UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-K

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Fiscal Year Ended December 31, 2003

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Transition Period from ________ to ________

Commission File Number 333-69826

Hornbeck Offshore 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)**

103 Northpark Boulevard, Suite 300
Covington, Louisiana 70433
(985) 727-2000
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Securities registered pursuant to Section 12(b) of the Act:
None.

Securities registered pursuant to Section 12(g) of the Act:
None.

Indicate by check mark whether the Registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☐ No ☒

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. Yes ☐ No ☐ NOT APPLICABLE.

Indicate by check mark whether the Registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2). Yes ☐ No ☒

The aggregate market value of common stock, par value $.01 per share, held by non-affiliates of the Registrant is not ascertainable as such stock is privately held and there is no public market for such stock. The total number of shares of the Registrant's common stock, par value $.01 per share, outstanding as of March 5, 2004 was 14,527,814 (after giving effect to a 1-for-2.5 reverse stock split effective on such date)

DOCUMENTS INCORPORATED BY REFERENCE

None.

HORNBECK OFFSHORE SERVICES, INC. AND SUBSIDIARIES
FORM 10-K
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2003

TABLE OF CONTENTS

PART I	1
Items 1 and 2.—Business and Properties	1
General	1
Offshore Supply Vessels	2
Tugs and Tank Barges	6
Our Competitive Strengths	9
Our Strategy	11
Customers and Charter Terms	12
Competition	12
Environmental and Other Government Regulation	13
Operating Hazards and Insurance	17
Employees	17
Properties	17
Recent Developments	17
Seasonality of Business	18
Item 3—legal Proceedings	18
Item 4—Submission of Matters to a Vote of Security Holders	18
PART II	19
Item 5—Market for the Registrant's Common Stock and Related Stockholder Matters	19
Item 6—Selected Financial Data	19
Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations	22
General	22
Critical Accounting Policies	24
Results of Operations	26
Liquidity and Capital Resources	29
Contractual Obligations and Commercial Commitments	31
Inflation	32
Recent Accounting Pronouncements	32
Forward-Looking Statements	34
Item 7a—Quantitative and Qualitative Disclosures About Market Risk	35
Item 8—Financial Statements and Supplementary Data	35
Item 9—Changes in and Disagreements with Accountants on Accounting and Financial Disclosures	35
Item 9a—Controls and Procedures	35
PART III	37
Item 10—Directors and Executive Officers of the Registrant	37
Our Executive Officers and Directors	37
Committees of the Board of Directors	39
Compensation Committee Interlocks and Insider Participation	40
Term and Compensation of Directors	40
Item 11—Executive Compensation	42
Summary Compensation Table	42
Option Grants	43
Fiscal Year End Option Values	43
Employment Agreements	43
Item 12—Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	44
Principal Stockholders	44
Equity Compensation Plan Information	47
Item 13—Certain Relationships and Related Transactions	48

Item 14—Principal Accountant Fees and Services 48

PART IV 50
Item 15—Exhibits, Financial Statement Schedules and Reports on Form 8-K 50
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS F-1
SIGNATURES S-1

PART I

ITEMS 1 AND 2.—Business and Properties.

Hornbeck Offshore Services, Inc. was incorporated under the laws of the State of Delaware in 1997. In this annual report on Form 10-K, "company," "we," "us" and "our" refers to Hornbeck Offshore Services, Inc. and its subsidiaries, except as otherwise indicated. References in this annual report on Form 10-K to "OSVs" mean offshore supply vessels; to "deepwater" mean offshore areas, generally 1,000' to 5,000' in depth, and ultra-deepwater areas, generally more than 5,000' in depth; to "deep well" mean a well drilled to a true vertical depth of 15,000' or greater; and to "new generation," when referring to OSVs, mean modern, deepwater-capable vessels subject to the regulations promulgated under the International Convention on Tonnage Measurement of Ships, 1969, which was adopted by the United States and made effective for all U.S.-flagged vessels in 1992.

BUSINESS

General

We are a leading provider of technologically advanced, new generation OSVs serving the offshore oil and gas industry, primarily in the U.S. Gulf of Mexico and in select international markets. The focus of our OSV business is on complex exploration and production activities, which include deepwater, deep well and other logistically demanding projects. We are also a leading transporter of petroleum products through our tug and tank barge segment serving the energy industry, primarily in the northeastern United States and Puerto Rico.

In the mid-1990s, oil and gas producers began seeking large hydrocarbon reserves at deeper well depths using new, specialized drilling and production equipment. We recognized that the existing fleet of conventional 180' OSVs operating in the U.S. Gulf of Mexico was not designed to support these more complex projects or to operate in the challenging environments in which they were conducted. Therefore, in 1997, we began a program to construct new generation OSVs based upon the proprietary designs of our in-house team of naval architects. Since that time, we have constructed 17 new generation OSVs using these proprietary designs, and expanded our fleet with the acquisitions of a total of six additional new generation OSVs. Our fleet of 23 OSVs is among the youngest fleets in the industry with an average age of approximately three years.

Our OSVs were purposefully designed with the flexibility to meet the diverse needs of our clients in all stages of their exploration and production activities. As a result, all of our OSVs have enhanced capabilities that allow them to more effectively support premium drilling equipment required for deep drilling and related specialty services. In contrast to conventional 180' OSVs, our vessels have dynamic positioning capability, as well as greater storage and off-loading capacity. We are capable of providing OSV services to our customers anywhere in the world and we are actively pursuing additional contracts in select international markets.

Historically, demand for our OSV services has been primarily driven by the drilling of deep wells, whether in the deepwater or on the U.S. Continental Shelf, and other complex exploration and production projects that require specialized drilling and production equipment. In addition, our new generation OSVs are increasingly in demand by our customers for conventional drilling projects. Customers on such projects are willing to pay more than the prevailing dayrates for conventional 180' OSVs because of the ability of our OSVs to reduce overall offshore logistics costs for the customer through the vessels' greater capacities and operating efficiencies.

According to the Minerals Management Service, or MMS, in 2002 the deepwater region accounted for 68% of total U.S. Gulf of Mexico oil production and 38% of total U.S. Gulf of Mexico natural gas production, up substantially from 4% and 1%, respectively, in 1990. In addition, the MMS estimates that deep reservoirs on the Continental Shelf may hold up to 55 tcf of undiscovered natural gas. This potential reserve base compares favorably to the current total of approximately 26 tcf of proven natural gas reserves in the entire U.S. Gulf of Mexico. Our new generation OSVs are also well suited for drilling in logistically demanding projects and frontier areas, where support infrastructure is severely limited.

Our tug and tank barge fleet consists of 12 ocean-going tugs, 16 ocean-going tank barges and one coastwise tanker. We believe our tug and tank barge business complements our OSV business by providing additional revenue and geographic diversification, while allowing us to offer another line of services to integrated oil and gas companies. Demand for our tug and tank barge services is primarily driven by the level of refined petroleum product consumption in the northeastern United States and Puerto Rico, our core operating markets. The Energy Information Administration, or EIA, projects that refined petroleum product consumption in the East Coast region of the United States will increase by an average of 1.7% per year from 2002 to 2010. Demand for refined petroleum products is primarily driven by population growth, the strength of the U.S. economy, seasonal weather patterns, oil prices and competition from alternate energy sources.

Offshore Supply Vessels

The OSV Industry

OSVs primarily serve exploratory and developmental drilling rigs and production facilities and support offshore construction and subsea maintenance activities. OSVs 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, OSVs also transport liquid mud, potable and drilling water, diesel fuel, dry bulk cement and personnel between shore bases and offshore rigs and facilities. In general, demand for OSVs, as evidenced by dayrates and utilization rates, is primarily related to offshore oil and natural gas exploration, development and production activity, which in turn is influenced by a number of factors, including oil and natural gas prices and the drilling budgets of offshore exploration and production companies.

OSVs operate worldwide, but are generally concentrated in relatively few offshore regions with high levels of exploration and development activity such as the Gulf of Mexico, the North Sea, Southeast Asia, West Africa, Brazil and the Middle East. While there is some vessel migration between regions, key factors such as mobilization costs, vessel suitability and government statutes prohibiting foreign-flagged vessels from operating in certain waters generally limit such migration.

The U.S. Gulf of Mexico is a critical oil and natural gas supply basin for the United States, accounting for 30% and 25%, respectively, of total U.S. oil and natural gas production in 2002. Offshore oil and natural gas drilling and production in the U.S. Gulf of Mexico occurs on the Continental Shelf and in the deepwater. Drilling activity on the Continental Shelf has historically been limited to shallow wells, or wells with true vertical depths of less than 15,000’. More recently, however, operators have begun to increasingly focus exploratory efforts on deep wells and natural gas reserves located below 15,000’. These deep prospects are largely undeveloped, but are believed to contain significant reserves.

While the shallow waters of the Continental Shelf have been actively explored for decades, relatively few deep wells have been drilled historically due to the high cost associated with these wells. The dry hole cost of a typical Continental Shelf well drilled from 8,000’ to 12,000’ generally ranges from $4 million to $8 million, while the dry hole cost for a deep well drilled in a similar location but to 15,000’ or more can range from $10 million to $25 million. The higher costs associated with the drilling of deep wells can be attributed to, among other things, the need for specialized, high-end drilling rigs and related equipment, greater volumes of downhole materials such as liquid mud, tubular products and cement, and longer drilling times.

Despite the higher costs associated with deep well Continental Shelf drilling, operators, especially those in search of natural gas, have continued to demonstrate interest. This interest is driven by, among other things, the potential for the discovery of significant natural gas reserves. The MMS estimates that there may be up to 55 tcf of undiscovered, conventionally recoverable, deep well natural gas on the Continental Shelf. Moreover, the abundance of existing platforms, production facilities and pipelines on the Continental Shelf allow new deep gas to flow quickly to market. In addition, MMS data indicates that higher natural gas production rates can be expected from wells drilled on the Continental Shelf below 16,000’. Furthermore, the MMS royalty relief programs enacted in 2001, and expanded in August 2003 and again in January 2004, have stimulated interest by reducing the development costs of these deep wells. The combination of these factors partly compensates for the higher drilling costs of deep wells on the Continental Shelf and can allow operators to commercially produce discovered reserves in this market. While drilling on the Continental Shelf has declined, gas production data from 2000 to 2003 provided by IHS Energy, an energy research company, suggests an

increasing focus on deep wells on the Continental Shelf. From 2000 to 2003, gas production from deep wells as a percentage of total wells on the Continental Shelf increased from 22% to 30%.

Recent discoveries of large hydrocarbon reserves in deepwater fields in the Gulf of Mexico and at deeper well depths on the Continental Shelf have resulted in increased developmental and exploratory drilling activities in these areas. The deepwater region of the U.S. Gulf of Mexico is an increasingly important source of oil and natural gas production with many unexplored areas of potential oil and natural gas reserves. According to the 2004 Deepwater and Ultra Deepwater Report of Infield Systems Limited, an international energy research firm, the U.S. Gulf of Mexico had 58 deepwater projects developed between 1999 and 2003, and an additional 79 deepwater projects have been identified for development between 2004 and 2008.

Because oil and natural gas exploration, development and production costs in the shallow well Continental Shelf market are generally lower than those in the deepwater or deep well environments, shallow well drilling activity on the Continental Shelf is typically more sensitive to fluctuations in commodity prices, particularly the price of natural gas. Accordingly, actual or anticipated decreases in oil and natural gas prices generally result in reduced offshore drilling activity and correspondingly lower demand for the conventional 180’ OSVs serving the shallow well Continental Shelf market. This causes a corresponding decline in OSV dayrates and utilization rates in that market. In contrast, the relatively larger capital commitments and longer lead times and investment horizons associated with deepwater, particularly ultra-deepwater, and deep well developments make it less likely that an operator will abandon such projects in response to a short-term decline in oil or natural gas prices. Dayrates and utilization rates for new generation OSVs that serve the deepwater and deep well markets are, therefore, generally less sensitive to short-term commodity price fluctuations and tend to be more stable than dayrates and utilization rates for OSVs serving the shallow well Continental Shelf market.

According to our analysis of the industry and data compiled from various industry sources, including the U.S. Coast Guard, we estimate that the U.S.-flagged OSV fleet currently totals 353 vessels, substantially all of which are located in the Gulf of Mexico. Of this total, 246, or 70% are conventional 180’ OSVs that primarily operate on the Continental Shelf. The remaining 107 vessels are new generation OSVs that primarily operate in the deepwater Gulf of Mexico. However, during soft market conditions in the deepwater, these modern vessels have increasingly migrated at premium dayrates to conventional drilling environments, such as the U.S. Continental Shelf, Mexico and Trinidad & Tobago. Of the conventional OSV fleet, a significant number are currently cold-stacked. Vessels that are cold-stacked have generally been removed from active service by the operator due to lack of demand. In contrast, we believe there are currently no new generation OSVs cold-stacked.

The Market for New Generation OSVs

Complex exploration and production projects require specialized equipment and higher volumes of supplies to meet the more difficult operating environment associated with such offshore developments. In order to better serve these projects and meet customer demands, new generation OSVs, including our entire OSV fleet, are designed with larger capacities, including greater liquid mud and dry bulk cement capacities, as well as larger areas of open deck space than conventional 180’ OSVs. These features are essential to the effective servicing of deepwater drilling projects, which are often distant from shore-based support infrastructure, because they allow a vessel to make fewer trips to supply the liquid mud, drilling water, dry bulk cement and other needs of the customer. In addition, OSVs operating in deepwater environments generally require dynamic positioning, or anchorless station-keeping capability, primarily because customers’ safety procedures preclude OSVs from tying up to deepwater installations, and to enable continued operation in adverse weather conditions. We believe that conventional 180’ OSVs, substantially all of which lack dynamic positioning capability and sufficient on-deck or below-deck cargo capacity, are not capable of operating effectively or economically in the deepwater market. In addition, certain ports have draft or other logistical impediments, which limit the pool of new generation vessels capable of servicing such ports. Our proprietary vessels were designed to work under these shallow draft and logistically demanding conditions.

As a result of recent deepwater and deep well drilling activity, utilization rates for new generation OSVs in the U.S. Gulf of Mexico have averaged approximately 95% over the last two years while the average utilization rate for the conventional 180’ OSV fleet over the same period has been approximately 73%. Additional utilization for new generation OSVs has come from increasing demand for these vessels in support of conventional shelf drilling projects. Moreover, during the same two-year period, average dayrates for new generation OSVs were generally more than double the average dayrates

of conventional 180’ OSVs. Given the recent and expected deepwater and deep well activity, we believe that the supply of new generation OSVs, including vessels currently available and vessels being constructed under announced construction plans, is more than sufficient to meet the current and near term demand for such vessels. Long-term projections of deepwater and deep well activity, however, indicate a potential shortage of new generation OSVs. Furthermore, although U.S.-flagged vessels operating in overseas locations may be remobilized to the U.S. Gulf of Mexico, historically such remobilization has been limited.

Our OSV Business

We currently own and operate a fleet of 23 new generation OSVs. Our in-house engineering team, using our proprietary designs, built 17 of our OSVs expressly to meet the demands of deepwater regions and other complex drilling projects. Our in-house engineering team possesses significant vessel operating experience. Drawing from this experience, we work closely with potential charterers to design vessels specifically to meet their anticipated needs. This is particularly the case when the charterer will operate a project that could have a duration of more than 20 years and require expenditures exceeding $1 billion. All of our vessels have up to three times the dry bulk capacity and deck space, two to ten times the liquid mud capacity and two to four times the deck tonnage compared to conventional 180’ OSVs. The advanced cargo handling systems of our 17 proprietary OSVs allow for dry bulk and liquid cargos to be loaded and unloaded three times faster than conventional 180’ OSVs, while the solid state controls of their engines typically result in a 20% greater fuel efficiency than vessels powered by conventional engines. In addition, our larger classes of proprietary OSV designs, designated by us as our 240 ED and 265 classes, were designed, in part, to supply the substantially greater liquid mud volume and other cargo capacity required for ultra-deepwater drilling. We believe that the customers’ recognition of the superior capabilities of our proprietary OSVs has contributed to our ability to achieve higher dayrates and utilization rates and increased overall operating cost efficiencies than our competitors.

All of our new generation OSVs are equipped with dynamic positioning systems and controllable pitch thrusters, which allow our vessels to maintain position within minimal variance, and state-of-the-art safety, emergency power, fire alarm and fire suppression systems and systems monitoring equipment. The unique hull design and integrated rudder and thruster system of our 17 proprietary OSVs provide for a more maneuverable vessel. These proprietary vessels also have double-bottomed and double-sided hulls that minimize environmental impact in the event of vessel collisions or groundings, solid state controls that minimize visible soot and polluting gases and zero discharge sewage and waste systems that minimize the impact on marine environments. In addition, these 17 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. These features allow us to market our proprietary OSVs for service in international waters.

Our technologically advanced, new generation OSVs are also capable of providing specialty services in support of certain of our customers, including well stimulation, remotely operated vehicles, or ROVs, used in oilfield subsea construction and maintenance, underwater inspections, marine seismic operations, and certain non-energy applications such as fiber optics cable installation, military work and containerized cargo transportation. Compared to conventional 180’ OSVs, our OSVs have more dead weight capacity, deck space, and berthing accommodations, improved maneuverability and greater fuel efficiency. We believe these characteristics strengthen demand for our OSVs in specialty situations. Two of our vessels, the *HOS Innovator* and the *HOS Dominator,* currently provide ROV subsea construction and maintenance support for a large oilfield service company under contracts that each have an initial term of three years. The *BJ Blue Ray* provides deepwater well stimulation support services for another large oilfield service company under a contract with a five-year initial term. This vessel was the first U.S.-flagged well stimulation vessel to receive the American Bureau of Shipping WS and DPS2 class notations. We believe the *BJ Blue Ray* is one of the most technologically sophisticated well stimulation vessels in the world.

On June 26, 2003, we completed the acquisition of five 220’ new generation OSVs from Candy Marine Investment Corporation, an affiliate of Candy Fleet Corporation, or Candy Fleet. Following the completion in July 2003 of a private placement of our common stock and satisfaction of certain other conditions, on August 6, 2003 we acquired an additional 220’ new generation OSV from Candy Fleet. These six vessels complement our existing OSV fleet and have allowed us to expand our service offerings to clients, particularly those drilling wells on the Continental Shelf.

Table of Contents

The following table provides information, as of March 1, 2004, regarding our existing fleet of OSVs.

Offshore Supply Vessels(1)

Name	Class	Current Service Function	Built (Acquired)	Deadweight (long tons)	Brake Horsepower
BJ Blue Ray	265	Well Stimulation	November 2001	3,756	6,700
HOS Brimstone	265	Supply	June 2002	3,756	6,700
HOS Stormridge	265	Supply	August 2002	3,756	6,700
HOS Sandstorm	265	Supply	October 2002	3,756	6,700
HOS Bluewater	240 ED	Supply	March 2003	2,850	4,000
HOS Gemstone	240 ED	Supply	June 2003	2,850	4,000
HOS Greystone	240 ED	Supply	September 2003	2,850	4,000
HOS Silverstar	240 ED	Supply	January 2004(2)	2,850	4,000
HOS Innovator	240 E	ROV Support(3)	April 2001	2,380	4,500
HOS Dominator	240 E	ROV Support(3)	February 2002	2,380	4,500
HOS Deepwater	240	Supply	November 1999	2,250	4,500
HOS Cornerstone	240	Supply	March 2000	2,250	4,500
HOS Explorer	220	Supply	February 1999 (June 2003)	1,607	3,900
HOS Express	220	Supply	September 1998 (June 2003)	1,607	3,900
HOS Pioneer	220	Supply	June 2000 (June 2003)	1,607	4,200
HOS Trader	220	Supply	November 1997 (June 2003)	1,607	3,900
HOS Voyager	220	Supply	May 1998 (June 2003)	1,607	3,900
HOS Mariner	220	Supply	September 1999 August 2003)	1,607	3,900
HOS Crossfire	200	Supply	November 1998	1,750	4,000
HOS Super H	200	Supply	January 1999	1,750	4,000
HOS Brigadoon	200	Supply	March 1999	1,750	4,000
HOS Thunderfoot	200	Supply	May 1999	1,750	4,000
HOS Dakota	200	Supply	June 1999	1,750	4,000

(1) We have also bareboat chartered a newly constructed 165’ crewboat, which we named the *HOS Hotshot*. We have an option to purchase this vessel during the term of the charter.
(2) The vessel was delivered from the shipyard on January 21, 2004 and, after further modifications, commenced service on March 3, 2004 as it was mobilized to Trinidad & Tobago.
(3) The term “ROV” means remotely operated vehicle.

We have designed and constructed five distinct classes of proprietary OSVs and added a sixth class, through the acquisitions of six OSVs from Candy Fleet, to meet the diverse needs of the offshore oil and gas industry. The following table provides a comparison of certain specifications and capabilities of our new generation OSVs to conventional 180’ OSVs.

Table of Contents

	Conventional 180’ OSV(1)	Our Proprietary Design OSV Classes					Acquired OSVs
		200	240	240 E	240 ED	265	220
Size							
Class length overall (ft.)	180	200	240	240	240	265	220
Breadth (ft.)	40	54	54	54	54	60	46
Depth (ft.)	14	18	18	18	20	22	17
Maximum draft (ft.)	12	13	13	13	14.5	16	13.7
Deadweight (long tons)	950	1,750	2,250	2,380	2,850	3,756	1,607
Clear deck area (sq. ft.)	3,450	6,580	8,836	8,100	8,100	9,212	5,472
Capacity							
Fuel capacity (gallons)	79,400	90,000	151,800	135,100	104,210	151,800	114,490
Fuel pumping rate (gallons per minute)	275	550	550	550	550	500	380
Drill water capacity (gallons)	120,000	240,000	240,000	240,000	311,000	413,000	99,000
Dry bulk capacity (cu. ft.)	4,000	7,000	8,400	8,400	6,000	10,800	8,040
Liquid mud capacity (barrels)	1,200	3,640	6,475	6,475	8,300	10,500	2,955
Liquid mud pumping rate (gallons per minute)	250	500	1,000	1,000	1,000	1,000	1,200
Potable water capacity (gallons)	11,500	52,200	52,200	52,200	30,400	20,430	26,800
Machinery							
Main engines (horsepower)	2,250	4,000	4,000	4,000	4,000	6,700	3,900
Auxiliaries (number)	2	3	3	3	3	3	2
Total rating (kw)	200	750	750	750	750	860	250
Bow thruster (horsepower)	325	800	1,600	1,600	1,600	2,400	530
Type of Pitch	Fixed	Controllable	Controllable	Controllable	Controllable	Controllable	Fixed
Stern thruster (horsepower)	None	300	300	800	800	1,600	300
Type of Pitch	—	Controllable	Controllable	Controllable	Controllable	Controllable	Fixed
Fire fighting (gallons per minute)	None	1,250	2,700	2,700	2,700	2,700	2,600
Dynamic positioning(2)	None	DP0,1	DP1	DP2	DP2	DP2,3	DP0,1
Crew Requirements							
Number of personnel(3)	5	6	6	7	7	8	6

(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 “0,” “1,” “2” and “3” refer to increasing levels of technical 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.

Tugs and Tank Barges

The Tug and Tank Barge Industry

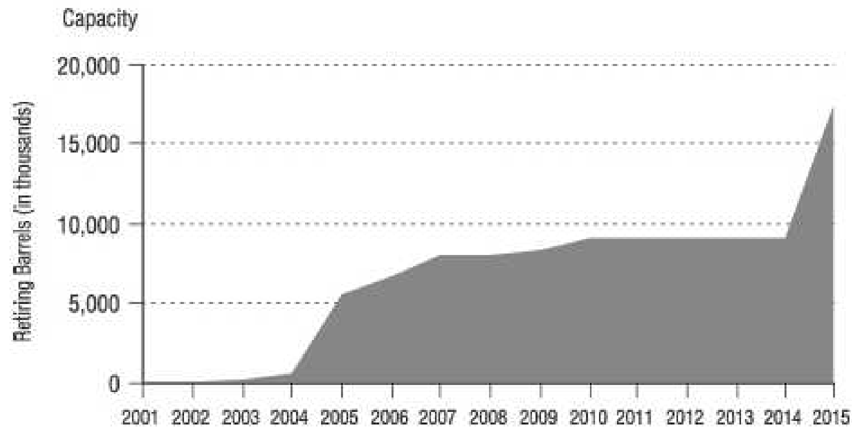
Introduction. The domestic tank barge industry provides marine transportation of crude oil, petroleum products and petrochemicals by tug and tank barge, and is a critical link in the U.S. petroleum distribution chain. Petroleum products are transported in the northeastern United States through a vast network of terminals, tankers and pipelines. We believe, based upon our analysis of the industry, that in the northeastern United States approximately 430 million barrels of petroleum products are transported annually by tank barges. Additionally, the EIA estimates that in Puerto Rico, our other core area of operation, approximately 70 million barrels of petroleum products are transported annually.

Demand for tug and tank barge services in the northeastern United States is primarily driven by population growth, the strength of the U.S. economy, seasonal weather patterns, oil prices and competition from alternate energy sources. According to the EIA, demand for petroleum products in the northeastern United States is expected to increase approximately 1.7% annually through 2010, which we believe will generate steadily increasing demand for the tank barge industry.

The largest single tank barge market in the northeastern United States 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. As a result, ships importing directly into New England must frequently discharge in multiple ports or terminals or transfer cargos to tank barges. As existing single-hulled tankers are retired due to age or as mandated under the Oil Pollution Act of 1990, or OPA 90, they are typically replaced by larger tankers. These larger-sized tankers are being built to facilitate the importation of crude oil and petroleum products into the United States. The volume of imported crude oil and petroleum products is expected to grow at a compound annual rate of 2.4% through 2025, according to the EIA. As larger petroleum tankers are being built, we believe that direct delivery into New York Harbor will

generate increased tank barge demand for lightering services and further shipment to New England, the Hudson River and Long Island.

Oil Pollution Act of 1990. OPA 90 mandates that all single-hulled tank vessels operating in U.S. waters be removed from service according to a time schedule. Data provided by a U.S. Coast Guard report dated September 2001 indicates that 5.5 million barrels of single-hulled tank barge capacity would need to be retired by 2005 and an additional 3.5 million barrels by 2010, as mandated by OPA 90. According to the report, this represented on a cumulative basis as of each such retirement date, 22% and 36%, respectively, of the total 24.9 million barrel single- and double-hulled tank barge capacity that existed in 2001. The following chart illustrates the capacity of tank vessels that must be removed from service from 2000 through 2014. We believe that, absent a substantial increase in the number of double-hulled vessels constructed in the industry, this reduction in capacity, assuming steady demand, may favorably impact dayrates and utilization of the remaining tank barges, including our own.



Based on data contained in the United States Coast Guard Report to Congress on the Progress to Replace Single Hull Tank Vessels with Double Hull Tank Vessels, dated September 2001.

Additionally, OPA 90 requires that owners or operators of tankers operating in U.S. waters submit vessel spill response plans to the U.S. Coast Guard for approval and operate according to the plans upon approval. Our vessel response plans have been approved by the U.S. Coast Guard, and all of our crew members have been trained to comply with these guidelines. For further discussion of OPA 90 see "—Environmental and Other Governmental Regulation" below.

Our Tug and Tank Barge Business

We provide marine transportation, distribution and logistics services in the northeastern United States, Puerto Rico and the U.S. Gulf of Mexico with our fleet of 12 ocean-going tugs and 16 ocean-going tank barges. We provide our services to major oil companies, refineries and oil traders. Generally, a tug and tank barge work together as a "tow" to transport refined or bunker grade petroleum products. Our tank barges carry 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 crude oils, residual crudes and feedstocks, heavy fuel oils 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 in Puerto Rico 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 and are well positioned to provide such services to the increasing number of new tankers that are too large to make direct deliveries to distribution terminals and refineries.

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 tank 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 by tank barge 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 by mutual agreement. 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 significant adjustment penalties. Because the tank barge market in the northeastern United States is currently operating at or near capacity, we believe that we would be able to replace through other customers any volumes that Amerada Hess does not transport as contemplated by the contract.

One of our tank barges is double-hulled and is not subject to OPA 90 retirement dates. Ten of our 15 single-hulled tank barges are not required under OPA 90 to be retired or double-hulled until 2015. Of our remaining five single-hulled tank barges, three are required to be retired or modified before 2005 and two in 2009. In recognition of their upcoming retirements, we have recently commenced construction of two double-hulled, ocean-going tank barges that are expected to be delivered in December 2004 and we are evaluating plans for the construction or retrofit of a third tank barge. Our coastwise tanker is not subject to OPA 90 retirement dates. 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 a large portion of currently available capacity in that market is required to be removed from service or be substantially reconstructed by 2005.

The following tables provide information, as of March 1, 2004, regarding the tugs, tank barges and the coastwise tanker we own and the two double-hulled tank barges currently under construction.

Ocean-Going Tugs

Name	Gross Tonnage	Length (feet)	Year Built	Brake Horsepower
Ponce Service	190	107	1970	3,900
Caribe Service	194	111	1970	3,900
Atlantic Service	198	105	1978	3,900
Brooklyn Service	198	105	1975	3,900
Gulf Service	198	126	1979	3,900
Tradewind Service	183	105	1975	3,200
Yabucoa Service	183	105	1975	3,000
Spartan Service	126	102	1978	3,000
Sea Service	173	109	1975	2,820
North Service	187	100	1978	2,200
Bayridge Service	194	100	1981	2,000
Stapleton Service	146	78	1966	1,530

Table of Contents

Ocean-Going Tank Barges and Coastwise Tanker

Name	Barrel Capacity	Length (feet)	Year Built	OPA 90 Date(1)
Ocean-Going Tank Barges:				
Energy 13501	135,000 est.	450	TBD(2)	N/A
Energy 11101	111,844	420	1979	2009
Energy 11102	111,844	420	1979	2009
Energy 11001	110,000 est.	390	TBD(2)	N/A
Energy 9801	97,432	390	1967	2005
Energy 9501	94,442	346	1972	2005
Energy 8701	86,454	360	1976	2005
Energy 8001(3)	81,364	350	1996	N/A
Energy 7002	72,693	351	1971	2015
Energy 7001	72,016	300	1977	2015
Energy 6505	65,710	328	1978	2015
Energy 6504	66,333	305	1958	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 2201	22,556	242	1973	2015
Energy 2202	22,457	242	1974	2015
Coastwise Tanker:				
Energy Service 9001(4)	—	402	1992	N/A

TBD: To be determined.
N/A: OPA 90 limitations are not applicable to this vessel.
(1) Prior to January 1 of the year indicated (except for the *Energy 11101* for which the date is June 1), according to OPA 90, the vessel must be refurbished as a double hull or be retired from service in U.S. waters. For a discussion of OPA 90 see "—Environmental and Other Governmental Regulation" below.
(2) Currently under construction with delivery anticipated in December 2004.
(3) This vessel, formerly known as the *T/B Kilchis*, is a double-hulled tank barge that was acquired on February 28, 2003. Upon closing, we renamed this vessel the *Energy 8001*.
(4) This coastwise tanker, formerly known as the *M/V W.K. McWilliams, Jr.*, acquired on November 15, 2001, is not currently certified to transport petroleum products and, therefore, barrel capacity is not applicable to this vessel.

Our Competitive Strengths

Technologically Advanced Fleet of New Generation OSVs. Our technologically advanced, new generation OSVs were designed with the specifications necessary for operations in complex and challenging drilling environments, including deepwater, deep well and other logistically demanding projects. Our new generation OSVs have significantly more capacity and operate more efficiently than conventional 180' OSVs. While 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, they are hesitant to stop operations under such conditions due to the high daily cost of halting such complex operations. Our proprietary vessels incorporate sophisticated technologies and are designed specifically to operate safely in complex exploration and production environments. These technologies include dynamic positioning, roll reduction systems and controllable pitch thrusters, which allow our vessels to maintain position with minimal variance, and our unique cargo handling systems, which permit high volume transfer rates of liquid mud and dry bulk. We believe that we earn higher average dayrates and maintain higher utilization rates than our competitors due to the superior capabilities of our OSVs, our six-year track record of safe and reliable performance and the collaborative efforts of our in-house design team in providing marine engineering solutions to our customers.

Young OSV Fleet with Lower Cost of Ownership. We believe that we operate the youngest fleet of U.S.-flagged OSVs. While the average age of the conventional 180' U.S.-flagged OSV fleet is approximately 24 years, the average age of our OSV fleet is approximately three years. Newer vessels generally experience less downtime and require significantly less maintenance and scheduled drydocking costs compared to older vessels. The average intermediate drydocking for

recertification for one of our OSVs generally lasts five to ten days in the shipyard and costs approximately $0.3 million. In contrast, the typical drydocking for recertification of a conventional 180’ OSV may last up to 90 days in the shipyard and can cost as much as $1.5 million. We believe that our operation of new, technologically advanced OSVs 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 OSV in November 1998, the average utilization rate for our OSVs has been approximately 94%. According to ODS-Petrodata, the U.S. Gulf of Mexico industry average was approximately 73% over the same time period, based on vessels available for service. We expect that our newer, larger, faster and more cost-efficient vessels will remain in high demand as deepwater and other complex and challenging exploration, development and production activities continue to increase globally.

Commitment to Safety and Quality. As part of our commitment to safety and quality, we have voluntarily pursued and received certifications that are not generally held by other companies in our industry. We have formerly maintained certifications to the requirements of the International Standards Organization, or ISO, Standards 9002 and 14000 for quality and environmental management, respectively, with respect to the eight tugs and nine tank barges acquired from the Spentonbush/Red Star Group. We are one of the few OSV companies operating in the U.S. Gulf of Mexico that is approved under 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 to the requirements of the vessels’ Coast Guard certifications, and taking corrective actions where necessary. Both of our principal office locations in Covington, Louisiana and Brooklyn, New York, as well as the majority of our vessels, including all of our OSVs and our tugs and tank barges acquired from the Spentonbush/Red Star Group, are also certified under the International Safety Management Code, or ISM Code, developed by the International Maritime Organization to provide internationally recognized standards for the safe management and operation of ships and for pollution prevention. We are currently combining the ISO and ISM certification of our fleetwide operations to standards of the American Bureau of Shipping’s Safety, Quality and Environmental Certification, or ABS SQE, which integrates the elements of these certifications into a single program. Quality, Safety and Environmental Certificates are an increasingly important consideration for both our OSV and tank barge customers due to the environmental and regulatory sensitivity associated with offshore drilling and production activity and waterborne transportation of petroleum products, respectively. We believe that customers recognize our commitment to safety and that our strong reputation and performance history provide us with a competitive advantage.

Leading Market Presence in Core Target Markets. Our 23 OSVs comprise the second largest fleet of technologically advanced, new generation OSVs qualified for work in the U.S. Gulf of Mexico. Currently, 19 of our 23 OSVs operate in that area. We also operate one of the largest fleets of tugs and tank barges for the transportation of petroleum products in Puerto Rico and believe that we are the fourth largest tank barge transporter of petroleum products in New York Harbor. We believe that having scale in our selected markets benefits our customers and provides us with operating efficiencies.

Successful Track Record of Vessel Construction and Acquisitions. Our management has significant naval architecture, marine engineering and shipyard experience. We believe we are unique in the manner in which we design our own vessels and work closely with our contracted shipyards in their construction. We typically source and supply many of the manufactured components (owner-furnished equipment), comprising a large portion of the aggregate cost of a vessel, directly from vendors rather than through the shipyard. In addition to substantial cost savings, we believe our approach enables us to better control the construction process, resulting in a higher quality vessel and an enhanced level of service from these vendors during the applicable warranty periods. We believe that our history of designing and constructing 17 new generation OSVs on time and on budget provides us with a competitive advantage in obtaining contracts for our vessels prior to their actual delivery. Our company has designed its operations and management systems in contemplation of additional growth through new vessel construction and acquisitions. To date, we have successfully completed and integrated four acquisitions involving 13 ocean-going tugs and 13 ocean-going tank barges, one acquisition of a coastwise tanker and two acquisitions involving six 220’ new generation OSVs.

