON Bil Mil Thou
5. Interest rate, foreign exchange rate, and other commodity and equity contracts: FAIR VALUE OF AMOUNTS CARRIED AS ASSETS	3529 0	3530 0	M.5

---------- Person to whom questions about the Reports of Condition and Income should be directed: Karen B. Martin, Manager - Regulatory Reporting ----------
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(FAX: Area code/phone number/extension (TEXT 9116)

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SCHEDULE RC-O--OTHER DATA FOR DEPOSIT INSURANCE AND FICO ASSESSMENTS

Dollar Amounts in Thousands RCON Bil Mil Thou

1. Unposted debits (see instructions): a. Actual amount of all unposted debits..... 0030 0 1.a OR b. Separate amount of unposted debits: (1) Actual amount of unposted debits to demand deposits..... 0031 N/A 1.b.1 (2) Actual amount of unposted debits to time and savings deposits(1)..... 0032 N/A 1.b.2 2. Unposted credits (see instructions): a. Actual amount of all unposted credits..... 3510 0 2.a OR b. Separate amount of unposted credits: (1) Actual amount of unposted credits to demand deposits..... 3512 N/A 2.b.1 (2) Actual amount of unposted credits to time and savings deposits(1)..... 3514 N/A 2.b.2 3. Uninvested trust funds (cash) held in bank's own trust department (not included in total deposits in domestic offices)..... 3520 0 3 4. Deposits of consolidated subsidiaries in domestic offices and in insured branches in Puerto Rico and U.S. territories and possessions (not included in total deposits): a. Demand deposits of consolidated subsidiaries..... 2211 41,422 4.a b. Time and savings deposits(1) of consolidated subsidiaries..... 2351 0 4.b c. Interest accrued and unpaid on deposits of consolidated subsidiaries..... 5514 0 4.c 5. Deposits in insured branches in Puerto Rico and U.S. territories and possessions: a. Demand deposits in insured branches (included in Schedule RC-E, Part II..... 2229 0 5.a b. Time and savings deposits(1) in insured branches (included in Schedule RC-E, Part II)..... 2383 0 5.b c. Interest accrued and unpaid on deposits in insured branches (included in Schedule RC-G, item 1.b)..... 5515 0 5.c 6. Reserve balances actually passed through to the Federal Reserve by the reporting bank on behalf of its respondent depository institutions that are also reflected as deposit liabilities of the reporting bank: a. Amount reflected in demand deposits (included in Schedule RC-E, Part I, item 7 or column B)..... 2314 0 6.a b. Amount reflected in time and savings deposits(1) (included in Schedule RC-E, Part I, item 7, column A or C, but not column B)..... 2315 0 6.b 7. Unamortized premiums and discounts on time and savings deposits:(1), (2) a. Unamortized premiums..... 5516 0 7.a b. Unamortized discounts..... 5517 0 7.b 8. TO BE COMPLETED BY BANKS WITH "OAKAR DEPOSITS." a. Deposits purchased or acquired from other FDIC-insured institutions during the quarter (exclude deposits purchased or acquired from foreign offices other than insured branches in Puerto Rico and U.S. territories and possessions): (1) Total deposits purchased or acquired from other FDIC-insured institutions during the quarter..... A531 0 8.a.1 (2) Amount of purchased or acquired deposits reported in item 8.a.(1) above attributable to a secondary fund (i.e., BIF members report deposits attributable to SAIF; SAIF members report deposits attributable to BIF)..... A532 0 8.a.2 b. Total deposits sold or transferred to other FDIC-insured institutions during the quarter (exclude sales or transfers by the reporting bank of deposits in foreign offices other than insured branches in Puerto Rico and U.S. territories and possessions)..... A533 0 8.b

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(1) For FDIC and FICO insurance assessment purposes, "time and savings deposits" consists of nontransaction accounts and all transaction accounts other than demand deposits.

(2) Exclude core deposit intangibles.

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SCHEDULE RC-O--CONTINUED

Dollar Amounts in Thousands RCON Bil Mil Thou

9. Deposits in lifeline accounts..... 5596 9

10. Benefit-responsive "Depository Institution Investment Contracts" (included in total deposits in domestic offices)..... 8432 0 10

11. Adjustments to demand deposits in domestic offices and in insured branches in Puerto Rico and U.S. territories and possessions reported in Schedule RC-E for certain reciprocal demand balances: a. Amount by which demand deposits would be reduced if the reporting bank's reciprocal demand balances with the domestic offices of U.S. banks and savings associations and insured branches in Puerto Rico and U.S. territories and possessions that were reported on a gross basis in Schedule RC-E had been reported on a net basis..... 8785 0 11.a

b. Amount by which demand deposits would be increased if the reporting bank's reciprocal demand balances with foreign banks and foreign offices of other U.S. banks (other than insured branches in Puerto Rico and U.S. territories and possessions) that were reported on a net basis in Schedule RC-E had been reported on a gross basis..... A181 0 11.b

c. Amount by which demand deposits would be reduced if cash items in process of collection were included in the calculation of the reporting bank's net reciprocal demand balances with the domestic offices of U.S. banks and savings associations and insured branches in Puerto Rico and U.S. territories and possessions in Schedule RC-E..... A182 0 11.c

12. Amount of assets netted against deposit liabilities in domestic offices and in insured branches in Puerto Rico and U.S. territories and possessions on the balance sheet (Schedule RC) in accordance with generally accepted accounting principles (exclude amounts related to reciprocal demand balances): a. Amount of assets netted against demand deposits..... A527 0 12.a

b. Amount of assets netted against time and savings deposits..... A528 0 12.b

MEMORANDA (TO BE COMPLETED EACH QUARTER EXCEPT AS NOTED)

Dollar Amounts in Thousands RCON Bil Mil Thou

1. Total deposits in domestic offices of the bank: (sum of Memorandum items 1.a.(1) and 1.b.(1) must equal Schedule RC, item 13.a): a. Deposit accounts of $100,000 or less: (1) Amount of deposit accounts of $100,000 or less..... 2702 8,511,523 M.1.a 1 NUMBER (2) Number of deposit accounts of $100,000 or less (TO BE COMPLETED FOR THE JUNE REPORT ONLY)..... 3779 1,945,518 M.1.a 2

b. Deposit accounts of more than $100,000: (1) Amount of deposit accounts of more than $100,000..... 2710 13,242,460 M.1.b 1 NUMBER (2) Number of deposit accounts of more than $100,000..... 2722 13,853 M.1.b 2

2. Estimated amount of uninsured deposits in domestic offices of the bank: a. An estimate of your bank's uninsured deposits can be determined by multiplying the number of deposit accounts of more than $100,000 reported in Memorandum item 1.b.(2) above by $100,000 and subtracting the result from the amount of deposit accounts of more than $100,000 reported in Memorandum item 1.b.(1) above. RCON YES/NO ---- ------ Indicate in the appropriate box at right whether your bank has a method or procedure for determining a better estimate of uninsured deposits than the estimate described above..... 6861 NO M.2.a

b. If the box marked YES has been checked, report the estimate of uninsured deposits determined by using your bank's method or procedure..... Bil Mil Thou 5597 0 M.2.b

3. Has the reporting institution been consolidated with a parent bank or savings association in that parent bank's or parent savings association's Call Report or Thrift Financial Report? If so, report the legal title and FDIC Certificate Number of the parent bank or parent savings association: RCON FDIC Cert No. TEXT ---- -------------

A545..... A545 N/A M.3

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SCHEDULE RC-R--REGULATORY CAPITAL

Dollar Amounts in Thousands RCFD Bil Mil Thou

---------- TIER 1 CAPITAL 1. Total equity capital (from Schedule RC, item 28)..... 3210 3,249,581 1 2. LESS: Net unrealized gains (losses) on available-for-sale securities(1) (if a gain, report as a positive value; if a loss, report as a negative value)..... 8434 36,069 2 3. LESS: Net unrealized loss on available-for-sale EQUITY securities(1) (report loss as a positive value)..... A221 2,249 3 4. LESS: Accumulated net gains (losses) on cash flow hedges(1) (if a gain, report as a positive value; if a loss, report as a negative value..... 4336 0 4 5. LESS: Nonqualifying perpetual preferred stock..... B588 0 5 6. Qualifying minority interests in consolidated subsidiaries..... B589 0 6 7. LESS: Disallowed goodwill and other disallowed intangible assets..... B590 14,086 7 8. LESS: Disallowed servicing assets and purchased credit card relationships..... B591 0 8 9. LESS: Disallowed deferred tax assets..... 5610 0 9 10. Other additions to (deductions from) Tier 1 capital..... B592 0 10 11. Tier 1 capital (sum of items 1, 6, and 10, less items 2, 3, 4, 5, 7, 8, and 9)..... 8274 3,066,177 11 TIER 2 CAPITAL 12. Qualifying subordinated debt and redeemable preferred stock..... 5306 0 12 13. Cumulative perpetual preferred stock includible in Tier 2 capital..... B593 0 13 14. Allowance for loan and lease losses includible in Tier 2 capital..... 5310 277,506 14 15. Unrealized gains on available-for-sale equity securities includible in Tier 2 capital..... 2221 0 15 16. Other Tier 2 capital components..... B594 0 16 17. Tier 2 capital (sum of items 12 through 16)..... 5311 277,506 17 18. Allowable Tier 2 capital (lesser of item 11 or 17)..... 8275 277,506 18 19. Tier 3 capital allocated for market risk..... 1395 0 19 20. LESS: Deductions for total risk-based capital..... B595 0 20 21. Total risk-based capital (sum of items 11, 18, and 19, less item 20)..... 3792 3,343,683 21 TOTAL ASSETS FOR LEVERAGE RATIO 22. Average total assets (from Schedule RC-K, item 9)..... 3368 44,638,314 22 23. LESS: Disallowed goodwill and other disallowed intangible assets (from item 7 above)..... B590 145,086 23 24. LESS: Disallowed servicing assets and purchased credit card relationships (from item 8 above)..... B591 0 24 25. LESS: Disallowed deferred tax assets (from item 9 above)..... 5610 0 25 26. LESS: Other deductions from assets for leverage capital purposes..... B596 0 26 27. Average total assets for leverage capital purposes (item 22 less items 23 through 26)..... A224 44,493,228 27 ADJUSTMENTS FOR FINANCIAL SUBSIDIARIES 28. Adjustment to total risk-based capital reported in item 21..... B503 0 28 29. Adjustment to risk-weighted assets in item 62..... B504 0 29 30. Adjustment to average total assets reported in item 27..... B505 0 30

CAPITAL RATIOS
(Column B is to be completed by all banks. Column A is to be completed by all banks with financial subsidiaries)

(Column A) (Column B) RCFD Percentage RCFD Percentage ---------- ---------- 31. Tier 1 leverage ratio(2)..... 7273 N/A 7204 6.89% 31 32. Tier 1 risk-based capital ratio(3)..... 7274 N/A 7206 11.89% 32 33. Total risk-based capital ratio(4)..... 7275 N/A 7205 12.97% 33

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(1) Report amount included in Schedule RC, item 26.b, "Accumulated other comprehensive income."
(2) The ratio for column B is item 11 divided by item 27. The ratio for column A is item 11 minus one half of item 28 divided by (item 27).
(3) The ratio for column B is item 11 divided by item 62. The ratio for column A is item 11 minus one half of item 28 divided by (item 62).
(4) The ratio for column B is item 21 divided by item 62. The ratio for column A is item 21 minus item 28 divided by (item 62 minus item

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SCHEDULE RC-R--CONTINUED

Banks are not required to risk-weight each on-balance sheet asset and the credit equivalent amount of each off-balance sheet item that qualifies for a risk weight of less than 100 percent (50 percent for derivatives) at its lower risk rate. When completing items 34 through 54 of Schedule RC-R, each bank should decide for itself how detailed a risk-weight analysis it wishes to perform. In other words, a bank can choose from among its assets and off-balance sheet items that have a risk weight of less than 100 percent which ones to risk-weight at an appropriate lower risk, or it can simply risk weight some or all of these items at a 100 percent risk weight (50 percent for derivatives).