Favorable OPA 90 Fleet Status. Data provided by a U.S. Coast Guard report dated September 2001 indicates that 5.5 million barrels of single-hulled tank barge capacity would need to be retired by 2005 and an additional 3.5 million barrels by 2010, as mandated by OPA 90. According to the report, this represented on a cumulative basis as of each such retirement date, 22% and 36%, respectively, of the total 24.9 million barrel single- and double-hulled tank barge capacity that existed in 2001. Because 10 of our 15 single-hulled tank barges are not required to be replaced or retrofitted with double hulls until 2015, we believe we have a competitive advantage over operators who have a higher percentage of single-hulled tank barges that must be retired or modified to add double hulls before 2010.

Experienced Management Team with Proven Track Record. Our executive management team has an average of 20 years of domestic and international marine transportation industry-related 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 both favorable and unfavorable market conditions. Moreover, our in-house engineering team has significant operating experience that enables us to more effectively design and manage our new vessel construction program, adapt our vessels for specialized purposes, oversee and manage the drydocking process and provide custom marine engineering solutions to our customers. We believe this will continue to result in a lower overall cost of ownership over the life of our vessels compared to our competitors, as well as a competitive advantage in securing contracts for our OSVs as the benefits of our proprietary designs and in-house engineering capabilities are recognized by our customers.

Our Strategy

Apply Existing and Develop New Technologies to Meet our Customers' Vessel Needs. Our new generation OSVs are designed to meet the higher capacity and performance needs of our clients' increasingly more complex drilling and production programs. In addition, our proprietary double-hulled tank barges currently under construction are designed to maximize transit speed, improve cargo through-put rates and enhance crew safety features. Our new generation OSVs are equipped with sophisticated propulsion and cargo handling systems, dynamic positioning capabilities and have larger capacities than conventional 180' OSVs. We are committed to applying existing and developing new technologies to maintain a technologically advanced fleet that will enable us to continue to provide a high level of customer service and meet the developing needs of our customers for OSVs and ocean-going tugs and tank barges, as well as other types of vessels that complement our two business segments. Improvements in exploration and production technologies have enabled operators to pursue larger scale, more complex drilling programs in remote locations and under more challenging operating conditions. We believe that the trend toward increasingly more complex projects will increase the demand for our technologically advanced fleet of new generation OSVs. Oil and natural gas exploration and development activity in these regions has increased recently as a result of several factors, including world-class exploration potential, improvements in exploration and production technologies for deepwater projects, and slowing or declining production from onshore and shallow water fields. We believe that deepwater regions worldwide and deep well drilling on the Continental Shelf will continue to be active areas for exploration and development in the foreseeable future, and that demand for our OSVs, which are uniquely equipped to serve the current and planned drilling programs in these markets, will continue to be strong.

Expand Fleet Through Newbuilds and Strategic Acquisitions. We plan to expand our fleet through construction of new vessels, including construction of new generation OSVs and double-hulled tank barges as market conditions warrant, retrofitting of certain vessels and through strategic acquisitions. Market demand for vessels, including demand for new generation OSVs in domestic and international markets, will be the main determinant of the level and timing of construction of additional vessels. We believe that acquisition opportunities are likely to arise as consolidation continues in our two industry segments. We intend to use our expertise and experience to evaluate and execute strategic acquisitions where the opportunity exists to expand our service offerings in our core markets and create or enhance long-term client relationships. To date, we have completed seven acquisitions involving 33 vessels and have constructed 17 proprietary vessels, with two more expected for delivery in December 2004.

Pursue Optimal Mix of Long-Term and Short-Term Contracts. We seek to balance our portfolio of customer contracts by entering into both long-term and short-term charters. Long-term charters, which contribute to higher utilization rates, provide us with more predictable cash flow. Most of our long-term charters contain annual dayrate escalation provisions. Short-term charters provide the opportunity to benefit from increasing dayrates in favorable market cycles. Currently, seven of our 23 OSVs operate under long-term charters, the initial terms of which range from one 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. Our other tug and tank barge contracts typically have been renewed annually over the last several years.

Build Upon Existing Customer Relationships. We intend to build upon existing customer relationships by expanding the services we offer to those customers with diversified marine transportation needs. Many integrated oil and gas companies require OSVs to support their exploration and production activities and ocean-going tugs and tank barges to support their refining, trading and retail distribution activities. Moreover, many of our customers that conduct operations internationally have expressed interest in chartering our OSVs in such markets. For example, we are operating three OSVs in Trinidad &

Tobago for a customer with whom we have a long-standing relationship in the U.S. Gulf of Mexico. Currently, four of our new generation OSVs are chartered for use in international markets. Our management team has significant international experience and will continue to evaluate such opportunities.

Optimize Tug and Tank Barge Operations. Due to OPA 90 phase-out requirements of single-hulled barges, the total barrel-carrying capacity of existing tank vessels transporting petroleum products domestically is projected to decline from its current level without a commensurate increase in newbuildings and retrofittings. In addition, the energy industry is increasingly outsourcing its marine transportation requirements and focusing on safety and reliability as a key determinant in awarding new business. We believe that these trends will improve the balance of supply and demand, and result in improved tank barge utilization and dayrates.

Customers and Charter Terms

Major oil companies, large independent oil and gas exploration, development and production companies and large oil service companies constitute the majority of our customers for our OSV services, while refining, marketing and trading companies constitute the majority of our customers for our tug and tank barge services. The percentage of revenues attributable to a customer in any particular year depends on the level of oil and natural 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. For the year ended December 31, 2003, Amerada Hess Corporation accounted for more than 10% of our total revenues. Under the terms of our contract of affreightment with Amerada Hess, 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. Our contract of affreightment provides for minimum annual cargo volumes to be transported and allows Amerada Hess to reduce its minimum commitment, subject to significant adjustment penalties. Because the tank barge market in the northeastern United States is currently operating at or near capacity, we believe that we would be able to replace through other customers any volumes that Amerada Hess does not transport as contemplated by the contract. For a discussion of significant customers in prior periods, see note 14 of the notes to our consolidated financial statements.

We enter into a variety of contract arrangements with our customers, including spot and time charters, contracts of affreightment and consecutive voyage contracts. Our contracts are obtained through competitive bidding or, with established customers, through negotiation.

Currently, seven of our 23 OSVs operate under long-term charters. Most of the contracts for our OSVs contain early termination options in favor of the customer; however some have substantial early termination penalties designed to discourage the customers from exercising such options. Similarly, 12 of our 16 tank barges provide services under long-term contracts with initial terms of one year or longer. Since we commenced operations, our OSVs have performed services for approximately 64 different customers, and our tugs and tank barges have performed services for approximately 252 different customers. Because of the variety and number of customers historically using the services of our fleet, and the approximate balance between supply and demand in both the OSV and tug and tank barge markets, we believe that the loss of any one customer would not have a material adverse effect on our business.

Because we have established a reputation for on-time delivery and reliability, charterers have contacted us in certain circumstances to construct vessels to meet their needs. In such circumstances, we have generally contracted these specially designed vessels for three to five years, with renewal options, before construction is completed. 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.

Competition

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

- quality and capability of the vessels;
- ability to meet the customer's schedule;

- safety record;
- reputation;
- price; and
- experience.

The terms of the Jones Act restrict the ability of vessels that are not built in the United States, registered under the laws of the United States and owned and managed by U.S. citizens to compete in the coastwise trade in the United States and Puerto Rico. See "—Environmental and Other Governmental Regulation" for a more detailed discussion of the Jones Act.

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, nor are any new pipelines likely to be built in the near future due to cost constraints and logistical and environmental requirements.

We believe that approximately 84% of the new generation OSVs currently operating in the U.S. Gulf of Mexico are owned by privately-held companies. We believe we operate the second largest fleet of new generation OSVs in the U.S. Gulf of Mexico. In contrast, approximately 75% of the conventional 180' OSVs operating on the Continental Shelf of the U.S. Gulf of Mexico are owned by publicly-traded companies. We operate one of the largest tank barge fleets in Puerto Rico and we believe that we are the fourth largest transporter by tank barge of petroleum products in New York Harbor. Most of our competitors in the tug and tank barge industry are privately held.

Although some of our principal competitors are larger and have greater financial resources and, with respect to OSVs, extensive international operations, 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 OSVs provide us with a competitive advantage. The ages of our OSVs range from one month to 76 months, while the average age of the industry's conventional 180' U.S.-flagged OSV fleet is approximately 24 years. Retirement of older vessels has already commenced and we believe that many more of these older vessels will be retired in the next few years. The young age of our fleet, together with the advanced capabilities of our vessels, position us to take advantage of the expanding deepwater, deep well and other logistically demanding exploration and production projects in the U.S. Gulf of Mexico and around the world. In addition, our new generation OSVs are also increasingly in demand by our customers for conventional drilling projects because of the ability of our OSVs to reduce overall offshore logistics costs for the customer through the vessels' greater capacities and operating efficiencies.

Environmental and Other Governmental Regulation

Our operations are significantly affected by a variety of federal, state, local and international laws and regulations governing worker health and safety and the manning, construction and operation of vessels. Certain U.S. 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, drydocking intervals, manning requirements, tonnage requirements and restrictions, hull and shafting requirements and vessel documentation. Coast Guard regulations require that each of our vessels be drydocked 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 is restricted to only those 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 interests 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 non-U.S. citizens.

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

- limits ownership by non-U.S. citizens of any class of our capital stock (including our common stock) to 20%, 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 non-U.S. citizens that exceed 20%
- permits a stock certification system with two types of certificates to aid tracking of ownership;
- permits our board of directors to redeem any shares held by non-U.S. citizens that exceed 20%; and
- permits our board of directors to make such determinations to ascertain ownership and implement such measures as reasonably may be necessary.

Recently, the Jones Act restrictions have been challenged by interests seeking to facilitate foreign competition for coastwise trade. Historically, their efforts have been defeated by large margins when considered by the U.S. Congress. Industry associations and participants have actively responded to the latest challenges involving the nature, extent and availability of lease-finance alternatives permitted by a 1996 amendment of the Jones Act. Certain foreign interests have attempted to utilize those provisions to operate or propose operation in the U.S. coastwise trade. On February 4, 2004, the United States Coast Guard published a final rule further restricting the lease-finance provisions to prevent their misuse. In the final rule, the Coast Guard noted that Congress's intent in adopting the 1996 amendment was to broaden the sources of capital for owners of U.S. vessels engaged in coastwise trade by creating new lease-finance options and not to undermine the basic principle of U.S. maritime law that vessels operated in domestic trades must be operated and controlled by U.S. citizens. The final rule grandfathers indefinitely any vessel that received a coastwise endorsement before February 4, 2004 or any vessel built under a construction contract entered into before that date in reliance on a letter ruling from the Coast Guard dated prior to that date. In addition to the final rule, the Coast Guard and the Maritime Administration, on February 4, 2004, published a joint notice of proposed rulemaking that included provisions addressing certain charter-back restrictions intended to further prevent misuse of the lease-finance provisions. Also, the Coast Guard is proposing to limit the grandfathering provisions of the Coast Guard's final rule to three years instead of having them be indefinite. There can be no assurance that the proposed rulemaking will be adopted as proposed or that, even if adopted with favorable provisions, further efforts to interpret the Jones Act, including these rules, in a manner designed to circumvent the historical protections afforded to U.S. coastwise trade will not continue. Should foreign competition be permitted to enter the U.S. coastwise market, it could have an adverse effect on the U.S. OSV industry and on us.

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 including natural resource damages 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, issuance of corrective action orders and suspension or termination of our operations. Moreover, it is possible that changes in the environmental laws, regulations or enforcement policies that impose additional or more restrictive requirements 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 million. 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. Moreover, OPA 90 imposes on responsible parties the need for proof of financial responsibility to cover at least some costs in a potential spill. We have provided satisfactory evidence of financial responsibility to the U.S. Coast Guard for all of our vessels over 300 tons.

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.

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 measure 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 be required to modify or replace only five of our tank barges before 2015. Although we are not aware of anything that would lead us to believe this current schedule will change, it remains possible that 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 OSVs routinely transport diesel fuel to offshore rigs and platforms and also carry diesel fuel for their own use. Our OSVs also transport bulk chemical materials used in drilling activities and liquid mud, which contain oil and oil by-products. In addition, our tank barges are specifically engaged to transport a variety of petroleum products. We maintain vessel response plans as required by the Clean Water Act to address potential oil and fuel 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 all material respects in compliance with the Resource Conservation and Recovery Act and analogous state statutes.

LEEVAC Marine, Inc., a predecessor entity to one of our current subsidiaries, 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 federal Superfund site. Subsequent to this initial notice, in December 2000, LEEVAC Marine was one of approximately 14 companies that formed a limited liability company, SSIC Remediation, LLC, to address this matter. LEEVAC Marine accrued a $100,000 liability at the time of our formation to cover this expense. Our subsidiary's current percentage of liability for cleanup efforts within the SSIC Remediation group at this site is estimated at approximately 2.64%, and, to date, it has contributed approximately $34,000 towards this cleanup effort and an additional $17,000 to pay certain costs discussed below, thereby reducing the accrued liability with respect to this matter to $44,600. The $34,000 contribution represents our subsidiary's current share of a $1.9 million voluntary cleanup plan submitted to the limited liability company's members by an independent contractor who has agreed to clean up the site in a manner that will meet both state and federal standards. In June 1997, Cari Investment Company, the former parent of LEEVAC Marine, Inc., agreed to indemnify us for certain matters, including those discussed in this paragraph. The indemnity would also be applicable to all liabilities, obligations, damages and expenses related to the SBA Shipyard matter in excess of $100,000. Christian G. Vaccari, who served as our Chairman and Chief Executive Officer until February 2002 and is serving as one of our directors, is a minority shareholder and President, Chief Executive Officer and Chairman of the Board of Cari Investment Company. In July 2002, our subsidiary entered into a contractual agreement whereby it paid an additional $17,000 to SSIC Remediation, LLC in order to limit its exposure to certain future costs incurred by the independent contractor at the site. This limitation on payment of future monies relates primarily to certain legal and administrative costs of SSIC Remediation, LLC and does not bar future payment of monies for potential Superfund cleanup costs or for costs associated with any suits brought by third parties. In late 2002, SSIC Remediation, LLC commenced interim phase remedial activities at the SBA Shipyards site pursuant to a December 9, 2002 “Order and Agreement” that it entered into with EPA. These remedial efforts are on-going at this site.

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 natural gas industry as a whole.

The Outer Continental Shelf Lands Act gives the federal government broad discretion to regulate the release of offshore resources of oil and natural gas. Because our operations rely primarily on offshore oil and natural 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 natural gas leases, such an action would have a material adverse effect on our financial condition and results of operations.

We currently have in place protection and indemnity insurance coverage that includes coverage for pollution incidents in navigable waters of the United States. Our OSVs have $5 million in primary insurance coverage for such offshore pollution incidents, with an additional $100 million in excess umbrella coverage. In addition, our tugs and tank barges have insurance coverage for oil spills with a coverage limit of $1 billion.

Our tugs and tank barges acquired from the Spentonbush/Red Star Group have formerly obtained certifications for environmental management according to the requirements of ISO Standard 14000. Both of our principal office locations in Covington, Louisiana and Brooklyn, New York, as well as the majority of our vessels, including all of our proprietary OSVs and our tugs and tank barges acquired from the Spentonbush/Red Star Group, are also certified to the standards of the ISM Code for the safe management and operation of ships and for pollution prevention. We are currently combining the ISO and ISM Code certification of our fleetwide operations to the standards of ABS SQE, which integrates the elements of these certifications into a single program. Additionally, our OSVs participate in the U.S. Coast Guard's Streamlined Inspection Program (SIP), which ensures the overall readiness level of our vessel lifesaving and other critical safety and emergency 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 any impact on the environment from our fleet 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 $105 million of pollution coverage for the OSVs. 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

On December 31, 2003, we had 556 employees in the United States and Puerto Rico, including 468 operating personnel and 88 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. We have not experienced any strikes or work stoppages, and our management believes that we continue to enjoy good relations with our employees.

Properties

Our corporate headquarters are located in Covington, Louisiana. Our office lease covers 23,756 sq. ft. and has an initial term of five years, which commenced in September 2003, with two additional five-year renewal periods. We also hold a one-year lease on a 4,500-square-foot warehouse near our corporate headquarters to maintain spare parts inventory. For local support in Puerto Rico, we lease an office consisting of approximately 1,900 square feet. To support our operations in the northeastern United States, we lease office space and warehouse space in Brooklyn, New York, consisting of approximately 66,760 square feet. 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 our Brooklyn facilities expires in March 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 **“**—Offshore Supply Vessels—Our OSV Business**”** and **“**—Tugs and Tank Barges—Our Tug and Tank Barge Business.**”**

Recent Developments

Reverse Stock Split. On March 5, 2004, we effected a 1-for-2.5 reverse stock split of our common stock that caused the number of our outstanding shares to decrease from 36.3 million to 14.5 million. For all periods, the share amounts and per share data reflected throughout this annual report on Form 10-K have been adjusted to give effect to the reverse stock split.

Amendment to Revolving Credit Facility. On February 13, 2004, we amended and restated our revolving credit facility primarily to extend its maturity from December 31, 2004 to February 13, 2009 and to increase its nominal size from $60 million to $100 million. Our current borrowing base under the facility remains unchanged at $60 million. The maturity of this facility will automatically accelerate to March 31, 2008, if by that date we have not redeemed our senior notes or refinanced them with debt having a maturity later than July 31, 2009.

Delivery of 240 ED Class HOS Silverstar. On January 21, 2004, we took delivery of the *HOS Silverstar,* our fourth 240 ED class OSV, from the shipyard. After further vessel modifications, the *HOS Silverstar* was mobilized on March 3, 2004 and is scheduled to work in Trinidad & Tobago.

Double-Hulled Tank Barge Newbuild Program. In November 2003, we commenced our fourth new vessel construction program, the first such program for our tug and tank barge segment. We contracted with shipyards for the construction of two double-hulled tank barges and are currently evaluating our plans with respect to the construction or retrofit of a third tank barge. We expect to take delivery of the two tank barges currently under construction in December 2004. These two vessels are based on a proprietary design developed by our in-house engineering team. We also secured fixed-price options from one of the shipyards to construct up to three additional proprietary double-hulled tank barges for delivery

after 2004. The primary purpose of our tank barge newbuild and retrofit program is to address our need to replace three of our existing single-hulled tank barges that are required under OPA 90 to be retired from service prior to January 1, 2005. We expect to incur construction and retrofit costs of up to $42 million for the first three tank barges before allocation of construction period interest. We expect to fund these costs with current cash on hand, projected cash flow from operations and available borrowing capacity.

Seasonality of Business

Demand for our OSV 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 natural gas, may affect this general trend in any particular year. These factors have less impact on our OSV business due to our high level of contracted cash flow, which has resulted in high utilization.

Tank barge services are significantly affected by the strength of the U.S. economy, changes in weather patterns and population growth that affect the consumption of and the demand for refined petroleum products and crude oil. The tug and tank barge market, in general, is marked by steady demand over time, although 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.

Item 3—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.

Item 4—Submission of Matters to a Vote of Security Holders

Submission of Matters to a Vote of Security Holders

On October 9, 2003, we held a Special Meeting of Stockholders. At the meeting, the stockholders approved the Board of Director's proposal to (i) effect a reverse stock split in connection with the Company's proposed initial public offering, if necessary, by amending the Company's Restated Certificate of Incorporation, as amended, and (ii) maintain the maximum number of shares that may be issued with respect to awards granted pursuant to the Company's Incentive Compensation Plan following the above referenced reverse stock split at 3,500,000. As to each of the foregoing proposals, the number of shares cast for or against the proposal, as well as the number of abstentions, were as follows:

Proposal 1: Approval or disapproval to effect a reverse stock split in connection with the Company's proposed initial public offering, if necessary, by amending the Company's Restated Certificate of Incorporation, as amended.

For	Against	Abstentions
33,160,546*	None	None

Proposal 2: Approval of proposal to maintain the maximum number of shares that may be issued with respect to awards granted pursuant to the Company's Incentive Compensation Plan following the anticipated reverse stock split at 3,500,000.

For	Against	Abstentions
33,160,546*	None	None

* Reflect voting results on a pre-reverse stock split basis.

PART II

Item 5—Market for the Registrant's Common Stock and Related Stockholder Matters

Our common stock is privately-held and is not listed for quotation or trading on any exchange, automated quotation system or over-the-counter market. On March 5, 2004, we had 99 holders of record of our common stock.

We have not previously paid or declared and we do not plan to declare or pay, any cash dividends on our common stock. We intend to retain all of the cash our business generates to meet our working capital requirements and fund future growth. In addition, our indenture and revolving credit facility include restrictions on our ability to pay cash dividends on our common stock.

During the year ended December 31, 2003, we issued the following shares of our common stock which were not registered under the Securities Act of 1933:

(a) In September 2003, we issued 1,000 shares of our common stock to a holder of options granted under our Incentive Compensation Plan upon the exercise of such options as reported in Item 2 of Form 10-Q filed November 12, 2003.

(b) The Company completed a $30.0 million private placement of 2,400,000 shares of common stock on July 3, 2003 as reported in Item 2 of Form 10-Q filed August 14, 2003.

(c) In June 2003, we issued 4,700 shares of our common stock to certain holders of options granted under our Incentive Compensation Plan upon the exercise of such options. The total amount of consideration we received for the issuance of these shares was approximately $31,138. The issuance of these shares of our common stock was exempt from registration under Rule 701 promulgated under the Securities Act of 1933.

Item 6—Selected Financial Data

SELECTED HISTORICAL CONSOLIDATED FINANCIAL INFORMATION
(In thousands, except operating data)

Our selected historical consolidated financial information as of and for the periods ended December 31, 2003, 2002, 2001, 2000, and 1999 was derived from our audited historical consolidated financial statements prepared in accordance with generally accepted accounting principles, or GAAP. 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" and our historical consolidated financial statements and the notes to those statements included elsewhere in this annual report on Form 10-K.

	Year Ended December 31,				
	2003	2002	2001	2000	1999
Statements of Operations Data:					
Revenues	$ 110,813	$ 92,585	$ 68,791	$ 36,102	$ 25,723
Operating expenses	64,395	48,633	32,805	20,687	17,125
General and administrative expenses	10,731	9,681	8,039	3,078	2,617
Operating income	35,687	34,271	27,947	12,337	5,981
Interest income	178	667	1,455	305	170
Interest expense	18,523	16,207	16,646	15,478	7,524
Other income (expense)(1)	706	55	—	(138)	(20)
Income (loss) before income taxes	18,048	18,786	12,756	(2,974)	(1,393)
Income tax expense	(6,858)	(7,139)	(5,737)	(1,550)	(341)
Net income (loss)(2)(3)	11,190	11,647	7,019	(4,524)	(1,734)
Balance Sheet Data (at period end):					
Cash and cash equivalents	$ 12,899	$ 22,228	$ 53,203	$ 32,988	$ 6,144
Working capital	17,698	22,265	48,516	29,524	(2,429)
Property, plant, and equipment, net	316,715	226,232	180,781	98,935	85,700
Total assets	365,242	278,290	258,817	147,148	103,486
Total long-term debt(4)	212,677	172,306	171,976	82,557	79,076
Total stockholders' equity	112,395	71,876	59,866	38,197	9,194
Statement of Cash Flows Data:					
Net cash provided by (used in):					
Operating activities	$ 25,499	$ 24,955	$ 33,345	$ 5,741	$ 1,915
Investing activities	(98,166)	(55,771)	(88,328)	(15,324)	(42,313)
Financing activities	63,322	(159)	75,198	36,427	43,359
Other Financial Data (unaudited):					
EBITDA(5)	$ 54,161	$ 47,289	$ 37,072	$ 17,667	$ 9,263
Other Operating Data (unaudited):					
Offshore Supply Vessels:					
Average number(6)	17.3	11.0	7.8	6.8	4.1
Average utilization rate(7)	88.6%	94.9%	99.1%	93.4%	93.1%
Average dayrate(8)	$ 10,940	$ 12,176	$ 11,872	$ 8,435	$ 6,724
Tugs and Tank Barges:					
Average number of tank barges(9)	15.9	16.0	12.3	7.0	7.1
Average fleet capacity (barrels)(9)	1,145,064	1,130,727	847,780	451,655	434,861
Average barge size (barrels)	72,082	70,670	68,109	64,522	61,464
Average utilization rate(7)	73.6%	78.1%	84.4%	71.4%	73.9%
Average dayrate(10)	$ 10,971	$ 9,499	$ 8,944	$ 8,982	$ 8,482

---

(1) Represents other operating income and expenses, including gains (or losses) on disposition of assets and equity in income from investments.
(2) Includes goodwill amortization of $126 for each of the three years in the period ended December 31, 2001. Effective January 1, 2002, SFAS No. 142, "Goodwill and Other Intangible Assets" required that goodwill and other indefinite-lived assets no longer be amortized, but instead be reviewed for impairment annually or more frequently if circumstances indicate potential impairment. Net income (loss) would have been $7,145, $(4,398), and $(1,608), for the years ended December 31, 2001, 2000, and 1999, respectively, if SFAS 142 had been in effect on January 1, 1999.
(3) Excludes a net write-off of $108 related to a cumulative effect of change in accounting principle for start-up costs in 1999.
(4) Excludes original issue discount associated with our 10 $^{5}/8$% senior notes in the amount of $2,323, $2,694 and $3,024 as of December 31, 2003, 2002 and 2001, respectively. The amount as of December 31, 2003 includes $40,000 outstanding under our long-term, revolving credit facility.
(5) See our discussion of EBITDA as a non-GAAP financial measure immediately following these footnotes.
(6) We owned 22 OSVs at December 31, 2003. We took delivery of a newly constructed OSV on January 21, 2004.
(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 OSVs generated revenue.
(9) The averages for the year ended December 31, 2003 give effect to our sale of the *Energy 5502* on January 28, 2003 and our acquisition of the *Energy 8001* on February 28, 2003. As of December 31, 2003, our tank barge fleet consisted of 16 vessels.
(10) Average dayrates represent average revenue per day, including time charters, brokerage revenue, 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. For purposes of brokerage arrangements, this calculation excludes that portion of revenue that is equal to the cost of in-chartering third-party equipment paid by customers.

Reconciliation of EBITDA to Net Income

In March 2003, the Securities and Exchange Commission, or Commission, adopted rules regulating the use of non-GAAP financial measures, such as EBITDA, in filings with the Commission, disclosures and press releases. These rules require non-GAAP financial measures to be presented with and reconciled to the most nearly comparable financial measure calculated and presented in accordance with GAAP.

EBITDA consists of earnings (net income) before interest expense, income tax expense, depreciation and amortization. This term, as we define it, may not be comparable to similarly titled measures employed by other companies and is not a measure of performance calculated in accordance with accounting principles generally accepted in the United

States, or GAAP. EBITDA should not be considered in isolation or as a substitute for operating income, net income or loss, cash flows provided by operating, investing and financing activities, or other income or cash flow statement data prepared in accordance with GAAP.

We believe EBITDA is useful to an investor in evaluating our operating performance because:

- it is widely used by investors in our industry to measure a company's operating performance without regard to items such as interest expense, depreciation and amortization, which can vary substantially from company to company depending upon accounting methods and book value of assets, capital structure and the method by which assets were acquired; and
- it helps investors more meaningfully evaluate and compare the results of our operations from period to period by removing the impact of our capital structure (primarily interest charges from our outstanding debt) and asset base (primarily depreciation and amortization of our vessels) from our operating results.

Our management uses EBITDA:

- as a measure of operating performance because it assists us in comparing our performance on a consistent basis as it removes the impact of our capital structure and asset base from our operating results;
- in presentations to our board of directors to enable them to have the same consistent measurement basis of operating performance used by management;
- as a measure for planning and forecasting overall expectations and for evaluating actual results against such expectations;
- as a basis for incentive cash bonuses paid to our executive officers and other shore-based employees;
- to assess compliance with financial ratios and covenants included in our revolving credit facility and the indenture governing our senior notes; and
- in communications with lenders, senior note holders, rating agencies and others, concerning our financial performance.

The following table reconciles EBITDA with our net income (loss) for the following periods:

	Year Ended December 31,				
	2003	**2002**	**2001**	**2000**	**1999**
Net income (loss)	$ 11,190	$ 11,647	$ 7,019	$ (4,524)	$ (1,734)
Interest expense:					
Debt obligations(1)	18,523	16,207	13,694	8,216	5,262
Put warrants(2)	—	—	2,952	7,262	2,262
Income tax expense	6,858	7,139	5,737	1,550	341
Depreciation and amortization	17,590	12,296	7,670	5,163	3,132
EBITDA	$ 54,161	$ 47,289	$ 37,072	$ 17,667	$ 9,263

(1) Interest expense from debt obligations includes a loss of $3,029 incurred during 2001 resulting from the early extinguishment of debt. The loss relates to the write-off of deferred financing costs upon the refinancing of all our debt through the issuance of our 10 5/8% senior notes in July 2001.

(2) Interest expense from put warrants represents an adjustment to the estimated fair value of the put warrants. According to the Emerging Issues Task Force, or EITF, Issue 88-9, as supplemented by EITF Issue 00-19, which we have adopted, we are required to account for warrants that contain put options at their estimated fair value with the changes reported as interest. We repurchased and terminated all of the warrants for $14,500 in October 2001.

Item 7—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 annual report on Form 10-K. 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.

General

We own and operate a fleet of 23 technologically advanced, new generation OSVs. Currently, 19 of our OSVs are operating in the U.S. Gulf of Mexico, three of our OSVs are operating offshore Trinidad & Tobago and one is working offshore Mexico. We also operate 12 ocean-going tugs and 16 ocean-going tank barges in the northeastern United States, primarily New York Harbor, in Puerto Rico and in the U.S. Gulf of Mexico.

We charter our OSVs on a dayrate basis, under which the customer pays us a specified dollar amount for each day during the term of the contract, pursuant to either fixed time charters or spot market charters. A fixed time charter is a contract with a term of at least one year in which the charterer obtains the right to direct the movements and utilization of the vessel in exchange for payment of a specified dayrate, generally paid monthly, but the vessel owner retains operational control over the vessel. Typically, the owner fully equips the vessel and is responsible for normal operating expenses, repairs, wages and insurance, while the charterer is responsible for voyage expenses, such as fuel, port and stevedoring expenses. Spot market charters in the OSV industry are generally time charter contracts with either relatively short, indefinite terms or fixed terms of less than one year. Generally, the vessel owner absorbs crew, insurance and repair and maintenance costs in connection with the operation of OSVs pursuant to spot market charters, while customers absorb all other direct operating costs.

All of our OSVs operate under time charters, including seven that are chartered under long-term contracts with expiration dates ranging from July 2004 through November 2007. The long-term contracts for our OSVs 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 OSVs service existing oil and gas production platforms as well as exploration and development activities, incremental OSV demand depends primarily upon the level of drilling activity, which can be influenced by a number of factors, including oil and natural gas prices and drilling budgets of exploration and production companies. As a result, utilization rates have historically been tied to oil and natural gas prices and drilling activity. However, the relatively large capital commitments, longer lead times and investment horizons associated with deepwater and deep well projects have diminished the significance of these factors. Soft market conditions for OSVs in the U.S. Gulf of Mexico persisted since the second half of 2002. We added six new generation OSVs to our fleet in mid-2003, three of which were cold-stacked by the seller at the time of acquisition. Despite market weakness, we were able to place in service all six of the acquired Candy Fleet vessels and to achieve a fleetwide OSV utilization of approximately 87% in the second half of 2003.

We have developed five different classes of proprietary, new generation OSVs to meet the diverse needs of our customers. The recent acquisition of six 220' OSVs from Candy Fleet broadened the mix of equipment in our fleet, adding a sixth class of vessels well suited for deep shelf gas exploration and other complex shelf drilling applications. In addition, these new generation vessels are available to fill the increasing demand for modern equipment for conventional drilling on the Continental Shelf. Because the recently acquired vessels were 220 class OSVs, our complement of OSVs smaller in size than the 240 class increased from 33% to 50% of our fleet, resulting in a commensurate decrease in our fleetwide average dayrates beginning in mid-2003. However, we have achieved a comparable reduction in both our fleetwide average capital costs and our daily operating expense per vessel.

Our average dayrate was positively impacted during 2003 by the partial contribution from the first three of our four new 240 ED class OSVs. These vessels were delivered in March, June and September. Each of these three new vessels were delivered two weeks ahead of schedule. The delivery of the *HOS Greystone* in September 2003 marked the eighth consecutive quarter that we had placed a newly constructed OSV in service. The fourth vessel of this newbuild program,

the *HOS Silverstar*, was ready for early delivery in December; however, we elected to make various vessel enhancements that resulted in delivery of the vessel on January 21, 2004.

Although current U.S. Gulf of Mexico market conditions remain challenging, we believe certain events could have a favorable impact on the long-term market outlook. Deepwater properties continue to change ownership, and several of the new operators have publicly stated their intentions to develop these properties over the next several quarters. Additionally, certain operators have recently reaffirmed their commitments to continue developing large projects in the U.S. Gulf of Mexico. In response to U.S. Gulf of Mexico conditions, we elected to expand our operations within the western hemisphere in mid-2002. We currently have three vessels operating in Trinidad & Tobago and one in Mexico. We will continue to take advantage of our vessels' capabilities to meet emerging market trends, both in the U.S. Gulf of Mexico and in select international markets.

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. Spot market charters in the tug and tank barge industry are generally single-voyage contracts of affreightment or time charter contracts with terms of less than one year. A consecutive voyage contract is a contract for the transportation of cargo for a specified number of voyages between designated ports over a fixed period of time under which we are paid based on the volume of products we deliver per voyage. Under consecutive voyage contracts, in addition to earning revenues for volumes delivered, we earn a standby hourly rate between charters. One of our tank barges was chartered to a third party under a bareboat charter from January 2000 until it was sold to the third party on January 28, 2003. A bareboat charter is a **"**net lease**"** in which the charterer takes full operational control over the vessel for a specified period of time for a specified daily rate that is generally paid monthly to the vessel owner. The bareboat charterer is solely responsible for the operation and management of the vessel and must provide its own crew and pay all operating and voyage expenses.

The primary demand drivers for our tug and tank barge services are population growth, the strength of the U.S. economy, changes in weather, oil prices and competition from alternate energy sources. The tug and tank barge market, in general, is marked by steady demand over time. Results for the first and fourth quarters of a given year are typically higher due to normal seasonal weather patterns that typically result in a drop-off of activity during the second and third quarters. We generally take advantage of this seasonality to prepare the tug and tank barge fleet for peak demand periods by performing our regulatory drydocking and maintenance programs during these off-peak periods. In addition, we continuously evaluate our customers' needs and often elect to accelerate scheduled drydockings to take advantage of certain market opportunities. As expected, activity during the fourth quarter of 2003 was seasonally higher during the early stages of winter, with normal winter conditions extending into early 2004.

As the next major OPA 90 milestone approaches on January 1, 2005, customer demand for double-hulled equipment has led to increases in dayrates for this equipment, particularly for tank barges in black oil service. We are actively working to ensure that our fleet is well positioned to take advantage of these opportunities as they develop. In November 2003, we commenced a new double-hulled tank barge newbuild construction program to address our need to replace three single-hulled tank barges that are required under OPA 90 to be retired from service prior to January 1, 2005. Our recent newbuild program is based on a proprietary new design that we have developed to replace and expand our existing fleet of ocean-going tank barges. The design of these vessels is intended to maximize transit speed, improve cargo through-put rates and enhance crew safety features.

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. Because most of these expenses remain payable regardless of vessel utilization, our direct operating costs as a percentage of revenues may fluctuate considerably with changes in dayrates 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 generally 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.

Critical Accounting Policies

Our consolidated financial statements included in this annual report on Form 10-K have been prepared in accordance with accounting principles generally accepted in the United States. In many cases, the accounting treatment of a particular transaction is specifically dictated by generally accepted accounting principles. In other circumstances, we are required to make estimates, judgments and assumptions that we believe are reasonable based upon available information. We base our estimates and judgments on historical experience and various other factors that we believe are reasonable based upon the information available. Actual results may differ from these estimates under different assumptions and conditions. We believe that of our significant accounting policies discussed in note 2 to our consolidated financial statements, the following may involve estimates that are inherently more subjective.

Purchase Accounting. Purchase accounting requires extensive use of estimates and judgments to allocate the cost of an acquired enterprise to the assets acquired and liabilities assumed. The cost of each acquired operation is allocated to the assets acquired and liabilities assumed based on their estimated fair values. These estimates are revised during an allocation period as necessary when, and if, information becomes available to further define and quantify the value of the assets acquired and liabilities assumed. For example, costs related to the recertification of acquired vessels that are drydocked within the allocation period immediately following the acquisition of such vessels are reflected as an adjustment to the value of the vessels acquired and the liabilities assumed related to the drydocking. The adjusted basis of the vessel is depreciated over the estimated useful lives of the vessel. The allocation period does not exceed one year from the date of the acquisition. To the extent additional information to refine the original allocation becomes available during the allocation period, the allocation of the purchase price is adjusted. For example, if an acquired vessel was subsequently disposed of within the allocation period, the sales price of the vessel would be used to adjust the original assigned value to the vessel at the date of acquisition such that no gain or loss would be recognized upon disposition during the allocation period. If information becomes available after the allocation period, those items are reflected in operating results.

Carrying Value of Vessels. We depreciate our tugs, tank barges, and OSVs over estimated useful lives of 14 to 25 years, three to 18 years and 25 years, respectively. The useful lives used for single-hulled tank barges is based on their classification under OPA 90, and for double-hulled tank barges it is 25 years. In assigning depreciable lives to these assets, we have considered the effects of both physical deterioration largely caused by wear and tear due to operating use and other economic and regulatory factors that could impact commercial viability. To date, our experience confirms that these policies are reasonable, although there may be events or changes in circumstances in the future that indicate the recoverability of the carrying amount of a vessel might not be possible. Examples of events or changes in circumstances that could indicate that the recoverability of a vessel's carrying amount should be assessed might include a change in regulations such as OPA 90, a significant decrease in the market value of a vessel and current period operating or cash flow losses combined with a history of operating or cash flow losses or a projection or forecast that demonstrates continuing losses associated with a vessel. If events or changes in circumstances as set forth above indicate that a vessel's carrying amount may not be recoverable, we would then be required to estimate the undiscounted future cash flows expected to result from the use of the vessel and its eventual disposition. If the sum of the expected future cash flows is less than the carrying amount of the vessel, we would be required to recognize an impairment loss.

Recertification Costs. Our tugs, tank barges and OSVs are required by regulation to be recertified after certain periods of time. These recertification costs are incurred while the vessel is in drydock where other routine repairs and maintenance are performed and, at times, major replacements and improvements are performed. We expense routine repairs and maintenance as they are incurred. Recertification costs can be accounted for in one of three ways: (1) defer and amortize, (2) accrue in advance, or (3) expense as incurred. Companies in our industry use either the defer and amortize or the expense as incurred accounting method. We defer and amortize recertification costs over the length of time in which the recertification is expected to last, which is generally 30 or 60 months. Major replacements and improvements, which extend the vessel's economic useful life or functional operating capability, are capitalized and depreciated over the vessel's remaining economic useful life. Inherent in this process are estimates we make regarding the specific cost incurred and the period that the incurred cost will benefit.

Revenue Recognition. We charter our OSVs to customers under time charters based on a daily rate of hire and recognize revenue as earned on a daily basis during the contract period of the specific vessel. Tugs and tank barges are contracted to customers primarily under contracts of affreightment, under which revenue is recognized based on the number of days incurred for the voyage as a percentage of 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. We also contract our tugs and tank barges 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.

Allowance for Doubtful Accounts. Our customers are primarily major and independent, domestic and international, oil and oil service companies. Our customers are granted credit on a short-term basis and related credit risks are considered minimal. We usually do not require collateral. We provide an estimate for uncollectible accounts based primarily on management's judgment. Management uses historical losses, current economic conditions and individual evaluations of each customer to make 26 adjustments to the allowance for doubtful accounts. Our historical losses have not been significant. However, because amounts due from individual customers can be significant, future adjustments to the allowance can be material if one or more individual customers balances are deemed uncollectible.

Income Taxes. We follow SFAS No. 109, "Accounting for Income Taxes." SFAS 109 requires the use of the liability method of computing deferred income taxes. Under this method, deferred income taxes are provided for the temporary differences between the financial reporting basis and the tax basis of our assets and liabilities. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The assessment of the realization of deferred tax assets, particularly those related to tax operating loss carryforwards, involves the use of management's judgment to determine whether it is more likely than not that we will realize such tax benefits in the future.

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. These OSVs and tugs and tank barges generate substantially all of our revenues and operating profit.

	Years Ended December 31,		
	2003(1)	2002(2)	2001(3)
Offshore Supply Vessels:			
Average number of vessels(4)	17.3	11.0	7.8
Average utilization rate(5)	88.6%	94.9%	99.1%
Average dayrate(6)	$ 10,940	$ 12,176	$ 11,872
Tugs and Tank Barges:			
Average number of tank barges	15.9	16.0	12.3
Average fleet capacity (barrels)	1,145,064	1,130,727	847,780
Average barge size (barrels)	72,082	70,670	68,109
Average utilization rate(5)	73.6%	78.1%	84.4%
Average dayrate(7)	$ 10,971	$ 9,499	$ 8,944

(1) The tug and tank barge averages for the year ended December 31, 2003 give effect to our sale of the Energy 5502 on January 28, 2003 and our acquisition of the Energy 8001 on February 28, 2003. As of December 31, 2003, our tank barge fleet consisted of 16 vessels. The OSV averages include 9.5 months of operations from the *HOS Bluewater*, delivered on March 17, 2003, 6.5 months of operations from the *HOS Gemstone*, delivered on June 19, 2003 and 2.5 months for the *HOS Greystone*, delivered on September 17, 2003.

(2) The OSV averages include 10.0 months of operations from the *HOS Dominator*, delivered February 28, 2002, 6.5 months of operations from the *HOS Brimstone* delivered June 13, 2002, 4.5 months of operations from the *HOS Stormridge*, delivered August 11, 2002, and 2.5 months of operations from the *HOS Sandstorm* delivered October 20, 2002.

(3) The tug and tank barge averages includes 7.0 months of operations of the nine tugs and nine tank barges acquired from the Spentonbush/Red Star Group effective May 31, 2001 and the OSV averages include 8.0 months of operations from the *HOS Innovator*, delivered April 28, 2001, and 2.0 months of operations from the *BJ Blue Ray*, delivered November 6, 2001.

(4) We owned 22 OSVs at December 31, 2003, and placed in service a newly constructed OSV, the *HOS Silverstar*, on March 3, 2004.

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

(6) 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 OSVs generated revenue.

(7) Average dayrates represent average revenue per day, including time charters, brokerage revenue, 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. For purposes of brokerage arrangements, this calculation excludes that portion of revenue that is equal to the cost paid by customers of in-chartering third-party equipment.

Table of Contents

Summarized financial information concerning our reportable segments is shown below in the following table (dollars in thousands):

	Year Ended December 31,		
	2003	2002	2001
Revenues by segment:			
Offshore supply vessels	$ 62,402	$46,378	$33,610
Tugs and tank barges	48,411	46,207	35,181
	$110,813	$92,585	$68,791
Operating expenses by segment:			
Offshore supply vessels	$ 32,167	$20,197	$11,672
Tugs and tank barges	32,228	28,436	21,133
	$ 64,395	$48,633	$32,805
General and administrative expenses	$ 10,731	$ 9,681	$ 8,039
Interest expense	$ 18,523	$16,207	$16,646
Interest income	$ 178	$ 667	$ 1,445
Income tax expense	$ 6,858	$ 7,139	$ 5,737

YEAR ENDED DECEMBER 31, 2003 COMPARED TO YEAR ENDED DECEMBER 31, 2002

Revenues. Revenues were $110.8 million for 2003, compared to $92.6 million for 2002, an increase of $18.2 million or 19.7%. This increase in revenues is primarily the result of the year-over-year growth of our fleet. Our operating fleet grew from an average of 39 vessels during 2002 to an average of 45 vessels during 2003. The additional revenues generated by these six vessels accounted for $14.5 million of the increase in our revenues. We also experienced a $3.7 million increase in revenues from our 39 vessels that were in service during each of the years ended December 31, 2003 and 2002.

Revenues from our OSV segment increased to $62.4 million for 2003, compared to $46.4 million for 2002, an increase of $16.0 million or 34.5%. Our utilization rate was 88.6% for 2003, compared to 94.9% in 2002. The increase in revenues was primarily the result of the year-over-year increase in the size of our fleet. The decrease in utilization was due to having fewer OSVs on long-term contracts and an increased proportion of vessels operating in the spot market, which is more susceptible to market fluctuations. The soft OSV spot market that began in mid-2002 continued throughout 2003, and is continuing in 2004. Our OSV average dayrate was $10,940 for 2003, compared to $12,176 in 2002, a decrease of $1,236 or 10.2%. The decrease in average dayrates primarily reflects the addition of six 220 class OSVs, which typically experience lower dayrates, regardless of market conditions, than our 240 or 265 class vessels and continued dayrate weakness in the U.S. Gulf of Mexico. Our average dayrate for the fourth quarter of 2003 was $9,769, which we believe is more indicative of our expectations for early 2004 than our annual average dayrate of $10,940 for 2003. The fourth quarter of 2003 was the first quarter that reflected a full contribution of the operating results from all six of the new 220 class OSVs acquired in mid-2003, causing a shift in our OSV vessel mix.

Revenues from our tug and tank barge segment totaled $48.4 million for 2003 compared to $46.2 million for 2002, an increase of $2.2 million or 4.8%. The segment revenue increase was primarily due to the acquisition of one 80,000-barrel double-hulled tank barge on February 28, 2003. Our utilization rate decreased to 73.6% for 2003, compared to 78.1% for the same period of 2002 primarily due to more drydocking days occurring in 2003 and an increase in vessels operating under contracts of affreightment during the 2003 period. Our average dayrate increased $1,472, or 15.5%, to $10,971 for 2003 compared to $9,499 for 2002. The increased dayrates were primarily driven by higher average barge capacities and a bareboat charter contract that was replaced by a time charter contract, the latter of which commands a higher dayrate.

Operating Expenses. Our operating expenses, including depreciation and amortization, increased to $64.4 million for 2003, compared to $48.6 million for 2002, an increase of $15.8 million or 32.5%. The increase in operating expenses was primarily the result of having more vessels in service in 2003 compared to 2002.

Operating expenses for our OSV segment increased $12.0 million or 59.4% for 2003 to $32.2 million, compared to $20.2 million for 2002. This increase was primarily the result of five newly constructed, larger class OSVs being in service for substantially more days during 2003 compared to 2002, and the acquisition of six 220 class OSVs in mid-2003. Daily operating costs per vessel for 2003 decreased over 2002, primarily due to a change in the OSV fleet complement in the second half of 2003.

Operating expenses for our tug and tank barge segment were $32.2 million for 2003, compared to $29.4 million for 2002, an increase of $3.8 million or 13.4%. The operating expense increase was primarily due to the acquisition of the *Energy 8001* in February 2003. Average daily operating expenses per vessel in the tug and tank barge segment remained fairly constant.

General and Administrative Expenses. Our general and administrative expenses were $10.7 million for 2003, compared to $9.7 million for 2002, an increase of $1.0 million or 10.3%. This increase primarily resulted from increased overhead relating to the costs associated with increased reporting obligations under federal securities laws incurred during 2003 but not in 2002 and the expansion of our fleet during 2003.

Interest Expense. Interest expense was $18.5 million in 2003, compared to $16.2 million in 2002, an increase of $2.3 million or 14.2%. The increase in interest expense resulted from lower capitalized interest in 2003 of $2.7 million related to the construction in progress of four vessels compared to $3.9 million related to the construction of eight vessels in progress during 2002. In addition, the net increase in interest expense was impacted by an average balance outstanding under our revolving credit facility during calendar 2003 of $20.0 million compared to 2002, when the facility was undrawn all year.

Interest Income. Interest income was $0.2 million in 2003 compared to $0.7 million in 2002, a decrease of $0.5 million or 71.4%. Average cash balances were $17.6 million and $37.7 million for the years ended December 31, 2003 and 2002, respectively, which substantially contributed to the decrease in interest income during the year ended December 31, 2003.

Income Tax Expense. Our effective tax rate was 38.0% for 2003 and 2002. Our income tax expense primarily consists of deferred taxes due to our federal tax net operating loss carryforwards of approximately $37.4 million as of December 31, 2003, that are available through 2018 to offset future taxable income. Our income tax rate is higher than the federal statutory rate due primarily to expected state and foreign tax liabilities and items not deductible for federal income tax purposes.

YEAR ENDED DECEMBER 31, 2002 COMPARED TO YEAR ENDED DECEMBER 31, 2001

Revenues. Revenues were $92.6 million for 2002, compared to $68.8 million in 2001, an increase of $23.8 million or 34.6%. The increase in revenues was primarily the result of the year-over-year increase in the size of our fleet. Our operating fleet grew from an average of 28 vessels during 2001 to an average of 39 during 2002.

Revenues from our OSV segment increased to $46.4 million in 2002, compared to $33.6 million for 2001, an increase of $12.8 million or 38.1%. Our average OSV fleet size grew by 3.2 vessels during 2002 compared to 2001. The average utilization rate was 94.9% for 2002, compared to 99.1% for 2001. The 4.2% decrease in utilization for 2002 resulted from a reduced number of long-term contracts and an increased proportion of vessels operating in the spot market, which is more susceptible to market fluctuations. The spot OSV market was softer in 2002 and we experienced more drydocking days in 2002 than in 2001. Our OSV average dayrate was $12,176 for 2002, compared to $11,872 for 2001, an increase of $304 or 2.6%. The increase in average dayrates primarily reflected the addition of larger, newly constructed 240 and 265 class OSVs, which experience higher dayrates than our 200 class OSVs.

Revenues from our tug and tank barge segment totaled $46.2 million for 2002, compared to $35.2 million in 2001, an increase of $11.0 million or 31.3%. This increase in revenue was primarily due to the acquisition of nine tugs and nine tank barges on May 31, 2001, which increased average fleet capacity in barrels from 451,655 to 1,130,727. Revenues for 2002 included $2.9 million that was equal to the cost of in-chartering third party equipment paid by customers, compared to $1.4 million for 2001. Our utilization rate decreased 6.3% to 78.1% for 2002, compared to 84.4% for 2001, primarily due to a significant increase in vessels operating under contracts of affreightment during 2002, and the adverse impact of the warm winter season and weak economic conditions experienced in the northeastern United States since the third quarter

of 2001. More barrels moved under contracts of affreightment also contributed to our average dayrate increasing by $555 to $9,499 for 2002, compared to $8,944 for 2001.

Operating Expenses. Our operating expenses, including depreciation and amortization, increased to $48.6 million for 2002, compared to $32.8 million in 2001, an increase of $15.8 million or 48.2%. The increase in operating expenses was the result of an average of 10.7 more vessels in service during 2002 compared to 2001.

Operating expenses for our OSV segment increased $8.5 million, or 72.6%, in 2002 to $20.2 million, compared to $11.7 million in 2001. This increase was primarily the result of an average of 3.2 more new OSVs being in service during 2002 compared to 2001. Daily operating costs per vessel for 2002 increased slightly over 2001, primarily due to the higher costs of operating larger vessels, including increased manning requirements.

Operating expenses for our tug and tank barge segment was $28.4 million for 2002, compared to $21.1 million in 2001, an increase of $7.3 million or 34.6%. The increase in operating expenses was primarily the result of the addition of nine tugs and nine tank barges on May 31, 2001. Daily operating expenses per vessel in the tug and tank barge segment remained fairly constant.

As discussed in note 2 to the audited consolidated financial statements contained herein, we adopted SFAS 142 effective January 1, 2002 and, accordingly, we have ceased amortizing goodwill. Operating expenses for 2001 included goodwill amortization of $0.1 million.

General and Administrative Expenses. Our general and administrative expenses were $9.7 million for 2002, compared to $8.0 million in 2001, an increase of $1.7 million or 21.3%. This increase primarily resulted from increased overhead relating to the nine tugs and nine tank barges acquired on May 31, 2001 and increased costs associated with reporting obligations under federal securities laws that we were subject to during all of 2002 but during only a portion of 2001.

Interest Expense. Interest expense from debt obligations was $16.2 million in 2002, compared to $13.7 million in 2001, an increase of $2.5 million or 18.2%. The increase in interest expense from debt obligations resulted from the refinancing of our conventional floating rate debt through the issuance of $175.0 million of 10 5/8% senior notes in July 2001 with a higher fixed rate and average balance of debt outstanding for 2002. This increase was offset in part by the capitalization of interest costs of $3.9 million and $3.1 million for 2002 and 2001, respectively. Higher capitalized interest in 2002 was related to the construction in progress of seven offshore supply vessels compared to six vessels during 2001. Included in interest expense was a loss of approximately $3.0 million incurred during 2001 resulting from the early extinguishment of debt. This loss related to the write-off of deferred financing costs upon the refinancing of our debt through the issuance of our senior notes. For more information, please read **"**Recent Accounting Pronouncements**"** below.

Interest expense also includes the results of fair value adjustments to warrants having put options. There was no such adjustment for 2002 compared to an adjustment for 2001 of $3.0 million as the warrants were repurchased and terminated during October 2001.

Interest Income. Interest income was $0.7 million in 2002, compared to $1.5 million in 2001, a decrease of $0.8 million or 53.3%. The decrease in interest income resulted from substantially lower interest rates earned on lower average cash balances invested during 2002 compared to 2001.

Income Tax Expense. Our effective income tax provision for 2002, compared to 2001 was higher primarily due to foreign and state income taxes and the impact of non-deductible interest expense resulting from fair value adjustments for warrants with put options, which was $3.0 million lower in 2002 than in 2001. Our income tax expense primarily consists of deferred taxes due to our federal tax net operating loss carryforwards. Our income tax rate is higher than the federal statutory rate due primarily to expected state tax liabilities, foreign taxes and items not deductible for federal income tax purposes.

Liquidity and Capital Resources

Our capital requirements have historically been financed with cash flow from operations, issuances of our common equity and debt securities, and borrowings under our credit facilities. We require capital to fund ongoing operations, the construction of new vessels, acquisitions, vessel recertifications, discretionary capital expenditures and debt service. The

nature of our capital requirements and the types of our financing sources are not expected to significantly change during 2004.

Pursuant to an amendment and restatement of our revolving credit facility on February 13, 2004, we have a five-year $100 million senior secured revolving credit facility with a borrowing base of $60 million. As of December 31, 2003, we had $40 million outstanding and $20 million of available borrowing capacity under the then-existing facility. We have made, and may make additional, short-term draws on our revolving credit facility from time to time to satisfy scheduled capital expenditure requirements or other corporate purposes. Any liquidity in excess of our planned capital expenditures will be utilized to repay debt or finance the implementation of our growth strategy, which includes expanding our fleet through the construction, retrofit or acquisition of additional vessels, including OSVs and ocean-going tugs and tank barges, as needed to take advantage of the demand for such vessels. The two double-hulled tank barges currently being constructed will replace two single-hulled vessels that are required to be retired under OPA 90 prior to January 1, 2005.

We believe that our current working capital, projected cash flow from operations and available capacity under our revolving credit facility, will be sufficient to meet our cash requirements for the forseeable future. Although we expect to continue generating positive working capital through our operations, events beyond our control, such as mild winter conditions, a reduction in domestic consumption of refined petroleum products, or declines in expenditures for exploration, development and production activity may affect our financial condition or results of operations. However, depending on the market demand for OSVs, tugs and tank barges and other growth opportunities that may arise, we may require additional debt or equity financing.

Operating Activities. We rely primarily on cash flows from operations to provide working capital for current and future operations. Cash flows from operating activities totaled $33.3 million in 2001, $25.0 million in 2002 and $25.5 million in 2003. The increase in operating cash flows in 2003 over 2002 was primarily due to the growth of our fleet and the decrease from 2001 to 2002 was primarily related to increased cash interest paid. Our cash flow from operations is expected to trend higher as we will have a full year of revenue contribution from the nine vessels we added to our fleet in 2003 and nine months of activity for one OSV added in 2004. However, continued soft market conditions in the U.S. Gulf of Mexico could temper expected increases in cash flows from operations. Cash flows from operations from 2001 to 2003 were also impacted by year-over-year increases in cash outlays for drydock recertification activity. In 2004, we expect to drydock a total of eight OSVs, six tugs, and eight tank barges for recertification and/or discretionary vessel enhancements at an estimated cost of approximately $12.8 million, compared to $1.7 million in 2001, $6.5 million in 2002 and $9.9 million in 2003.

As of December 31, 2003, we had federal tax net tax operating loss carryforwards of approximately $37.4 million available through 2018 to offset future taxable income. These tax net tax operating losses were generated primarily through accelerated tax depreciation applied to our vessels. Our use of these tax net operating losses and additional tax benefits may be limited due to U.S. tax laws. Based on the age and composition of our current fleet, however, we expect to continue generating federal tax net operating losses over the near term*.*

Investing Activities. Investing activities for 2003 were approximately $99.8 million primarily for the construction of new vessels, acquisitions of OSVs and a double-hulled tank barge, and miscellaneous capital expenditures. These 2003 expenditures were offset by $1.7 million in cash proceeds from the sale of one tank barge. During 2002, investing activities were $56.1 million for new construction of vessels offset by $0.3 million in cash proceeds from the sale of a tug. Investing activities in 2001 were $88.3 million for the construction of new vessels, vessel acquisitions and other equipment purchases and improvements. In 2004, investing activities are anticipated to include costs for new vessel construction to complete construction of two double-hulled tank barges and one OSV, and capital expenditures comprised of vessel modifications and miscellaneous corporate equipment purchases. Refer to the Contractual Obligation table below for a recap of anticipated vessel construction commitments in 2004.

Financing Activities. Financing activities during 2003 consisted primarily of the private placement of approximately 1.9 million shares of our common stock, raising net cash proceeds of approximately $23.3 million and net short-term borrowings under our revolving credit facility of $40 million. Financing activities during 2002 consisted primarily of the incurrence of variable rate debt financing under our revolving credit facility for asset purchases. In 2001, we issued $175 million of 10 5/8% senior notes and realized net proceeds of approximately $165 million, a substantial portion of which was used to repay and fully extinguish approximately $130 million of the amounts outstanding under our then-existing credit facilities. In October 2001, we paid $14.5 million to repurchase the warrants that were originally issued in connection with

one of our credit facilities paid off with the proceeds of the senior notes. These warrants allowed for the purchase of 4.2 million shares of common stock with an exercise price of $4.20 per share. In 2004, we expect to generate cash from financing activities resulting from borrowings under our revolving credit facility.

In addition, we have filed a registration statement on Form S-1 with the Commission in connection with a proposed initial public offering of our common stock. We also filed an amendment to the registration statement on the filing date of this annual report on Form 10-K. If the offering is completed under such registration statement, we would expect to use the net proceeds from such offering in the manner set forth in the registration statement.

CONTRACTUAL OBLIGATIONS

The following table sets forth an aggregation of our contractual obligations as of December 31, 2003 (in thousands).

Contractual Obligations	Total	Less than 1 Year	1-3 Years	3-5 Years	Thereafter
Senior notes(1)	$ 175,000	$ —	$ —	$ 175,000	$ —
Revolving credit facility	40,000	—	—	—	40,000
Operating leases(2)	2,995	1,166	1,570	259	—
Vessel construction commitments(3)	31,245	31,245	—	—	—
Total	$ 249,240	$ 32,411	$ 1,570	$ 175,259	$ 40,000

(1) Includes original issue discount of $2,323.
(2) Included in operating leases are commitments for office space, vessel rentals, office equipment, and vehicles. On June 30, 2003, we entered into a lease for our principal executive offices in Covington, Louisiana. The lease covers 23,756 sq. ft. and has an initial term of five years, which commenced September 1, 2003, with two optional five-year renewal periods. The cost of leasing this new facility is included in the table.
(3) The timing of the incurrence of these costs is subject to change among periods based on the achievement of shipyard milestones, however, the amounts are not expected to change materially in the aggregate.

We have a senior secured revolving credit facility that was recently amended and restated primarily to extend its maturity and increase its nominal size from $60 million to $100 million. Our borrowing base remains unchanged at $60 million. The revolving credit facility expires on February 13, 2009. The maturity of this facility will automatically accelerate to March 31, 2008, if by that date we have not redeemed our senior notes or refinanced them with debt having a maturity later than July 31, 2009. As of December 31, 2003, seven OSVs and four ocean-going tugs and associated personalty collateralized the revolving credit facility. Borrowings under the revolving credit facility accrue interest, at our option, at either (1) the prime rate announced by Citibank, N.A. in New York, plus a margin of up to 1.0%, or (2) the London Interbank Offered Rate, plus a margin of 1.5% to 3.5%. As of December 31, 2003, our weighted average interest rate was 4.5% under our revolving credit facility. We are also required to pay a commitment fee on available but unused amounts ranging from 0.25% to 0.50%. The interest rate margin and commitment fee are based on our leverage ratio, as defined in the revolving credit facility. We can use the amounts we draw under such facility for working capital purposes, acquisitions and new vessel construction. As of December 31, 2003, we had $40 million outstanding and $20 million of available borrowing capacity under the facility.

As of December 31, 2003, we had outstanding debt of $172.7 million, net of original issue discount, under our senior notes. The effective interest rate on the senior notes is 11.18% and is payable semi-annually each February 1 and August 1. The senior notes do not require any payments of principal prior to their stated maturity on August 1, 2008, but pursuant to the indenture under which the senior notes are issued, we are required to make offers to purchase the senior notes upon the occurrence of specified events, such as certain asset sales or a change in control. The senior notes are unsecured senior obligations and rank equally in right of payment with other existing and future senior indebtedness and senior in right of payment to any subordinated indebtedness incurred by us in the future. The senior notes are guaranteed by all of our subsidiaries. We may, at our option, redeem all or part of the senior notes from time to time at specified redemption prices, subject to certain conditions required by the indenture. We are permitted under the terms of the indenture to incur additional indebtedness, provided that we satisfy certain financial conditions. The revolving credit facility and indenture impose certain operating and financial restrictions on us. Such restrictions affect, and in many cases limit or

prohibit, among other things, our ability to incur additional indebtedness, make capital expenditures, redeem equity, create liens, sell assets and pay dividends or make other restricted payments.

During the year ended December 31, 2003, we expended $35.8 million for new vessel construction, before allocation of construction period interest. As of December 31, 2003, we were committed under vessel construction contracts to complete construction of one new generation OSV under our most recent OSV newbuild program, and two double-hulled tank barges under our tank barge newbuild program. Aggregate construction costs before allocation of construction period interest for the four OSVs constructed under our most recent OSV newbuild program are not expected to exceed $53 million, including $32.3 and $18.4 million that was incurred with respect to such vessels during 2003 and 2002, respectively. We took delivery of the *HOS Bluewater* on March 17, 2003, the *HOS Gemstone* on June 19, 2003, the *HOS Greystone* on September 17, 2003 and the *HOS Silverstar* on January 21, 2004. As of December 31, 2003, the amount expected to be expended to complete construction of the fourth OSV and the two double-hulled tank barges was approximately $31.2 million, which becomes due at various dates during calendar 2004. During the year ended December 31, 2003, we expended approximately $9.9 million for drydocking-related expenses for vessels, of which $6.1 million was accounted for as deferred charges and $3.8 million for other vessel capital improvements. Under our accounting policy, we generally capitalize drydocking expenditures related to vessel recertification to deferred charges and amortize the amount over 30 or 60 months. During the year ended December 31, 2003, we also expended approximately $2.2 million for miscellaneous non-vessel related additions to property, plant and equipment.

Inflation

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

Recent Accounting Pronouncements

In July 2001, the Financial Accounting Standards Board, or FASB, issued SFAS No. 141, "Business Combinations." SFAS 141 eliminated 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.

In July 2001, the FASB issued SFAS No. 142, "Goodwill and Other Intangible Assets." 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 continued to be amortized through 2001 at which time amortization ceased and a transitional goodwill impairment test was performed. Any impairment charges resulting from the initial application of the new rules were classified as a cumulative change in accounting principle. We completed our initial transition evaluation by June 30, 2002, which is within the six-month transition period allowed by the new standard. We determined that our goodwill balances would not be impaired. Goodwill amortization for each of the years ended December 31, 2003, 2002 and 2001 was $0, $0, and $126,000, respectively. The following table presents our net income as reported in our consolidated financial statements compared to what would have been reported had SFAS 142 been in effect as of January 1, 2001 (in thousands).

	Year Ended December 31,		
	2003	2002	2001
Net income, as reported	$11,190	$11,647	$7,019
Amortization of goodwill	—	—	126
Net income, as adjusted	$11,190	$11,647	$7,145

In August 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," which supersedes FASB Statement No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of." SFAS 144 also supersedes certain aspects of APB Opinion No. 30, "Reporting the Results of Operations—Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions" with regard to reporting the effects of a disposal of a segment of a business and will

require expected future operating losses from discontinued operations to be reported in discontinued operations in the period incurred rather than as of the measurement date as presently required by APB 30. Additionally, certain dispositions may now qualify for discounted operations treatment. The provisions of SFAS 144 are required to be applied for fiscal years beginning after December 15, 2001 and interim periods within those fiscal years. The adoption of this statement did not have any effect on our consolidated financial statements.

In April 2002, the FASB issued SFAS No. 145, "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections." SFAS 145 requires that gains or losses recorded from the extinguishment of debt that do not meet the criteria of APB 30 should not be presented as extraordinary items. This statement is effective for fiscal years beginning after May 15, 2002 as it relates to the reissued FASB Statement, with earlier application permitted. Any gain or loss on extinguishment of debt that was classified as an extraordinary item in prior periods presented that does not meet the criteria in APB 30 for classification as an extraordinary item should be reclassified. A loss of approximately $3.0 million was incurred during the third quarter of 2001 resulting from the early extinguishment of debt. This loss relates to the write-off of deferred financing costs upon the refinancing of our debt through the issuance of $175 million of senior notes in July 2001 and has been reclassified as interest expense in our consolidated financial statements.

In June 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." SFAS 146 nullifies EITF Issue 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity," under which a liability for an exit cost was recognized at the date of an entity's commitment to an exit plan. SFAS 146 requires that a liability for a cost associated with an exit or disposal activity be recognized at fair value when the liability is incurred. The provisions of this statement are effective for exit or disposal activities that are initiated after December 31, 2002. SFAS 146 had no impact on our consolidated financial statements for the year ended December 31, 2002.

In November 2002, the FASB issued FASB Interpretation No. 45, or FIN 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others," which elaborates on the disclosures to be made by a guarantor in its interim and annual financial statements about its obligations under certain guarantees that it has issued. It also clarifies that a guarantor is required to recognize, at the inception of the guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. The initial recognition and initial measurement provisions of this Interpretation are applied prospectively to guarantees issued or modified after December 31, 2002. The adoption of these recognition provisions will result in recording liabilities associated with certain guarantees we may provide in the future. The disclosure requirements of this Interpretation are effective for financial statements of interim or annual periods ending after December 15, 2002. FIN 45 did not have an impact on our consolidated financial statements.

In December 2002, SFAS No. 148, "Accounting for Stock-Based Compensation—Transition and Disclosure—An Amendment of FASB Statement No. 123" was issued by the FASB and amends FASB Statement No. 123, "Accounting for Stock-Based Compensation." This Statement provides alternative methods of transition for an entity that voluntarily changes to the fair value based method of accounting for stock-based employee compensation and amends the disclosure provisions of SFAS 123 to require prominent disclosure about the effects on reported net income of an entity's accounting policy decisions with respect to stock-based employee compensation. We have not adopted either of the alternative methods of transition and continue to apply APB Opinion No. 25.

In January 2003, the FASB issued FIN 46, "Consolidation of Variable Interest Entities," which clarifies the application of Accounting Research Bulletin, or ARB, No. 51, "Consolidated Financial Statements" to certain entities (called variable interest entities) in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. The disclosure requirements of this Interpretation are effective for all financial statements issued after January 31, 2003. The consolidation requirements apply to all variable interest entities created after January 31, 2003. In addition, public companies must apply the consolidation requirements to variable interest entities that existed prior to February 1, 2003 and remain in existence as of the beginning of annual or interim periods beginning after March 15, 2004. FIN 46 is not expected to have a material impact on our consolidated financial statements upon adoption.

In April 2003, the FASB issued SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities" to clarify under what circumstances a contract with an initial net investment meets the characteristics of a

derivative, to clarify when a derivative contains a financing component, to amend the definition of "underlying" to conform it to language in FIN 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others" and to amend certain other existing pronouncements. SFAS 149 is effective for contracts entered into or modified after June 30, 2003, and is to be applied prospectively. Implementation of SFAS 149 did not have a material effect on our consolidated financial statements as of and for the period ended December 31, 2003, as it did not have any derivative instruments or hedging arrangements.

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity." SFAS 150 requires that certain financial instruments issued in the form of shares that are mandatorily redeemable, as well as certain other financial instruments, be classified as liabilities in the financial statements. SFAS 150 is effective for financial instruments entered into or modified after May 31, 2003 and otherwise is effective beginning with our second quarter of 2004. The provisions of this statement did not have a material impact on our consolidated financial statements as of and for the period ended December 31, 2003.

On September 9, 2003, the Accounting Standards Executive Committee, or AcSEC, of the American Institute of Certified Public Accountants voted to approve a Statement of Position, or SOP, "Accounting for Certain Costs and Activities Related to Property, Plant, and Equipment." The SOP is expected to be presented for approval by the FASB in the second quarter of 2004. If approved, the SOP would require us to expense as incurred some or all of the recertification costs in connection with the drydocking of our vessels. The SOP was undertaken to clarify the diversity in practice that exists in accounting for these and other costs related to property, plant and equipment and has an anticipated effective date for years ending after December 15, 2005. We will continue to monitor the progress related to the potential new rules and their impact on our consolidated financial statements.

Forward-Looking Statements

We make forward-looking statements in this Form 10-K, including certain information set forth in the sections entitled "Business and Properties" 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 other comparable words or the negative of these words. When you consider our forward-looking statements, you should keep in mind the cautionary statements we make in this Form 10-K.

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

- activity levels in the energy markets;
- changes in oil and natural gas prices;
- increases in supply of new vessels;
- the effects of competition;
- our ability to complete vessels under construction without significant delays or cost overruns;
- our ability to integrate acquisitions successfully;
- demand for refined petroleum products or in methods of delivery;
- loss of existing customers and our ability to attract new customers;
- changes in laws;
- changes in international economic and political conditions;
- financial stability of our customers;

- retention of skilled employees;
- our ability to finance our operations on acceptable terms and access the debt and equity markets to fund our capital requirements, which depend on general market conditions and our financial condition at the time;
- our ability to charter our vessels on acceptable terms; 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 annual report on Form 10-K may not occur.