(Column A) (Column B) (Column C) (Column D) (Column E) (Column F)

	Totals Items Not Allocation by Risk Weight Category (from Subject to BALANCE SHEET ASSET CATEGORIES Schedule RC)	Risk-Weighting 0%	20%	50%	100%
	Dollar Amounts in Thousands	Bil Mil Thou	Bil Mil Thou	Bil Mil Thou	Bil Mil Thou
- 34.	Cash and balances due from depository institutions (Column A equals the sum of Schedule RC, RCFD 0010 RCFD B600 RCFD B601 RCFD B602 items 1.a and 1.b).....	1,551,755	210,173	1,341,582	0
34	RCFD 1754 RCFD B603 RCFD B604 RCFD B605 RCFD B606 RCFD B607				
35.	Held-to-maturity securities.....	0	0	0	0
35	RCFD 1773 RCFD B608 RCFD B609 RCFD B610 RCFD B611 RCFD B612				
36.	Available-for-sale securities.....	2,060,059	58,342	686,819	810,423
36					
37.	Federal funds sold and securities purchased under agreements to resell.....	91,064	413,411	3,186,756	0
37	RCFD 5369 RCFD B617 RCFD B618 RCFD B619 RCFD B620 RCFD B621				
38.	Loans and leases held for sale.....	12,405,215	0	0	370,000
38					
39.	Loans and leases, net of unearned income(1).....	12,035,215	0	0	18,568,274
39	RCFD B528 RCFD B622 RCFD B623 RCFD B624 RCFD B625 RCFD B626				
40.	LESS: Allowance for loan and lease losses.....	2,882,418	1,424,988	14,260,868	277,506
40	RCFD 3123 RCFD 3123				
41.	Trading assets.....	277,506	40	RCFD 3545 RCFD B627 RCFD B628 RCFD B629 RCFD B630 RCFD B631	
41					
42.	All other assets(2).....	31,782	28,286	0	3,496
42	RCFD B639 RCFD B640 RCFD B641 RCFD B642 RCFD B643 RCFD 5339				
43.	Total assets (sum of items 34 through 42).....	1,626,835	145,086	52,314	273,900
43	RCFD 2170 RCFD B644 RCFD 5320 RCFD 5327 RCFD 5334 RCFD 5340				
		39,153,170	(45,792)	949,306	8,868,575
		13,551,267	15,829,814		

(1) Include any allocated transfer risk reserve in column B.

(2) Includes premises and fixed assets, other real estate owned, investments in unconsolidated subsidiaries and associated companies, customers' liability on acceptances outstanding, intangible assets, and other assets.

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SCHEDULE RC-R--CONTINUED

(Column A) (Column B) Face Value Credit or Notional Equivalent Amount Credit Amount(1) Conversion Dollar Amounts in Thousands Bil Mil Thou Factor Bil Mil Thou

DERIVATIVES AND OFF-BALANCE SHEET ITEMS
RCFD 3819 RCFD B645 44. Financial standby letters of credit..... 54,089 1.00 54,089 45. Performance standby letters of RCFD 3821 RCFD B650 credit..... 241,654 .50 120,827 46. Commercial and similar letters RCFD 3411 RCFD B655 of credit..... 51,259 .20 10,252 47. Risk participation in bankers acceptances acquired by the RCFD 3429 RCFD B660 reporting institution..... 0 1.00 0 RCFD 3433 RCFD B664 48. Securities lent..... 4,588,409 1.00 4,588,409 49. Retained recourse on small business RCFD A250 RCFD B669 obligations sold with recourse..... 0 1.00 0 50. Retained recourse on financial assets RCFD 1727 *Below RCFD 2243 sold with low-level recourse..... 0 12.5 0 51. All other financial assets sold with RCFD B675 RCFD B676 recourse..... 0 1.00 0 52. All other off-balance sheet RCFD B681 RCFD B682 liabilities..... 0 1.00 0 53. Unused commitments with an original RCFD 3833 RCFD B687 maturity exceeding one year..... 1,085,334 .50 542,667 RCFD A167 54. Derivative contracts..... 36,014

(Column C) (Column D) (Column E) (Column F) Allocation by Risk Weight Category

0% 20% 50% 100%

Dollar Amounts in Thousands Bil Mil Thou Bil Mil Thou Bil Mil Thou Bil Mil Thou

DERIVATIVES AND OFF-BALANCE SHEET ITEMS RCFD B646 RCFD B647 RCFD B648 RCFD B649 44. Financial standby letters of credit..... 0 0 0 54,089 44 45. Performance standby letters of RCFD B651 RCFD B652 RCFD B653 RCFD B654 credit..... 0 0 0 120,827 45 46. Commercial and similar letters RCFD B656 RCFD B657 RCFD B658 RCFD B659 of credit..... 0 0 0 10,252 46 47. Risk participation in bankers acceptances acquired by the RCFD B661 RCFD B662 RCFD B663 reporting institution..... 0 0 0 47 RCFD B665 RCFD B666 RCFD B667 RCFD B668 48. Securities lent..... 0 4,588,409 0 0 48 49. Retained recourse on small business RCFD B670 RCFD B671 RCFD B672 RCFD B673 obligations sold with recourse..... 0 0 0 0 49 50. Retained recourse on financial assets RCFD B674 sold with low-level recourse..... 0 50 51. All other financial assets sold with RCFD B677 RCFD B678 RCFD B679 RCFD B680 recourse..... 0 0 0 0 51 52. All other off-balance sheet RCFD B683 RCFD B684 RCFD B685 RCFD B686 liabilities..... 0 0 0 0 52 53. Unused commitments with an original RCFD B688 RCFD B689 RCFD B690 RCFD B691 maturity exceeding one year..... 0 0 514,630 28,038 53

RCFD B693 RCFD B694 RCFD B695 54.
Derivative
contracts..... 0 9,676
26,338 54

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* Or institution-specific factor.
(1) Column A multiplied by credit conversion factor.

WELLS FARGO BANK MINNESOTA, N.A. | FFIEC 031
Legal Title of Bank | RC-24

FDIC Certificate Number - 05208 | 34

SCHEDULE RC-R--CONTINUED

(Column C)	(Column D)	(Column E)	(Column F)
- Allocation by Risk Weight Category			
0%	20%	50%	100%
Dollar Amounts in Thousands			
Bil Mil Thou	Bil Mil Thou	Bil Mil Thou	Bil Mil Thou
TOTALS 55. Total assets, derivatives, and off-balance sheet items by risk weight category (for each column, RCFD B696 RCFD B697 RCFD B698 RCFD B699 sum of items 43 through 54).....	949,306	13,466,660	14,092,235
16,043,020			
55 56. Risk weight factor.....	*0%	*20%	*50%
*100%			
56 57. Risk-weighted assets by risk weight category (for RCFD B700 RCFD B701 RCFD B702 RCFD B703 each column, item 55 multiplied by item 56).....	0	2,693,332	7,046,118
16,043,020			
57 RCFD 1651 58. Market risk equivalent assets.....	0		
58 59. Risk-weighted assets before deductions for excess allowance for loan and leases losses and allocated transfer risk reserve (sum of item 57, columns C RCFD B704 through F, and item 58).....			
25,782,470			
59 RCFD A222 60. LESS: Excess allowance for loan and lease losses....	0		
60 RCFD 3128 61. LESS: Allocated transfer risk reserve.....	0		
61 62. Total risk-weighted assets (item 59 minus items 6 RCFD A223 and 61).....			
25,782,470			
62			

Memoranda			
Dollar Amounts in Thousands			
RCFD Bil Mil Thou			
1. Current credit exposure across all derivative contracts covered by the risk-based capital standards.....			
8764	22,850	M.1	

With a remaining maturity of			
(Column A)	(Column B)	(Column C)	
One Year Over one year Over or less through Five years five years			
2. Notional principal amounts of derivative contracts:(1)			
RCFD Tril Bil Mil Thou	RCFD Tril Bil Mil Thou	RCFD Tril Bil Mil Thou	
a. Interest rate contracts.....	3809	257,322	8766
628,811	8767	274,780	M.2.a
b. Foreign exchange contracts.....	3812	0	8769
0	8770	0	M.2.b
c. Gold contracts.....			
8771	0	8772	0
8773	0	M.2.c	
d. Other precious metals contracts.....	8774	0	8775
0			

8776 0 M.2.d e. Other commodity contracts..... 8777 38,752 8778 16,857 8779 0 M.2.e f. Equity derivative contracts..... A000 0 A001 0 A002 0 M.2.f

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(1) Exclude foreign exchange contracts with an original maturity of 14 days or less and all futures contracts.

WELLS FARGO BANK MINNESOTA, N.A. FFIEC 031
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SCHEDULE RC-S--SECURITIZATION AND ASSET SALE ACTIVITIES

ALL OF SCHEDULE RC-S IS TO BE COMPLETED BEGINNING JUNE 30, 2001.

	(Column A)	(Column B)	(Column C)	(Column D)	(Column E)	(Column F)	(Column G)
	Dollar Amounts in Thousands	1-4 Family Residential Loans	Home Equity Loans	Credit Card Receivables	Auto Loans	Other Consumer Loans	All Other Leases
	Bil Mil Thou	Bil Mil Thou	Bil Mil Thou	Bil Mil Thou	Bil Mil Thou	Bil Mil Thou	Bil Mil Thou
BANK SECURITIZATION ACTIVITIES 1. Outstanding principal balance of assets sold and securitized by the reporting bank with servicing retained or with recourse or other seller-provided credit	RCFD B705	RCFD B706	RCFD B707	RCFD B708	RCFD B709	RCFD B710	RCFD B711
enhancements							
	0	0	0	0	0	0	1
2. Maximum amount of credit exposure arising from recourse or other seller-provided credit enhancements provided to structures reported in item 1 in the form of: a. Retained interest-only strips (included in Schedules RC-B or RC-F or in Schedule RC,	RCFD B712	RCFD B713	RCFD B714	RCFD B715	RCFD B716	RCFD B717	RCFD B718
item 5)							
	0	0	0	0	0	0	0
2.a b. Standby letters of credit, subordinated securities, and other	RCFD B719	RCFD B720	RCFD B721	RCFD B722	RCFD B723	RCFD B724	RCFD B725
enhancements							
	0	0	0	0	0	0	0
2.b 3. Reporting bank's unused commitments to provide liquidity to structures	RCFD B726	RCFD B727	RCFD B728	RCFD B729	RCFD B730	RCFD B731	RCFD B732
reported in							

item 1 ..... 0 0
0 0 0 0 0 3 4. Past
due loan amounts
included in item 1:
RCFD B733 RCFD B734
RCFD B735 RCFD B736
RCFD B737 RCFD B738
RCFD B739 a. 30-89
days past due .....
0 0 0 0 0 0 0 4.a b.
90 days or more past
RCFD B740 RCFD B741
RCFD B742 RCFD B743
RCFD B744 RCFD B745
RCFD B746 due
.....
0 0 0 0 0 0 0 4.b 5.
Charge-offs and
recoveries on assets
sold and securitized
with servicing
retained or with
recourse or other
seller-provided
credit enhancements
(calendar year-to-
date): RIAD B747
RIAD B748 RIAD B749
RIAD B750 RIAD B751
RIAD B752 RIAD B753
a. Charge-offs
..... 0 0 0
0 0 0 0 5.a RIAD
B754 RIAD B755 RIAD
B756 RIAD B757 RIAD
B758 RIAD B759 RIAD
B760 b. Recoveries
..... 0 0 0
0 0 0 0 5.b

WELLS FARGO BANK MINNESOTA, N.A. FFIEC 031

RC-26

Legal Title of Bank

FDIC Certificate Number - 05208 36

SCHEDULE RC-S--CONTINUED

(Column A)	(Column B)	(Column C)	(Column D)	(Column E)	(Column F)	(Column G)
	Commercial Loans	1-4 Family Residential Loans	Home Equity Loans	Credit Card Receivables	Other Consumer Loans	All Other Loans and Leases
	Dollar Amounts in Thousands					
6. Amount of ownership (or seller's) interest carried as: a. Securities (included in RC-B RCFD B761 RCFD B762 RCFD B763 or RC, item 5)	0	0	0			
6.a b. Loans (included in Schedule RCFD B500 RCFD B501 RCFD B502 RC-C)	0	0	0			
6.b 7. Past due loan amounts included in interests reported in item 6.a: RCFD B764 RCFD B765 RCFD B766 a. 30-89 days past due	0	0	0			
7.a RCFD B767 RCFD B768 RCFD B769 b. 90 days or more past due	0	0	0			
7.b 8. Charge-offs and recoveries on loan amounts included in interest reported in item 6.a (calendar year-to-date): RIAD B770 RIAD B771 RIAD B772 a. Charge-offs	0	0	0			
8.a RIAD B773 RIAD B774 RIAD B775 b. Recoveries	0	0	0			
8.b FOR SECURITIZATION FACILITIES SPONSORED BY OR OTHERWISE ESTABLISHED BY OTHER INSTITUTIONS 9. Maximum amount of credit exposure arising from credit enhancements provided by the reporting bank to other institutions' securitization structures in the form of standby letters of credit, purchased subordinated securities, and other RCFD B776 RCFD B777 RCFD B778 RCFD B779 RCFD B780 RCFD B781 RCFD B782 enhancements	0	0	0	0	0	0
9 10. Reporting bank's unused commitments to provide liquidity to other institutions' RCFD B783 RCFD B784 RCFD B785 RCFD B786 RCFD B787 RCFD B788 RCFD B789 securitization structures	0	0	0	0	0	0

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FDIC Certificate Number - 05208 37

SCHEDULE RC-R--CONTINUED

(Column A)	(Column B)	(Column C)	(Column D)	(Column E)	(Column F)	(Column F)
1-4 Family Home Credit	Auto Other	Commercial All Other	Residential Equity Card	Loans Consumer and	Industrial Loans and	Loans Loans
Receivables	Loans Loans	All Leases -	--- Dollar Amounts in Thousands			
Bil Mil Thou	Bil Mil Thou	Bil Mil Thou	Bil Mil Thou	Bil Mil Thou	Bil Mil Thou	Bil Mil Thou
BANK ASSET SALES 11. Assets sold with recourse or other seller-provided credit enhancements and not securitized by the RCFD	B790 RCFD	B791 RCFD	B792 RCFD	B793 RCFD	B794 RCFD	B795 RCFD
B796 reporting bank						
0 0 0 0 0 0 0	0 11 12. Maximum amount of credit exposure arising from recourse or other seller-provided credit enhance-ments					

provided to
assets RCFD
B797 RCFD
B798 RCFD
B799 RCFD
B800 RCFD
B801 RCFD
B802 RCFD
B803
reported in
item 11.
..... 0 0
0 0 0 0 0 12

MEMORANDUM ITEMS 1, 2, AND 3 ARE TO BE COMPLETED BEGINNING JUNE 30, 2001.

Memoranda

Dollar Amounts in Thousands RCFD Bil Mil Thou ----------

--- 1. Small Business obligations transferred with recourse under Section 208 of the Riegle Community Development and Regulatory Improvement Act of 1994: a. Outstanding Principal balance..... A249 0 M.1.a b. Amount of retained recourse on these obligations as of the report date..... A250 0 M.1.b 2. Outstanding principal balance of assets serviced for others: a. 1-4 family residential mortgages serviced with recourse or other servicer-provided credit enhancements..... B804 0 M.2.a b. 1-4 family residential mortgages serviced with no recourse or other servicer-provided credit enhancements..... B805 326 M.2.b c. Other financial assets(1)..... A591 123,223 M.2.c 3. Asset-backed commercial paper conduits: a. Maximum amount of credit exposure arising from credit enhancements provided to conduit structures in the form of standby let credit, subordinated securities, and other enhancements. (1) Conduits sponsored by the bank, a bank affiliate, or the bank's holding company..... B806 0 M.3.a.1 (2) Conduits sponsored by other unrelated institutions..... B807 0 M.3.a.2 b. Unused commitments to provide liquidity to conduit structures: (1) Conduits sponsored by the bank, a bank affiliate, or the bank's holding company..... B808 0 M.3.b.1 (2) Conduits sponsored by other unrelated institutions..... B809 0 M.3.b.2

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(1) Memorandum item 2.c is to be completed beginning June 30, 2001, if the principal balance of other financial assets serviced for others is more than $10 million.

FFIEC 031
RC-31

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OPTIONAL NARRATIVE STATEMENT CONCERNING THE AMOUNTS
REPORTED IN THE REPORTS OF CONDITION AND INCOME
at close of business on June 30, 2001

Wells Fargo Bank Minnesota, N.A.	Minneapolis	MN
LEGAL TITLE OF BANK	CITY	STATE

The management of the reporting bank may, if it wishes, submit a brief narrative statement on the amounts reported in the Reports of Condition and Income. This optional statement will be made available to the public, along with the publicly available data in the Reports of Condition and Income, in response to any request for individual bank report data. However, the information reported in Schedule RC-T, items 12 through 23 and Memorandum item 4, is regarded as confidential and will not be released to the public. BANKS CHOOSING TO SUBMIT THE NARRATIVE STATEMENT SHOULD ENSURE THAT THE STATEMENT DOES NOT CONTAIN THE NAMES OR OTHER IDENTIFICATIONS OF INDIVIDUAL BANK CUSTOMERS, REFERENCES TO THE AMOUNTS REPORTED IN THE CONFIDENTIAL ITEMS IN SCHEDULE RC-N, OR ANY OTHER INFORMATION THAT THEY ARE NOT WILLING TO HAVE MADE PUBLIC OR THAT WOULD COMPROMISE THE PRIVACY OF THEIR CUSTOMERS. Banks choosing not to make a statement may check the "No comment" box below and should make no entries of any kind in the space provided for the narrative statement; i.e., DO NOT enter in this space such phrases as "No statement," "Not applicable," "N/A," "No Comment," and "None."

The optional statement must be entered on this sheet. The statement should not exceed 100 words. Further, regardless of the number of words, the statement must not exceed 750 characters, including punctuation, indentation, and standard spacing between words and sentences. If any submission should exceed 750 characters, as defined, it will be truncated at 750 characters with no notice to the submitting bank and the truncated statement will appear as the bank's statement both on agency computerized records and in computer-file releases to the public.

All information furnished by the bank in the narrative statement must be accurate and not misleading. Appropriate efforts shall be taken by the submitting bank to ensure the statement's accuracy. The statement must be signed, in the space provided below, by a senior officer of the bank who thereby attests to its accuracy.

If, subsequent to the original submission, material changes are submitted for the data reported in the Reports of Condition and Income, the existing narrative statement will be deleted from the files, and from disclosure; the bank, at its option, may replace a statement, under signature, appropriate to the amended data.

The optional narrative statement will appear in agency records and in release to the public exactly as submitted (or amended as described in the preceding paragraph) by the management of the bank (except for the truncation of the statements exceeding the 750-character limit described above). THE STATEMENT WILL NOT BE EDITED OR SCREENED IN ANY WAY BY THE SUPERVISORY AGENCIES FOR ACCURACY OR RELEVANCE. DISCLOSURE OF THE STATEMENT SHALL NOT SIGNIFY THAT ANY FEDERAL SUPERVISORY AGENCY HAS VERIFIED OR CONFIRMED THE ACCURACY OF THE INFORMATION CONTAINED THEREIN. A STATEMENT TO THIS EFFECT WILL APPEAR ON ANY PUBLIC RELEASE OF THE OPTIONAL STATEMENT SUBMITTED BY THE MANAGEMENT OF THE REPORTING BANK.