Item 7A—Quantitative and Qualitative Disclosures About Market Risk

We have not entered into any derivative financial instrument transactions to manage or reduce market risk or for speculative purposes.

We are subject to interest rate risk on our long-term fixed interest rate senior notes. In general, the fair market value of debt with a fixed interest rate will increase as interest rates fall. Conversely, the fair market value of debt will decrease as interest rates rise. The senior notes accrue interest at the rate of 10 5/8% per annum and mature on August 1, 2008. There are no scheduled principal payments under the senior notes prior to the maturity date. Our revolving credit facility has a variable interest rate and, therefore, is not subject to interest rate risk.

Our operations are primarily conducted between U.S. ports, including along the coast of Puerto Rico, and historically we have not been exposed to foreign currency fluctuation. However, as we expand our operations to international markets, we may become exposed to certain risks typically associated with foreign currency fluctuation. We currently have fixed time charters for three of our OSVs for service in Trinidad & Tobago. Although such contracts are denominated and will be paid in U.S. Dollars, value added tax ("VAT") payments are paid in Trinidad dollars which creates an exchange risk related to currency fluctuations. In addition, we are currently operating under a fixed time charter with one of our other OSVs for service in Mexico. Although we are paid in U.S. Dollars, there is an exchange risk to foreign currency fluctuations related to the payment terms of such time charter. To date, we have not hedged against any foreign currency rate fluctuations associated with foreign currency VAT payments or other foreign currency denominated transactions arising in the normal course of business. We continually monitor the currency exchange risks associated with conducting international operations. To date, gains or losses associated with such fluctuations have not been material.

Item 8—Financial Statements and Supplementary Data

The financial statements and information required by this Item appear on pages F-1 through F-22 of this report.

Item 9—Changes in and Disagreements with Accountants on Accounting and Financial Disclosures

Effective June 24, 2002, we dismissed Arthur Andersen LLP as our independent public accountants and auditors and engaged Ernst & Young LLP as our new independent public accountants and auditors. The decision to change our independent public accountants and auditors was approved by our board of directors upon the recommendation of our audit committee. For more information, please refer to our Report on Form 8-K filed on June 26, 2002.

Item 9A—Controls and Procedures

Disclosure Controls And Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under

the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) as of the end of the period covered by this report. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of such period, our disclosure controls and procedures were effective to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission’s rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures.

Internal Control Over Financial Reporting

We also maintain a system of internal accounting controls that are designed to provide reasonable assurance that our books and records accurately reflect our transactions and that our policies and procedures are followed. There have not been any changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fiscal quarter to which this report relates that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Table of Contents

PART III

Item 10—Directors and Executive Officers of the Registrant

MANAGEMENT

Our Executive Officers and Directors

Our executive officers and directors are currently as follows:

Name	Age	Position	Class (1)
Todd M. Hornbeck	35	President, Chief Executive Officer, Secretary and Director	III
Carl G. Annessa	47	Vice President and Chief Operating Officer	N/A
James O. Harp, Jr.	43	Vice President and Chief Financial Officer	N/A
Timothy P. McCarthy	36	Controller	N/A
Paul M. Ordogne	52	Treasurer	N/A
Bernie W. Stewart	59	Director and Chairman of the Board	I
Richard W. Cryar	56	Director	II
Larry D. Hornbeck	65	Director	II
Bruce W. Hunt	46	Director	I
Patricia B. Melcher	44	Director	III
David A. Trice	55	Director	II
Christian G. Vaccari	44	Director	III
Andrew L. Waite	43	Director	I

(1) Class I, II and III directors have terms expiring in 2004, 2006 and 2005, respectively.

Todd M. Hornbeck has served as our President and Secretary and as a director since our formation in June 1997. Until February 2002, he also served as Chief Operating Officer. In February 2002, he was appointed Chief Executive Officer. Mr. Hornbeck worked for the original Hornbeck Offshore Services, Inc., a publicly traded offshore service vessel company, from 1991 to 1996, serving in various positions relating to business strategy and development. Following the merger of Hornbeck Offshore Services, Inc. with Tidewater, Inc. (NYSE:TDW) 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 U.S. Gulf of Mexico region. He remained with Tidewater until our formation. Mr. Hornbeck is the son of Larry D. Hornbeck and serves as a board designee for himself and his brother, Troy A. Hornbeck, in accordance with a stockholders' agreement.

Carl G. Annessa has served as our Vice President of Operations since September 1997. In February 2002, he was appointed Vice President and Chief Operating Officer. Mr. Annessa is responsible for operational oversight and design and implementation of our vessel construction program. Prior to joining us, he was employed for 17 years by Tidewater, Inc. in various technical and operational management positions, including management of large fleets of OSVs in the Arabian Gulf, Caribbean and West African markets, and was responsible for the design of several of Tidewater's vessels. Mr. Annessa was employed for two years by Avondale Shipyards, Inc. as a naval architect before joining Tidewater. Mr. Annessa received a degree in naval architecture and mechanical engineering from the University of Michigan in 1979.

James O. Harp, Jr. has served as our Vice President and Chief Financial Officer since January 2001. Prior to 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. During his investment banking career, Mr. Harp worked extensively with marine-related oil service companies, including as our investment banker in connection with our private placement of common stock in November 2000. From July 1982 to June 1997 he served in a variety of capacities, most recently as Tax Principal, with Arthur Andersen LLP, and had a significant concentration of international clients in the oil service and maritime industries. Since April 1992, he has also served as Treasurer and Director of SEISCO, Inc., a seismic brokerage company.

Timothy P. McCarthy has served as our Controller since May 2002. Prior to joining us, Mr. McCarthy served in a variety of capacities, most recently as an Audit Manager, in the assurance practice section of the New Orleans office of Arthur Andersen LLP from July 1994 to May 2002. Previously, he served in the foreign joint interest accounting group with Ocean Drilling and Exploration Company. Mr. McCarthy is a certified public accountant.

Paul M. Ordogne has served as our Treasurer since our formation in June 1997. Until May 2002, he also served as our Controller. From 1980 to June 1997, he worked for Cari Investment Company, a privately owned holding company for energy-related investments, serving in various financial and accounting positions, including those of controller and assistant treasurer. Mr. Ordogne is a certified public accountant.

Bernie W. Stewart has served as one of our directors since November 2001 and was appointed Chairman of the Board in February 2002. Mr. Stewart was Senior Vice President, Operations of R&B Falcon Corporation, a contract drilling company, and President of R&B Falcon Drilling U.S., its domestic operating subsidiary, from May 1999 until R&B Falcon Corporation (NYSE:FLC) merged with Transocean Sedco Forex Inc. (NYSE:RIG) in January 2001. Between April 1996 and May 1999, he served as Chief Operating Officer of R&B Falcon Holdings, Inc. and as its President from January 1998. From 1993 until joining R&B Falcon Holdings, he was Senior Vice President and Chief Operating Officer for the original Hornbeck Offshore Services, Inc., a publicly traded offshore service vessel company, where he was responsible for overall supervision of the company's operations. From 1986 until 1993, he was President of Western Oceanics, Inc., an offshore drilling contractor. Since leaving R&B Falcon Corporation upon its merger with Transocean Sedco Forex, Mr. Stewart has been an independent business consultant. From February 27, 2002 to February 27, 2003, Mr. Stewart advised the company under an advisory services agreement discussed below.

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. Mr. Cryar serves as a board designee of Cari Investment Company in accordance with a stockholders' agreement.

Larry D. Hornbeck has served as one of our directors since August 2001. An executive with over 30 years experience in the OSV business worldwide, Mr. Hornbeck was the founder of the original Hornbeck Offshore Services, Inc., a publicly traded offshore service vessel company with over 100 vessels operating worldwide. From its inception in 1981 until its merger with Tidewater Inc., Mr. Hornbeck served as Chairman of the Board, President and Chief Executive Officer of the original Hornbeck Offshore Services. Following the merger, Mr. Hornbeck served as a director of Tidewater from March 1996 until October 2000. From 1969 to 1980, Mr. Hornbeck was Chairman, President and Chief Executive Officer of Sealcraft Operators, Inc., a publicly held, specialty service OSV company operating worldwide. Mr. Hornbeck is the father of Todd M. Hornbeck and serves as a board designee for Todd M. Hornbeck and Troy A. Hornbeck in accordance with a stockholders' agreement.

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, each of which is an energy-related company. Mr. Hunt served as a director of the original Hornbeck Offshore Services, Inc., a publicly traded offshore service vessel company, from November 1992 to March 1996.

Patricia B. Melcher joined our board of directors in October 2002. Ms. Melcher has served as the President of Allegro Capital Management, Inc., a privately-owned investment company focused on private equity investments in and consulting to energy-related companies, since 1997, and has served as Interim CEO of Petrocom Energy Ltd., a privately held energy trading firm, since October 1, 2003. From 1989 to 1994, she worked for SCF Partners, L.P., an investment fund sponsor specializing in private equity investments in oilfield service companies, and from 1995 to 1997, she served as a board member and advisory board member of its general partner, L. E. Simmons & Associates, Incorporated. From 1986 to 1989, Ms. Melcher worked for Simmons & Company International, an investment banking firm serving the energy industry.

David A. Trice joined our board of directors in October 2002. Mr. Trice has served as the President of Newfield Exploration Company (NYSE:NFX), an independent oil and gas company engaged in the exploration, development and acquisition of crude oil and natural gas properties since May 1999. At Newfield, he has also served as the Chief Executive Officer since February 2000 and as a director since 2000. From May 1999 to February 2000, he served as its Chief Operating Officer and from July 1997 to May 1999, he served as its Vice President—Finance and International. Mr. Trice

served as the President, Chief Executive Officer and Director of the Huffco Group, an offshore drilling contractor, from 1991 to July 1997.

Christian G. Vaccari has served as one of our directors since our formation in June 1997 and served as our Chairman of the Board and Chief Executive Officer from June 1997 until February 2002. Since 1989, Mr. Vaccari has served as President, Chief Executive Officer and Chairman of the Board of Cari Investment Company. 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. Mr. Vaccari serves as a board designee of Cari Investment Company in accordance with a stockholders' agreement.

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. in accordance with a stockholders' agreement. 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, an investment banking firm serving the energy industry, 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 oil and gas company. He currently serves as a director of Oil States International, Inc. (NYSE:OIS), a diversified oilfield equipment and service company.

Committees of the Board of Directors

Our board of directors has a compensation committee comprised of Messrs. Stewart, Hunt and Trice, which:

- 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 Ms. Melcher and Messrs. Hunt and Stewart. The audit committee recommends to the board the independent public accountants to audit our annual financial statements. The board selects the independent public accountants, subject to shareholder approval. The audit committee also establishes the scope of, and oversees, the annual audit and approves any other services provided by public accounting firms. The board has determined that Ms. Melcher is an independent director and qualifies as the "audit committee financial expert" as defined in Item 401(b) of Regulation S-K of the Securities Exchange Act of 1934, based on her previous experiences as an investment banker and in other finance-related capacities, as described in her biographical information under "Management—Executive Officers and Directors." The audit committee provides assistance to the board in fulfilling its oversight responsibility to the stockholders, potential stockholders, the investment community and others relating to the integrity of our financial statements, our compliance with legal and regulatory requirements, the independent auditor's qualifications and independence, the performance of our internal audit function and independent auditor, and oversees our system of disclosure controls and procedures and system of internal controls regarding finance, accounting, legal compliance and ethics that management and the board have established. In doing so, it is the responsibility of the committee to maintain free and open communication between the committee and our independent auditors, the internal accounting function and management of the company.

The board has also established an ad hoc committee comprised of Messrs. Todd Hornbeck, Larry Hornbeck, Waite, Hunt and Stewart. The purpose of this committee is to address any issues related to the separation of Christian G. Vaccari (who ceased serving as our Chief Executive Officer and Chairman of the Board in February 2002) from the company, including our ongoing relationship with Mr. Vaccari, his family, Cari Investment Company (which is the holder of more than 5% of our common stock and for which Mr. Vaccari serves as President, Chief Executive Officer and Chairman of the Board) and certain shipyards affiliated with Mr. Vaccari and with which we have contracted from time to time for the construction of certain of our OSVs.

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

The compensation committee currently consists of Messrs. Stewart, Hunt and Trice. None of our executive officers, employees or former executive officers serve on the compensation committee. 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, 2006 and 2005, respectively.

Directors who are also our employees receive no additional compensation for serving as directors or committee members. Non-employee directors historically have received compensation in the form of stock option grants for their service as directors.

Effective July 18, 2002, the board of directors approved a compensation plan applicable to our non-employee directors. Each non-employee director is entitled to receive a total annual retainer of $20,000, paid quarterly. Each non-employee director is also entitled to receive $1,200 for each board meeting attended in person and $800 for each board meeting attended by telephonic communications. Board committee members are entitled to receive $600 for each committee meeting attended, with the committee chairman entitled to receive $800 for each committee meeting attended. Committee members must attend meetings in person or by telephonic communications to receive the applicable compensation. Non-employee directors are entitled to receive a minimum annual grant of 2,000 options to purchase common stock with such options being granted under the Incentive Compensation Plan. The minimum annual grant is subject to annual review and may be increased at the discretion of the compensation committee. After three years of service as a non-employee director, a non-employee director and his immediate family may elect to participate in the same insurance benefit programs sponsored by the company on the same monetary terms as the executive officers. Effective May 6, 2003, the board of directors approved a modification to the compensation plan to provide that the chairman of the board be paid $1,800 for each regularly scheduled board meeting and $1,500 for each special board meeting. All directors are reimbursed for their out-of-pocket expenses incurred in connection with serving on our board.

The non-employee director compensation plan also provides for longevity service awards to non-employee directors. Upon completion of three years of service following adoption of the compensation plan, a director will be granted options to purchase the number of shares of common stock equaling 25% of the options granted to such director over the previous three years. Upon completion of five years of service as a non-employee director, a director will be granted options to purchase the number of shares of common stock equaling 50% of the options granted to such director over the previous five years less the number of shares covered by the options awarded to such director after three years of service. Thereafter, upon completion of each successive period of five years of service, a non-employee director will be granted options to purchase the number of shares of common stock equaling 50% of the options granted to such director over the previous five years. Under the terms of this compensation plan, neither Mr. Cryar nor Mr. Vaccari qualifies to participate.

In addition to the cash compensation received for their service as directors during 2003 under the terms of the plan described above, in March 2004 each of Ms. Melcher and Messrs. Larry Hornbeck, Hunt, Stewart, Trice and Waite were granted options to purchase shares of our common stock. Although the plan provides for the grant of options to purchase a minimum of 2,000 shares of common stock, as permitted under the plan, the Compensation Committee elected to award such directors options to purchase 4,000 shares of our common stock at an exercise price of $13.83 per share. One third of these options will become exercisable on each of the first three anniversaries of the date of grant.

On February 27, 2002, we entered into an advisory agreement with Bernie W. Stewart, our Chairman of the Board. Under the terms of this agreement, Mr. Stewart advised and made recommendations to our executive officers and board of directors on matters relating to our business, including our operations, finances, strategic planning and acquisitions. Mr. Stewart provided these services on a full-time basis through May 31, 2002 and on a part-time basis through February 27, 2003, at which time the agreement expired. He received $20,000 per month for his full-time advisory services and $8,335 per month for his part-time services. Under the terms of his advisory agreement, Mr. Stewart was granted options to

purchase 4,000 shares of our common stock at an exercise price of $6.63 per share. Also under the terms of the advisory agreement, Mr. Stewart purchased 30,189 shares of our common stock at a purchase price of $6.63 per share, and, upon such purchase, we granted Mr. Stewart an option to purchase 15,094 shares of our common stock at a purchase price of $6.63 per share, to be exercised in accordance with, and subject to the terms of our Incentive Compensation Plan. Mr. Stewart has agreed that for a period of two years following the expiration of the agreement, he will not solicit any of our employees, customers, suppliers or sales agents to terminate their relationship with us or employ or cause any of our competitors to employ any person who is or was recently one of our employees, sales representatives, contractors, advisors or agents.

The Company has adopted a code of ethics that applies to its principal executive officer and principal financial officers. A copy of this code is available to any person upon request at no charge. Requests should be directed to the Secretary of the Company at its principal executive office at the address and phone number as shown on the cover of this report.

Table of Contents

Item 11—*Executive* Compensation

The following table sets forth compensation information for the chief executive officer and our other executive officers whose total annual salary and bonus exceeded $100,000 for the years ended December 31, 2003, 2002, and 2001.

Summary Compensation Table

		Annual Compensation			Long-Term Compensation Awards	
Name and Position(1)	Fiscal Year	Salary (2)	Bonus (3)	Other Annual Compensation (4)	Securities Underlying Options(5,6,7)	All Other Compensation (7,8,9,10)
Todd M. Hornbeck	2003	$ 240,000	$ 169,553	$ —	60,000	$ 1,254
President, Chief Executive Officer	2002	200,000	279,753	—	51,000	2,873
And Secretary	2001	195,833	400,000	—	—	1,940
Carl G. Annessa	2003	200,000	103,219	—	34,000	4,112
Vice President and	2002	170,000	178,342	—	17,000	2,386
Chief Operating Officer	2001	155,000	240,000	—	—	1,953
James O. Harp, Jr.	2003	185,000	95,477	—	32,000	3,720
Vice President and	2002	170,000	178,342	—	17,000	1,131
Chief Financial Officer	2001	163,571	255,000	—	40,000	1,103
Timothy P. McCarthy	2003	112,500	38,500	—	6,000	2,563
Controller	2002	59,500	20,000	—	11,600	359
Paul M. Ordogne	2003	116,000	20,000	—	2,000	2,906
Treasurer	2002	116,000	20,000	—	—	1,765
	2001	115,000	42,665	—	—	1,541

(1) Mr. Harp joined us as our Vice President and Chief Financial Officer in January 2001. Effective February 27, 2002, Mr. Hornbeck, who had been serving as our President and Chief Operating Officer, was appointed to the additional position of Chief Executive Officer, and Mr. Annessa was appointed to the additional position of Chief Operating Officer. Mr. McCarthy joined us as our Controller on May 27, 2002. Mr. Ordogne had also served as our Controller until May 2002.

(2) For 2001, the salary amount for Mr. Harp reflects his compensation from his date of hire of January 15, 2001. For 2002, the salary amount for Mr. McCarthy reflects his compensation from his date of hire of May 27, 2002.

(3) Bonuses were paid in 2002 and 2003 and will be paid in 2004 as compensation for services provided in 2001, 2002 and 2003, respectively.

(4) None of the perquisites and other benefits paid to each named executive officer exceeded the lesser of $50,000 or 10.0% of the total annual salary and bonus received by each named executive officer.

(5) In connection with the adoption of our Incentive Compensation Plan for executive officers, we granted options in 2001, in part as compensation for services provided in 2000, to Messrs. Hornbeck, Annessa and Ordogne to purchase 50,000, 30,000 and 20,000 shares, respectively, of our common stock at an exercise price of $6.63 per share. In addition, Mr. Harp was granted options upon commencement of his employment in January 2001 to purchase 40,000 shares of our common stock at an exercise price of $6.63 per share.

(6) In connection with our Incentive Compensation Plan, we granted options in 2003, in part for services rendered in 2002, to Messrs. Hornbeck, Annessa, Harp and McCarthy to purchase shares of our common stock at an exercise price of $11.20 per share. In addition, Mr. McCarthy was granted options upon commencement of his employment in May 2002 to purchase 8,000 shares of our common stock at an exercise price of $6.63 per share.

(7) In connection with our Incentive Compensation Plan, we granted options in 2004, in part for services rendered in 2003, to Messrs. Hornbeck, Annessa, Harp, McCarthy and Ordogne to purchase shares of our common stock at an exercise price of $13.83 per share.

(8) For 2001, these amounts represent (i) employer matching contributions made under our 401(k) savings plan in the amount of $1,517, $1,530, $680 and $1,118 for Messrs. Hornbeck, Annessa, Harp and Ordogne, respectively, and (ii) premiums of $423, $423, $423 and $423 for Messrs. Hornbeck, Annessa, Harp and Ordogne, respectively, associated with life insurance policies.

(9) For 2002, these amounts represent (i) employer matching contributions made under our 401(k) savings plan in the amount of $2,200, $1,956, $701, $277 and $1,335 for Messrs. Hornbeck, Annessa, Harp, McCarthy and Ordogne, respectively, and (ii) premiums of $673, $431, $431, $82 and $431 for Messrs. Hornbeck, Annessa, Harp, McCarthy and Ordogne, respectively, associated with life insurance policies.

(10) For 2003, these amounts represent (i) employer matching contributions made under our 401(k) savings plan in the amount of $864, $3,722, $3,330, $2,433 and $2,516 for Messrs. Hornbeck, Annessa, Harp, McCarthy and Ordogne, respectively, and (ii) premiums of $390, $390, $390, $130 and $390 for Messrs. Hornbeck, Annessa, Harp, McCarthy and Ordogne, respectively, associated with life insurance policies.

Table of Contents

Option Grants

During the year ended December 31, 2003, other than as described below, we did not grant any options to acquire shares of our common stock to the executive officers named in the Summary Compensation Table above.

Name	Number of Securities Underlying Options Granted(1) (2)	% of Total Options Granted in Fiscal Year	Exercise or Base Price ($/ Share) (3)	Expiration Date	Potential Realizable Value at Assumed Annual Rates of Stock Appreciation For Option Term(4)	
					5%	10%
Todd M. Hornbeck	51,000	27%	$ 11.20	March 13, 2013	930,425	1,481,545
Carl G. Annessa	17,000	9%	$ 11.20	March 13, 2013	310,142	493,849
James O. Harp, Jr.	17,000	9%	$ 11.20	March 13, 2013	310,142	493,849
Timothy P. McCarthy	3,600	2%	$ 11.20	March 13, 2013	65,677	104,580

(1) Does not include options granted in early 2004, in part for services rendered in 2003, in the following amounts; 60,000 for Mr. Hornbeck; 34,000 for Mr. Annessa; 32,000 for Mr. Harp; 6,000 for Mr. McCarthy; and 2,000 for Mr. Ordogne. The options were granted at an exercise price of $13.83 per share and one-third of these options become exercisable on each of the first, second and third anniversaries of the date of grant.
(2) One-third of these options become exercisable on each of the first, second, and third anniversaries of the date of grant.
(3) The options referenced in the table above and in footnote 1 were granted at or above the fair market value of our common stock on the date of grant.
(4) In accordance with the rules of the 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 Commission and do not represent our estimate or projection of future appreciation.

Fiscal Year End Option Values

The following tables show information with respect to the exercise of options to purchase our common stock and all unexercised options held by the executive officers named in the Summary Compensation Table as of December 31, 2003. None of the executive officers named in the Summary Compensation Table have exercised any options to purchase our common stock during 2003.

Name	Shares Acquired on Exercise	Value Realized	Number of Securities Underlying Unexercised Options at December 31, 2003		Value of Unexercised In-the-Money Options at December 31, 2003(1)	
			Exercisable	Unexercisable	Exercisable	Unexercisable
Todd M. Hornbeck	—	—	53,000	49,500	$ 340,625	$ 174,150
Carl G. Annessa	—	—	44,000	33,000	292,800	116,100
James O. Harp, Jr	—	—	26,667	30,333	156,667	100,433
Timothy P. McCarthy	—	—	2,000	9,600	11,750	39,930
Paul M. Ordogne	—	—	22,520	7,680	150,505	45,120

(1) As provided for under Statement of Financial Accounting Standards (SFAS) No. 123, "Accounting for Stock-Based Compensation" we account for stock-based compensation using the intrinsic value method prescribed in Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees." For all periods presented, we have used the intrinsic value method in which compensation costs for stock options, if any, is measured as the excess of the estimated fair value market price of our common stock at the date of grant over the amount an employee must pay to acquire the stock.

Employment Agreements

Todd M. Hornbeck serves as our President, Chief Executive Officer and Secretary, Carl G. Annessa serves as our Vice President and Chief Operating Officer, James O. Harp, Jr. serves as our Vice President and Chief Financial Officer and Paul M. Ordogne serves as our Treasurer. Each of Messrs. Hornbeck, Annessa and Harp serves under an

employment agreement, as amended, with an initial term expiring December 31, 2006. On January 1, 2005, and on every January 1 thereafter, each of their agreements will automatically renew for one additional year, unless terminated before any such renewal date by the employee or us. Mr. Ordogne served under an employment agreement that expired December 31, 2003.

The employment agreements of Messrs. Hornbeck, Annessa and Harp, in each case, as amended, currently provide for annual base salaries of $240,000, $200,000 and $185,000 respectively, subject to review from time to time by our compensation committee for possible increases based on the employee's performance. Our board has agreed to award a bonus or bonuses to each of Messrs. Hornbeck, Annessa and Harp if our company meets certain EBITDA and earnings per share targets with respect to any year during which their respective employment agreements are 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.

If, during the terms of their respective agreements, we terminate the employment of Messrs. Hornbeck, Annessa or Harp for any reason other than for cause, he will be entitled to receive his salary until the actual termination date of his agreement. If we should undergo a change in control while the agreements are in effect and Messrs. Hornbeck, Annessa or Harp 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.

Mr. Hornbeck has agreed that during the term of his agreement and Messrs. Annessa and Harp have each agreed that during the term of their respective agreements and for a period of one year after termination, they will not (1) be employed by or associated with or own more than five percent of the outstanding securities of any entity that competes with us in the locations in which we operate, (2) solicit any of our employees to terminate their employment or (3) 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.

Item 12—Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

PRINCIPAL STOCKHOLDERS

The following table sets forth certain information regarding the beneficial ownership of our voting securities as of March 5, 2004:

- 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 executive officers and all of our executive officers and directors as a group.

Unless otherwise indicated, each person named below has an address in care of 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.

Name	Shares of Common Stock Beneficially Owned (#)	Percentage of Common Stock Beneficially Owned (%)
Executive Officers and Directors:		
Todd M. Hornbeck	1,273,754(1)	8.5
Carl G. Annessa	85,667(2)	*
James O. Harp, Jr.	61,739(3)	*
Timothy P. McCarthy	3,200(4)	*
Paul M. Ordogne	66,080(5)	*
Bernie W. Stewart	66,136(6)	*
Richard W. Cryar	36,057(7)	*
Larry D. Hornbeck	111,455(8)	*
Bruce W. Hunt	37,367(9)	*
Patricia B. Melcher	48,567(10)	*
David A. Trice	2,567(10)	*
Christian G. Vaccari	2,301,593(11)	*
Andrew L. Waite	9,918(12)	*
All directors and executive officers as a group (13 persons)	4,104,100(13)	27.5
Other 5% Stockholders:		
SCF-IV, L.P.	4,727,208(14)	31.7
Cari Investment Company	2,051,746(15)	13.7
William Herbert Hunt Trust Estate	2,058,390(16)	13.8
Rock Creek Capital Group, Inc.	1,864,362(17)	12.5

* Indicates beneficial ownership of less than 1% of the total outstanding common stock.

\# "Beneficial ownership" is a term broadly defined by the Commission in Rule 13d-3 under the Securities Exchange Act of 1934, as amended, and includes more than typical forms of stock ownership, that is, stock held in the person's name. The term also includes what is referred to as "indirect ownership," meaning ownership of shares as to which a person has or shares investment or voting power. For purposes of this table, a person or group of persons is deemed to have "beneficial ownership" of any shares as of March 5, 2004 that such person or group has the right to acquire within 60 days after such date.

(1) Includes (a) 477,160 shares owned by Troy Hornbeck, over which Todd M. Hornbeck holds voting power pursuant to a power of attorney, (b) 200,000 shares held by several family trusts for which Todd M. Hornbeck either serves as trustee or holds voting power pursuant to powers of attorney and (c) options to purchase an aggregate of 73,500 shares of common stock, but does not include other options to purchase 73,500 shares that are held in Mr. Hornbeck's name for the benefit of Mr. Hornbeck's former spouse, over which he does not have any dispositive or voting power.

(2) Includes options to purchase an aggregate of 57,667 shares of common stock.

(3) Includes options to purchase an aggregate of 45,667 shares of common stock.

(4) Represents options to purchase an aggregate of 3,200 shares of common stock.

(5) Includes options to purchase an aggregate of 26,360 shares of common stock.

(6) Includes options to purchase an aggregate of 21,661 shares of common stock.

(7) Includes options to purchase an aggregate of 18,800 shares of common stock.

(8) Includes options to purchase an aggregate of 8,967 shares of common stock.

(9) Includes options to purchase an aggregate of 19,367 shares of common stock. Mr. Hunt is a representative of the William Herbert Hunt Trust Estate. As such, Mr. Hunt may be deemed to have voting and dispositive power over the shares beneficially owned by the Trust Estate. Mr. Hunt disclaims beneficial ownership of the shares owned by the Trust Estate.

(10) Includes options to purchase an aggregate of 567 shares of common stock.

(11) Includes (a) 2,051,746 shares of common stock owned directly by Cari Investment Company over which Mr. Vaccari, as owner and chief executive officer of Cari Investment Company, may be deemed to exercise shared voting and dispositive power, (b) 27,176 shares of common stock held in trusts for the benefit of Mr. Vaccari's children, of which Mr. Vaccari is the trustee, and (c) options to purchase an aggregate of 120,000 shares of common stock.

(12) Includes options to purchase an aggregate of 9,033 shares of common stock. 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 beneficially owned by SCF-IV, L.P. Mr. Waite disclaims beneficial ownership of the shares owned by SCF-IV, L.P.

(13) Includes options to purchase an aggregate of 405,355 shares of common stock.

(14) 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 J.P. Morgan Chase Tower, 600 Travis Street, Houston, Texas 77002. Pursuant to a voting arrangement entered into between SCF-IV, L.P. and us in connection with our private placement of common stock completed in October 2001, SCF is restricted from voting 269,346 of those shares. See "Description of Capital Stock."

(15) Cari Investment Company's address is 1100 Poydras Street, Suite 2000, New Orleans, Louisiana 70163.

(16) The Trust Estate's address if 3900 Thanksgiving Tower, 1601 Elm Street, Dallas, Texas 75201.

(17) Rock Creek Capital Group, Inc. is the ultimate general partner of both Rock Creek Partners II, Ltd. and Rock Creek II Co-Investments, Ltd. As such, RockCreek Capital Group, Inc. may be deemed to have voting and dispositive power over the 1,713,418 shares owned directly by Rock Creek Partners II, Ltd. and the 150,944 shares owned directly by Rock Creek II Co-Investments, Ltd. The address of each of these entities is 1200 River Place Drive, Suite 902, Jacksonville, Florida 32207.

Voting Agreements. Under the terms of a stockholders' agreement among SCF-IV, L.P., Todd M. Hornbeck, Troy A. Hornbeck, Cari Investment Company and the Company, Todd and Troy Hornbeck 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 SCF-IV, L.P. owns at least 5.0% of

our outstanding common stock or, prior to an initial public offering, it owns at least 80.0% of the common stock it acquired in November 2000. Under this agreement, SCF-IV, L.P. also agrees to vote its shares in favor of the two designees of Todd and Troy Hornbeck and the two designees of Cari Investment Company to the board of directors. Pursuant to a voting arrangement entered into between SCF-IV, L.P. and us in connection with our private equity offering completed in October 2001, SCF is restricted from voting 269,346 of its shares.

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 had agreed to vote their shares in such manner as to maintain equal representation of Todd and Troy Hornbeck, on the one hand, and Cari Investment Company, on the other hand, on our board and on any committee designated by our board until the earlier of completion of an initial public offering of our securities, the tenth anniversary of the agreement or certain other events specified in the Agreement. As a result of the closing of the registered exchange offer of our senior notes, it is our position and that of Todd and Troy Hornbeck that this voting agreement has terminated. Christian G. Vaccari, as representative of Cari Investment Company, has indicated that Cari Investment Company does not agree.

Registration Rights. Under the terms of a stockholders' agreement among Todd M. Hornbeck, Troy A. Hornbeck, Cari Investment Company and us, Todd and Troy Hornbeck and Cari Investment Company are entitled to require us to file a registration statement under the Securities Act of 1933 to sell some or all of the shares of our common stock held by them. We are only required to make one such stand-alone registration for each of Todd and Troy Hornbeck and one for Cari Investment Company. In addition, holders of a majority of the shares of our common stock issued to the Hornbecks and Cari Investment Company on June 5, 1997 and shares issued with equivalent registration rights to other persons or entities may require us to register some or all of such shares if they have not already been registered and may not then be sold under Rule 144(k) of the Securities Act of 1933. Todd and Troy Hornbeck and Cari Investment Company also have the right to include some or all of their shares of common stock in any other registration statement that we file involving our common stock, subject to certain limitations.

Under the terms of a registration rights agreement among SCF IV, L.P., certain other stockholders that purchased shares of our common stock in the private placement of our common stock completed in November 2000 and us, such stockholders have the right to include some or all of such shares, and any shares issued in respect of such shares, in any registration statement that we file involving our common stock, subject to certain limitations. Also under the agreement, the holders of a majority of the shares of our common stock issued in the November 2000 private placement are entitled to require us to file a registration statement under the Securities Act of 1933 to sell some or all of the common stock held by them. At this time, only SCF-IV, L.P. holds a majority of these shares.

Under the terms of a registration rights agreement among us and several stockholders that purchased shares of our common stock in the private placement completed in July 2003, such stockholders have the right to include some or all of such shares, and any shares issued in respect of such shares, in any registration statement that we file involving our common stock, subject to certain limitations.

Contractual Restrictions on Transfer by Certain Stockholders. Todd M. Hornbeck, Troy A. Hornbeck and Cari Investment Company have agreed, beginning after we become a reporting company under the Securities Exchange Act of 1934, to give us notice of and an opportunity to make a competing offer regarding a decision by any of them to sell or consider accepting an offer to sell to a single person or entity shares of common stock representing 5.0% or more of our common stock, other than in compliance with Rule 144 or to an affiliate or family member of the holder. SCF-IV, L.P. has also agreed to give us notice of and an opportunity to make a competing offer regarding a decision by it to sell or consider accepting an offer to sell to a single person or entity shares of common stock representing 5.0% or more of our common stock. SCF-IV, L.P. is further prohibited from transferring any of its shares of our common stock to any person or entity that is a competitor of ours. In addition, certain purchasers that participated in our 2003 private placement agreed to a similar restriction prohibiting the transfer of any of their shares of our common stock to any person or entity that is a competitor of ours. Additionally, it is our position and that of Todd M. Hornbeck and Troy A. Hornbeck that, under the terms of an agreement entered into in 1998, until the earlier to occur of (i) the closing by the Company of an initial public offering of its common stock where the aggregate proceeds to the Company are at least $25 million or (ii) May 15, 2005, Todd M. Hornbeck, Troy A. Hornbeck and Cari Investment Company have each agreed not to transfer any of our common stock, except to immediate family members, trusts or partnerships created for the benefit of immediate family members or certain other related parties. Christian G. Vaccari, as representative of Cari Investment Company, has indicated that Cari Investment Company does not agree with such position.

Table of Contents

Equity Compensation Plan Information

Our board of directors and shareholders adopted an Incentive Compensation Plan. The purpose of the 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. All outstanding awards relate to our common stock. With the approval of our stockholders, we have reserved 3.5 million shares (after giving effect to the 1-for-2.5 reverse stock split) of our common stock for issuance pursuant to awards made under the plan, of which 2,168,956 shares were available for future grants as of March 5, 2004.

The following table summarizes information as of December 31, 2003 about our Incentive Compensation Plan. Further information regarding our Incentive Compensation Plan can be found in Note 9 of our consolidated financial statements included herein.

Plan Category	Number of Securities to be issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a))
	(a)	(b)	(c)
Equity compensation plans approved by security holders (1)	925,244	$ 7.45	2,523,756
Equity compensation plans not approved by security holders	—	—	—
Total	925,244	7.45	2,523,756

(1) Does not include the effect of options to purchase 360,000 shares granted in connection with annual compensation reviews in early 2004.

The 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 securities filings 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 of directors or the compensation committee. The performance measures are limited to earnings per share, return on assets, return on equity, return on capital, net profits 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; and 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.

Item 13—Certain Relationships and Related Transactions

The following is a discussion of transactions between our company and its executive officers, directors and shareholders owning more than 5% 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.

Effective May 29, 2002, we changed our name to Hornbeck Offshore Services, Inc. from HORNBECK-LEEVAC Marine Services, Inc., and one of our subsidiaries changed its name to Hornbeck Offshore Transportation, LLC from LEEVAC Marine, LLC. In connection with these name changes, we terminated a cross-license with Cari Investment Company covering the use of the name "LEEVAC" and certain logos associated with such name, and assigned all of our interests therein to Cari Investment Company. In consideration for the assignment, Cari Investment Company agreed not to use the name "LEEVAC" or its related logos in any activity that would compete with our business. Cari Investment Company is a holder of more than 5% of our common stock and Christian G. Vaccari, who served as our Chairman of the Board and Chief Executive Officer until February 2002 and who serves as one of our directors, is the President, Chief Executive Officer and Chairman of the Board of Cari Investment Company.

Mr. Vaccari is also a member of LEEVAC Industries, LLC. Two of our OSVs delivered in 2002 and three delivered in 2003 were built by LEEVAC Industries. As of December 31, 2003, we had a contract with LEEVAC Industries for the completion of the *HOS Silverstar*, which was delivered in January 2004, and the construction of one double-hulled tank barge. Between January 1, 2002 and December 31, 2003, we made payments under various shipyard contracts with LEEVAC Industries aggregating $45.9 million, and at December 31, 2003 our remaining contracts with LEEVAC Industries provided for the payment of an additional $17.7 million for the remaining construction of the *HOS Silverstar* and the construction of the double-hulled tank barge, the delivery of which is expected in December 2004. We entered into our current and past contracts with LEEVAC Industries following a competitive bidding process. In connection with our contract with LEEVAC Industries relating to the construction of four vessels under our most recent OSV newbuild program, we received a fairness opinion from an independent appraiser with respect to the terms of the transaction.

In 2002, the board approved an amendment to Mr. Cryar's outstanding stock options providing for full vesting at the closing of an initial public offering of our common stock of any unvested options previously granted to Mr. Cryar. As a result, options covering 2,800 shares of our common stock that would not otherwise be exercisable at that time will become exercisable at the closing of any such offering.

We have entered into registration rights agreements, voting agreements and stockholders' agreements with Todd M. Hornbeck, Troy A. Hornbeck, Cari Investment Company and SCF-IV, L.P. Please read the sections entitled "Principal Stockholders—Voting Agreements," "Description of Capital Stock—Common Stock," "—Registration Rights" and "—Anti-Takeover Effects of Certificate, Bylaws, Stockholder Rights Plan and Delaware Law" for information regarding the terms of these agreements.

Item 14—Principal Accounting Fees and Services

The following table presents fees for professional audit services rendered by Ernst & Young LLP for the audit of the Company's annual financial statements for the years ended December 31, 2003 and December 31, 2002, and fees billed for other services rendered by Ernst & Young LLP during those periods.

	Year Ended December 31,	
	2003	**2002**
Audit fees(1)	$ 125,101	$ 290,751
Audit related fees (2)	148,165	99,450
Tax fees(3)	26,300	50,600
Total	$ 299,566	$ 440,801

(1) Audit fees: Consists of fees billed for professional services rendered for the audit of the Company's consolidated financial statements, for the review of the interim condensed consolidated financial statements included in quarterly reports, services that are normally provided by Ernst & Young in connection with statutory and regulatory filings or engagements and attest services, except those not required by statute or regulation. Audit fees for 2002 includes assurance services for re-audits of 2001, 2000 and 1999 that were previously audited by Arthur Andersen LLP.
(2) Audit related fees: Consists of fees billed for assurance and related services that are reasonably related to the performance of the audit or review of the Company's consolidated financial statements and are not reported under "Audit Fees". These services include employee benefit plan audits, accounting consultations in connection with acquisitions, attest services that are not required by statute or regulation, and consultations concerning financial accounting and reporting standards.
(3) Tax fees: Consists of tax compliance and preparation and other tax services. Tax compliance and preparation consists of fees billed for professional services related to federal, state and international tax compliance, assistance with tax audits and appeals, and assistance related to the impact of mergers and acquisitions and on tax return preparation. Other tax services consist of fees billed for other miscellaneous tax consulting and planning.

The Audit Committee has considered whether the provision of services to the Company, other than audit services, is compatible with maintaining Ernst & Young LLP's independence from the Company.

Policy on Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of Independent Auditor.

The Audit Committee is responsible for appointing, setting compensation, and overseeing the work of the independent auditor. The Audit Committee has established a policy regarding pre-approval of all audit and permissible non-audit services provided by the independent auditor. Requests for approval are generally submitted at a meeting of the Audit Committee.

Table of Contents

PART IV

Item 15—Exhibits, Financial Statement Schedules and Reports on Form 8-K

(a) The following items are filed as part of this report:

1. *Financial Statements*. The financial statements and information required by Item 8 appear on pages F-1 through F-22 of this report. The Index to Consolidated Financial Statements appears on page F-1.

2. Financial Statement Schedules. All schedules are omitted because they are not applicable or the required information is shown in the financial statements or the notes thereto.

3. Exhibits.

Exhibit Number	Description of Exhibit
*3.1	—Second Restated Certificate of Incorporation of the Company filed with the Secretary of State of the State of Delaware on March 5, 2004.
3.2	—Certificate of Designation of Series A Junior Participating Preferred Stock filed with the Secretary of State of the State of Delaware on June 20, 2003 (incorporated by reference to Exhibit 3.6 to the Company's Registration Statement on Form S-1 dated September 19, 2003, Registration No. 333-108943).
*3.3	—Third Restated Bylaws of the Company adopted February 17, 2004.
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 (incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-4 dated September 21, 2001, Registration No. 333-69826).
4.2	—Supplemental Indenture dated as of December 17, 2001, between Wells Fargo Bank Minnesota, National Association (as Trustee), the Company, Hornbeck Offshore Services, LLC, (f.k.a. Hornbeck Offshore Services, Inc.), HORNBECK-LEEVAC Marine Operators, LLC, (f.k.a. HORNBECK-LEEVAC Marine Operators, Inc.), LEEVAC Marine, LLC and Energy Services Puerto Rico, LLC, with Notation of Subsidiary Guarantee by Hornbeck Offshore Services, LLC, (f.k.a. Hornbeck Offshore Services, Inc.), HORNBECK-LEEVAC Marine Operators, LLC, (f.k.a. HORNBECK-LEEVAC Marine Operators, Inc.), LEEVAC Marine, LLC and Energy Services Puerto Rico, LLC attached (incorporated by reference to Exhibit 4.1.1 to Amendment No. 2 to the Company's Registration Statement on Form S-4 dated December 19, 2001, Registration No. 333-69826).
4.3	—Second Supplemental Indenture and Amendment dated as of June 18, 2003, between Wells Fargo Bank Minnesota, National Association (as Trustee), the Company and HOS-IV, LLC, with Notation of Subsidiary Guarantee by HOS-IV, LLC (incorporated by reference to Exhibit 4.12 to the Company's Registration Statement on Form S-1 dated September 19, 2003, Registration No. 333-108943).
*4.4	—Third Supplemental Indenture and Amendment dated as of February 13, 2004, between Wells Fargo Bank Minnesota, National Association (as Trustee), the Company and Hornbeck Offshore Trinidad & Tobago, LLC, with Notation of Subsidiary Guarantee by Hornbeck Offshore Trinidad & Tobago, LLC.
4.5	—Stockholders' Agreement dated as of October 27, 2000 between the Company, Todd M. Hornbeck, Troy A. Hornbeck, Cari Investment Company and SCF-IV, L.P. (incorporated by reference to Exhibit 4.6 to the Company's Registration Statement on Form S-1 filed September 19, 2003, Registration No. 333-108943).

Exhibit Number	Description of Exhibit
4.6	—Rights Agreement dated as of June 18, 2003 between the Company and Mellon Investor Services LLC as Rights Agent, which includes as Exhibit A the Certificate of Designations of Series A Junior Participating Preferred Stock, as Exhibit B the form of Right Certificate and as Exhibit C the form of Summary of Rights to Purchase Stock (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed July 2, 2003).
4.7	—Stockholders' Agreement dated as of June 5, 1997 between the Company, Todd M. Hornbeck, Troy A. Hornbeck and Cari Investment Company (incorporated by reference to Exhibit 4.3 to the Company's Registration Statement on Form S-1 filed July 22, 2002, Registration No. 333-96833).
4.8	—Registration Rights Agreement dated as of October 27, 2000 between the Company and SCF-IV, L.P. (incorporated by reference to Exhibit 4.4 to the Company's Registration Statement on Form S-1 filed July 22, 2002, Registration No. 333-96833).
4.9	—Registration Rights Agreement dated as of June 24, 2003 between the Company and certain purchasers of securities (incorporated by reference to Exhibit 4.11 to the Company's Registration Statement on Form S-1 filed September 19, 2003, Registration No. 333-108943).
4.10	—Agreement Concerning Registration Rights dated as of October 27, 2000 between the Company, SCF-IV, LP, Joint Energy Development Investments II, LP and Sundance Assets, LP (incorporated by reference to Exhibit 4.5 to the Company's Registration Statement on Form S-1 filed July 22, 2002, Registration No. 333-96833).
4.11	—Letter Agreement dated September 24, 2001 between the Company, Todd M. Hornbeck, Troy A. Hornbeck, Cari Investment Company and SCF-IV, L.P. (incorporated by reference to Exhibit 4.7 to the Company's Registration Statement on Form S-1 filed September 19, 2003, Registration No. 333-108943).
4.12	—Specimen 10 $^5/_8$% Series B Senior Note due 2008 (incorporated by reference to Exhibit 4.4 to the Company's Registration Statement on Form S-4 dated September 21, 2001, Registration No. 333-69826).
*4.13	—Amendment to Rights Agreement dated as of March 5, 2004 between the Company and Mellon Investor Services LLC as Rights Agent.
10.1	—Amended and Restated Incentive Compensation Plan (incorporated by reference to Exhibit 10.1 to the Company's Form 10-Q for the period ended September 30, 2003).
10.2	—Amendment to Senior Employment Agreement dated effective February 17, 2003 by and between Todd M. Hornbeck and the Company (incorporated by reference to Exhibit 10.15 to the Company's Registration Statement on Form S-1 dated September 19, 2003, Registration No. 333-108943).
10.3	—Amendment to Employment Agreement dated effective February 17, 2003 by and between Carl G. Annessa and the Company (incorporated by reference to Exhibit 10.16 to the Company's Registration Statement on Form S-1 dated September 19, 2003, Registration No. 333-108943).
10.4	—Amendment to Employment Agreement dated effective February 17, 2003 by and between James O. Harp, Jr. and the Company (incorporated by reference to Exhibit 10.17 to the Company's Registration Statement on Form S-1 dated September 19, 2003, Registration No. 333-108943).
*10.5	—Amended and Restated Credit Agreement dated as of February 13, 2004 among Hornbeck Offshore Services, Inc. and Hibernia National Bank, as agent, and Hibernia National Bank, Fortis Capital Corp., Southwest Bank of Texas, N.A., DVB Bank Aktiengesellscheft and Wells Fargo Bank, N.A., as lenders.
10.7	—Form of First Amendment to Indemnification Agreement for Directors, Officers and Key Employees (incorporated by reference to Exhibit 10.6 to the Company's Form 10-Q for the period ended September 30, 2003).

Exhibit Number	Description of Exhibit
10.8	—Asset Purchase Agreement dated as of June 20, 2003 by and among HOS-IV, LLC, Candy Marine Investment Corporation, Candy Fleet Corporation and Kenneth I. Nelkin, and joined for limited purposes by Hornbeck Offshore Services, Inc. (incorporated by reference to Exhibit 2.1 of the Company's Current Report on Form 8-K filed July 7, 2003).
*10.9	—Director & Advisory Director Compensation Plan.
*21	—Subsidiaries of the Company.
*31.1	—Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
*31.2	—Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
*32.1	—Certification of the Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
*32.2	—Certification of the Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* Filed herewith.

(b) Reports on Form 8-K.

On November 6, 2003, we furnished a report on Form 8-K announcing that we had issued a press release that reported third quarter 2003 results, the delivery of the 240 ED class HOS Greystone, the commencement of a double-hulled tank barge newbuild program and the expansion of our revolving credit facility.

On February 19, 2004, we furnished a report on Form 8-K announcing that we had issued a press release that reported the results of our operations for the three months ended December 31, 2003, and certain recent developments.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

	Page
CONSOLIDATED FINANCIAL STATEMENTS OF HORNBECK OFFSHORE SERVICES, INC.:	
Report of Independent Auditors	F-2
Consolidated Balance Sheets as of December 31, 2003 and 2002	F-3
Consolidated Statements of Operations for Each of the Three Years in the Period Ended December 31, 2003	F-4
Consolidated Statements of Changes in Stockholders' Equity for Each of the Three Years in the Period Ended December 31, 2003	F-5
Consolidated Statements of Cash Flows for Each of the Three Years in the Period Ended December 31, 2003	F-6
Notes to Consolidated Financial Statements	F-7

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
Hornbeck Offshore Services, Inc.

We have audited the accompanying consolidated balance sheets of Hornbeck Offshore Services, Inc. and subsidiaries as of December 31, 2003 and 2002, 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, 2003. 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 Offshore Services, Inc. and subsidiaries as of December 31, 2003 and 2002, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2003 in conformity with accounting principles generally accepted in the United States.

As discussed in Note 2 to the financial statements, effective January 1, 2002, the Company adopted Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets."

ERNST & YOUNG LLP

New Orleans, Louisiana
January 30, 2004, except with respect
to the matters discussed in Note 3 and
paragraph 10 of Note 7 as to which the
date is March 5, 2004

HORNBECK OFFSHORE SERVICES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In thousands, except per share data)

	December 31,	
	2003	**2002**
ASSETS		
Current assets:		
Cash and cash equivalents	$ 12,899	$ 22,228
Accounts and claims receivable, net of allowance for doubtful accounts of $454 and $469, respectively	17,124	14,616
Prepaid insurance	291	569
Property taxes receivable	2,144	1,135
Other current assets	1,081	742
Total current assets	33,539	39,290
Property, plant and equipment, net	316,715	226,232
Goodwill, net	2,628	2,628
Deferred charges, net	12,316	10,113
Other assets	44	27
Total assets	$ 365,242	$ 278,290
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 3,884	$ 5,350
Accrued interest	7,799	7,747
Accrued payroll and benefits	3,911	3,740
Other accrued liabilities	247	188
Total current liabilities	15,841	17,025
Revolving credit facility	40,000	—
Long-term debt, net of original issue discount of $2,323 and $2,694, respectively	172,677	172,306
Deferred tax liabilities, net	23,567	16,709
Other liabilities	762	374
Total liabilities	252,847	206,414
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; 14,528 and 12,122 shares issued and outstanding at December 31, 2003 and 2002, respectively	145	121
Additional paid-in capital	90,351	61,062
Retained earnings	21,883	10,693
Accumulated other comprehensive income	16	—
Total stockholders' equity	112,395	71,876
Total liabilities and stockholders' equity	$ 365,242	$ 278,290

The accompanying notes are an integral part of these consolidated statements.

HORNBECK OFFSHORE SERVICES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share data)

	Year Ended December 31,		
	2003	2002	2001
Revenues	$ 110,813	$ 92,585	$ 68,791
Costs and expenses:			
Operating expenses	64,395	48,633	32,805
General and administrative expenses	10,731	9,681	8,039
	75,126	58,314	40,844
Operating income	35,687	34,271	27,947
Other income (expense):			
Interest income	178	667	1,455
Interest expense:			
Debt obligations	(18,523)	(16,207)	(13,694)
Put warrants	—	—	(2,952)
	(18,523)	(16,207)	(16,646)
Other income, net	706	55	—
	(17,639)	(15,485)	(15,191)
Income before income taxes	18,048	18,786	12,756
Income tax expense	(6,858)	(7,139)	(5,737)
Net income	$ 11,190	$ 11,647	$ 7,019

The accompanying notes are an integral part of these consolidated statements.

HORNBECK OFFSHORE SERVICES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(In thousands, except per share data)

	Common Stock		Additional Paid-In Capital	Retained Earnings (Deficit)	Accumulated Other Comprehensive Income	Total Stockholders' Equity
	Shares	Amount				
Balance at January 1, 2001	9,830	$ 98	$ 46,072	$ (7,973)	$ —	$ 38,197
Shares issued	2,224	22	14,628	—	—	14,650
Net income	—	—	—	7,019	—	7,019
Balance at December 31, 2001	12,054	$ 120	$ 60,700	$ (954)	$ —	$ 59,866
Shares issued	75	1	412	—	—	413
Net income	—	—	—	11,647	—	11,647
Repurchase and retirement of shares	(7)	—	(50)	—	—	(50)
Balance at December 31, 2002	12,122	$ 121	$ 61,062	$ 10,693	$ —	$ 71,876
Private placement of common stock	2,400	24	29,243	—	—	29,267
Other shares issued	6	—	46	—	—	46
Comprehensive income:						
Net income	—	—	—	11,190	—	11,190
Foreign currency translation	—	—	—	—	16	16
Total comprehensive income						11,206
Balance at December 31, 2003	14,528	$ 145	$ 90,351	$ 21,883	$ 16	$ 112,395

The accompanying notes are an integral part of these consolidated statements.

Table of Contents

HORNBECK OFFSHORE SERVICES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Year Ended December 31,		
	2003	**2002**	**2001**
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 11,190	$ 11,647	$ 7,019
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	14,393	10,351	6,501
Amortization	3,197	1,945	1,169
Provision for bad debts	56	336	78
Deferred tax expense	6,858	7,139	5,816
Gain on sale of assets	(712)	(32)	—
Equity in income from investments	(17)	(27)	—
Loss on early extinguishment of debt	—	—	3,029
Amortization of financing costs and initial warrant valuation	1,531	1,455	3,978
Changes in operating assets and liabilities:			
Accounts and claims receivable	(2,565)	(4,335)	(4,419)
Prepaid insurance and other current assets	(1,070)	478	(379)
Deferred charges and other assets	(6,397)	(4,389)	(2,278)
Accounts payable	(1,627)	(295)	3,441
Accrued liabilities and other liabilities	610	1,095	2,099
Accrued interest	52	(413)	7,291
Net cash provided by operating activities	25,499	24,955	33,345
CASH FLOWS FROM INVESTING ACTIVITIES:			
Construction of new vessels	(38,047)	(48,359)	(50,475)
Acquisition of offshore supply vessels	(48,000)	—	—
Acquisition of tugs, tank barges, and other vessels	(7,400)	—	(31,080)
Proceeds from sale of vessels	1,650	315	—
Capital expenditures	(6,369)	(7,727)	(6,773)
Net cash used in investing activities	(98,166)	(55,771)	(88,328)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issuance of senior notes	—	—	171,896
Proceeds from borrowings under debt agreements	1,656	60	40,750
Net proceeds from borrowings under revolving credit facility	40,000	—	—
Payments on borrowings under debt agreements	(1,488)	(453)	(129,930)
Deferred financing costs	(159)	(129)	(7,668)
Repurchase of shares	—	(50)	—
Repurchase of warrants	—	—	(14,500)
Net cash proceeds from shares issued	23,313	413	14,650
Net cash provided by (used in) financing activities	63,322	(159)	75,198
Effects of exchange rate changes on cash	16	—	—
Net increase (decrease) in cash and cash equivalents	(9,329)	(30,975)	20,215
Cash and cash equivalents at beginning of period	22,228	53,203	32,988
Cash and cash equivalents at end of period	$ 12,899	$ 22,228	$ 53,203
SUPPLEMENTAL DISCLOSURES OF CASH FLOW ACTIVITIES:			
Interest paid	$ 19,718	$ 19,075	$ 5,577
Income taxes paid	$ —	$ 65	$ —
NONCASH FINANCING ACTIVITIES:			
Issuance of common stock to partially fund the purchase of offshore supply vessels	$ 6,000	$ —	$ —

The accompanying notes are an integral part of these consolidated statements.

HORNBECK OFFSHORE SERVICES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(In thousands, except per share data)

1. Organization

Formation

Hornbeck Offshore Services, Inc. (or the Company) was incorporated in the state of Delaware in 1997. The Company wholly owns Hornbeck Offshore Transportation, LLC, Hornbeck Offshore Services, LLC, HOS-IV, LLC, Hornbeck Offshore Operators, LLC and Energy Services Puerto Rico, LLC. All of the subsidiaries were converted from C corporations to limited liability companies (or LLCs) in 2001. 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, LLC (HOS) operates offshore supply vessels (OSVs) to provide support and specialty services to the offshore oil and gas exploration and production industry, primarily in the U.S. Gulf of Mexico and select international markets. In two separate acquisitions, on June 26, 2003 and August 8, 2003, a wholly-owned subsidiary of the Company, HOS-IV, LLC, acquired a total of six new generation OSVs from Candy Marine Investment Corporation (see Note 16). Hornbeck Offshore Transportation, LLC (HOT) operates ocean-going tugs and tank barges that provide transportation of petroleum products. 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, affiliates of Amerada Hess Corporation. HOT services the northeastern seaboard of the United States and Puerto Rico. The results of these acquisitions have been included since the date of acquisition (see Note 16). Hornbeck Offshore Operators, LLC (HOO) is a service subsidiary that provides administrative and personnel support to the other subsidiaries. Energy Services Puerto Rico, LLC (ESPR) provides administrative and personnel support to vessels operating in Puerto Rico.

During 2002, the Company obtained a 49% interest in Hornbeck Offshore Trinidad and Tobago Limited (HOTT). HOTT is a vessel crewing and management services company established to support the Company's Trinidad-based operations. The 49% interest owned by the Company is being recorded using the equity method. The Company's equity in income from investments is not material.

2. Summary of Significant Accounting Policies

Revenue Recognition

HOS charters its OSVs 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.

HOT contracts its vessels to clients primarily under contracts of affreightment, under which revenue is recognized based on the number of days incurred for the voyage as a percentage of 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. HOT also contracts certain of its vessels 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.

Cash and Cash Equivalents

Cash and cash equivalents consist of all highly liquid investments in money market funds and investments available for current use with an initial maturity of three months or less.

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. Major modifications and improvements, which extend the useful life of the vessel, are capitalized and amortized over the remaining useful life of the vessel. Gains and losses from retirements or other dispositions are recognized as incurred.

The estimated useful lives by classification are as follows:

Tugs	14-25 years
Tank barges	3-25 years
Offshore supply vessels	25 years
Non-vessel related property, plant and equipment	5 years

All of the Company's single-hulled tank barges have estimated useful lives based on their classification under the Oil Pollution Act of 1990, while the Company's double-hulled tank barges have an estimated useful life of 25 years.

Deferred Charges

The Company's tugs, tank barges, and OSVs are required by regulation to be recertified after certain periods of time. The Company defers the drydocking expenditures incurred due to regulatory marine inspections and amortizes the costs on a straight-line basis over the period to be benefited from such improvements (generally 30 or 60 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.

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 federal, state and foreign 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 amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Concentration of Credit Risk

Customers are primarily major and independent, domestic and international, oil and oil service companies. The Company's customers are granted credit on a short-term basis and related credit risks are considered minimal. The Company usually does not require collateral. The Company provides an estimate for uncollectible accounts based primarily on management's judgment. Management uses historical losses, current economic conditions and individual evaluations of each customer to make adjustments to the allowance for doubtful accounts. The Company's historical losses have not been significant. However, because amounts due from individual customers can be significant, future adjustments to the allowance can be material if one or more individual customer's balances are deemed uncollectible.

The following table represents the allowance for doubtful accounts:

	December 31,		
	2003	2002	2001
Balance, beginning of year	$469	$133	$ 55
Additions charged to expense	56	336	78
Write off of uncollectible accounts	(71)	—	—
Balance, end of year	$454	$469	$133

Property taxes receivable represents assessed property taxes on the Company's vessels by local municipalities that are refunded upon the filing of state tax returns.

Goodwill

Goodwill reflects the excess of cost over the estimated fair value of the net assets acquired. Before January 1, 2002, realization of goodwill was 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. If the review indicated that the carrying value was not recoverable, the excess of the carrying value over the undiscounted cash flow was recognized as an impairment loss. Effective January 1, 2002, the Company has performed goodwill impairment reviews by reporting unit based on a fair value concept as required by Statement of Financial Accounting Standards (SFAS) No. 142, "Goodwill and Other Intangible Assets." See Recent Accounting Pronouncements.

Stock-Based Compensation

SFAS No. 123, "Accounting for Stock-Based Compensation" established accounting and disclosure requirements using a fair-value-based method of accounting for stock-based employee compensation plans. As provided for under SFAS 123, the Company accounts for stock-based compensation using the intrinsic value method prescribed in Accounting Principles Board (APB) Opinion No. 25, "Accounting for Stock Issued to Employees." For all periods presented, the Company has used the intrinsic value method, in which compensation cost for stock options, if any, is measured as the excess of the estimated fair value market price of the Company's stock at the date of grant over the amount an employee must pay to acquire the stock.

Impairment of Long-Lived Assets

When events or circumstances indicate that the carrying amount of long-lived assets to be held and used or intangible assets might not be recoverable, the expected future undiscounted cash flows from the assets are estimated and compared with the carrying amount of the assets. If the sum of the estimated undiscounted cash flows is less than the carrying amount of the assets, an impairment loss is recorded. The impairment loss is measured by comparing the fair value of the assets with their carrying amounts. Fair value is determined based on discounted cash flow or appraised values, as appropriate. Long-lived assets that are held for disposal are reported at the lower of the assets' carrying amount or fair value less costs related to the assets' disposition.

Recent Accounting Pronouncements

In July 2001, the Financial Accounting Standards Board, or FASB, issued SFAS No. 141, "Business Combinations." SFAS 141 eliminated 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.

In July 2001, the FASB issued SFAS 142, "Goodwill and Other Intangible Assets." 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 continued to be amortized through 2001, at which time amortization ceased and a transitional goodwill impairment test was required to be performed. Any impairment charges resulting from the initial application of the new rules were classified as a cumulative change in accounting principle. The initial transition evaluation was completed by June 30, 2002, which was within the six-month transition period allowed by the new standard. The Company's goodwill balances were determined not to be impaired. Goodwill amortization for each of the years ended December 31, 2003, 2002 and 2001 was $0, $0 and $126, respectively.

The following table presents the Company's net income as reported in the Company's consolidated financial statements compared to that which would have been reported if SFAS 142 had been in effect as of January 1, 2001.

	Year Ended December 31,		
	2003	2002	2001
Net income, as reported	$11,190	$11,647	$7,019
Amortization of goodwill	—	—	126
Net income, as adjusted	$11,190	$11,647	$7,145

In August 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" which supersedes FASB Statement No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of." SFAS 144 also supersedes certain aspects of APB Opinion No. 30, "Reporting the Results of Operations-Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions" with regard to reporting the effects of a disposal of a segment of a business and will require expected future operating losses from discontinued operations to be reported in discontinued operations in the period incurred rather than as of the measurement date as presently required by APB Opinion 30. Additionally, certain dispositions may now qualify for discontinued operations treatment. The provisions of SFAS 144 are required to be applied for fiscal years beginning after December 15, 2001 and interim periods within those fiscal years. The adoption of this statement did not have any effect on the Company's consolidated financial statements.

In April 2002, the FASB issued SFAS No. 145, "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections." SFAS 145 requires that gains or losses recorded from the extinguishment of debt that do not meet the criteria of APB Opinion No. 30 should not be presented as extraordinary items. This statement is effective for fiscal years beginning after May 15, 2002 as it relates to the reissued FASB Statement No. 4, with earlier application permitted. Any gain or loss on extinguishment of debt that was classified as an extraordinary item in prior periods presented that does not meet the criteria in APB 30 for classification as an extraordinary item has been reclassified (see Note 4).

In June 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." SFAS 146 nullifies EITF Issue 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity," under which a liability for an exit cost was recognized at the date of an entity's commitment to an exit plan. SFAS 146 requires that a liability for a cost associated with an exit or disposal activity be recognized at fair value when the liability is incurred. The provisions of this statement are effective for exit or disposal activities that are initiated after December 31, 2002. SFAS 146 had no impact on the consolidated financial statements of the Company for the year ended December 31, 2002.

In November 2002, the FASB issued FASB Interpretation No. 45, or FIN 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others," which elaborates on the disclosures to be made by a guarantor in its interim and annual financial statements about its obligations under certain guarantees that it has issued. It also clarifies that a guarantor is required to recognize, at the inception of the guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. The initial recognition and initial measurement provisions of FIN 45 are applied prospectively to guarantees issued or modified after December 31, 2002. The adoption of these recognition provisions will result in recording liabilities associated with certain guarantees if and when provided by the Company. The disclosure requirements of FIN 45 are effective for financial statements of interim or annual periods ending after December 15, 2002. FIN 45 did not have an impact on the Company's consolidated financial statements. The Company has no guarantees applicable under FIN 45.

In December 2002, SFAS No. 148, "Accounting for Stock-Based Compensation—Transition and Disclosure—An Amendment of FASB Statement No. 123," was issued by the FASB and amends SFAS 123, "Accounting for Stock-Based Compensation." SFAS 148 provides alternative methods of transition for an entity that voluntarily changes to the fair value based method of accounting for stock-based employee compensation and amends the disclosure provisions of SFAS 123 to require prominent disclosure about the effects on reported net income of an entity's accounting policy decisions with respect to stock-based employee compensation. The Company has not adopted any of the alternative methods of transition and continues to apply APB Opinion No. 25.

In January 2003, the FASB issued FIN 46, "Consolidation of Variable Interest Entities," which clarifies the application of Accounting Research Bulletin (ARB) No. 51, "Consolidated Financial Statements," to certain entities (called variable interest entities) in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. The disclosure requirements of this Interpretation are effective for all financial statements issued after January 31, 2003. The consolidation requirements apply to all variable interest entities created after January 31, 2003. In addition, public companies must apply the consolidation requirements to variable interest entities that existed prior to February 1, 2003 and remain in existence as of the beginning of annual or interim periods beginning after March 15, 2004. FIN 46 is not expected to have a material impact on the Company's consolidated financial statements upon adoption.

In April 2003, the FASB issued SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities," to clarify under what circumstances a contract with an initial net investment meets the characteristics of a derivative, to clarify when a derivative contains a financing component, to amend the definition of an "underlying" to conform it to language in FIN 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others," and to amend certain other existing pronouncements. SFAS 149 is effective for contracts entered into or modified after June 30, 2003, and is to be applied prospectively. Implementation of SFAS 149 did not have a material effect on the Company's consolidated financial statements as of and for the period ended December 31, 2003, as it did not have any derivative instruments or hedging arrangements.

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity." SFAS 150 requires that certain financial instruments issued in the form of shares that are mandatorily redeemable, as well as certain other financial instruments, be classified as liabilities in the financial statements. SFAS 150 is effective for financial instruments entered into or modified after May 31, 2003 and otherwise is effective beginning with the Company's second quarter of 2004. The provisions of this statement did not have a material impact on the Company's consolidated financial statements as of and for the year ended December 31, 2003.

Reclassifications

Certain reclassifications of amounts reported in prior years have been made to conform to the current year presentation. The compensation costs for certain vessel support personnel were reclassified from general and administrative expenses to operating expenses for all periods presented.

3. Reverse Stock Split

On March 5, 2004, the Company effected a 1-for-2.5 reverse stock split of its common stock that caused the number of outstanding shares to decrease from 36,320 to 14,528. For all periods, the share amounts and per share data reflected throughout these financial statements have been adjusted to give effect to the reverse stock split.

4. Early Extinguishment of Debt

A loss of $3,029 was incurred during the third quarter of 2001 resulting from the write-off of deferred financing costs upon the refinancing of the Company's debt through the issuance of $175,000 of senior notes in July 2001 (see Note 7). The loss was classified as an extraordinary item in the previously issued 2001 financial statements. In connection with the adoption of SFAS 145 on January 1, 2003, this loss has been reclassified in the accompanying financial statements as an increase to interest expense (see Note 2 – Recent Accounting Pronouncements).

5. Defined Contribution Plan

The Company was a participating employer in the Cari Investment Company 401(k) Plan, a defined contribution plan with a cash or deferred arrangement pursuant to Section 401(k) of the Internal Revenue Code. The Company established a simple employer plan on March 1, 2001. Employees must be at least twenty-one years of age and have completed three months 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, 2003, 2002 and 2001, the Company made contributions of $280, $125 and $75, respectively.

6. Property, Plant and Equipment

Property, plant and equipment consisted of the following:

	December 31,	
	2003	2002
Tugs	$ 28,876	$ 28,725
Tank barges	37,121	29,299
Offshore supply vessels	265,729	167,864
Construction in progress	20,319	22,866
Non-vessel related property, plant and equipment	3,382	2,283
Less: Accumulated depreciation	(38,712)	(24,805)
	$316,715	$226,232

Interest expense of $2,734, $3,867 and $3,075 was capitalized for the years ended December 31, 2003, 2002 and 2001, respectively.

7. Long-Term Debt

On June 5, 1998, the Company entered into a $20,000 line of credit agreement (credit facility) with a venture capital company to refinance existing indebtedness and partially finance the construction of OSVs (see Note 11). The Company issued detachable warrants to purchase 4,762 shares of common stock in connection with the Credit Facility. The warrants were assigned an estimated market value of $500. Warrants for the purchase of 4,200 shares of common stock were exercisable with an exercise price of $4.20 per share. The remaining warrants became exercisable only on the occurrence of an event of default under the Credit Facility, the Company filing for bankruptcy or if the indebtedness under the Credit Facility was not discharged in full by June 5, 2003. All of the warrants issued in connection with establishment of the Credit Facility provided the holders with a put option whereby the holders had the right, if the Company’s stock was not publicly traded by June 5, 2003, to require the Company to repurchase the warrants at their fair market value.

According to EITF Issue No. 88-9 “Accounting for Put Warrants”, issued by the Emerging Issues Tax Force and supplemented by EITF Issue No. 00-19 “Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company’s Own Stock” a company whose stock is publicly traded is required to account for warrants that contain put options as a liability. Upon the Company’s filing of a Registration Statement on Form S-1 in July 2002, which was subsequently withdrawn in October 2002, the accounting for put warrants as a liability became effective. As previously discussed, the Company assigned a market value of $500 to the warrants at issuance based on the relative fair value of the Credit Facility and the warrants. The $500 was allocated to debt with all subsequent changes to the fair market value of the warrants for each period presented being recorded as an adjustment to interest expense.

The Company repurchased and terminated all of the warrants for $14,500 in October 2001. The repurchase of the warrants was funded by a private placement of the Company’s common stock for gross proceeds of $14,650. The remaining funds were used for payment of expenses incurred in connection with the private placement.