X = NO COMMENT Y = COMMENT ..... [6979] [X]

BANK MANAGEMENT STATEMENT (please type or print clearly):
TEXT (70 CHARACTERS PER LINE)

6980----------

SIGNATURE OF EXECUTIVE OFFICER OF BANK DATE OF SIGNATURE

THIS PAGE IS TO BE COMPLETED BY ALL BANKS

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NAME AND ADDRESS OF BANK

WELLS FARGO BANK MINNESOTA, N.A.
SIXTH STREET AND MARQUETTE AVENUE
MINNEAPOLIS, MN 55479

OMB No. For OCC: 1557-0081
OMB No. For FDIC: 3064-0052
OMB No. For Federal Reserve: 7100-0036
Expiration Date: 3/31/2004

SPECIAL REPORT
(Dollar Amounts in Thousands)

CLOSE OF BUSINESS DATE	FDIC Certificate Number
6/30/2001	5208

LOANS TO EXECUTIVE OFFICERS (COMPLETE AS OF EACH CALL REPORT DATE)

The following information is required by Public Laws 90-44 and 1020-242, but does not constitute a part of the Report of Condition. With each Report of Condition, these Laws require all banks to furnish a report of all loans or other extensions of credit to their executive officers made since the date of the previous Report of Condition. Data regarding individual loans or other extensions of credit are not required. If no such loans or other extensions of credit were made during the period, insert "none" against subitem (a). (Exclude the first $15,000 of indebtedness of each executive officer under bank credit card plan.)

SEE SECTIONS 215.2 AND 215.3 OF TITLE 12 OF THE CODE OF FEDERAL REGULATIONS (FEDERAL RESERVE BOARD REGULATION O) FOR THE DEFINITIONS OF "EXECUTIVE OFFICER" AND "EXTENSION OF CREDIT," RESPECTIVELY. EXCLUDE LOANS AND OTHER EXTENSIONS OF CREDIT TO DIRECTORS AND PRINCIPAL SHAREHOLDERS WHO ARE NOT EXECUTIVE OFFICERS.

		RCFD		
a. Number of loans made to executive officers since the previous Call Report date.....		3561	0	a
b. Total dollar amount of above loans (in thousands of dollars).....		3562	0	b
c. Range of interest charged on above loans	FROM		TO	
(example: 9-3/4% = 9.75).....	7701 0.00%	7702	0.00%	c

/s/ JAMES E. HANSON VICE PRESIDENT — 7/27/2001

SIGNATURE AND TITLE OF OFFICER AUTHORIZED TO SIGN REPORT — DATE (Month, Day, Year)

FDIC 8040/53 (3-01)

EXHIBIT 99.1

LETTER OF TRANSMITTAL

TO TENDER
OUTSTANDING 10.625% SENIOR NOTES DUE 2008
OF

HORNBECK-LEEVAC MARINE SERVICES, INC.

PURSUANT TO THE EXCHANGE OFFER AND PROSPECTUS DATED _____, 2001

The Exchange Offer and Withdrawal Rights will expire at 5:00 p.m., New York City time, on _____, 2001 (the "Expiration Date"), unless the Exchange Offer is extended by the Company.

THE EXCHANGE AGENT FOR THE EXCHANGE OFFER IS:

WELLS FARGO BANK MINNESOTA, NATIONAL ASSOCIATION

By Mail: By Overnight Courier and By Facsimile: Wells Fargo Bank Minnesota, By Hand Delivery (860) 704-6219 National Association Wells Fargo Bank 213 Court St. Minnesota, Confirm By Telephone: Suite 902 National Association (860) 704-8216 Middletown, CT 06457 213 Court St. Attention: Robert Reynolds Suite 902 Vice President Middletown, CT 06457 (registered or certified mail Attention: Robert Reynolds recommended) Vice President (registered or certified mail recommended)

DELIVERY OF THIS LETTER OF TRANSMITTAL TO AN ADDRESS OTHER THAN AS SET FORTH ABOVE OR TRANSMISSION OF INSTRUCTIONS VIA A FACSIMILE TRANSMISSION TO A NUMBER OTHER THAN AS SET FORTH ABOVE WILL NOT CONSTITUTE A VALID DELIVERY.

IF YOU WISH TO EXCHANGE CURRENTLY OUTSTANDING 10.625% SENIOR NOTES DUE 2008 (THE "OUTSTANDING NOTES") FOR AN EQUAL AGGREGATE PRINCIPAL AMOUNT AT MATURITY OF NEW 10.625% SENIOR NOTES DUE 2008 PURSUANT TO THE EXCHANGE OFFER, YOU MUST VALIDLY TENDER (AND NOT WITHDRAW) OUTSTANDING NOTES TO THE EXCHANGE AGENT PRIOR TO THE EXPIRATION DATE.

The undersigned hereby acknowledges receipt and review of the Prospectus, dated _____, 2001 (the "Prospectus"), of HORNBECK-LEEVAC Marine Services, Inc., a Delaware corporation (the "Company"), and this Letter of Transmittal (the "Letter of Transmittal"), which together describe the Company's offer (the "Exchange Offer") to exchange its 10.625% Senior Notes due 2008 (the "New Notes") that have been registered under the Securities Act of 1933, as amended (the "Securities Act"), for a like principal amount of its issued and outstanding 10.625% Senior Notes due 2008 (the "Outstanding Notes"). Capitalized terms used but not defined herein have the respective meaning given to them in the Prospectus.

The Company reserves the right, at any time or from time to time, to extend the Exchange Offer at its discretion, in which event the term "Expiration Date" shall mean the latest date to which the Exchange Offer is extended. The Company shall notify the Exchange Agent and each registered holder of the Outstanding Notes of any extension by oral or written notice prior to 9:00 a.m., New York City time, on the next business day after the previously scheduled Expiration Date.

This Letter of Transmittal is to be used by a holder of Outstanding Notes if Outstanding Notes are to be forwarded herewith. An Agent's Message (as defined in the next sentence) is to be used if delivery of Outstanding Notes is to be made by book-entry transfer to the account maintained by the Exchange Agent at The Depository Trust Company (the "Book-Entry Transfer Facility") pursuant to the procedures set forth in the Prospectus under the caption "Exchange Offer-Procedures for Tendering." The term "Agent's Message" means a message, transmitted by the Book-Entry Transfer Facility and received by the Exchange Agent and forming a part of the confirmation of a book-entry transfer ("Book-Entry Confirmation"), which states that the Book-Entry Transfer Facility has received an express acknowledgment from a participant tendering Outstanding Notes that are the subject of such Book-Entry Confirmation and that such participant has received and agrees to be bound by the terms of the Letter of Transmittal and that the Company may enforce such agreement against such participant. Holders of Outstanding Notes whose Outstanding Notes are not immediately available, or who are unable to deliver their Outstanding Notes and all other documents required by this Letter of Transmittal to the Exchange Agent on or prior to the Expiration Date, or who are unable to complete the procedure for book-entry, transfer on a timely basis, must tender their Outstanding Notes according to the guaranteed delivery procedures set forth in the Prospectus under the caption "Exchange Offer-Guaranteed Delivery Procedures." Delivery of documents to the Book-Entry Transfer Facility does not constitute delivery to the Exchange Agent.

The term "holder" with respect to the Exchange Offer means any person in whose name Outstanding Notes are registered on the books of the Company or any other person who has obtained a properly completed bond power from such registered holder. The undersigned has completed, executed and delivered this Letter of Transmittal to indicate the action the undersigned desires to take with respect to the Exchange Offer. Holders who wish to tender their Outstanding Notes must complete this Letter of Transmittal in its entirety.

SIGNATURES MUST BE PROVIDED
PLEASE READ THE ACCOMPANYING INSTRUCTIONS CAREFULLY.

Ladies and Gentlemen:

1. The undersigned hereby tenders to the Company the Outstanding Notes described in the box entitled "Description of Outstanding Notes Tendered" pursuant to the Company's offer of $1,000 principal amount at maturity of New Notes in exchange for each $1,000 principal amount at maturity of the Outstanding Notes, upon the terms and subject to the conditions contained in the Prospectus, receipt of which is hereby acknowledged, and in this Letter of Transmittal.

2. The undersigned hereby represents and warrants that it has full authority to tender the Outstanding Notes described above. The undersigned will, upon request, execute and deliver any additional documents deemed by the Company to be necessary or desirable to complete the tender of Outstanding Notes.

3. The undersigned understands that the tender of the Outstanding Notes pursuant to all of the procedures set forth in the Prospectus will constitute an agreement between the undersigned and the Company as to the terms and conditions set forth in the Prospectus.

4. The undersigned acknowledge(s) that the Exchange Offer is being made in reliance upon interpretations contained in no-action letters issued to third parties by the staff of the Securities and Exchange Commission (the "SEC"), including Exxon Capital Holdings Corp., SEC No-Action Letter (available April 13, 1989), Morgan Stanley & Co., Inc., SEC No-Action Letter (available June 5, 1991) and Shearman & Sterling, SEC No-Action Letter (available July 2, 1993), that the New Notes issued in exchange for the Outstanding Notes pursuant to the Exchange Offer may be offered for resale, resold and otherwise transferred by holders thereof (other than a broker-dealer who purchased Outstanding Notes exchanged for such New Notes directly from the Company to resell pursuant to Rule 144A or any other available exemption under the Securities Act of 1933, as amended (the "Securities Act") and any such holder that is an "affiliate" of the Company within the meaning of Rule 405 under the Securities Act), without compliance with the registration and prospectus delivery provisions of the Securities Act, provided that such New Notes are acquired in the ordinary course of such holders' business and such holders are not participating in, and have no arrangement with any person to participate in, the distribution of such New Notes.

5. Unless the box under the heading "Special Registration Instructions" is checked, the undersigned hereby represents and warrants that:

a. the New Notes acquired pursuant to the Exchange Offer are being obtained in the ordinary course of business of the undersigned, whether or not the undersigned is the holder;

b. neither the undersigned nor any such other person is engaging in or intends to engage in a distribution of such New Notes;

c. neither the undersigned nor any such other person has an arrangement or understanding with any person to participate in the distribution of such New Notes; and

d. neither the holder nor any such other person is an "affiliate," as such term is defined under Rule 405 promulgated under the Securities Act, of the Company.