On July 24, 2001, the Company issued $175,000 in principal amount of $10^{5}/_{8}$% senior notes. The Company realized net proceeds of approximately $165,000, a substantial portion of which was used to repay and fully extinguish all of the

then existing credit facilities. The senior notes mature on August 1, 2008 and require semi-annual interest payments at an annual rate of 10$^{5}/_{8}$% on February 1 and August 1 of each year until maturity. The effective interest rate on the senior notes is 11.18%. No principal payments are due until maturity. The senior notes are unsecured senior obligations and rank equally in right of payment with other existing and future senior indebtedness and senior in right of payment to any subordinated indebtedness incurred by the Company in the future. The senior notes are guaranteed by all of the Company's subsidiaries. The Company may, at its option, redeem all or part of the senior notes from time to time at specified redemption prices and subject to certain conditions required by the indenture. The Company is permitted under the terms of the indenture to incur additional indebtedness in the future, provided that certain financial conditions set forth in the indenture are satisfied by the Company.

In connection with the issuance of the senior notes, the Company wrote-off deferred financing costs related to previous credit facilities. The write-off in the amount of $3,029 has been presented as an adjustment to interest expense in the accompanying statements of operations (see Note 4).

The Company completed an exchange offer on January 18, 2002, whereby the 10$^{5}/_{8}$% Series A senior notes, due August 1, 2008, were exchanged for 10$^{5}/_{8}$% Series B senior notes with the same terms, the offering of which was publicly registered.

Effective December 31, 2001, the Company entered into a new senior secured revolving line of credit for $50,000 (revolving credit facility) with a borrowing base initially set at $25,000. Pursuant to the indenture governing the senior notes, unless the Company meets a specified consolidated interest coverage ratio test, the level of permitted borrowings under this facility is limited to $25,000 plus 15% of the increase in the Company's consolidated net tangible assets over the consolidated net tangible assets as of March 31, 2001 determined on a pro forma basis to reflect the Spentonbush/Red Star Group acquisition. Unused commitment fees are payable quarterly at the annual rate of one-quarter to three-eighths of one percent on the revolving credit facility, based on the leverage ratio defined by the agreement.

On June 26, 2003, concurrent with the acquisition of five OSVs from Candy Fleet, the Company amended the $50,000 revolving credit facility to increase its borrowing base from $25,000 to $50,000. In connection with this amendment, the Company pledged two additional OSVs as collateral.

On September 30, 2003, the Company amended the revolving credit facility to increase its borrowing base from $50,000 to $60,000. The Company pledged one additional OSV as collateral in connection with this amendment. As of September 30, 2003, seven OSVs and four ocean-going tugs collateralized the revolving credit facility. As of December 31, 2003, the Company had a balance outstanding of $40,000 under the revolving credit facility, which primarily funded the acquisition of a double-hulled tank barge and a portion of the costs of six acquired OSVs, and had $20,000 of additional credit immediately available under the revolving credit facility.

On February 13, 2004, the Company amended and restated the revolving credit facility to extend its maturity and increase its size to $100,000. The current borrowing base remains unchanged at $60,000. This facility had an original expiration date of December 31, 2004. The new expiration date of the amended and restated facility is February 13, 2009. The maturity of this facility will automatically accelerate to March 31, 2008, if by that date the Company has not redeemed its senior notes or refinanced them with debt having a maturity later than July 31, 2009.

The revolving credit facility and indenture impose certain operating and financial restrictions on the Company. Such restrictions affect, and in many cases limit or prohibit, among other things, the Company's ability to incur additional indebtedness, make capital expenditures, redeem equity, create liens, sell assets and make dividend or other restricted payments.

As of the dates indicated, the Company had the following outstanding long-term debt:

	December 31,	
	2003	2002
Revolving credit facility	$ 40,000	—
10 $^{5}/_{8}$% senior notes due 2008, net of original issue discount of $2,323 and $2,694, respectively	$172,677	$172,306
	212,677	172,306
Less current maturities	—	—
	$212,677	$172,306

Annual maturities of long-term debt during each year ending December 31, are as follows:

2004	$ —
2005	—
2006	—
2007	—
2008	172,677
Thereafter	40,000
	$212,677

8. Stockholders' Equity

Preferred Stock

The Company's charter authorizes 5,000 shares of preferred stock. The Board of Directors has the authority to issue preferred stock in one or more series and to fix the rights, preferences, privileges and restrictions thereof, including dividend rights, conversion rights, voting rights, terms of redemption, redemption prices, liquidation preferences and the number of shares constituting any series or the designation of such series, without further vote or action by the Company's shareholders.

Stockholder Rights Plan

The Company's Board of Directors implemented a stockholder rights plan on June 18, 2003, declaring a dividend of one right for each outstanding share of common stock to stockholders of record on June 18, 2003. One right will also attach to each share of common stock issued after June 28, 2003. The rights become exercisable, and transferable apart from the Company's common stock, 10 business days following a public announcement that a person or group has acquired beneficial ownership of, or has commenced a tender or exchange offer for, 10% or more of the Company's common stock.

The rights have anti-takeover effects, causing substantial dilution to a person or group who attempts to acquire the Company without the approval of the Board of Directors. As a result, the overall effect of the rights may be to render more difficult or discourage any attempt to acquire the Company even if such acquisition may be favorable to the interests of the Company's stockholders. Because the Board of Directors can redeem the rights or approve certain offers, the rights should not interfere with any merger or other business combination approved by the Company's Board of Directors.

Private Placement of Common Stock

In May 2003, the Company commenced a private placement of its common stock to accredited investors to raise gross proceeds of $30,000, including $6,000 of common stock, or 480 shares, issued to Candy Fleet as partial consideration for the June 26, 2003 acquisition of five deepwater OSVs. The private placement was completed in July 2003 with 1,920 shares distributed for gross cash proceeds of $24,000. Costs incurred for the private placement were approximately $700 and were recorded as a reduction in additional paid-in capital.

9. Incentive Compensation Plan

SFAS No. 123, "Accounting for Stock-Based Compensation," established financial accounting and reporting standards for stock-based compensation plans. The Company's incentive compensation 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 123 defines a fair-value-based method of accounting for stock-based compensation. However, SFAS 123 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 25 must make pro forma disclosures of net income assuming dilution as if the fair-value-based method of accounting defined in SFAS 123 had been applied. The Company retained the provisions of APB 25 for expense recognition purposes. Under APB 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 compensation plan which provides the Company with the ability to grant options for a maximum of 3,500 shares of common stock. 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. During 2003 and 2002, options for 6 and 45 shares, respectively, were exercised. All options granted expire five to ten years after the date of grant, 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 two- to four-year period.

The following summarizes the option activity in the plan during 2003, 2002 and 2001:

	2003		2002		2001	
	Number of Options Outstanding	Average Price Per Share	Number of Options Outstanding	Average Price Per Share	Number of Options Outstanding	Average Price Per Share
Outstanding, beginning of year	773	$ 6.40	696	$ 6.28	154	$ 4.93
Granted	209	11.30	133	6.63	568	6.63
Exercised	(6)	6.63	(45)	4.88	—	—
Cancelled	(51)	7.15	(11)	6.63	(26)	5.90
Outstanding, end of year	925	$ 7.45	773	$ 6.40	696	$ 6.28
Exercisable, end of year (1)	455		363		227	
Weighted-average fair value of options granted during the year		$ 3.55		$ 2.10		$ 1.85

(1) The table above does not include 497,050 options outstanding as of December 31, 2003 that will become exercisable upon the completion of an initial public offering of the Company's common stock.

The following is a summary of outstanding stock options at December 31, 2003:

	Options Outstanding			Options Exercisable	
	Shares	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Range of exercise prices:					
$ 4.63 to $ 6.63	725	7.18	$ 6.38	455	$ 6.13
$11.20 to $12.50	200	9.23	11.30	—	—
Total	925		7.45	455	6.13

If compensation cost for the Company's stock options had been determined based on the fair value at the grant date consistent with the method under SFAS 123, the Company's income available to common stockholders for the years ended December 31, 2003, 2002 and 2001 would have been as indicated below:

	Year Ended December 31,		
	2003	2002	2001
Income available to common stockholders:			
As reported	$ 11,190	$ 11,647	$ 7,019
Deduct: stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effect	(281)	(217)	(170)
Pro forma	$ 10,909	$ 11,430	$ 6,849

The fair value of the options granted under the Company's stock option plan during each of the three years ended December 31, 2003, 2002 and 2001, was estimated using the Black-Scholes pricing model using the minimum value method whereby volatility is not considered. The other assumptions used were: an average interest rate of 3.84%, 3.83% and 4.88%, respectively, and an expected life of five to seven years with no expected dividends for each year.

10. Income Taxes

The net long-term deferred tax liabilities (assets) in the accompanying consolidated balance sheets include the following components:

	December 31,	
	2003	2002
Deferred tax liabilities:		
Fixed assets	$ 34,927	$23,396
Deferred charges and other liabilities	2,406	1,314
Total deferred tax liabilities	37,333	24,710
Deferred tax assets:		
Net operating loss carryforwards	(13,666)	(7,917)
Allowance for doubtful accounts	(165)	(162)
Other	(30)	(17)
Total deferred tax assets	(13,861)	(8,096)
Valuation allowance	95	95
Total deferred tax liabilities, net	$ 23,567	$16,709

The components of the income tax expense follow:

	Year Ended December 31,		
	2003	2002	2001
Current tax expense	$ —	$ —	$ —
Deferred tax expense	6,858	7,139	5,737
Total	$6,858	$7,139	$5,737

At December 31, 2003, the Company had federal tax net operating loss carryforwards of approximately $37,385. The carryforward benefit from the federal net tax operating loss carryforwards begins to expire in 2018. The Company had a state tax net operating loss carryforward of approximately $1,515 related to one state tax jurisdiction. This carryforward can only be utilized if the Company generates taxable income in the appropriate tax jurisdiction. A valuation allowance of $95 has been established to fully offset the deferred tax asset related to the state tax jurisdiction.

The following table reconciles the difference between the Company's income tax provision calculated at the federal statutory rate and the actual income tax provision:

	Year Ended December 31,		
	2003	2002	2001
Statutory rate	$6,317	$6,575	$4,460
State taxes	235	275	158
Non-deductible expense	47	95	47
Non-deductible interest expense—warrants	—	—	1,033
Foreign taxes and other	259	194	39
	$6,858	$7,139	$5,737

11. Commitments and Contingencies

Vessel Construction

At December 31, 2003, the Company was committed under a vessel construction contract with a shipyard affiliated with the Company's former Chairman of the Board and Chief Executive Officer to construct one OSV and one double-hulled tank barge and with a third party shipyard for the construction of one double-hulled tank barge. At that date, the remaining amount expected to be incurred during 2004 to complete construction with respect to such contracts was approximately $31,245. The Company is obligated under the terms of the contracts to remit funds to the shipyards based on vessel construction milestones, which are subject to change during vessel construction.

Operating Leases

The Company is obligated under certain operating leases for marine vessels, office space and vehicles. The Covington facility lease provides for a term of five years with two five-year renewal options. The Brooklyn facility lease provides for a term of five years with five one-year renewal options.

Future minimum payments under noncancelable leases for years subsequent to 2003 follow:

Year Ended December 31,	
2004	$1,166
2005	769
2006	449
2007	351
2008	259
	$2,994

In addition, the Company leases marine vessels used in its operations under month-to-month operating lease agreements. Total rent expense related to leases was $1,012, $1,559 and $771 during the years ended December 31, 2003, 2002 and 2001, respectively.

See Note 16 for a description of the lease entered into in connection with the Spentonbush/Red Star Group acquisition.

Contingencies

In the normal course of its business, the Company becomes involved in various claims and legal proceedings in which monetary damages are sought. It is management's opinion that the Company's liability, if any, under such claims or proceedings would not materially affect its financial position or results of operations.

Table of Contents

12. Deferred Charges

Deferred charges include the following:

	Year Ended December 31,		
	2003	2002	2001
Deferred financing costs, net of accumulated amortization of $2,702, $1,549 and $430, respectively	$ 4,557	$ 5,559	$6,554
Deferred drydocking costs, net of accumulated amortization of $5,230, $4,352 and $2,414, respectively	6,175	3,261	2,789
Deferred equity offering costs and other	1,584	1,293	460
Total	$12,316	$10,113	$9,803

13. Related Party Transactions

A former member of the Company's Board of Directors, who served on the Board from June 1997 until August 2001 and is now serving as an advisory director, is a shareholder in a law firm that has provided legal services to the Company. The Company paid approximately $1,529 to the law firm during the year ended December 31, 2001, the year during which he served as a director.

During 2003, the Company was committed under vessel construction contracts to construct four OSVs and one double-hulled tank barge with a shipyard affiliated with the Company's former Chairman of the Board and Chief Executive Officer. The Company incurred $25,200 of construction costs related to such vessels during 2003. The same shipyard has constructed 10 of the Company's 22 OSVs in service as of December 31, 2003.

14. Major Customers

In the years ended December 31, 2003, 2002 and 2001, revenues from the following customers exceeded 10% of total revenues:

	Year Ended December 31,		
	2003	2002	2001
Customer A (1)	—	11%	—
Customer B (1)	—	—	12%
Customer C (2)	23%	24%	19%

(1) Offshore supply vessel segment.
(2) Tug and tank barge segment.

15. Segment Information

The Company provides marine transportation services through two business segments. The Company operates new generation offshore supply vessels in the U.S. Gulf of Mexico, Trinidad and Tobago and Mexico through its offshore supply vessel segment. The offshore supply vessels principally support complex exploration and production projects by transporting cargo to offshore drilling rigs and production facilities and provide support for specialty services. The tug and tank barge segment primarily 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, 2003, 2002 and 2001 reconciled to consolidated totals and prepared on the same basis as the Company's consolidated financial statements.

	Year Ended December 31,		
	2003	2002	2001
Operating Revenues:			
Offshore supply vessels	$ 62,402	$46,378	$33,610
Tugs and tank barges	48,411	46,207	35,181
Total	$110,813	$92,585	$68,791
Operating Expenses:			
Offshore supply vessels	$ 32,167	$20,197	$11,672
Tugs and tank barges	32,228	28,436	21,133
Total	$ 64,395	$48,633	$32,805
General and Administrative Expenses:			
Offshore supply vessels	$ 4,952	$ 3,840	$ 3,496
Tugs and tank barges	5,779	5,841	4,543
Total	$ 10,731	$ 9,681	$ 8,039
Operating Income:			
Offshore supply vessels	$ 25,283	$22,341	$18,442
Tugs and tank barges	10,404	11,930	9,505
Total	$ 35,687	$34,271	$27,947
Capital Expenditures:			
Offshore supply vessels	$ 92,054	$51,865	$53,317
Tugs and tank barges	12,453	3,295	34,926
Corporate	1,309	611	85
Total	$105,816	$55,771	$88,328
Depreciation and Amortization:			
Offshore supply vessels	$ 9,381	$ 5,830	$ 3,503
Tugs and tank barges	8,209	6,466	4,167
Total	$ 17,590	$12,296	$ 7,670

	At December 31,		
	2003	2002	2001
Identifiable Assets:			
Offshore supply vessels	$276,567	$195,825	$140,580
Tugs and tank barges	68,589	72,490	67,937
Corporate	20,086	9,975	50,300
Total	$365,242	$278,290	$258,817
Long-Lived Assets:			
Offshore supply vessels	$258,076	$174,676	$128,188
Tugs and tank barges	56,914	50,797	52,272
Corporate	1,725	759	321
Total	$316,715	$226,232	$180,781

16. Acquisitions

Spentonbush/Red Star Group Tugs and Tank Barges

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 $28,000 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 five-year lease for the Brooklyn marine facility of Amerada Hess where the tug and tank barge operations that were acquired are based and from which such operations are conducted. The lease expires in March 2006. The Company incurred approximately $600 in acquisition costs.

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 Company completed its final purchase price allocation and increased the liabilities related to assumed drydocking liabilities to $4,995. The following reflects the final allocation of the purchase price and recertification costs incurred during the allocation period following the acquisition date:

Property, plant and equipment	$32,025
Other assets	1,000
Accrued liabilities	(4,995)
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 the Company's consolidated results of operations for the year ended December 31, 2001, if the acquisition had taken place at the beginning of the fiscal year:

Revenues	$89,298
Operating income	33,614
Net income	10,189

Candy Fleet Offshore Supply Vessels

On June 26, 2003, the Company acquired five 220-foot new generation offshore supply vessels and their related business from Candy Marine Investment Corporation, an affiliate of Candy Fleet Corporation (collectively, Candy Fleet), for $45,000, comprised of $39,000 in cash and of $6,000 of common stock, for the purpose of diversifying its offshore supply vessel fleet and expanding its service offerings. Candy Fleet is a privately held marine vessel operator in the Gulf of Mexico. The Company funded the cash portion of the purchase price with a combination of borrowings under the Company's revolving credit facility as discussed in Note 7, and with part of the cash proceeds generated by the private

placement of its common stock discussed in Note 8. The new vessel names are *HOS Explorer*, *HOS Express*, *HOS Pioneer*, *HOS Trader*, and *HOS Voyager*.

On August 6, 2003, the Company completed the acquisition of an additional 220-foot new generation offshore supply vessel from Candy Fleet. The closing of the transaction was affected after satisfying certain conditions precedent to closing, including, among other things, receipt during July 2003 of $13,500 in proceeds relating to the previously announced $30,000 private placement of common stock and the satisfactory completion of a drydocking and survey of the vessel in early August. The purchase price of $9,000 was negotiated by the parties on an arms-length basis. The Company plans to continue operating the acquired vessel, which was renamed the *HOS Mariner*, in the Gulf of Mexico. In connection with the acquisition, the Company was also granted options to purchase three conventional 180-foot offshore supply vessels from Candy Fleet for an aggregate exercise price of $4,500. These options expire on August 6, 2004.

The purchase method was used to account for the acquisitions of the six new generation offshore supply vessels from Candy Fleet. There were no intangible assets or goodwill recorded as a result of the acquisition. Included in the purchase price allocation was approximately $300 of acquisition costs comprised of legal, consulting and accounting fees. As of December 31, 2003, the final purchase price was allocated to the acquired assets based on the estimated fair values as follows:

Property, plant and equipment	$54,437
Inventory	183
Accrued liabilities	(275)
Purchase price	$54,345

The unaudited pro forma income statement data from the Candy Fleet acquisition would not have had a material impact on the Company's consolidated results of operations for the years ended December 31, 2003 and 2002, if the acquisition had taken place at the beginning of the fiscal year.

17. Supplemental Selected Quarterly Financial Data (Unaudited):

	Quarter Ended			
	Mar 31	**Jun 30**	**Sep 30**	**Dec 31**
Fiscal Year 2003				
Revenues	$27,347	$26,010	$28,215	$29,240
Operating income	10,358	8,620	8,276	8,433
Net income	4,290	2,673	2,159	2,068
Fiscal Year 2002				
Revenues	$22,743	$21,315	$22,322	$26,204
Operating income	9,322	8,235	7,209	9,505
Net income	3,489	2,841	2,043	3,274

The sum of the four quarters may not equal annual results due to rounding.

18. Employment Agreements

The Company has employment agreements with certain members of its executive management team. These agreements include, among other things, contractually stated base level salaries and a structured bonus plan dependent upon the Company achieving EBITDA and earnings per share targets in years during which the employment agreements are in effect. In the event a member of the executive management team is terminated due to events as defined in the agreement, the employee will continue to receive salary, bonus and other payments equal to the full amount payable under the agreement.

Effective February 27, 2002, the Company's former Chairman of the Board and Chief Executive Officer ceased serving in that capacity and his employment under the terms of his agreement terminated. The Company accrued its contractual obligation as of the date of termination.

Table of Contents

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Covington, the State of Louisiana, on March 10, 2004.

HORNBECK OFFSHORE SERVICES, INC.

By: /s/ TODD M. HORNBECK

Todd M. Hornbeck
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ TODD M. HORNBECK **(Todd M. Hornbeck)**	President, Chief Executive Officer, Secretary and Director (Principal Executive Officer)	March 10, 2004
/s/ JAMES O. HARP, JR. **(James O. Harp, Jr.)**	Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	March 10, 2004
/s/ BERNIE W. STEWART **(Bernie W. Stewart)**	Director and Chairman of the Board	March 10, 2004
/s/ RICHARD W. CRYAR **(Richard W. Cryar)**	Director	March 10, 2004
/s/ LARRY D. HORNBECK **(Larry D. Hornbeck)**	Director	March 10, 2004
/s/ BRUCE W. HUNT **(Bruce W. Hunt)**	Director	March 10, 2004
/s/ PATRICIA B. MELCHER **(Patricia B. Melcher)**	Director	March 10, 2004
/s/ DAVID A. TRICE **(David A. Trice)**	Director	March 10, 2004
/s/ CHRISTIAN G. VACCARI **(Christian G. Vaccari)**	Director	March 10, 2004
/s/ ANDREW L. WAITE **(Andrew L. Waite)**	Director	March 10, 2004

EXHIBIT 3.1

SECOND RESTATED CERTIFICATE OF INCORPORATION
OF
HORNBECK OFFSHORE SERVICES, INC.

I, Todd M. Hornbeck, President and Secretary of Hornbeck Offshore Services, Inc. (the "Corporation"), do hereby certify on behalf of the Corporation as follows:

ARTICLE ONE

That the name of the Corporation is Hornbeck Offshore Services, Inc.

ARTICLE TWO

That the Certificate of Incorporation of the Corporation was originally filed under the name of HV Marine Services, Inc., with the Secretary of State, Delaware, on the 2nd day of June, 1997, subsequently restated on the 30th day of December, 1997, a Certificate of Amendment of Certificate of Incorporation was then filed with the Secretary of State, Delaware on the 1st day of December, 1999 whereby the Corporation's name was changed to HORNBECK-LEEVAC Marine Services, Inc., and then a subsequent Certificate of Amendment to Certificate of Incorporation was filed with the Secretary of State, Delaware on the 29th day of May, 2002 changing the Corporation's to Hornbeck Offshore Services, Inc.

Pursuant to section 245(b) of the Delaware General Corporation Law, the Second Restated Certificate of Incorporation has been duly adopted by the Corporation's Board of Directors. The Second Restated Certificate of Incorporation only restates and integrates prior amendments to the Corporation's Restated Certificate of Incorporation and does not further amend the provisions of the Corporation's Restated Certificate of Incorporation as theretofore amended or supplemented, and there is no discrepancy between those provisions and the provisions of the Second Restated Certificate of Incorporation.

That the text of the Restated Certificate of Incorporation of the Corporation, as amended, is hereby restated by this certificate, to read in full, as follows:

SECOND RESTATED CERTIFICATE OF INCORPORATION
OF
HORNBECK OFFSHORE SERVICES, INC.

ARTICLE ONE

The name of the Corporation is Hornbeck Offshore 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 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"). Effective as of 5:00 p.m., eastern time, on March 5, 2004 (the "Effective Time"), a one-for-two and one-half reverse stock split of the Corporation's common stock shall become effective, pursuant to which each two and one-half shares of common stock outstanding and held of record by each stockholder of the Corporation (including treasury shares) immediately prior to the Effective Time shall be reclassified and combined into one share of common stock automatically and without any action by the holder thereof and shall represent one share of common stock from and after the Effective Time. No fractional shares of common stock shall be issued as a result of such reclassification and combination. In lieu of any fractional share to which the stockholder would otherwise be entitled as a result of the stock split, the Corporation shall issue one share of the Corporation's common stock to such stockholder.

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 the 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).

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.

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.

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 held by or for the benefit of any Alien determined to be in excess of the Permitted Percentage in accordance with this Section 3 of this Article Twelve (such shares referred to herein as the “Excess Shares”) 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 Excess Shares will be entitled to vote with respect to any matter submitted to stockholders of the Corporation so long as such excess exists. If Excess Shares exist, the shares deemed included in such Excess Shares 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. Redemption of Shares.

The Corporation, by action of the Board of Directors, shall have the power, but not the obligation, to redeem Excess Shares subject to the following terms and conditions:

(1) the per share redemption price to be paid for the Excess Shares shall be the sum of (A) the Fair Market Value of such shares of capital stock plus (B) an amount equal to the amount of any dividend or distribution declared in respect of such shares prior to the date on which such shares are called for redemption and which amount has been withheld by the Corporation pursuant to Section 3 of this Article Twelve (the "Redemption Price");

(2) the Redemption Price shall be paid either in cash (by bank or cashier's check) or by the issuance of Redemption Notes, as determined by the Board of Directors, in its discretion;

(3) the Excess Shares to be redeemed shall be selected in the same manner as provided in Section 3 above and shall not exceed the number necessary to reduce the percentage of shares of capital stock of the Corporation or any class thereof owned by Aliens, in the aggregate, to the Permitted Percentage; provided that the Corporation may adjust upward to the nearest whole share the number of shares to be redeemed so as not to be required to redeem or issue fractional shares;

(4) written notice of the date of redemption (the "Redemption Date") together with a letter of transmittal to accompany certificates evidencing shares of stock which are surrendered for redemption shall be given by first class mail, postage prepaid, mailed not less than 10 days prior to the Redemption Date to each holder of record of the selected shares to be redeemed, at such holder's last known address as the same appears on the stock register of the Corporation (unless such notice is waived in writing by any such holders) (the "Redemption Notice");

(5) the Redemption Date (for purposes of determining right, title and interest in and to shares of capital stock being selected for redemption) shall be the later of (A) the date specified as the redemption date in the Redemption Notice given to record holders (which date shall not be earlier than the date such notice is given) or (B) the date on which the funds or Redemption Notes necessary to effect the redemption have been irrevocably deposited in trust for the benefit of such record holders;

(6) each Redemption Notice shall specify (A) the Redemption Date, as determined pursuant to clause (5) of this Section 4, (B) the number and class of shares of capital stock to be redeemed from such holder (and the certificate number(s) evidencing such shares), (C) the Redemption Price and the manner of payment thereof, (D) the place where certificates for such shares are to be surrendered for cancellation against the simultaneous payment of the Redemption Price, (E) any instructions as to the endorsement or assignment for transfer of such certificates and the completion of the accompanying letter of transmittal; and (F) the fact that all right, title and interest in respect of the shares so selected for redemption (including, without limitation, voting and

dividend rights) shall cease and terminate on the Redemption Date, except for the right to receive the Redemption Price;

(7) from and after the Redemption Date, all right, title and interest in respect of the shares selected for redemption (including, without limitation, voting and dividend rights) shall cease and terminate, such shares shall no longer be deemed to be outstanding (and may either be retired or held by the Corporation as treasury stock) and the owners of such shares shall thereafter be entitled only to receive the Redemption Price; and

(8) upon surrender of the certificates for any shares so redeemed in accordance with the requirements of the Redemption Notice and accompanying letter of transmittal (and otherwise in proper form for transfer as specified in the Redemption Notice), the owner of such shares shall be entitled to payment of the Redemption Price. In case fewer than all the shares represented by any such certificate are redeemed, a new certificate (or certificates) shall be issued representing the shares not redeemed without cost to the holder thereof.

Section 5. Severability.

Each provision of this Article Twelve is intended to be severable from every other provision. If any one or more of the provisions contained in this Article Twelve is held to be invalid, illegal or unenforceable, the validity, legality or enforceability of any other provision of this Article Twelve shall not be affected, and this Article Twelve shall be construed as if the provisions held to be invalid, illegal or unenforceable had never been contained therein.

Section 6. Definitions.

"Alien" means (1) any person (including an individual, a partnership, a corporation, a limited liability company 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 chief executive officer by any title 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, limited liability company, or association which is controlled by an Alien or Aliens; or (7) any person (including an individual, partnership, corporation, limited liability company or association) who acts as representative of or fiduciary for any person described in clauses (1) through (6) above.

"Controlled Person" means any corporation, limited liability company or partnership of which the Corporation or any Subsidiary owns or controls an interest in excess of 25%.

"Fair Market Value" shall mean the average Market Price of one share of stock for the 20 consecutive trading days next preceding the date of determination. The "Market Price" for a particular day shall mean (i) the last reported sales price, regular way, or, in case no sale takes

place on such day, the average of the reported closing bid and asked prices, regular way, in either case as reported on the New York Stock Exchange, Inc. ("NYSE") composite tape; and (ii) if the Common Stock is not then listed or admitted to unlisted trading privileges on the NYSE, as reported on the consolidated reporting system of the principal national securities exchange (then registered as such pursuant to Section 6 of the Securities Exchange Act of 1934, as amended) on which the Common Stock is then listed or admitted to unlisted trading privileges; and (iii) if the Common Stock is not then listed or admitted to unlisted trading privileges on the NYSE or any national securities exchange, as included for quotation through the National Association of Securities Dealers, Inc. Automated Quotation ("NASDAQ") National Market System; and (iv) if the Common Stock is not then listed or admitted to unlisted trading privileges on the NYSE or on any national securities exchange, and is not then included for quotation through the NASDAQ National Market System, (A) the average of the closing "bid" and "asked" prices on such day in the over-the-counter market as reported by NASDAQ or, (B) if "bid" and "asked" prices for the Common Stock on such day shall not have been reported on NASDAQ, the average of the "bid" and "asked" prices for such day as furnished by any NYSE member firm regularly making a market in and for the Common Stock. If the Common Stock ceases to be publicly traded, the Fair Market Value thereof shall mean the fair value of one share of Common Stock as determined in good faith by the Board of Directors, which determination shall be conclusive.

"Permitted Percentage" means twenty percent of the outstanding shares of the capital stock of the Corporation, or any class thereof.

"Redemption Notes" shall mean interest bearing promissory notes of the Corporation with a maturity of not more than 10 years from the date of issue and bearing interest at a fixed rate equal to the yield on the U.S. Treasury Note having a maturity comparable to the term of such promissory note as published in The Wall Street Journal or comparable publication at the time of the issuance of the promissory note.

"Subsidiary" means any corporation or limited liability company more than 50% of the outstanding equity interest 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 a maritime security program 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, the undersigned being a duly authorized officer of the Corporation executed this Second Restated Certificate of Incorporation on this the 5th day of March, 2004.

HORNBECK OFFSHORE SERVICES, INC.,
a Delaware corporation

By: /s/ Todd M. Hornbeck

Todd M. Hornbeck, President

THIRD RESTATED BYLAWS OF HORNBECK OFFSHORE SERVICES, INC.

Adopted by the Board of Directors: February 17, 2004

Exhibit 3.3

HORNBECK OFFSHORE SERVICES, INC.
(the "Corporation")
THIRD 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 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 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.

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.

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. 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.

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 electronic mail, facsimile transmission, 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 directors 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 may appoint an audit committee, compensation committee, nominating committee and such other committees of two or more directors each as the Board of Directors may deem appropriate, and each such committee shall have such powers, duties and responsibilities as the Board of Directors may determine. In addition, the Board of Directors may, for its convenience and at its discretion, appoint one or more advisory committees of two or more directors each; but, no advisory committee shall have any power or authority except to advise the Board of Directors. All of the committees referred to above shall exist solely at the pleasure of the Board of Directors. The audit, compensation and nominating committees shall, and other committees may at the discretion of the committee unless otherwise directed by the Board of Directors, each keep minutes of the proceedings of such committee and, to the extent kept, such minutes 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 the committees referred to above 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 form 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 4.4

HORNBECK OFFSHORE SERVICES, INC.

AND

THE GUARANTOR NAMED HEREIN

SERIES B

10 5/8% SENIOR NOTES DUE 2008

THIRD SUPPLEMENTAL INDENTURE AND AMENDMENT – SUBSIDIARY GUARANTEE

Dated as of February 13, 2004

WELLS FARGO BANK MINNESOTA, NATIONAL ASSOCIATION

Trustee

This THIRD SUPPLEMENTAL INDENTURE AND AMENDMENT—SUBSIDIARY GUARANTEE (*"Third Supplemental Indenture"*), dated as of February 13, 2004, is among Hornbeck Offshore Services, Inc., a Delaware corporation (the "*Company*"), Hornbeck Offshore Trinidad & Tobago, LLC (the "*New Guarantor*") and Wells Fargo Bank Minnesota, National Association, a national banking association, as Trustee.

RECITALS

WHEREAS, the Company originally issued $175,000,000 aggregate principal amount of 10 5/8% Senior Notes due 2008 (the "*Notes*") under the terms of that certain Indenture, dated as of July 24, 2001 (the *"Original Indenture"*), by and between the Company, the Trustee, and the subsidiary guarantors named therein; and

WHEREAS, the Original Indenture was supplemented and amended in order to name additional subsidiaries of the Company as subsidiary guarantors of the Notes under the terms of that certain Supplemental Indenture and Amendment—Subsidiary Guarantee, dated as of December 17, 2001, by and between the Company, the Trustee and the additional subsidiary guarantors named therein (the *"First Supplement"*); and

WHEREAS, the Indenture was further supplemented and amended in order to name an additional subsidiary of the Company as a subsidiary guarantor of the Notes under the terms of that certain Second Supplemental Indenture and Amendment—Subsidiary Guarantee, dated as of June 18, 2003, by and between the Company, the Trustee and the additional subsidiary guarantor named therein (the *"Second Supplement"*); and

WHEREAS, the Original Indenture, as supplemented by the First Supplement and the Second Supplement, shall hereinafter be referred to as the *"Indenture"*; and

WHEREAS, Section 9.01(f) of the Indenture provides that the Indenture may amended or supplemented in order to add any new guarantor of the Indenture to comply with Section 10.02 thereof, without the consent of the Holders of the Notes; and

WHEREAS, all acts and things prescribed by the Indenture, by law and by the charter and the bylaws (or comparable constituent documents) of the Company, of the New Guarantor and of the Trustee necessary to make this Third Supplemental Indenture a valid instrument legally binding on the Company, the New Guarantor and the Trustee, in accordance with its terms, have been duly done and performed;

NOW, THEREFORE, to comply with the provisions of the Indenture and in consideration of the above premises, the Company, the New Guarantor and the Trustee covenant and agree for the equal and proportionate benefit of the respective Holders of the Notes as follows:

ARTICLE 1

Section 1.01. This Third Supplemental Indenture is supplemental to the Indenture and does and shall be deemed to form a part of, and shall be construed in connection with and as part of, the Indenture for any and all purposes.

Section 1.02. This Third Supplemental Indenture shall become effective immediately upon its execution and delivery by each of the Company, the New Guarantor and the Trustee.

ARTICLE 2

Section 2.01. From this date, in accordance with Section 10.02 and by executing this Third Supplemental Indenture and a notation of Subsidiary Guarantee (a copy of which is attached hereto), the New Guarantor whose signature appears below is subject to the provisions of the Indenture to the extent provided for in Article 10 thereunder.

ARTICLE 3

Section 3.01. Except as specifically modified herein, the Indenture and the Notes are in all respects ratified and confirmed (*mutatis mutandis*) and shall remain in full force and effect in accordance with their terms with all capitalized terms used herein without definition having the same respective meanings ascribed to them as in the Indenture.

Section 3.02. Except as otherwise expressly provided herein, no duties, responsibilities or liabilities are assumed, or shall be construed to be assumed, by the Trustee by reason of this Third Supplemental Indenture. This Third Supplemental Indenture is executed and accepted by the Trustee subject to all the terms and conditions set forth in the Indenture with the same force and effect as if those terms and conditions were repeated at length herein and made applicable to the Trustee with respect hereto.

Section 3.03. THE LAW OF THE STATE OF NEW YORK SHALL GOVERN AND BE USED TO CONSTRUE AND ENFORCE THIS SUPPLEMENTAL INDENTURE.

Section 3.04. The parties may sign any number of copies of this Third Supplemental Indenture. Each signed copy shall be an original, but all of such executed copies together shall represent the same agreement.

**[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK;
SIGNATURE PAGE FOLLOWS]**

IN WITNESS WHEREOF, the parties hereto have caused this Third Supplemental Indenture to be duly executed, all as of the date first written above.

COMPANY:

HORNBECK OFFSHORE SERVICES, INC.

By: /s/ James O. Harp, Jr.

James O. Harp, Jr.
Vice President and Chief Financial Officer

TRUSTEE:

WELLS FARGO BANK MINNESOTA,
NATIONAL ASSOCIATION

By: ______________________________

Name:______________________________
Title:______________________________

NEW GUARANTOR:

HORNBECK OFFSHORE TRINIDAD & TOBAGO, LLC

By: /s/ James O. Harp, Jr.

James O. Harp, Jr.
Vice President and Chief Financial Officer

NOTATION OF SUBSIDIARY GUARANTEE

Subject to Section 10.06 of the Indenture, each Guarantor has jointly and severally, unconditionally guaranteed 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 the Indenture, the Notes and the Obligations of the Company under the Notes or under the Indenture, that: (a) the principal of and premium, if any, 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 overdue principal of and premium, if any, (to the extent permitted by law) interest and Liquidated Damages, if any, on the Notes and all other payment Obligations of the Company to the Holders or the Trustee under the Indenture or under the Notes will be promptly paid in full and performed, all in accordance with the terms thereof; and (b) in case of any extension of time of payment or renewal of any Notes or any of such other payment 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 the 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 under the Indenture in the same manner and to the same extent as the Obligations of the Company. The Guarantors have agreed that their Obligations under the Indenture shall be unconditional, irrespective of the validity, regularity or enforceability of the Notes or the 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 which might otherwise constitute a legal or equitable discharge or defense of a Guarantor. Each Guarantor further, to the extent permitted by law, has waived 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 the Indenture. If any Holder or the Trustee is required by any court or otherwise to return to the Company, the Guarantors, or any Note Custodian, Trustee, liquidator or other similar official acting 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 has agreed that it shall not be entitled to, and hereby has waived, any right of subrogation in relation to the Holders in respect of any Obligations guaranteed under the Indenture. Each Guarantor further has agreed 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 under the Indenture may be accelerated as provided in Article 6 of the Indenture 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 of the Indenture, 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.

The obligations of the Guarantors to the Holders and to the Trustee pursuant to the Subsidiary Guarantees and the Indenture are expressly set forth in Article 10 of the Indenture, and reference is hereby made to such Indenture for the precise terms of the Subsidiary Guarantees. The terms of Article 10 of the Indenture are incorporated herein by reference. The Subsidiary Guarantees are subject to release as and to the extent provided in Sections 10.04 and 10.05 of the Indenture.

Each Subsidiary Guarantee is a continuing guarantee and shall remain in full force and effect and shall be binding upon each Guarantor and its respective successors and assigns to the extent set forth in the Indenture until full and final payment of all of the Company's Obligations under the Notes and the Indenture and shall inure to the benefit of the successors and assigns of the Trustee and the Holders and, in the event of any transfer or assignment of rights by any Holder or the Trustee, the rights and privileges conferred in the Indenture upon that party shall automatically extend to and be vested in such transferee or assignee, all subject to the terms and conditions hereof. Each Subsidiary Guarantee is a guarantee of payment and not a guarantee of collection.

For purposes hereof, each Guarantor's liability under its Subsidiary Guarantee shall be limited in amount as provided in Section 10.06 of the Indenture.

Capitalized terms used herein have the same meanings given in the Indenture unless otherwise indicated.

GUARANTOR:

HORNBECK OFFSHORE TRINIDAD & TOBAGO, LLC

By: /s/ James O. Harp, Jr.

James O. Harp, Jr.
Vice President and Chief Financial Officer

AMENDMENT TO
RIGHTS AGREEMENT

This **Amendment to Rights Agreement** dated as of March 5, 2004 (“Amendment”) amends that certain Rights Agreement (“Agreement”) dated as of June 18, 2003 by and between Hornbeck Offshore Services, Inc., a Delaware corporation (“Company”), and Mellon Investor Services LLC, a New Jersey limited liability company (“Rights Agent”).

WHEREAS, the Company intends to make a public offering of its common stock and in connection therewith to effect a reverse stock split of its common stock;

WHEREAS, the Board of Directors of the Company has determined that in connection with such public offering and reverse stock split it would be in the best interests of the Company to amend the Agreement to establish a greater majority of the Board for certain actions taken in accordance with the Agreement and to maintain for each holder of the Company’s common stock, following the public offering and the reverse stock split, one Right (as such term is defined in the Agreement) for each share of the Company’s common stock then outstanding and held by each such holder;

WHEREAS, the Agreement permits the Company to amend the Agreement, without action of the holders of the Rights, if the Rights are then redeemable, and the Rights are currently redeemable;

WHEREAS, the Rights Agent has agreed under the Agreement to execute any such amendment if, among other things, such amendment does not affect the rights, duties, obligations or immunities of the Rights Agent under the Agreement; and

WHEREAS, the Board of Directors of the Company has determined that this Amendment does not affect the rights, duties, obligations or immunities of the Rights Agent under the Agreement;

NOW THEREFORE, in consideration of the premises set forth above, the parties hereby agree as follows:

1. Clause (ii)(B) of the definition of “Acquiring Person” in Section 1 of the Agreement is hereby amended to add the language indicated in italics below:

   “being the Beneficial Owner of shares of Common Stock, the Beneficial Ownership of which was acquired by such Person pursuant to any action or transaction or series of related actions or transactions approved by *at least 80% of the members of* the *full* Board of Directors before such Person otherwise becomes an Acquiring Person; or”

2. Section 7(b) of the Agreement is hereby amended to read as follows:

"The Purchase Price for each one one-hundredth of a share of Preferred Stock issued pursuant to the exercise of a Right shall initially be $187.50, shall be subject to adjustment from time to time as provided in Sections 11 and 13 hereof and shall be payable in lawful money of the United States of America, in accordance with paragraph 7(c) below."

3. The third sentence of Section 11(d) of the Agreement is hereby amended to add the language indicated in italics below:

"For the purpose of any computation hereunder, if the Preferred Stock is not publicly traded but the shares of Common Stock are publicly traded, the "Current Market Price" per share of the Preferred Stock shall be conclusively deemed to be the Current Market Price per share of Common Stock multiplied by 100 (appropriately adjusted to reflect any stock split, stock dividend or similar transaction occurring after the date hereof*, other than the reverse stock split contemplated in the Amendment to Rights Agreement dated as of March 5, 2004 between the Company and the Rights Agent (the "Amendment")*)."

4. The first sentence of Section 24(a) of the Agreement is hereby amended to add the language indicated in italics below:

"The Company may, at its option, but only by the vote of a majority of the Board of Directors, at any time and from time to time after the first occurrence of a Flip-In Event, exchange all or part of the then outstanding and exercisable Rights (which shall not include Rights that have become null and void pursuant to the provisions of Section 7(e) hereof) for shares of its Common Stock at an exchange ration of one share of its Common Stock per Right, appropriately adjusted to reflect any stock split, stock dividend or similar transaction occurring after the date hereof*, other than the reverse stock split contemplated in the Amendment* (such exchange ratio being hereinafter referred to as the "Exchange Ratio").

5. In accordance with Section 31 of the Agreement and notwithstanding anything to the contrary elsewhere in the Agreement, at the effective time of the reverse stock split, each Right associated with each share of Common Stock shall undergo the same reverse split, such that, immediately following the effective time of the reverse stock split, one Right shall continue to be associated with each share of Common Stock outstanding immediately after the effective time of the reverse stock split, and one Right shall be issued with respect to each share of Common Stock that shall become outstanding between the date such reverse stock split is accomplished and the earliest of the Distribution Date and the Expiration Date.

6. Except as expressly modified by this Amendment, all of the terms, covenants, agreements, conditions and other provisions of the Rights Agreement shall remain in full force and effect in accordance with their respective terms. As used in the Agreement, the terms “this Agreement,” “herein,” “hereinafter,” “hereunder,” “hereto” and words of similar import shall mean and refer to, from and after the date of this Amendment, unless the context otherwise requires, the Agreement as amended by this Amendment.

7. Capitalized terms used in this Amendment and not otherwise defined herein shall have the meanings given to such terms in the Agreement.

8. This Amendment may be executed in one or more counterparts, and signature pages may be delivered by facsimile, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument, and shall become effective upon its execution by the parties hereto.

IN WITNESS WHEREOF, the parties have executed and delivered this Amendment to the Agreement effective as of the date first above written.

COMPANY:

HORNBECK OFFSHORE SERVICES INC.

By: /S/ TODD M. HORNBECK

Todd M. Hornbeck, Chief Executive Officer

RIGHTS AGENT:

MELLON INVESTOR SERVICES LLC

By:

David Cary, Relationship Manager

EXHIBIT 10.5

AMENDED AND RESTATED

CREDIT AGREEMENT

among

HORNBECK OFFSHORE SERVICES, LLC

and

HORNBECK OFFSHORE TRANSPORTATION, LLC,
as Borrowers

and

HIBERNIA NATIONAL BANK,
as Agent

and

THE LENDERS LISTED ON THE SIGNATURE PAGES,
as Banks

Revolving Line of Credit

Dated Effective as of February 13, 2004

AMENDED AND RESTATED
CREDIT AGREEMENT

THIS AMENDED AND RESTATED CREDIT AGREEMENT, dated effective as of February 13, 2004, is made among HORNBECK OFFSHORE SERVICES, LLC, a Delaware limited liability company ("HOS"); HORNBECK OFFSHORE TRANSPORTATION, LLC, a Delaware limited liability company formerly known as LEEVAC Marine, LLC ("HOT"; HOS and HOT are sometimes referred to herein collectively as the "Borrowers" and individually as a "Borrower"); HIBERNIA NATIONAL BANK, a national banking association, as agent (in such capacity, together with its successors and assigns in such capacity, the "Agent"), and the lender or lenders listed from time to time on Schedule 1 hereto and on the signature pages hereof (one or more, the "Banks", which term also shall include, subject to the terms and conditions of Section 10.20 of this Agreement, Bank Affiliates (hereinafter defined) to the limited extent such Bank Affiliates are party from time to time to Hedging Agreements (hereinafter defined) with Borrowers), which agree as follows:

PRELIMINARY STATEMENT

Borrowers previously obtained from the Banks a revolving line of credit in an aggregate amount not to exceed $60,000,000.00 to partially finance working capital needs and acquisitions;

Borrowers desire to increase their borrowing availability under that line of credit up to $100,000,000.00 and the Banks have agreed to such increase, upon and subject to the terms and conditions hereof.

ARTICLE 1

GENERAL TERMS

Section 1.01 Terms Defined Above. As used in this Agreement, the terms "HOS," "HOT," "Borrower," "Agent," and "Banks," shall have the meanings indicated above.

Section 1.02 Certain Definitions. As used in this Agreement, the following terms shall have the following meanings, unless the context otherwise requires:

"Advance" shall mean the disbursement of the proceeds of the Credit Loan and all or any portion of such disbursement so long as same remains outstanding and unpaid.

"Affiliate" shall mean as to any Person, any other Person which, directly or indirectly, is in control of, is controlled by, or is under common control with, such Person. For purposes of this definition, "control" of a Person means the power, directly or indirectly, to direct or in effect cause the direction of the management and policies of such Person, whether by contract or otherwise.

"Agreement" shall mean this Amended and Restated Credit Agreement, as the same may from time to time be amended, modified or supplemented.

“Applicable Margin” shall mean, in accordance with the following:

For any given fiscal quarter (the “given quarter”), if the Leverage Ratio* of the Guarantor (on a consolidated basis with its Subsidiaries) at the end of the preceding quarter was:	then the Applicable Margin for any Loan accruing interest at the Floating Rate during the given quarter shall be:	and the Applicable Margin for any Loan accruing interest at the Prime Rate during the given quarter shall be:	and the Unused Commitment Fee Rate during the given quarter shall be:
^{3} 4.0:1.0**	3.50% per annum	1.00% per annum	0.50% per annum
^{3} 3.5:1.0 and < 4.0:1.0	3.00% per annum	0.50% per annum	0.375% per annum
^{3} 3.0:1.0 and < 3.50:1.0	2.50% per annum	0.00% per annum	0.375% per annum
^{3} 2.50:1.0 and < 3.00:1.0	2.00% per annum	0.00% per annum	0.25% per annum
< 2.50:1.0	1.50% per annum	0.00% per annum	0.25% per annum

*If the Borrowers’ accounts payable are averaging greater than sixty (60) days outstanding at the time of calculation (i.e., at the end of the preceding quarter) then Funded Debt shall be used for this calculation of the Leverage Ratio instead of Net Debt.

**If financial statements under Section 5.01 hereof for the preceding quarter are not timely provided to the Agent, then the Applicable Margin shall be calculated based on this level for the given quarter from the first day thereof through the date on which the financial statements are provided and a different Applicable Margin demonstrated.

“Assignment and Acceptance” shall have the meaning set forth in Section 9.06 hereof.

“Bank Affiliate” shall mean an Affiliate of a Bank listed on Schedule 1 to this Agreement.

“Borrowing Base” shall mean Sixty Million and No/100 ($60,000,000.00) Dollars. Any increase or decrease in the Borrowing Base is subject to unanimous written approval of the Banks and, in addition, compliance, demonstrated to Agent’s satisfaction, by the Guarantor and the Borrowers with Section 5.17 and 5.18 hereof and applicable provisions of the Indenture (including without limitation, to the extent applicable, compliance with the Consolidated Interest Coverage Ratio test at Section 4.09 of the Indenture).

“Borrowing Base Credit Commitments” shall mean the commitments of each of the Banks for the Credit Loan set forth on Schedule 1 hereto under the heading titled “Borrowing Base Credit Commitment,” taking into account the Borrowing Base from time to time in effect but in the same proportions among the Banks as the Credit Commitments, as amended from time to time. The Agent shall have the right to substitute a revised Schedule 1 hereto to reflect adjustments in connection with changes of the Borrowing Base.

"Business Day" shall mean a day other than a Saturday, Sunday or legal holiday for commercial banks in New Orleans, Louisiana or New York, New York.

"Change in Control" shall mean any change of circumstances such that (i) so long as no Offering Event has occurred such that the shares of common stock of Guarantor are traded on a pubic exchange, the Control Group is collectively the beneficial and record owners of less than fifty-one (51.0%) percent of the voting shares of stock of Guarantor, (ii) Todd M. Hornbeck (so long as he is alive and not incapacitated) is not (x) on the Board of Directors of Guarantor and each Borrower and (y) a senior officer of Guarantor and each Borrower equivalent to President or higher, or (iii) Guarantor fails to be the sole member of each Borrower. For purposes hereof, beneficial ownership will be determined in the same manner as provided in Rule 13d-3 promulgated under the Securities Exchange Act of 1934, so long as the applicable Person does not disclaim beneficial interest of such shares, provided that holders of awards under the Guarantor's Incentive Compensation Plan will be deemed beneficial owners of all restricted shares or shares subject to options granted under such plan without regard to vesting requirements. Any record owner of warrants or options awarded under the Incentive Plan shall be deemed to be the record owner of the shares beneficially owned as a result of the ownership of such warrants or options for purposes of this definition of Change in Control.

"CIC" shall mean Cari Investment Company, a Louisiana corporation.

"CIC Shareholders" shall mean Jon P. Vaccari, Nori A. Vaccari and Christian G. Vaccari.

"Code" shall mean the Internal Revenue Code of 1986, as amended.

"Collateral" shall mean the properties, property interests and rights described in Section 3.01 hereof, or otherwise covered by the Collateral Documents, as security for the Obligations.

"Collateral Documents" shall mean collectively the documents required by the Agent to obtain the security interests in the Collateral, as described in Section 3.01 hereof, and all other agreements, documents and instruments required in Section 3.01, as the same may from time to time be amended or supplemented.

"Commitments" shall mean, collectively, the Credit Commitments.

"Common Stock" shall mean the common stock, par value $0.01 per share, of Guarantor or such other class of securities as shall constitute the common equity of Guarantor.

"Consolidated Interest Coverage Ratio" shall have the meaning set forth in the Indenture, with the exception of the definition of a Qualified Service Contract used in such definition, which shall be as defined in this Agreement.

"Control Group" shall mean (i) the Effective Date Shareholders, and (ii) transferees in any Permitted Transfer.

"Credit Commitments" shall mean the commitments of each of the Banks for the Credit Loan set forth on Schedule 1 hereto under the heading titled "Credit Commitment," as amended from time to time.

"Credit Limit" shall mean the lesser of (i) the Borrowing Base from time to time in effect, and (ii) One Hundred Million and No/100 ($100,000,000.00) Dollars.

"Credit Line" shall mean the lesser of (i) the Borrowing Base from time to time in effect, and (ii) the credit facility afforded by the Banks to the Borrowers to receive Advances under this Agreement, up to the Credit Limit.

"Credit Loan" shall mean the aggregate Advances made by the Banks to the Borrowers under the Credit Line, in accordance with Section 2.01 hereof, and represented by the Credit Notes.

"Credit Notes" shall mean the promissory notes executed by Borrowers, each substantially in the form of Exhibit A hereto, initially dated the Effective Date (and subsequently dated on the date that additional Banks become a party to this Agreement), payable to the order of each Bank in the amount of the Bank's Commitment, in representation of the Advances available to be made under the Credit Loan, together with any and all amendments, renewals, modifications, extensions for any period, increases or rearrangements thereof.

"Debt" shall mean any and all amounts or liabilities owing from time to time by a Borrower or Guarantor, as applicable, to any Person, including the Agent or any of the Banks, direct or indirect, liquidated or contingent, now existing or hereafter arising, including without limitation (i) indebtedness for money borrowed; (ii) unfunded portions of commitments for money to be borrowed; (iii) the amounts of all standby and commercial letters of credit and bankers acceptances, matured or unmatured, issued on behalf of a Borrower or Guarantor, as applicable; (iv) guaranties of the obligations of any other Person, whether direct or indirect, whether by agreement to purchase the indebtedness of any other Person or by agreement for the furnishing of funds to any other Person through the purchase or lease of goods, supplies or services (or by way of stock purchase, capital contribution, advance or loan) for the purpose of paying or discharging the indebtedness of any other Person, or otherwise; (v) the present value of all obligations for the payment of rent or hire of property of any kind (real or personal) under leases or lease agreements required to be capitalized under generally accepted accounting principles, and (vi) trade payables incurred in the ordinary course of business or otherwise.

"Default" shall mean the occurrence of any of the events specified in Article 8 hereof, whether or not any requirement for notice or lapse of time or other condition precedent has been satisfied.

"Default Rate" shall mean at any date of calculation, the Prime Rate plus the Applicable Margin plus three (3.00%) percent per annum, but in any event the Default Rate shall not exceed eighteen (18.0%) percent per annum.

"Draw Request Certificate" shall have the meaning set forth in Section 2.02 hereof.

"EBITDA" shall mean, for any rolling four fiscal quarter period preceding any applicable date of calculation, the sum of (a) Net Income for that period, plus (b) depreciation, amortization and all other non-cash expenses for that period, plus (c) Interest Expense for that period, plus (d) the aggregate amount of federal and state taxes on or measured by income for that period (whether or not payable during that period), all calculated for Guarantor and its Subsidiaries on a consolidated basis. EBITDA shall be calculated for all periods as defined above except that with respect to the Leverage Ratio only, as at any date of calculation:

(y) with respect to assets acquired by a Subsidiary after December 31, 2001, whether by out-right purchase thereof or by virtue of a merger of a company that is not a

Subsidiary into a Subsidiary or acquisition by a Subsidiary of any other company that is not a Subsidiary (which acquisitions or mergers are not otherwise prohibited by this Agreement), for the first year after the applicable transaction, EBITDA shall be calculated for the preceding twelve months on a pro forma basis to include both (A) EBITDA with respect to the newly acquired assets for the period of time owned by the applicable Subsidiary, and (B) EBITDA with respect to such newly acquired assets, prior to the applicable Subsidiary's acquisition thereof, for the period of time beginning with the day after the preceding year anniversary of the applicable date of calculation and ending on the day preceding the date that the applicable Subsidiary acquired such newly acquired assets (whether by acquisition or merger), and

(z) with respect to any newly constructed vessel of a Subsidiary (whether constructed directly for a Subsidiary or constructed for a third party and acquired by a Subsidiary within twelve (12) months after its delivery) having a Qualified Service Contract during the first year following the delivery and acceptance of the vessel by a Subsidiary (as to vessels delivered by a shipyard to that Subsidiary upon its construction) or during the first year following the acquisition by a Subsidiary (as to vessels constructed for third parties and acquired by a Subsidiary within twelve (12) months after its delivery), for the first year after delivery or acquisition of the vessel, as the case may be, the EBITDA shall be calculated on a pro forma basis to include Qualified Service Contract Cashflow.

Pro forma calculations shall be demonstrated to the satisfaction of the Agent.

"Effective Date" shall mean the effective date of this Agreement.

"Effective Date Shareholders" shall mean those Persons certified to Agent by Guarantor on the Effective Date as being the record owners of all issued and outstanding shares of stock of Guarantor.

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended.

"Event of Default" shall mean the occurrence of any of the events specified in Article 8 hereof, provided that any requirement for notice or lapse of time or any other condition precedent has been satisfied.

"Fixed Charges" shall mean, for any applicable period of calculation, the sum of current maturities of principal and capitalized lease payments on Debt, Interest Expense and current tax obligations (excluding portions thereof that are deferred and excluding trade payables incurred in the ordinary course of business).

"Floating Rate" shall mean the LIBO Rate for any applicable Interest Period.

"Funded Debt" shall mean, as at any applicable date of calculation, all outstanding Debt of the Guarantor (on a consolidated basis with its Subsidiaries) that is Debt comprised of money borrowed, letters of credit and bankers acceptances, matured or unmatured, and the present value of capitalized lease obligations, but not (i) Debt comprised of guaranties, (ii) unfunded commitments to lend and (iii) trade payables.

"Governmental Authority" shall mean any nation or government, any state or other political subdivision thereof and any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government, including without limitation, any arbitration panel, any court or any commission.

"Governmental Requirement" shall mean any law, statute, code, ordinance, order, rule, regulation, judgment, decree, injunction, franchise, permit, certificate, license, authorization or other direction or requirement (including without limitation any of the foregoing which relate to environmental standards or controls, occupational, safety and health standards or controls and any environmental protection statute) of any (domestic or foreign) Governmental Authority.

"Guarantor" shall mean Hornbeck Offshore Services, Inc. (formerly HORNBECK-LEEVAC Marine Services, Inc.), a Delaware corporation.

"Guarantor Subsidiaries" shall mean HOS-IV, HOT&T and those other Subsidiaries that from time to time execute and deliver guaranties of (or other collateral security for) the Obligations under subsections 3.01(h) and (i) hereof, and "Guarantor Subsidiary" means any such Person.

"Guaranty" shall have the meaning set forth in Section 3.01 hereof.

"Hazardous Materials" shall mean:

(i) any "hazardous waste" as defined by the Resource Conservation and Recovery Act of 1976 (42 U.S.C. § 6901 et seq.), as amended from time to time, and regulations promulgated thereunder;

(ii) any "hazardous substance" as defined by the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (42 U.S.C. § 9601 et seq.) ("CERCLA"), as amended from time to time, and regulations promulgated thereunder;

(iii) asbestos;

(iv) polychlorinated biphenyls;

(v) any substance the presence of which on the Vessels is prohibited by any lawful Governmental Requirement from time to time in force and effect relating to the Vessels; and

(vi) any other substance which by any Governmental Requirement requires special handling in its collection, storage, treatment or disposal.

"Hedging Agreement" shall mean any interest rate, commodity or foreign exchange swap, collar, cap or similar agreement evidencing Hedging Obligations.

"Hedging Arrangements" shall have the meaning set forth in the definition of Hedging Obligations.

"Hedging Obligations" of a Person shall mean any and all obligations of such Person, whether absolute or contingent and howsoever and whensoever created, arising, evidenced or acquired (including all renewals, extensions and modifications thereof and substitutions therefor), under (i) any and all agreements, devices or arrangements designed to protect at least one of the

parties thereto from the fluctuations of interest rates, commodity prices, exchange rates or forward rates applicable to such party's assets, liabilities or exchange transactions, including, but not limited to, dollar-denominated or cross-currency interest rate exchange agreements, forward currency exchange agreements, interest rate cap or collar protection agreements, forward rate currency or interest rate locks, options, puts and warrants or any similar derivative transactions ("Hedging Arrangements"), and (ii) any and all cancellations, buy backs, reversals, terminations or assignments of any of the foregoing.

"HNB" shall mean Hibernia National Bank, a national banking association.

"HOS Fleet Mortgage" shall have the meaning set forth in Section 3.01 hereof.

"HOS-IV" shall mean HOS-IV, LLC, a Delaware limited liability company.

"HOS-IV Guaranty" shall mean the Guaranty Agreement dated as of June 26, 2003 by HOS-IV in favor of the Agent, for the ratable benefit of the Banks, as it may from time to time be amended, modified, supplemented or restated.

"HOS-IV Vessels" shall mean the HOS TRADER (Official Number 1059198), the HOS VOYAGER (Official Number 1065076), the HOS EXPRESS (Official Number 1069398), the HOS EXPLORER (Official Number 1076230), the HOS PIONEER (Official Number 1091418), and the HOS MARINER (Official Number 1083977).

"HOS Security Agreement" shall have the meaning set forth in Section 3.01 hereof.

"HOS Vessels" shall mean the BJ BLUE RAY (Official Number 1114862), the HOS INNOVATOR (Official Number 1108573), the HOS DEEPWATER (Official Number 1088301), the HOS STORMRIDGE (Official Number 1124421), the HOS SANDSTORM (Official Number 1124424), the HOS BRIGADOON (Official Number 1077123) and the HOS GEMSTONE (Official Number 1141952); provided, that (i) should any other vessels of HOS be required to be mortgaged by HOS to the Agent in accordance with the terms and conditions of this Agreement as security for the Obligations, then such vessels upon being so mortgaged shall be HOS Vessels, and (ii) should the Agent and the Banks release a HOS Vessel from the Liens securing the Obligations, then such vessel thereafter no longer shall be a HOS Vessel (provided, further, that nothing herein shall be deemed to imply that the Agent and the Banks would be required, or otherwise agree, to so release any HOS Vessel from such Liens).

"HOT Fleet Mortgage" shall have the meaning set forth in Section 3.01 hereof.

"HOT Security Agreement" shall have the meaning set forth in Section 3.01 hereof.

"HOT Vessels" shall mean the SEA SERVICE (Official Number 570691), the ATLANTIC SERVICE (Official Number 568767), the BROOKLYN SERVICE (Official Number 566723), and the SPARTAN SERVICE (Official Number 596900); provided, that (i) should any other vessels of HOT be required to be mortgaged by HOT to the Agent in accordance with the terms and conditions of this Agreement as security for the Obligations, then such vessels upon being so mortgaged shall be HOT Vessels, and (ii) should the Agent and the Banks release a HOT Vessel from the Liens securing the Obligations, then such vessel thereafter no longer shall be a HOT Vessel (provided, further, that nothing herein shall be deemed to imply that the Agent and the Banks would be required, or otherwise agree, to so release any HOT Vessel from such Liens).

“HOT&T” shall mean Hornbeck Offshore Trinidad & Tobago, LLC, a Delaware limited liability company.

“HOT&T Guaranty” shall have the meaning set forth in Section 3.01 hereof.

“Immediate Family” of a specified Person shall mean such Person’s spouse, mother or father, or any of such specified Person’s brothers, sisters, sons or daughters and, in the case of Todd M. Hornbeck or Troy A. Hornbeck, either of their two paternal uncles.

“Indenture” shall mean the Indenture dated as of July 24, 2001 among Guarantor, Borrowers, Energy Services Puerto Rico, LLC, Hornbeck Offshore Operators, LLC (formerly HORNBECK-LEEVAC Marine Operators, LLC), HOS-IV, HOT&T and the Indenture Trustee, as it has been and may from time to time be amended, modified, supplemented or refinanced.

“Indenture Documents” shall mean the Indenture and all notes, collateral documents and other agreements, documents and instruments executed or delivered in connection therewith, together with any and all renewals, modifications, amendments, extensions for any period, increases or rearrangements thereof.

“Indenture Noteholders” shall mean the holders from time to time of the notes issued under the Indenture.

“Indenture Obligations” shall mean any and all amounts, liabilities and obligations owing from time to time by Borrowers and the Guarantor to the Indenture Trustee or all or any of the Indenture Noteholders pursuant to any of the Indenture Documents, whether such amounts, liabilities or obligations be liquidated or unliquidated, now existing or hereafter arising, absolute or contingent.

“Indenture Trustee” shall mean Wells Fargo Bank Minnesota, National Association, as trustee for the Indenture Noteholders under the Indenture, and its successors and assigns thereunder.

“Interest Expense” shall mean, as of the last day of any rolling four fiscal quarter period (or such other applicable period as provided in the definition of EBITDA), the sum of (a) all interest, fees, charges and related expenses paid or payable (without duplication) for that rolling four fiscal quarter period (or such other applicable period) to a lender in connection with borrowed money or the deferred purchase price of assets that are considered “interest expense” under generally accepted accounting principles, plus (b) the portion of rent paid or payable (without duplication) for that rolling period (or such other applicable period) under capital lease obligations that should be treated as interest in accordance with Financial Accounting Standards Board Statement No. 13.

“Interest Period” shall mean 30, 60, 90 or 180 days, as the case may be; provided, that (x) if any Interest Period would otherwise end on a day that is not a LIBOR Business Day, that Interest Period shall be extended to the next succeeding LIBOR Business Day unless the result of such extension would be to carry such Interest Period into another calendar month, in which event such Interest Period shall end on the immediately preceding LIBOR Business Day; (y) any Interest Period that begins on the last LIBOR Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall end on the last LIBOR Business Day of a calendar month; and (z) any Interest Period that would otherwise extend beyond the Maturity Date shall end on the Maturity Date.

"Interest Rate Contracts" shall mean interest rate swap agreements, interest rate cap agreements, interest rate collar agreements, interest rate insurance and other agreements or arrangements designed to provide protection against fluctuation in interest rates.

"Leverage Ratio" shall mean, as at any applicable date of calculation, the ratio obtained by dividing Net Debt by EBITDA; provided, that Funded Debt shall be substituted for Net Debt in certain circumstances set forth in the definition of Applicable Margin.

"LIBO Rate" means an interest rate per annum equal to the quotient (converted to a percentage) of (i) the rate per annum as determined by the Agent at or about 9:30 o'clock A.M. (Central Time) (or as soon thereafter as practicable) on the second Business Day prior to the first day of the applicable Interest Period, as being the rate at which deposits of United States Dollars are offered to the Banks in the London inter-bank market by the Reference Banks, at the time of determination and in accordance with the normal practice in such market, for delivery on the first day of such Interest Period, in amounts equal (as nearly as may be) to the amount of the Loan on the first day of such Interest Period, divided by (ii) 1.00 minus the LIBOR Reserve Requirement.

"LIBOR Business Day" shall mean any Business Day on which commercial banks are open for international business (including dealings in U.S. dollar deposits) in the London inter-bank market.

"LIBOR Reserve Requirement" shall mean that percentage which is specified by the Board of Governors of the Federal Reserve System (or any successor) for determining the maximum reserve requirement (including, but not limited to, any marginal reserve requirement) for the Banks with respect to liabilities consisting of or including "Eurocurrency liabilities" (as defined in Regulation D of the Board of Governors of the Federal Reserve System) with a maturity equivalent with the applicable Interest Period. In determining the percentage for the LIBOR Reserve Requirement, the Agent may use any reasonable averaging and attribution methods.

"Lien" shall mean any interest in property securing an obligation owed to, or a claim by, a Person other than the owner of the property, whether such interest is based on jurisprudence, statute or contract, and including but not limited to the lien or security interest or ship mortgage arising from a mortgage, encumbrance, pledge, security agreement, preferred ship mortgage, conditional sale or trust receipt or a lease, consignment or bailment for security purposes. The term "Lien" shall include reservations, exceptions, encroachments, easements, servitudes, usufructs, rights-of-way, covenants, conditions, restrictions, leases and other title exceptions and encumbrances affecting property. For the purposes of the Loan Documents, a Person shall be deemed to be the owner of any property which it has acquired or holds subject to a conditional sale agreement, financing lease or other arrangement pursuant to which title to the property has been retained by or vested in some other Person for security purposes.

"Loan Documents" shall mean collectively this Agreement, the Notes, the Collateral Documents and any other agreement, document or instrument executed or delivered in connection herewith and therewith (including without limitation subordination agreements, consents, waivers, Draw Request Certificates and other certifications and Hedging Agreements between a Borrower and any Bank), together with any and all renewals, modifications, amendments, extensions for any period, or rearrangements hereof or of any thereof.

"Loan Parties" shall mean, collectively, the Borrowers, the Guarantor, HOS-IV and any other Guarantor Subsidiary now or in the future, and "Loan Party" means each such Person.

"Maturity Date" shall mean February 13, 2009; provided, that such date automatically shall be accelerated to March 31, 2008 if, before March 31, 2008, (i) the maturity date of the notes issued under the Indenture has not been extended to any date after July 31, 2009, or (ii) the Indenture and the notes issued thereunder are not refinanced having a maturity date at any date after July 31, 2009 (and such refinance shall not be in violation of Section 6.07 hereof).

"Moody's" shall mean Moody's Investor Services, Inc.

"Net Debt" shall mean, as at any applicable date of calculation, the difference of (i) Funded Debt, minus (ii) the amount of cash and cash equivalents (determined in accordance with generally accepted accounting principles) owned by Guarantor (on a consolidated basis with its Subsidiaries) in excess of $2,500,000.

"Net Income" shall mean, with respect to any rolling four fiscal quarter period (or such other applicable period as provided in the definition of EBITDA), the consolidated net income for that period, determined in accordance with generally accepted accounting principles.

"Notes" shall mean, collectively, the outstanding Credit Notes and "Note" shall mean any of such Credit Notes.

"Obligations" shall mean any and all amounts, liabilities and obligations owing from time to time by the Borrowers to the Agent or all or any of the Banks, pursuant to any of the Loan Documents, whether such amounts, liabilities or obligations be liquidated or unliquidated, now existing or hereafter arising, absolute or contingent.

"Offering Event" shall mean the occurrence of a public sale for cash of (i) equity securities, (ii) securities convertible into equity securities or a right, warrant or option to receive or purchase equity securities (the securities described in (i) and (ii) being collectively "Equity Securities"), (iii) convertible notes, (iv) notes combined with Equity Securities, or (v) all or substantially all of the assets, in each case of any of a Borrower or Guarantor; provided, that any private placement of equity securities, including the issuance by the Guarantor of shares of its common stock, shall not be an Offering Event.

"Permitted Liens" shall mean those Liens described in Section 6.01 hereof.

"Permitted Transfer" with respect to Common Stock means (i) a Transfer by CIC to the CIC Shareholders, pro rata in accordance with their respective ownership of the capital stock of CIC, (ii) a Transfer by gift to the spouse or lineal descendants of a Person or to a trust (the trustee of which is a commercial bank or trust company or a member of such Person's Immediate Family) or to a family partnership, all of the beneficial interests in which are owned by such Person and his or her spouse or lineal descendants, (iii) a Transfer by a Person to any member of such Person's Immediate Family or to a trust (the trustee of which is a commercial bank or trust company or a member of such Person's Immediate Family) or a family partnership, all of the beneficial interests of which are owned by such Person or a member of such Person's Immediate Family, and (iv) a Transfer pursuant to a divorce decree.

“Person” shall mean any individual, corporation, partnership, limited liability company, joint venture, association, joint stock company, trust, unincorporated organization, government or any agency or political subdivision thereof, or any other form of entity.

“Plan(s)” shall mean any employee pension benefit plan within the meaning of Section (3)(2) of ERISA sponsored and maintained by a Person, including any such plan to which such Person is required to contribute on behalf of its employees.