6. The undersigned may, if unable to make all of the representations and warranties contained in Item 5 above and as otherwise permitted in the Registration Rights Agreement (as defined below), elect to have its Outstanding Notes registered in the shelf registration statement described in the Registration Rights Agreement, dated as of April 6, 2001 (the "Registration Rights Agreement"), by and among the Company, the Subsidiary Guarantors (as defined therein) and the Initial Purchasers (as defined therein). Such election may be made by checking the box below entitled "Special Registration Instructions." By making such election, the undersigned agrees, as a holder of Outstanding Notes participating in a shelf registration, to indemnify and hold harmless the Company, each of the directors of the Company, each of the officers of the Company who signs such shelf registration statement, each person who controls the Company within the meaning of either the Securities Act or the

Securities Exchange Act of 1934, as amended (the "Exchange Act"), and each other holder of Outstanding Notes, from and against any and all losses, claims, damages or liabilities caused by any untrue statement or alleged untrue statement of a material fact contained in any shelf registration statement or prospectus, or in any supplement thereto or amendment thereof, or caused by the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; but only with respect to information relating to the undersigned furnished in writing by or on behalf of the undersigned expressly for use in a shelf registration statement, a prospectus or any amendments or supplements thereto. Any such indemnification shall be governed by the terms and subject to the conditions set forth in the Registration Rights Agreement including, without limitation, the provisions regarding notice, retention of counsel, contribution and payment of expenses set forth therein. The above summary of the indemnification provision of the Registration Rights Agreement is not intended to be exhaustive and is qualified in its entirety by the Registration Rights Agreement.

7. If the undersigned is a broker-dealer that will receive New Notes for its own account in exchange for Outstanding Notes that were acquired as a result of market-making activities or other trading activities, it acknowledges that it will deliver a prospectus in connection with any resale of such New Notes; however, by so acknowledging and by delivering a prospectus, the undersigned will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act. If the undersigned is a broker-dealer and Outstanding Notes held for its own account were not acquired as a result of market-making or other trading activities, such Outstanding Notes cannot be exchanged pursuant to the Exchange Offer.

8. Any obligation of the undersigned hereunder shall be binding upon the successors, assigns, executors, administrators, trustees in bankruptcy and legal and personal representatives of the undersigned.

9. Unless otherwise indicated herein under "Special Delivery Instructions," please issue the certificates for the New Notes in the name of the undersigned.

List below the Outstanding Notes to which this Letter of Transmittal relates. If the space below is inadequate, list the registered numbers and principal amounts on a separate signed schedule and affix the list to this Letter of Transmittal.

DESCRIPTION OF OUTSTANDING NOTES TENDERED --	NAME(S) AND ADDRESS(ES) OF REGISTERED HOLDER(S) EXACTLY AS NAME(S) APPEAR(S) ON OUTSTANDING NOTES (PLEASE FILL IN, IF BLANK) OUTSTANDING NOTE(S) TENDERED --	AGGREGATE PRINCIPAL AMOUNT REPRESENTED REGISTERED BY PRINCIPAL AMOUNT NUMBER(S)* OUTSTANDING NOTE(S) TENDERED**

--- * Need not be completed by book-entry holders. ** Unless otherwise indicated, any tendering holder of outstanding notes will be deemed to have tendered the entire aggregate principal amount represented by such outstanding notes. All tenders must be in integral multiples of $1,000. METHOD OF DELIVERY [ ] Check here if tendered Outstanding Notes are enclosed herewith. [ ] Check here if tendered Outstanding Notes are being delivered by book-entry transfer made to an account maintained by the Exchange Agent with a Book-Entry Transfer Facility and complete the following: Name of Tendering Institution: Account Number: Transaction Code Number: [ ] Check here if tendered Outstanding Notes are being delivered pursuant to a Notice of Guaranteed Delivery and complete the following: Name(s) of

Registered Holder(s):	Date of Execution of Notice of Guaranteed Delivery:	Window Ticket Number (if available):	Name of Eligible Institution that guaranteed delivery:	Account Number (If delivered by book-entry transfer):

SPECIAL ISSUANCE INSTRUCTIONS
(SEE INSTRUCTIONS 5 AND 6)

To be completed ONLY (i) if Outstanding Notes in a principal amount not tendered, or New Notes issued in exchange for Outstanding Notes accepted for exchange, are to be issued in the name of someone other than the undersigned, or (ii) if Outstanding Notes tendered by book-entry transfer that are not exchanged are to be returned by credit to an account maintained at the Book-Entry Transfer Facility. Issue New Notes and/or Outstanding Notes to:

Name

(TYPE OR PRINT)

Address

(ZIP CODE)

(TAX IDENTIFICATION OR SOCIAL SECURITY NUMBER)
(COMPLETE SUBSTITUTE FORM W-9)

Credit Unexchanged Outstanding Notes
Delivered by Book-Entry Transfer
to the Book-Entry Transfer Facility
Set Forth Below:

Book-Entry Transfer Facility
Account Number:

SPECIAL REGISTRATION INSTRUCTIONS

To be completed ONLY if (i) the undersigned satisfies the conditions set forth in Item 6 above, (ii) the undersigned elects to register its Outstanding Notes in the shelf registration statement described in the Registration Rights Agreement and (iii) the undersigned agrees to indemnify certain entities and individuals as set forth in Item 6 above. (See Item 6.)

[ ] By checking this box, the undersigned hereby (i) represents that it is unable to make all of the representations and warranties set forth in Item 5 above, (ii) elects to have its Outstanding Notes registered pursuant to the shelf registration statement described in the Registration Rights Agreement and (iii) agrees to indemnify certain entities and individuals identified in, and to the extent provided in, Item 6 above.

SPECIAL ISSUANCE INSTRUCTIONS
(SEE INSTRUCTIONS 5 AND 6)

To be completed ONLY if the New Notes are to be issued or sent to someone other than the undersigned or to the undersigned at an address other than as indicated above.

Mail [ ] Issue [ ] (check appropriate boxes)

Name:

(TYPE OR PRINT)

Address

(ZIP CODE)

(TAX IDENTIFICATION OR SOCIAL SECURITY NUMBER)

SPECIAL BROKER-DEALER
INSTRUCTIONS

[ ] Check here if you are a broker-dealer and wish to receive 10 additional copies of the Prospectus and 10 copies of any amendments or supplements thereto.

Name

(PLEASE PRINT)

Address:

(INCLUDING ZIP CODE)

IMPORTANT

PLEASE SIGN HERE WHETHER OR NOT
OUTSTANDING NOTES ARE BEING PHYSICALLY TENDERED HEREBY
(COMPLETE ACCOMPANYING SUBSTITUTE FORM W-9)

(Signature(s) of Registered Holders of Outstanding Notes:)

Dated:

(The above lines must be signed by the registered holder(s) of Outstanding Notes as name(s) appear(s) on the Outstanding Notes or on a security position listing, or by person(s) authorized to become registered holder(s) by a properly completed bond power from the registered holder(s), a copy of which must be transmitted with this Letter of Transmittal. If Outstanding Notes to which this Letter of Transmittal relate are held of record by two or more joint holders, then all such holders must sign this Letter of Transmittal. If signature is by a trustee, executor, administrator, guardian, attorney-in-fact, officer of a corporation or other person acting in a fiduciary or representative capacity, then such person must (i) set forth his or her full title below and (ii) unless waived by the Company, submit evidence satisfactory to the Company of such person's authority so to act. See Instruction 5 regarding completion of this Letter of Transmittal, printed below.)

Name(s)

(PLEASE TYPE OR PRINT)

Capacity:

Address:

(INCLUDE ZIP CODE)

Area Code and Telephone Number:

SIGNATURE GUARANTEE (IF REQUIRED BY INSTRUCTION 5)

CERTAIN SIGNATURES MUST BE GUARANTEED BY AN ELIGIBLE INSTITUTION

(NAME OF ELIGIBLE INSTITUTION GUARANTEEING SIGNATURES)

(ADDRESS (INCLUDING ZIP CODE) AND TELEPHONE NUMBER
(INCLUDING AREA CODE) OF FIRM)

(AUTHORIZED SIGNATURE)

(PRINTED NAME)

(TITLE)

Dated:

INSTRUCTIONS
FORMING PART OF THE TERMS AND CONDITIONS OF THE EXCHANGE OFFER

1. DELIVERY OF THIS LETTER OF TRANSMITTAL AND OUTSTANDING NOTES OR BOOK-ENTRY CONFIRMATIONS.

All physically delivered Outstanding Notes or any confirmation of a book-entry transfer to the Exchange Agent's account at the Book-Entry Transfer Facility of Outstanding Notes tendered by book-entry transfer (a "Book-Entry Confirmation"), as well as a properly completed and duly executed copy of this Letter of Transmittal or Agent's Message or facsimile hereof, and any other documents required by this Letter of Transmittal, must be received by the Exchange Agent at its address set forth herein prior to 5:00 p.m., New York City time, on the Expiration Date.

The method of delivery of the tendered outstanding notes, this letter of transmittal and all other required documents to the exchange agent is at the election and risk of the holder and, except as otherwise provided below, the delivery will be deemed made only when actually received or confirmed by the exchange agent. If such delivery is by mail, it is recommended that registered mail, properly insured, with return receipt requested, be used. Instead of delivery by mail, it is recommended that the holder use an overnight or hand delivery service. In all cases, sufficient time should be allowed to assure delivery to the exchange agent before the expiration date. No letter of transmittal or outstanding notes should be sent to the company.

2. GUARANTEED DELIVERY PROCEDURES.

Holders who wish to tender their Outstanding Notes and whose Outstanding Notes are not immediately available or who cannot deliver their Outstanding Notes, this Letter of Transmittal or any other documents required hereby to the Exchange Agent prior to the Expiration Date, or who cannot complete the procedure for book-entry transfer on a timely basis and deliver an Agent's Message, must tender their Outstanding Notes according to the guaranteed delivery procedures set forth in the Prospectus. Pursuant to such procedures, a tender may be effected if the Exchange Agent has received at its office, on or prior to the Expiration Date, a letter, telegram or facsimile transmission from an Eligible Institution (as defined in the Prospectus) setting forth the name and address of the tendering holder, the name(s), in which the Outstanding Notes are registered and the certificate number(s) of the Outstanding Notes to be tendered, and stating that the tender is being made thereby and guaranteeing that, within three New York Stock Exchange trading days after the date of execution of such letter, telegram or facsimile transmission by the Eligible Institution, such Outstanding Notes, in proper form for transfer (or a confirmation of book-entry transfer of such Outstanding Notes into the Exchange Agent's account at DTC), will be delivered by such Eligible Institution together with a properly completed and duly executed Letter of Transmittal (and any other required documents). Unless Outstanding Notes being tendered by the above-described method are deposited with the Exchange Agent within the time period set forth above (accompanied or preceded by a properly completed Letter of Transmittal and any other required documents), the Company may, at its option, reject the tender.

Any holder of Outstanding Notes who wishes to tender Outstanding Notes pursuant to the guaranteed delivery procedures described above must ensure that the Exchange Agent receives the Notice of Guaranteed Delivery prior to 5:00 p.m., New York City time, on the Expiration Date. Upon request of the Exchange Agent, a Notice of Guaranteed Delivery will be sent to holders who wish to tender their Outstanding Notes according to the guaranteed delivery procedures set forth above. See "Exchange Offer-Guaranteed Delivery Procedures" section of the Prospectus.

3. TENDER BY HOLDER.

Only a registered holder of Outstanding Notes may tender such Outstanding Notes in the Exchange Offer. Any beneficial holder of Outstanding Notes who is not the registered holder and who wishes to tender should arrange with the registered holder to execute and deliver this Letter of Transmittal on his behalf or must, prior to completing and executing this Letter of Transmittal and delivering his Outstanding Notes, either make appropriate arrangements to register ownership of the Outstanding Notes in such holder's name or obtain a properly completed bond power from the registered holder.

4. PARTIAL TENDERS.

Tenders of Outstanding Notes will be accepted only in integral multiples of $1,000. If less than the entire principal amount of any Outstanding Notes is tendered, the tendering holder should fill in the principal amount tendered in the third column of the box entitled "Description of Outstanding Notes Tendered" above. The entire principal amount of Outstanding Notes delivered to the Exchange Agent will be deemed to have been tendered unless otherwise indicated. If the entire principal amount of all Outstanding Notes is not tendered, then Outstanding Notes for the principal amount of Outstanding Notes not tendered and New Notes issued in exchange for any Outstanding Notes accepted will be sent to the holder at his or her registered address, unless a different address is provided in the appropriate box on this Letter of Transmittal, promptly after the Outstanding Notes are accepted for exchange.

5. SIGNATURES ON THIS LETTER OF TRANSMITTAL; BOND POWERS AND ENDORSEMENTS; GUARANTEE OF SIGNATURES.

If this Letter of Transmittal (or facsimile hereof) is signed by the registered holder (s) of the Outstanding Notes tendered hereby, the signature must correspond with the name(s) as written on the face of the Outstanding Notes without alteration, enlargement or any change whatsoever. If this Letter of Transmittal (or facsimile hereof) is signed by a participant in the Book-Entry Transfer Facility, the signature must correspond with the name as it appears on the security position listing as the holder of the Outstanding Notes.

If this Letter of Transmittal (or facsimile hereof) is signed by the registered holder or holders of Outstanding Notes listed and tendered hereby and the New Notes issued in exchange therefor are to be issued (or any untendered principal amount of Outstanding Notes is to be reissued) to the registered holder, the said holder need not and should not endorse any tendered Outstanding Notes, nor provide a separate bond power. In any other case, such holder must either properly endorse the Outstanding Notes tendered or transmit a properly completed separate bond power with this Letter of Transmittal, with the signatures on the endorsement or bond power guaranteed by an Eligible Institution.

If this Letter of Transmittal (or facsimile hereof) is signed by a person other than the registered holder or holders of any Outstanding Notes listed, such Outstanding Notes must be endorsed or accompanied by appropriate bond powers, in each case signed as the name of the registered holder or holders appears on the Outstanding Notes.

If this Letter of Transmittal (or facsimile hereof) or any Outstanding Notes or bond powers are signed by trustees, executors, administrators, guardians, attorneys-in-fact, officers of corporations or others acting in a fiduciary or representative capacity, such persons should so indicate when signing, and, unless waived by the Company, evidence satisfactory to the Company of their authority to act must be submitted with this Letter of Transmittal.

Endorsements on Outstanding Notes or signatures on bond powers required by this Instruction 5 must be guaranteed by an Eligible Institution.

No signature guarantee is required if (i) this Letter of Transmittal (or facsimile hereof) is signed by the registered holder(s) of the Outstanding Notes tendered herein (or by a participant in the Book-Entry Transfer Facility whose name appears on a security position listing as the owner of the tendered Outstanding Notes) and the New Notes are to be issued directly to such registered holder(s) (or, if signed by a participant in the Book-Entry Transfer Facility, deposited to such participant's account at such Book-Entry Transfer Facility) and neither the box entitled "Special Delivery Instructions" nor the box entitled "Special Registration Instructions" has been completed, or (ii) such Outstanding Notes are tendered for the account of an Eligible Institution. In all other cases, all signatures on this Letter of Transmittal (or facsimile hereof) must be guaranteed by an Eligible Institution.

6. SPECIAL REGISTRATION AND DELIVERY INSTRUCTIONS.

Tendering holders should indicate, in the applicable box or boxes, the name and address (or account at the Book-Entry Transfer Facility) to which New Notes or substitute Outstanding Notes for principal amounts not tendered or not accepted for exchange are to be issued or sent, if different from the name and address of the person signing this Letter of Transmittal. In the case of issuance in a different name, the taxpayer identification or social security number of the person named must also be indicated.

Tax law requires that a holder of any Outstanding Notes that are accepted for exchange must provide the Company (as payor) with its correct taxpayer identification number ("TIN"), which, in the case of a holder who is an individual is his or her social security number. If the Company is not provided with the correct TIN, the holder may be subject to a $50 penalty imposed by Internal Revenue Service. (If withholding results in an overpayment of taxes, a refund may be obtained). Certain holders (including, among others, all corporations and certain foreign individuals) are not subject to these backup withholding and reporting requirements. See the enclosed "Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9" for additional instructions.

To prevent backup withholding, each tendering holder must provide such holder's correct TIN by completing the Substitute Form W-9 set forth herein, certifying that the TIN provided is correct (or that such holder is awaiting a TIN), and that (i) the holder has not been notified by the Internal Revenue Service that such holder is subject to backup withholding as a result of failure to report all interest or dividends or (ii) the Internal Revenue Service has notified the holder that such holder is no longer subject to backup withholding. If the Outstanding Notes are registered in more than one name or are not in the name of the actual owner, see the enclosed "Guidelines for Certification of Taxpayer Identification Number of Substitute Form W-9" for information on which TIN to report.

The Company reserves the right in its sole discretion to take whatever steps necessary to comply with the Company's obligations regarding backup withholding.

7. VALIDITY OF TENDERS.

All questions as to the validity, form, eligibility (including time of receipt), acceptance, and withdrawal of tendered Outstanding Notes will be determined by the Company, in its sole discretion, which determination will be final and binding. The Company reserves the absolute right to reject any or all tenders not in proper form or the acceptance for exchange of which may, in the opinion of counsel for the Company, be unlawful. The Company also reserves the absolute right to waive any of the conditions of the Exchange Offer or any defect or irregularity in the tender of any Outstanding Notes. The Company's interpretation of the terms and conditions of the Exchange Offer (including the instructions on the Letter of Transmittal) will be final and binding on all parties. Unless waived, any defects or irregularities in connection with tenders of Outstanding Notes must be cured within such time as the Company shall determine. Although the Company intends to notify holders of defects or irregularities with respect to tenders of Outstanding Notes, neither the Company, the Exchange Agent, nor any other person shall be under any duty to give notification of any defects or irregularities in tenders or incur any liability for failure to give such notification. Tenders of Outstanding Notes will not be deemed to have been made until such defects or irregularities have been cured or waived. Any Outstanding Notes received by the Exchange Agent that are not properly tendered and as to which the defects or irregularities have not been cured or waived will be returned by the Exchange Agent to the tendering holders, unless otherwise provided in the Letter of Transmittal, as soon as practicable following the Expiration Date.

8. WAIVER OF CONDITIONS.

The Company reserves the absolute right to waive, in whole or part, any of the conditions to the Exchange Offer set forth in the Prospectus or in this Letter of Transmittal.

9. NO CONDITIONAL TENDER.

No alternative, conditional, irregular or contingent tender of Outstanding Notes on transmittal of this Letter of Transmittal will be accepted.

10. MUTILATED, LOST, STOLEN OR DESTROYED OUTSTANDING NOTES.

Any holder whose Outstanding Notes have been mutilated, lost, stolen or destroyed should contact the Exchange Agent at the address indicated above for further instructions.

11. REQUEST FOR ASSISTANCE OR ADDITIONAL COPIES.

Requests for assistance or for additional copies of the Prospectus or this Letter of Transmittal may be directed to the Exchange Agent at the address or telephone number set forth on the cover page of this Letter of

Transmittal. Holders may also contact their broker, dealer, commercial bank, trust company or other nominee for assistance concerning the Exchange Offer.

12. WITHDRAWAL.

Tenders may be withdrawn only pursuant to the limited withdrawal rights set forth in the Prospectus under the caption "Exchange Offer-Withdrawal of Tenders."

IMPORTANT: This Letter of Transmittal or a manually signed facsimile hereof (together with the outstanding notes delivered by book-entry transfer or in original hard copy form) must be received by the exchange agent, or the Notice of Guaranteed Delivery must be received by the exchange agent, prior to the expiration date.

- SUBSTITUTE Social Security Number: FORM W-9 PART I - PLEASE PROVIDE YOUR TIN IN ------
---

THE BOX AT RIGHT AND CERTIFY BY OR DEPARTMENT OF THE TREASURY SIGNING AND DATING BELOW. INTERNAL REVENUE SERVICE Employer Identification Number: PAYER'S REQUEST FOR TAXPAYER IDENTIFICATION NUMBER (TIN)

----- -------

------- PART II - For payees exempt from backup withholding, see "Tax Information and Guidelines" for Certification of Taxpayer Identification Number on Substitute Form W-9 enclosed herewith and complete as instructed therein. CERTIFICATION - Under penalties of perjury, I certify that: (1) The number shown on this form is my correct taxpayer identification number or a taxpayer identification number has not been issued to me and either: (a) I have mailed or delivered an application to receive a taxpayer identification

number to the appropriate Internal Revenue Service Center or Social Security Administration office, or (b) I intend to mail or deliver an application in the near future. I understand that if I do not provide a taxpayer identification number within 60 days, 31% of all reportable payments made to me thereafter will be withheld until I provide a number. (2) I am not subject to backup withholding because I am exempt from backup withholding, I have not been notified by the Service that I am subject to backup withholding as a result of a failure to report all interest or dividends or the Service has notified me that I am no longer subject to backup withholding. CERTIFICATION INSTRUCTION - You must cross out item (2) above if you have been notified by the Service that you are subject to backup withholding because of under reporting interest or dividends on our tax return unless you received a subsequent notification from the Service stating that you are no longer subject to backup withholding.

PART III - Awaiting TIN [ ]

Signature:

Name: Date:

PLEASE COMPLETE THE CERTIFICATE OF
AWAITING TAXPAYER IDENTIFICATION NUMBER BELOW.

CERTIFICATE OF AWAITING TAXPAYER IDENTIFICATION NUMBER

I certify under penalties of perjury that a taxpayer identification number has not been issued to me, and either (a) I have mailed or delivered an application to receive a taxpayer identification number to the appropriate Internal Revenue Service Center or Social Security Administration Office or (b) I intend to mail or deliver an application in the near future. I understand that if I do not provide a taxpayer identification number to the payor within 60 days, 31% of all reportable payments made to me thereafter will be withheld until I provide a number.

SIGNATURE DATE

CERTIFICATE OF FOREIGN RECORD HOLDERS

Under penalties of perjury, I certify that I am not a United States citizen or resident (or I am signing for a foreign corporation, partnership, estate or trust).

SIGNATURE DATE

EXHIBIT 99.2

NOTICE OF GUARANTEED DELIVERY
TO TENDER
OUTSTANDING 10.625% SENIOR NOTES DUE 2008
OF
HORNBECK-LEEVAC MARINE SERVICES, INC.

PURSUANT TO THE EXCHANGE OFFER AND PROSPECTUS DATED _____, 2001

As set forth in the Prospectus, dated _____, 2001 (as the same may be amended or supplemented from time to time, the "Prospectus") of HORNBECK-LEEVAC Marine Services, Inc. (the "Company") under the caption "Exchange Offer -- Guaranteed Delivery Procedures" and in the Letter of Transmittal to Tender 10.625% Senior Notes due 2008 of HORNBECK-LEEVAC Marine Services, Inc., this form or one substantially equivalent hereto must be used to accept the Exchange Offer (as defined below) if: (i) certificates for outstanding 10.625% Senior Notes due 2008 (the "Outstanding Notes") of the Company are not immediately available, (ii) time will not permit all required documents to reach the Exchange Agent on or prior to the Expiration Date (as defined below), or (iii) the procedures for book-entry transfer cannot be completed on or prior to the Expiration Date. This form may be delivered by facsimile transmission, by registered or certified mail, by hand, or by overnight delivery service to the Exchange Agent. See "Exchange Offer -- Procedures for Tendering" in the Prospectus.

THE EXCHANGE OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT 5:00 P.M., NEW YORK CITY TIME, ON _____, 2002 (THE "EXPIRATION DATE"), UNLESS THE EXCHANGE OFFER IS EXTENDED BY THE COMPANY.

THE EXCHANGE AGENT FOR THE EXCHANGE OFFER IS:

WELLS FARGO BANK MINNESOTA, NATIONAL ASSOCIATION

By Mail:
Wells Fargo Bank Minnesota, National Association
213 Court St.
Suite 902
Middletown, CT 06457
Attention: Robert Reynolds
Vice President
(registered or certified mail recommended)

By Overnight Courier and By Hand Delivery
Wells Fargo Bank Minnesota, National Association
213 Court St.
Suite 902
Middletown, CT 06457
Attention: Robert Reynolds
Vice President
(registered or certified mail recommended)

By Facsimile:
(860) 704-6219

Confirm By Telephone:
(860) 704-8216

DELIVERY OF THIS LETTER OF TRANSMITTAL TO AN ADDRESS OTHER THAN AS SET FORTH ABOVE OR TRANSMISSION OF INSTRUCTIONS VIA A FACSIMILE TRANSMISSION TO A NUMBER OTHER THAN AS SET FORTH ABOVE WILL NOT CONSTITUTE A VALID DELIVERY.

LADIES AND GENTLEMEN:

The undersigned hereby tenders to the Company, upon the terms and conditions set forth in the Prospectus and in the Letter of Transmittal (which together constitute the "Exchange Offer"), receipt of which is hereby acknowledged, the principal amount of Outstanding Notes set forth below pursuant to the guaranteed delivery procedures described in the Prospectus and in the Letter of Transmittal.

The undersigned understands and acknowledges that the Exchange Offer will expire at 5:00 p.m., New York City time, on _____, 2002, unless extended by the Company.

All authority herein conferred or agreed to be conferred by this Notice of Guaranteed Delivery shall survive the death or incapacity of the undersigned and every obligation of the undersigned under this Notice of Guaranteed Delivery shall be binding upon the heirs, personal representatives, executors, administrators, successors, assigns, trustees in bankruptcy and other legal representatives of the undersigned.

DESCRIPTION OF OUTSTANDING NOTES TENDERED	CERTIFICATE NUMBER(S) (IF KNOWN) OF OUTSTANDING NOTES OR ACCOUNT NUMBER AT AGGREGATE PRINCIPAL AMOUNT	PRINCIPAL AMOUNT THE BOOK-ENTRY FACILITY REPRESENTED BY OUTSTANDING NOTES TENDERED
TOTAL:	TOTAL:	

--- PLEASE

SIGN AND COMPLETE Signatures(s): Name(s): ---------- ---------- -- ---------- ---------- ---------- ------ Address: Capacity (full title), if signing in a ---------- ---------- - representative capacity: (Zip Code) -- ---------- --------- Area Code and Telephone Number: ----- ---------- ---------- ---------- ---------- ---------- Taxpayer Identification or Social Security Dated: Number: ----- ---------- ---------- --------- --- ---------- ---------- ---------- ---------- ---------- ---------- ---------- ---------- ---------- ---------- ---------- ----------

THE GUARANTEE ON THE FOLLOWING PAGE MUST BE COMPLETED

GUARANTEE
(NOT TO BE USED FOR SIGNATURE GUARANTEES)

The undersigned, being a member firm of a registered national securities exchange, a member of the National Association of Securities Dealers, Inc., or a commercial bank or trust company having an office in the United States, hereby guarantees (a) that the above named person(s) "own(s)" the Outstanding Notes tendered hereby within the meaning of Rule 14e-4 ("Rule 14e-4") under the Securities Exchange Act of 1934, as amended, (b) that such tender of such Outstanding Notes complies with Rule 14e-4, and (c) to deliver to the Exchange Agent the certificates representing the Outstanding Notes tendered hereby or confirmation of book-entry transfer of such Outstanding Notes into the Exchange Agent's account at The Depository Trust Company, in proper form for transfer, together with the Letter of Transmittal (or facsimile thereof), properly completed and duly executed, with any required signature guarantees and any other required documents, within three New York Stock Exchange trading days after the Expiration Date.

Name of Firm:

Address:

Area Code and Telephone No.:

Authorized Signature:

Name:

Title:

Dated:

NOTE: DO NOT SEND CERTIFICATES OF OUTSTANDING NOTES WITH THIS FORM. CERTIFICATES OF OUTSTANDING NOTES SHOULD BE SENT ONLY WITH A LETTER OF TRANSMITTAL.

EXHIBIT 99.3

HORNBECK-LEEVAC MARINE SERVICES, INC.

LETTER TO REGISTERED HOLDERS AND
DEPOSITORY TRUST COMPANY PARTICIPANTS
FOR
TENDER OF ALL OUTSTANDING
10.625% SENIOR NOTES DUE 2008
IN EXCHANGE FOR
10.625% SENIOR NOTES DUE 2008
THAT HAVE BEEN REGISTERED UNDER THE
SECURITIES ACT OF 1933

THE EXCHANGE OFFER WILL EXPIRE AT 5:00 P.M., NEW YORK CITY TIME, ON _____, 2002, UNLESS EXTENDED (THE "EXPIRATION DATE").

NOTES TENDERED IN THE EXCHANGE OFFER MAY BE WITHDRAWN AT ANY TIME PRIOR TO 5:00 P.M., NEW YORK CITY TIME, ON THE EXPIRATION DATE UNLESS PREVIOUSLY ACCEPTED FOR EXCHANGE.

To Registered Holders and Depository Trust Company Participants:

We are enclosing herewith the material listed below relating to the offer by HORNBECK-LEEVAC Marine Services, Inc., a Delaware corporation (the "Company"), to exchange its 10.625% Senior Notes due 2008 (the "New Notes"), which have been registered under the Securities Act of 1933, as amended (the "Securities Act"), for a like principal amount of its issued and outstanding 10.625% Senior Notes due 2008 (the "Outstanding Notes") upon the terms and subject to the conditions set forth in the Company's Prospectus, dated _____, 2001, and the related Letter of Transmittal (which together constitute the "Exchange Offer").

Enclosed herewith are copies of the following documents:

1. Prospectus, dated _____, 2001;

2. Letter of Transmittal (together with accompanying Substitute Form W-9 Guidelines);

3. Notice of Guaranteed Delivery;

4. Letter that may be sent to your clients for whose accounts you hold Outstanding Notes in your name or in the name of your nominee, with a form that may be sent from your clients to you with such client's instruction with regard to the Exchange Offer.

We urge you to contact your clients promptly. Please note that the Exchange Offer will expire on the Expiration Date unless extended.

The Exchange Offer is not conditioned upon any minimum number of Outstanding Notes being tendered.

Pursuant to the Letter of Transmittal, each holder of Outstanding Notes will represent to the Company that (i) the New Notes acquired in exchange for Outstanding Notes pursuant to the Exchange Offer are being acquired in the ordinary course of business of the person receiving such New Notes, (ii) the holder is not engaging in and does not intend to engage in a distribution of the New Notes, (iii) the holder does not have any arrangement or understanding with any person to participate in the distribution of New Notes, and (iv) neither the holder nor any such other person is an "affiliate" (within the meaning of Rule 405 under the Securities Act) of the Company. If the holder is a broker-dealer that will receive New Notes for its own account in exchange for Outstanding Notes that were acquired as a result of market-making activities or other trading activities, it must acknowledge that it will deliver a prospectus in connection with any resale of such New Notes.

The enclosed Letter to Clients contains an authorization by the beneficial owners of the Outstanding Notes for you to make the foregoing representations.

The Company will not pay any fee or commission to any broker or dealer or to any other person (other than the Exchange Agent) in connection with the solicitation of tenders of Outstanding Notes pursuant to the Exchange Offer.

Additional copies of the enclosed material may be obtained from the undersigned.

Very truly yours,

HORNBECK-LEEVAC Marine Services, Inc.

EXHIBIT 99.4

HORNBECK-LEEVAC MARINE SERVICES, INC.

LETTER TO CLIENTS
FOR
TENDER OF ALL OUTSTANDING
10.625% SENIOR NOTES DUE 2008
IN EXCHANGE FOR
10.625% SENIOR NOTES DUE 2008
THAT HAVE BEEN REGISTERED UNDER THE
SECURITIES ACT OF 1933

THE EXCHANGE OFFER WILL EXPIRE AT 5:00 P.M., NEW YORK CITY TIME, ON _____, 2002 UNLESS EXTENDED (THE "EXPIRATION DATE").

NOTES TENDERED IN THE EXCHANGE OFFER MAY BE WITHDRAWN AT ANY TIME PRIOR TO 5:00 P.M., NEW YORK CITY TIME, ON THE EXPIRATION DATE UNLESS PREVIOUSLY ACCEPTED FOR EXCHANGE.

To Our Clients:

We have enclosed herewith a Prospectus, dated _____, 2001, of HORNBECK-LEEVAC Marine Services, Inc., a Delaware corporation (the "Company"), and a related Letter of Transmittal, which together constitute the Company's offer (the "Exchange Offer") to exchange its 10.625% Senior Notes due 2008 (the "New Notes"), which have been registered under the Securities Act of 1933, as amended (the "Securities Act"); for a like principal amount of its issued and outstanding 10.625% Senior Notes due 2008 (the "Outstanding Notes"), upon the terms and subject to the conditions set forth in the Exchange Offer.

The Exchange Offer is not conditioned upon any minimum number of Outstanding Notes being tendered.

We are the holder of record of Outstanding Notes held by us for your own account. A tender of such Outstanding Notes can be made only by us as the record holder and pursuant to your instructions. The Letter of Transmittal is furnished to you for your information only and cannot be used by you to tender Outstanding Notes held by us for your account.

We request instructions as to whether you wish to tender any or all of the Outstanding Notes held by us for your account pursuant to the terms and conditions of the Exchange Offer. We also request that you confirm that we may, on your behalf, make the representations and warranties contained in the Letter of Transmittal.

Very truly yours,

PLEASE RETURN YOUR INSTRUCTIONS TO US IN THE ENCLOSED ENVELOPE WITHIN AMPLE TIME TO PERMIT US TO SUBMIT A TENDER ON YOUR BEHALF PRIOR TO THE EXPIRATION DATE.

INSTRUCTION TO REGISTERED HOLDER AND/OR
BOOK-ENTRY TRANSFER PARTICIPANT

To Registered Holder and/or Participant in the Book-Entry Transfer Facility:

The undersigned hereby acknowledges receipt of the Prospectus, dated _____, 2001 (the "Prospectus"), of HORNBECK-LEEVAC Marine Services, Inc., a Delaware corporation (the "Company"), and the accompanying Letter of Transmittal (the "Letter of Transmittal"), that together constitute the Company's offer (the "Exchange Offer") to exchange its 10.625% Senior Notes due 2008 (the "New Notes") for all of its outstanding 10.625% Senior Notes due 2008 (the "Outstanding Notes"). Capitalized terms used, but not defined herein have the meanings ascribed to them in the Prospectus.

This will instruct you, the registered holder and/or book-entry transfer facility participant, as to the action to be taken by you relating to the Exchange Offer with respect to the Outstanding Notes held by you for the account of the undersigned.

The aggregate face amount of the Outstanding Notes held by you for the account of the undersigned is (FILL IN AMOUNT):

$ of the 10.625% Senior Notes due 2008

With respect to the Exchange Offer, the undersigned hereby instructs you (CHECK APPROPRIATE BOX):

[ ] To TENDER the following Outstanding Notes held by you for the account of the undersigned (INSERT PRINCIPAL AMOUNT OF OUTSTANDING NOTES TO BE TENDERED) (IF ANY):

$ Of the 10.625% Senior Notes due 2008

[ ] NOT to TENDER any Outstanding Notes held by you for the account of the undersigned.

If the undersigned instructs you to tender the Outstanding Notes held by you for the account of the undersigned, it is understood that you are authorized to make, on behalf of the undersigned (and the undersigned by its signature below, hereby makes to you), the representations and warranties contained in the Letter of Transmittal that are to be made with respect to the undersigned as a beneficial owner, including, but not limited to, the representations, that (i) the New Notes acquired in exchange for the Outstanding Notes pursuant to the Exchange Offer are being acquired in the ordinary course of business of the person receiving such New Notes, (ii) the undersigned is not engaging in and does not intend to engage in a distribution of the New Notes, (iii) the undersigned does not have any arrangement or understanding with any person to participate in the distribution of New Notes, and (iv) neither the undersigned nor any such other person is an "affiliate" (within the meaning of Rule 405 under the Securities Act of 1933, as amended) of the Company. If the undersigned is a broker-dealer that will receive New Notes for its own account in exchange for Outstanding Notes, it acknowledges that it will deliver a prospectus in connection with any resale of such New Notes.

SIGN HERE

Name of beneficial owner(s):

Signature(s)

Name(s):

(Please Print)

Address:

Telephone Number:

Taxpayer Identification or Social Security Number:

Date:

EXHIBIT 99.5

GUIDELINES FOR CERTIFICATION OF TAXPAYER IDENTIFICATION NUMBER ON SUBSTITUTE FORM W-9

GUIDELINES FOR DETERMINING THE PROPER TAXPAYER IDENTIFICATION NUMBER TO GIVE THE PAYER. Social security numbers have nine digits separated by two hyphens: i.e. 000-00-0000. Employer identification numbers have nine digits separated by only one hyphen: i.e. 00-0000000. The table below will help determine the number to give the payer.

GIVE THE SOCIAL SECURITY NUMBER OF --	FOR THIS TYPE OF ACCOUNT:	GIVE THE EMPLOYER IDENTIFICATION NUMBER OF --	FOR THIS TYPE OF ACCOUNT:
1. The individual	The individual's account	6. A valid trust, estate, or pension trust	The legal entity (do not furnish the identifying number of the personal representative or trustee unless the legal entity itself
2. Two or more individuals (joint account)	The actual owner of the account or, if combined funds, any one of the individuals(1)		
3. Custodian account of a minor (Uniform Gift to Minors Act)	The minor(2)		
4. a. The usual revocable savings trust account	The grantor-trustee(1)		
b. So-called trust account	The actual owner(1)		
5. Sole proprietorship	The owner(3)	7. Corporate account	The corporation
		8. Partnership account	The partnership
		9. Association, club, religious, charitable,	The organization

that is not a legal or educational or other valid trust under state tax-exempt organization law 10. A broker or registered The broker or nominee 5. Sole proprietorship The owner(3) nominee account 11. Account with the The public entity Department of Agriculture in the name of a public entity (such as a state or local government, school district, or prison) that receives agricultural program payments

(1) List first and circle the name of the person whose number you furnish. If only one person on a joint account has a social security number, that person's number must be furnished.

(2) Circle the minor's name and furnish the minor's social security number.

(3) You must show your individual name. You may also enter your business or "doing business as" name. You may use either your social security number or, if you have one, your employer identification number.

(4) List first and circle the name of the legal trust, estate or pension trust.

NOTE: If no name is circled when there is more than one name listed, the number will be considered to be that of the first name listed.

GUIDELINES FOR CERTIFICATION OF TAXPAYER IDENTIFICATION NUMBER ON SUBSTITUTE FORM W-9

OBTAINING A NUMBER

If you do not have a taxpayer identification number or you don't know your number, obtain Form SS-5, Application for a Social Security Number Card, or Form SS-4, Application for Employer Identification Number, at the local office of the Social Security Administration or the Internal Revenue Service (the "IRS") and apply for a number. You may also obtain Form SS-4 by calling the IRS at 1-800-TAX-FORM.

If you do not have a TIN, but have applied for one, write "Applied for" in the space for the TIN, sign and date the form and return it to the Exchange Agent.

PAYEES EXEMPT FROM BACKUP WITHHOLDING

Payees specifically exempted from backup withholding on ALL payments include the following:

- An organization exempt from tax under section 501(a), or an individual retirement account.
- The United States or any wholly-owned agency or instrumentality thereof.
- A State, the District of Columbia, a possession of the United States or any political subdivision or wholly-owned agency or instrumentality thereof.
- A foreign government, a political subdivision of a foreign government, or any wholly-owned agency or instrumentality thereof.
- An international organization or any wholly-owned agency or instrumentality thereof.

Payee specifically exempted from backup withholding on interest and dividend payments include the following:

- A corporation.
- A financial institution.
- A registered dealer in securities or commodities registered in the U.S., the District of Columbia, or a possession of the U.S.
- A real estate investment trust.
- A common trust fund operated by a bank under section 584(a).
- An exempt charitable remainder trust, or a non-exempt trust described in section 4947.
- An entity registered at all times during the tax year under the Investment Company Act of 1940.
- A foreign central bank issue.
- A middleman known in the investment community as a nominee or who is listed in the most recent publication of the American Society of Corporate Secretaries, Inc., Nominee List.

Payments of dividends and patronage dividends not generally subject to backup withholding include the following:

- Payments to nonresident aliens subject to withholding under section 1441.

- Payments to partnerships not engaged in a trade or business in the U.S. and which have at least one nonresident partner.
- Payments of patronage dividends not paid in money.
- Payments made by certain foreign organizations.
- Section 404(k) payments made by an ESOP.

Payments of interest not generally subject to backup withholding include the following:

- Payments of interest on obligations issued by individuals. Note: You may be subject to backup withholding if this interest is $600 or more and is paid in the course of the payer's trade or business and you have not provided your correct taxpayer identification number to the payer.
- Payments of tax-exempt interest (including exempt-interest dividends under section 852).
- Payments described in section 6049(b) (5) to non-resident aliens.
- Payments on tax-free covenant bonds under section 1451.
- Payments made by certain foreign organizations.

Exempt payees described above should file Form W-9 to avoid possible erroneous backup withholding. FILE THE FORM W-9 WITH THE PAYER. FURNISH YOUR TAXPAYER IDENTIFICATION NUMBER. WRITE "EXEMPT" ON THE FACE OF THE FORM AND RETURN IT TO THE PAYER.

Certain payments other than dividends that are not subject to information reporting are also not subject to backup withholding. For details, see the regulations under sections 6041, 6041A(a), 6045, 6050A, 6050N and their regulations.

Privacy Act Notice--Section 6109 requires most recipients of dividend, interest or other payments to give taxpayer identification numbers to payers who must report the payments to the IRS. The IRS uses the number for identification purposes and to help verify the accuracy of tax returns. The IRS also may provide this information to the Department of Justice for civil and criminal litigation and to cities, states, and the District of Columbia to carry out their tax laws. Payers must be given the numbers whether or not recipients are required to file tax returns. Payers must generally withhold 31% of taxable interest, dividends and certain other payments to a payee who does not furnish a taxpayer identification number to a payer. Certain penalties may also apply.

PENALTIES

(1) Penalty for failure to furnish taxpayer identification number--If you fail to furnish your taxpayer identification number to a payer, you are subject to a penalty of $50 for each such failure unless your failure is due to reasonable cause and not to willful neglect.

(2) Civil penalty for false information with respect to withholding--If you make a false statement with no reasonable basis which results in no imposition of backup withholding, you are subject to a penalty of $500.

(3) Criminal penalty for falsifying information--Willfully falsifying certifications or affirmations may subject you to criminal penalties including fines and/or imprisonment.

FOR ADDITIONAL INFORMATION CONTACT YOUR TAX CONSULTANT OR THE INTERNAL REVENUE SERVICE.