“Prime Rate” shall mean the rate of interest announced publicly by Citibank, N.A. (or its successor) in New York, New York from time to time as its “prime rate” or “base rate,” which rate is a reference rate and is not necessarily the lowest rate quoted or charged by Citibank, N.A. (or its successor) or the Agent or any Bank to their respective customers.

“Qualified Services Contract” shall mean, with respect to any newly constructed offshore supply vessel, offshore service vessel (including, without limitation, any crewboat and anchor-handling towing supply (AHTS) vessel), tug, double-hulled tank barge and double-hulled tanker delivered to Guarantor or any of its Subsidiaries, or any newly constructed vessel constructed for a third party and then acquired by Guarantor or its Subsidiaries (including either Borrower) within 365 days of such vessel’s original delivery date, a contract that the Board of Directors of the Guarantor, acting in good faith, designates as a Qualified Services Contract pursuant to a resolution of the Board of Directors, which contract:

(a) is between Guarantor or one of its Subsidiaries, on the one hand, and (1) a Person or 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 similarly 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 Guarantor or one of its Subsidiaries involving the use of such vessel or a charter (bareboat or otherwise) of such vessel by the Guarantor or one of its Subsidiaries, in either case for a minimum period of at least one year;

(c) provides for a fixed day rate for such vessel; and

(d) provides for commencement of the payments of the day rate referred to in clause (c) of this definition within sixty (60) days of the date the Guarantor or one of its Subsidiaries has entered into the contract.

Should Borrowers desire to rely on a Qualified Services Contract for purposes of complying with subsection 8.01(p), Borrowers shall provide to Agent a certified copy of each such Qualified Services Contract and applicable Board resolutions promptly after adoption of the resolutions.

“Qualified Service Contract Cashflow” shall mean, as to an applicable vessel of a Subsidiary with a Qualified Service Contract, EBITDA attributable to such vessel under such Qualified Service Contract calculated in good faith by the Chief Financial Officer of the Guarantor and shall include in the calculation the revenues earned or (for pro forma calculation purposes) to be earned pursuant to the Qualified Service Contract relating to such vessel and the

estimated expenses related thereto. Such estimated expenses shall be based on the expenses of the most nearly comparable vessel in the Subsidiary's fleet or the Guarantor's other Subsidiaries' fleets or, if no such comparable vessel exists, then on the industry average for expenses of comparable vessels; provided, that in determining the estimated expenses attributable to such new vessel, the calculation shall give effect to the interest expense attributable to the incurrence, assumption or guarantee of any Debt relating to the construction or acquisition of such new vessel for the period starting with the beginning of the four quarter period referred to in the definition of "EBITDA" for which the calculation of Qualified Service Contract Cashflow is being made and ending with the delivery or acquisition of the vessel. Furthermore, (A) the pro forma calculation of Qualified Service Contract Cashflow attributable to such vessel for the four quarter reference period shall be reduced by (i) the actual cash flow earned under the Qualified Service Contract accounted for in the actual results for the reference period and (ii) any cash flow resulting from spot market or other activities prior to the commencement of the Qualified Service Contract and accounted for in the actual results for the reference period, and (B) if the contracted dayrate for such vessel is reduced at any time prior to one year from the commencement of service under such contract, then the Qualified Service Contract Cashflow shall be adjusted to give effect to the commencement date of the reduced dayrate.

"Reference Banks" shall mean the principal London offices of the banks shown on the Dow Jones Telerate Matrix for British Bankers Association Interest Settlement Rates.

"Required Banks" shall mean Banks holding at least sixty (60.0%) percent of the aggregate principal amount of the Notes.

"S&P" shall mean Standard & Poor's Rating Services.

"Subsidiaries" shall mean any Person of which Guarantor owns, directly or indirectly, fifty (50.0%) percent or more of the voting or other equity interests, and "Subsidiary" means any such Person.

"Surveyor" shall mean any marine engineer/surveyor approved in writing by the Required Banks, and shall initially mean Norman J. Dufour, Jr., unless and until the Agent shall have otherwise notified Borrowers in writing to the contrary.

"Transfer" shall mean any direct or indirect transfer, assignment, donation, devise, sale, gift, pledge, hypothecation, encumbrance, or other disposition of any security, or any interest therein, whether voluntary or involuntary, including without limitation any disposition or transfer as a part of any liquidation of assets or any reorganization pursuant to the United States' or any other jurisdiction's bankruptcy laws or other similar debtor relief laws.

"2001 Credit Agreement" shall mean the Credit Agreement dated as of December 31, 2001 among Borrowers, the lenders party thereto (including the Banks party hereto on the Effective Date) and the Agent, as amended by three amendments, dated February 25, 2002, June 18, 2003 and September 30, 2003.

"Unused Commitment Fee" shall mean an amount calculated by multiplying the Unused Commitment Fee Rate times the average daily unborrowed amount of the Borrowing Base Credit Commitments for the period in question, computed on the per annum basis of a year of 360 days for the actual number of days in the applicable periods.

"Unused Commitment Fee Rate" shall be calculated as set forth in the definition of Applicable Margin.

"Vessels" shall mean, collectively, the HOS Vessels and the HOT Vessels and any other vessels subject to Liens in favor of the Agent, for the ratable benefit of the Banks, securing the Obligations and/or guaranties thereof, and "Vessel" shall mean any of such Vessel.

Section 1.03 Accounting Terms and Determinations. Unless otherwise specified herein, all accounting terms used herein shall be interpreted, all accounting determinations hereunder shall be made, and all financial statements required to be delivered hereunder shall be prepared in accordance with generally accepted accounting principles as in effect from time to time.

[The rest of this page is intentionally blank.]

ARTICLE 2

THE CREDIT LINE

Section 2.01 The Credit Line and the Credit Loan. (a) The parties acknowledge and agree that immediately preceding the effectiveness of this Agreement, the outstanding principal amount of advances under the 2001 Credit Agreement was $51,900,000.00 in the aggregate, $10,380,000.00 of which was owed by the Borrowers to Hibernia National Bank, $10,380,000.00 to Fortis Capital Corp., $10,380,000.00 to Southwest Bank of Texas, N.A., $10,380,000.00 to DVB Bank Aktiengesellschaft and $10,380,000.00 to Wells Fargo, N.A. Such advances shall be restated on the Effective Date and be considered Advances made by the Banks to the Borrowers consistent with the Commitments hereunder; no novation is intended hereby. Subject to and upon the terms and conditions set forth in this Agreement, and relying upon the representations and warranties contained in this Agreement, each Bank, severally, is willing to make multiple Advances to the Borrowers under the Credit Line prior to the Maturity Date in the aggregate principal amount up to such Bank's Borrowing Base Credit Commitment set forth on Schedule 1 hereto. The aggregate amount of the Advances cannot exceed the Credit Limit. The Credit Line shall be revolving, such that from the Effective Date through the Business Day immediately preceding the Maturity Date, the Borrowers may borrow, repay and reborrow under the Credit Line. The Credit Loan and Advances thereunder will be evidenced by a Credit Note for each Bank in the principal amount, initially, of such Bank's Credit Commitment. Interest on the Credit Line shall accrue as described in Section 2.03 hereof and shall be payable, in arrears, also as provided in Section 2.03. The Credit Notes shall mature and be payable in full (including without limitation all then outstanding principal and accrued and unpaid interest) on the Maturity Date.

(b) ANY ADVANCE HEREUNDER TO OR ON BEHALF OF A BORROWER SHALL BE DEEMED FOR ALL PURPOSES TO BE AN ADVANCE TO BOTH BORROWERS. EACH BORROWER HEREBY ACKNOWLEDGES AND AGREES THAT IT IS SOLIDARILY (JOINTLY AND SEVERALLY) LIABLE WITH THE OTHER BORROWER TO THE BANKS FOR THE PAYMENT AND PERFORMANCE OF ALL ADVANCES AND ANY OTHER OBLIGATIONS INCURRED OR FROM TIME TO TIME DUE AND PAYABLE.

Section 2.02 Manner and Notice of Advances Under the Credit Line. Subject to the requirements and limitations set forth in this Section 2.02 and in Article 7 hereof, Advances may be drawn solely for the purposes set forth in Section 2.10 hereof.

Borrowers shall provide the Agent with any request for an Advance (i) prior to 10:00 a.m. (central time) at least two (2) Business Days prior to the requested date of the Advance to initially accrue interest based on the Floating Rate and (ii) at least one (1) Business Day prior to the requested date of the Advance to initially accrue interest based on the Prime Rate, in each case pursuant to a Draw Request Certificate (the "Draw Request Certificate"), the form of which is attached hereto as Exhibit B. If the Advance is in connection with the acquisition of a company or assets of another company (other than in the ordinary course of business), then Borrowers shall provide to the Agent such other information in connection therewith as the Agent requests, including without limitation compliance with subsection 2.01(a) and Section 6.05 hereof if applicable. The Agent will use its best efforts to give telephone notice to the Banks of a proposed Advance on the same day such Draw Request Certificate is received by the Agent from Borrowers, but in any event (x) at least two (2) Business Days prior to any Advance to initially accrue interest based on the Floating Rate interest option, and (y) at least one (1) Business Day prior to any Advance to initially accrue interest based on the Prime Rate interest option. Advances shall be made only on Business Days. The request for any Advance shall constitute a certification by Borrowers that all of the representations and warranties contained in Article 4 (other than those

representations and warranties that are, by their specific terms, limited in application to a specific date) are true and correct as of the date of such request and also as of the date of the Advance.

Not later than 12:00 noon (central time) on the date of any Advance, each of the Banks shall make available to the Agent, in immediately available funds, the amount of such Bank's pro rata portion (i.e., the percentage of its Credit Commitment as compared to the aggregate of the Credit Commitments) of the amount of the requested Advance. Upon receipt from each Bank of such amount, and upon fulfillment of the applicable conditions set forth in Sections 7.01 or 7.02 hereof, the Agent (on behalf of the Banks) will make available to Borrowers the aggregate amount of such Advance in accordance with the further terms of this Section 2.02. The failure or refusal of any Bank to make available to the Agent, at the aforesaid time and place on any date of an Advance, the amount of its portion of the requested Advance shall not relieve any other Bank from its several obligation hereunder to make available to the Agent the amount of such other Bank's portion of any requested Advance.

The Agent may, unless notified to the contrary by any Bank prior to the date of an Advance, assume that each Bank has made available to the Agent on such date of the applicable Advance the amount of each Bank's portion of the Advance to be made on such date, and the Agent shall, in reliance upon such assumption, make available to Borrowers a corresponding amount. If any Bank makes available to the Agent such amount on a date after the date of the applicable Advance, such Bank shall pay to the Agent on demand an amount equal to the product of (i) the average computed for the period referred to in the numerator in clause (iii) below, of the weighted average interest rate paid by the Agent for federal funds acquired by the Agent during each day included in such period, times (ii) the amount of such Bank's portion of such Advance, times (iii) a fraction, the numerator of which is the number of days that elapse from and including such date of the Advance to the date on which the amount of such Bank's portion of such Advance shall become immediately available to the Agent, and the denominator of which is 365; provided, that if such Bank has not paid to the Agent such Bank's portion of the Advance by 12:00 noon (central time) on the third (3rd) Business Day after the Advance was made to Borrowers, then the interest rate in clause (i) above shall be the Prime Rate (adjusted daily) from and after such 2nd Business Day after the Advance was made until and including the date such Bank makes available to the Agent such Bank's portion of the Advance; provided, further, that if such Bank has not paid to the Agent such Bank's portion of the Advance by 12:00 noon (central time) on the fifteenth (15th) Business Day after the Advance was made to Borrowers, then the interest rate in clause (i) above shall be the Prime Rate (adjusted daily) plus three (3.0%) percent per annum from and after such 15th Business Day after the Advance was made until and including the date such Bank makes available to the Agent such Bank's portion of the Advance. A statement of the Agent submitted to each Bank with respect to any amounts owing under this paragraph shall be prima facie evidence of the amount due and owing to the Agent by such Bank. If any Bank fails to pay to Agent its portion of any Advance within thirty (30) days after an Advance or if any Bank twice fails to timely make its portion of Advances to be made to Borrowers available to the Agent before 12:00 noon (central time) on the dates Advances are made to Borrowers, then, if requested to do so by Borrower or any other Bank or the Agent, such Bank shall sell all of its interests, rights and obligations under this Agreement (including all of its Commitment and its portion of the Credit Loan at the time owing to it) and the Note held by it to another Bank or bank under Section 9.06 hereof.

Absent manifest error, the credit advice resulting from the deposit of the proceeds of the Advance in Borrowers' account with the Agent shall be deemed conclusive evidence of Borrowers' solidary (joint and several) indebtedness to the Banks in connection with the Credit Loan.

When each Advance is made by the Agent to a Borrower hereunder, Borrowers shall be deemed to have renewed and reissued each Credit Note for the amount of such Advance represented by said

Credit Note plus the amount of all previous Advances then outstanding and all other amounts due under each Credit Note.

Section 2.03 Interest on the Credit Loan. (a) The Credit Loan shall bear interest from the date of each Advance until paid at either (i) the Prime Rate plus the Applicable Margin, per annum, adjusted daily, or (ii) the Floating Rate plus the Applicable Margin, per annum, adjusted on the first day of each Interest Period (i.e., in accordance with the definition of LIBO Rate, determined two (2) Business Days prior to each Interest Period). Interest on the Credit Loan shall be payable in arrears (x) if accruing based on the Prime Rate interest option, on the last day of each month beginning February 29, 2004 and, with respect to any of the Credit Loan being converted to accrue interest based on the Floating Rate interest option, on the date of such conversion with respect to such portion being converted, (y) if accruing based on the Floating Rate interest option, on the last day of each applicable Interest Period (unless an Interest Period is for 180 days, in which case interest on such applicable Advances shall be payable on the 90th day of such Interest Period and on the last day of such Interest Period), and (z) on the maturity of the Credit Loan on the Maturity Date. All payments of interest shall be computed on the per annum basis of a year of 360 days for the actual number of days (including the first day but excluding the last day) elapsed.

(b) The Prime Rate shall remain fixed for one Business Day, to be adjusted daily. The Floating Rate shall remain fixed for the duration of any Interest Period for which the Floating Rate interest option is selected. Borrowers shall provide to the Agent at least two (2) Business Days' prior written notice of the change of interest accrual on any portion of the Credit Loan from the Prime Rate interest option to the Floating Rate interest option. At least two (2) Business Days prior to the end of an Interest Period, Borrowers shall provide the Agent with written notice as to whether the applicable portion of the Credit Loan is to continue accruing interest at the Floating Rate interest option (and if so, then for what new Interest Period) or to accrue at the Prime Rate interest option after the end of the Interest Period until further notice to the contrary from Borrowers. If Borrowers do not timely notify the Agent of their election for any portion of the Credit Loan accruing interest at the Floating Rate interest option (i.e., at least two (2) Business Days prior to the end of an Interest Period), then the interest rate on such portion of the Credit Loan shall, following the end of such Interest Period, accrue interest based on the Prime Rate interest option.

(c) Borrowers will indemnify the Banks against, and reimburse the Agent (for payment to the Banks) on demand for, any loss or expense actually and demonstrably incurred or sustained by the Banks (including without limitation, any loss or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by the Banks to fund or maintain Floating Rate advances) as a result of any payment or prepayment (whether authorized or required hereunder or otherwise) of all or a portion of any Floating Rate advance on a day other than the day on which the applicable Interest Period ends. For purposes of this Section, funding losses arising by reason of liquidation or reemployment of deposits or other funds acquired by the Banks to fund or maintain Floating Rate advances shall be calculated as the remainder obtained by subtracting: (1) the yield (reflecting both stated interest rate and discount, if any) to maturity of obligations of the United States Treasury as determined by the Agent in an amount equal or comparable to such advance for the period of time commencing on the date of the payment, prepayment or change of rate as provided above and ending on the last day of the subject interest period, from (2) the Floating Rate of the subject Interest Period, times the number of days from the date of payment, prepayment or change of rate to the last day of the subject interest period, divided by 360. Any payment due under this Section will be paid to the Agent within five days after demand therefor by the Agent, and if not timely received by the Agent, such amount shall thereafter accrue interest at the Default Rate and be payable on demand.

(d) The determination by the Agent of an interest rate hereunder or interest amount due hereunder shall for all purposes be prima facie evidence of the correctness of such rate or calculation.

(e) At no time shall there be more than five (5) separate portions of the Credit Loan accruing interest based on the Floating Rate interest option, and no portion of the Credit Loan accruing interest based on the Floating Rate interest option shall be for a principal amount of less than $1,000,000.00.

Section 2.04 Default Rate. If an Event of Default shall occur in the payment on the due date of any payment of principal or interest due hereunder, Borrowers will pay interest on any such past due installment (retroactively) from the date of the Default on such payment up to the date of actual payment (as well after as before judgment) at the Default Rate. Upon the acceleration of the principal indebtedness represented by the Credit Notes resulting from an Event of Default hereunder, the accelerated principal balance of the Credit Loan shall bear interest from the date of acceleration up to the date of actual payment (as well after as before judgment) at the Default Rate. All such interest at the Default Rate shall be payable on demand.

Section 2.05 Prepayments. The Credit Loan shall or may be prepaid as follows:

(i) Mandatory Prepayments—

(y) The Required Banks shall be entitled to require mandatory prepayments of the Credit Loan as set forth in Section 5.08 of this Agreement, unless other Collateral satisfactory to the Required Banks is substituted for the Collateral subject thereto, pursuant to documentation in form and substance satisfactory to the Agent.

(z) Borrowers shall prepay the Credit Loan from time to time as may be necessary so that the principal amount of the Credit Line outstanding does not exceed the Credit Limit then in effect.

(ii) Voluntary Prepayments—Borrowers may make voluntary prepayments from time to time on the Credit Loan outstanding hereunder, in whole or in part, without premium or penalty (other than as provided in subsection 2.03(c) above and as otherwise may have been or be agreed to), upon at least two (2) Business Days' notice to the Agent setting forth (x) the proposed date of prepayment (which shall be a Business Day), and (y) the principal amount of the prepayment (which shall be an amount equal to at least one hundred thousand dollars ($100,000.00) or any lesser remaining balance of the Credit Loan then outstanding).

(iii) As to any prepayment, whether mandatory or voluntary, (y) Borrowers shall pay all accrued interest on the portions of the Credit Loan so prepaid, at the time of prepayment, and (z) prepayments shall be applied first, to that portion of the Credit Loan accruing interest based on the Prime Rate interest option and, second, to the remaining amounts of the Credit Loan outstanding with due regard, to the extent practicable, to minimizing any fees under subsection 2.03(c).

Section 2.06 Business Days. If the date for any payment or prepayment hereunder falls on a day which is not a Business Day, then for all purposes of this Agreement (unless otherwise provided herein) the same shall be deemed to have fallen on the next following Business Day, and such extension of time shall in such case be included in the computation of payments of interest.

Section 2.07 Nature of Commitment. The Banks' obligation to make any Advance shall be deemed to be a transaction made pursuant to a contract to make a loan or extend debt financing or

financial accommodations to Borrowers within the meaning of Sections 365(c)(2) and 365(e)(2)(B) of the Bankruptcy Code of the United States.

Section 2.08 Payments. Borrowers shall make each payment hereunder and under the Notes and any other Loan Document in lawful money of the United States of America in same day funds to the Agent at its main office in New Orleans, Louisiana, not later than 11:00 a.m. (Central Time) on the day when due, or such other place in the United States as designated in writing by the Agent. The Agent shall promptly send to each Bank by federal wire transfer its respective proportionate share of all amounts to which the Banks are entitled.

Section 2.09 Certain Fees. (a) Borrowers shall pay to the Agent (i) on the Effective Date, for disbursement in accordance with subsection 9.01(a) hereof to the Banks pro-rata according to their Credit Commitments, a nonrefundable loan origination fee equal to $250,000, and (ii) after the Effective Date, simultaneously with any increase in the Borrowing Base, for disbursement in accordance with subsection 9.01(a) hereof to the Banks pro-rata according to the respective increases in their respective Credit Commitments, a nonrefundable loan origination fee equal to a percentage of the amount of the increase of the Borrowing Base, determined as follows:

If the date of increase of the Borrowing Base occurs between:	**then the percentage applied shall be:**
Effective Date—February 13, 2005	0.50%
February 14, 2005—February 13, 2006	0.40%
February 14, 2006—February 13, 2007	0.30%
February 14, 2007—February 13, 2008	0.20%
February 14, 2008—the day preceding the Maturity Date	0.10%

(b) Borrowers shall pay to the Agent, for disbursement in accordance with subsection 9.01(a) hereof to the Banks pro-rata according to their Credit Commitments, not later than the fifth (5th) Business Day after the end of each fiscal quarter, an Unused Commitment Fee in arrears for the prior quarter. On the Maturity Date, Borrowers shall pay to the Agent, for disbursement in accordance with Article 9 hereof to the Banks pro-rata according to their Credit Commitments, an Unused Commitment Fee in arrears for the period from the first day of the fiscal quarter in which the Maturity Date occurs up to, but not including, the Maturity Date.

(c) Borrowers shall pay to the Agent, for its own account, such fees as are agreed to in a separate agreement among Borrowers and the Agent with respect to the Agent's services provided hereunder and in connection herewith.

Section 2.10 Use of Proceeds. Borrowers shall use the proceeds of the Advances exclusively for their working capital purposes and for funding, subject to the terms and conditions hereof, acquisitions of assets and companies and construction of vessels.

Section 2.11 Inability to Determine Floating Rate. In the event, prior to the commencement of any Interest Period relating to any portion of the Credit Loan to accrue interest based on the Floating Rate interest option, the Agent shall determine or be notified by the Required Banks that adequate and reasonable methods do not exist for ascertaining the Floating Rate that would otherwise determine the rate of interest to be applicable to any portion of the Credit Loan to accrue interest based on the Floating Rate interest option during any Interest Period, the Agent shall forthwith give notice of such determination (which shall be conclusive and binding on Borrowers and the Banks absent manifest error) to Borrowers and the Banks. In such event (i) the applicable request giving rise to such determination, (x) if a request for an Advance, shall be deemed to have requested that the Advance accrue interest based on the Prime Rate interest option, and (y) if a request to convert to, or continue, interest accrual based on the Floating Rate interest option, shall be denied and that portion of the Credit Loan shall accrue interest based on the Prime Rate interest option, (ii) each portion of the Credit Loan then accruing interest based on the Floating Rate interest option will automatically, on the last day of the then current Interest Period thereof, convert to accrue interest based on the Prime Rate interest option, and (iii) no further Advances shall be made that are to accrue interest based on the Floating Rate interest option until the Agent or the Required Banks determines that the circumstances giving rise to such suspension no longer exist, whereupon the Agent or, as the case may be, the Agent upon the instruction of the Required Banks, shall so notify Borrowers and the Banks.

Section 2.12 Illegality. Notwithstanding any other provisions herein, if any present or future law, regulation, treaty or directive or the interpretation or application thereof shall, subsequent to the date hereof, make it unlawful for any Bank to make any Advance or maintain any portion of the Credit Loan, in either case with interest accruing based on the Floating Rate interest option, such Bank shall forthwith give notice of such circumstances to Borrowers and the other Banks and thereupon (a) the commitment of such Bank to make Advances accruing interest based on the Floating Rate interest option or to convert portions of the Credit Loan so as to accrue interest based on the Floating Rate interest option shall forthwith be suspended and (b) such Bank’s portion of the Credit Loan then accruing interest based on the Floating Rate interest option will automatically, on the last day of the then current respective Interest Periods thereof (unless required by law to be an earlier date), convert to accrue interest based on the Prime Rate interest option. Borrowers hereby agree promptly to pay the Agent for the account of such Bank, upon demand by such Bank, any additional amounts necessary to compensate such Bank for any costs incurred by such Bank in making any conversion in accordance with this Section 2.12, including any interest or fees payable by such Bank to lenders of funds obtained by it in order to make or maintain hereunder its portion of the Credit Loan accruing interest based on the Floating Rate interest option.

Section 2.13 Additional Costs, etc. If any present or future applicable law relative to Floating Rate application, which expression, as used herein, includes statutes, rules and regulations thereunder and interpretations thereof by any competent court or by any governmental or other regulatory body or official charged with the administration or the interpretation thereof and requests, directives, instructions and notices at any time or from time to time hereafter made upon or otherwise issued to any Bank or the Agent by any central bank or other fiscal, monetary or other authority (whether or not having the force of law), shall:

(a) subject any Bank or the Agent to any tax, levy, impost, duty, charge, fee, deduction or withholding of any nature with respect to this Agreement, the other Loan Documents, such Bank’s Commitment or the Credit Loan (other than taxes based upon or measured by the revenue, income or profits of such Bank or the Agent), or

(b) materially change the basis of taxation (except for changes in taxes on revenue, income or profits) of payments to any Bank of the principal of or the interest on the Credit Loan or any other amounts payable to any Bank or the Agent under this Agreement or the other Loan Documents, or

(c) impose or increase or render applicable (other than to the extent specifically provided for elsewhere in this Agreement) any special deposit, reserve, assessment, liquidity, capital adequacy or other similar requirements (whether or not having the force of law) against assets held by, or deposits in or for the account of, or loans by, or commitments of an office of any Bank, or

(d) impose on any Bank or the Agent any other conditions or requirements with respect to this Agreement, the other Loan Documents, the Credit Loan, such Bank's Commitment, or any class of loans or commitments of which the Credit Loan or such Bank's Commitment form a part,

and the result of any of the foregoing is:

(i) to increase the cost to any Bank of making, funding, issuing, renewing, extending or maintaining the Credit Loan or the Commitment of such Bank, or

(ii) to reduce the amount of principal, interest or other amount payable to such Bank or the Agent hereunder on account of the Commitment of such Bank or the Credit Loan, or

(iii) to require such Bank or the Agent to make any payment or to forego any interest or other sum payable hereunder, the amount of which payment or foregone interest or other sum is calculated by reference to the gross amount of any sum receivable or deemed received by such Bank or the Agent from Borrowers hereunder,

then, and in each such case, Borrowers will, upon demand made by such Bank or the Agent (as the case may be) at any time and from time to time and as often as the occasion therefor may arise, pay to such Bank or the Agent such additional amounts as will be sufficient to compensate such Bank or the Agent for such additional cost, reduction, payment or foregone interest or other sum.

Section 2.14 Capital Adequacy. If after the date hereof any Bank determines that (i) the adoption of or change in any law, governmental rule, regulations, policy, guideline or directive (whether or not having the force of law) regarding capital requirements for banks or bank holding companies or any change in the interpretation or application thereof by a court or governmental authority with appropriate jurisdiction, or (ii) compliance by such Bank or any corporation controlling such Bank with any law, governmental rule, regulation, policy, guideline or directive (whether or not having the force of law) of any such entity regarding capital adequacy, has the effect of reducing the return on such Bank's commitment or portion of the Credit Loan to a level below that which such Bank could have achieved but for such adoption, change or compliance (taking into consideration such Bank's then existing policies with respect to capital adequacy and assuming full utilization of such entity's capital) by any amount deemed by such Bank to be material, then such Bank may notify Borrowers of such fact. To the extent that the amount of such reduction in the return on capital is not reflected in the Prime Rate, Borrowers agree to pay such Bank for the amount of such reduction in the return on capital as and when such

reduction is determined upon presentation by such Bank of a certification in accordance with Section 2.15 hereof. Each Bank shall allocate such cost increases among its customers in good faith and on an equitable basis.

Section 2.15 Certificate. A certificate setting forth any additional amounts payable pursuant to Section 2.13 or 2.14 and a complete explanation of such amounts which are due, submitted by any Bank or the Agent to Borrowers, shall for all purposes be prima facie evidence that such amounts are due and owing.

Section 2.16 Indemnity. Borrowers agree to indemnify each Bank and to hold each Bank harmless from and against any loss, cost or expense that such Bank may sustain or incur as a consequence of (i) default by Borrowers in payment of the principal amount of or any interest on any portion of the Credit Loan accruing interest based on the Floating Rate interest option as and when due and payable, including any such loss or expense arising from interest or fees payable by such Bank to lenders of funds obtained by it in order to maintain its portion of the Credit Loan accruing interest based on such Floating Rate interest option or (ii) default by Borrowers in making a borrowing after Borrowers have provided a Draw Request Certificate requesting that the Advance to be made accrue interest based on the Floating Rate interest option.

Section 2.17 Application of Payments. Payments made under this Agreement and the other Loan Documents, whether made when due under the Loan Documents or after foreclosure on Collateral, for application to the Obligations shall be applied to the Obligations as follows:

(i) to the Agent, with respect to fees and expenses accrued and outstanding (including without limitation reasonable attorneys' fees and expenses);

(ii) to the Banks, ratably according to their Credit Commitments, with respect to fees under Section 2.09 hereof;

(iii) to the Banks, with respect to other fees and expenses and late charges accrued and outstanding with respect to the Obligations (including without limitation reasonable attorneys' fees and expenses of the Banks in accordance with Section 5.07 hereof), "pro-rata according to the respective loan amounts then outstanding" (hereinafter defined). Of the fees and expenses and late charges due with respect to the Credit Loan (as opposed to Hedging Obligations), such amounts shall then be paid to the Banks ratably according to the Banks' applicable Commitments;

(iv) to the Banks, with respect to interest accrued and outstanding on the Obligations, "pro-rata according to the respective loan amounts then outstanding". Of the interest accrued and then outstanding with respect to the Credit Loan (as opposed to Hedging Obligations), such amounts shall then be paid to the Banks ratably according to the Banks' applicable Commitments; and

(v) to the Banks, with respect to principal amounts of the Credit Loan due and payable and Hedging Obligations then due and unpaid, "pro-rata according to the respective loan amounts then outstanding". Of the principal due with respect to the Credit Loan (as opposed to the Hedging Obligations), such amounts shall then be paid to the Banks ratably according to the Banks' applicable Commitments.

"Pro-rata according to the respective loan amounts then outstanding" shall be determined—

(i) in instances other than with respect to foreclosure on Collateral or the exercise by the Agent of its other rights and remedies under the Loan Documents, applicable amounts under a subsection as to Hedging Obligations shall not be considered, and

(ii) in instances with respect to foreclosure on Collateral or the exercise by the Agent of its other rights and remedies under the Loan Documents, by adding the aggregate principal amounts of the Credit Loan outstanding and Hedging Obligations then due and unpaid before giving effect to the payment and then dividing that sum by the Credit Loan amount outstanding and the Hedging Obligations due and unpaid to determine the Credit Loan's and Hedging Obligations' respective percentages of application; following such allocation to Hedging Obligations, the Bank holding such Hedging Obligations shall be entitled to the amount so allocated for application against the relevant Hedging Obligations.

[The rest of this page is intentionally blank.]

ARTICLE 3

SECURITY FOR THE OBLIGATIONS

Section 3.01 Security. The Obligations shall be secured by the following:

(a) The Security Agreement dated February 25, 2002 by HOS in favor of the Agent, for the ratable benefit of the Banks (as it has been, and may from time to time be further, amended, modified, supplemented or restated, the "HOS Security Agreement"), pursuant to which HOS has granted and shall maintain in favor of Agent a first security interest in all of HOS's right, title and interest in and to the HOS Vessels and all related property and rights of HOS (including without limitation all goods, machinery, equipment (including without limitation equipment furnished by HOS), inventory, contract rights, construction plans and specifications and general intangibles relating to the HOS Vessels, as well as all of HOS's rights under charter hire and accounts relative to HOS Vessels), together with proper UCC-1 Financing Statements duly filed in Louisiana and Delaware and appropriate consents.

(b) The Security Agreement dated February 25, 2002 by HOT in favor of the Agent, for the ratable benefit of the Banks (as it has been, and may from time to time be further, amended, modified, supplemented or restated, the "HOT Security Agreement"), pursuant to which HOT has granted and shall maintain in favor of Agent a first security interest in all of HOT's right, title and interest in and to the HOT Vessels and all related property and rights of HOT (including without limitation all goods, machinery, equipment, contract rights, construction plans and specifications and general intangibles relating to the HOT Vessels, as well as all of HOT's rights under charter hire and accounts relative to the HOT Vessels), together with proper UCC-1 Financing Statements duly filed in Louisiana and appropriate consents.

(c) The First Preferred Fleet Mortgage dated February 25, 2002 by HOT in favor of the Agent, for the ratable benefit of the Banks (as it has been, and may from time to time be further, amended, modified, supplemented or restated, the "HOT Fleet Mortgage"), pursuant to which HOT has granted and shall maintain a first preferred ship mortgage lien in favor of Agent in all of HOT's right, title and interest in and to the HOT Vessels, duly filed with the United States Coast Guard.

(d) The First Preferred Fleet Mortgage dated February 25, 2002 by HOS in favor of the Agent, for the ratable benefit of the Banks (as it has been, and may from time to time be further, amended, modified, supplemented or restated, the "HOS Fleet Mortgage"), pursuant to which HOS has granted and shall maintain a first preferred ship mortgage lien in favor of Agent in all of HOS's right, title and interest in and to the HOS Vessels, duly filed with the United States Coast Guard.

(e) A first security interest in all deposit accounts of either Borrower individually or both Borrowers jointly with the Agent, including without limitation as provided in the HOS Security Agreement and the HOT Security Agreement.

(f) The Guaranty Agreement dated December 31, 2001 by Guarantor in favor of the Banks (as it has been, and may from time to time be further, amended, modified, supplemented or restated, the "Guaranty") guarantying the payment and performance of the Obligations.

(g) (i) The HOS-IV Guaranty guarantying the payment and performance of the Obligations, and (ii) the Guaranty Agreement dated of even date herewith by HOT&T in favor of the Banks (as it may from time to time be amended, modified, supplemented or restated, the "HOT&T Guaranty") guarantying the payment and performance of the Obligations.

(h) (i) Upon the formation or acquisition of any Subsidiary under Section 6.05 hereof which results in Guarantor having Subsidiaries (other than Borrowers, Hornbeck Offshore Operators, LLC, HOS-IV and HOT&T) with assets totaling $50,000,000.00 or more, or upon any Subsidiaries (other than Borrowers and Hornbeck Offshore Operators, LLC, HOS-IV and HOT&T) from time to time existing having assets totaling $50,000,000.00 or more, and (ii) thereafter, upon the formation or acquisition of any Subsidiary under Section 6.05 hereof, such Subsidiary or Subsidiaries as are satisfactory to the Required Banks in their sole discretion (such that the Subsidiaries, other than Borrowers, Hornbeck Offshore Operators, LLC, HOS-IV and HOT&T, not guarantying the Obligations have assets totaling less than $50,000,000.00) shall guaranty the payment and performance of the Obligations by executing and delivering in favor of the Agent, for the ratable benefit of the Banks, a guaranty agreement comparable to the Guaranty but in any event in form and substance satisfactory to the Agent and the Required Banks, and such Subsidiary or HOS-IV or HOT&T also shall grant to the Agent, for the ratable benefit of the Banks, security interests or mortgages in such collateral as may be required by the Required Banks in accordance with Section 5.17 hereof (also pursuant to documentation in form and substance satisfactory to the Agent and the Required Banks). Notwithstanding the foregoing, in the event that, but for this sentence, a Subsidiary formed under the laws of a jurisdiction outside of the United States would be required to execute and deliver a guaranty, then in lieu of such guaranty the Guarantor or applicable Subsidiary of Guarantor that owns such foreign Subsidiary shall promptly pledge to the Agent, for the ratable benefit of the Banks, on an equity class by equity class basis the lesser of (y) all of the equity of such class in such foreign Subsidiary that it owns or (z) sixty-five percent (65%) of the equity of such class issued and outstanding in such foreign Subsidiary (in other words, no more than 65% of each class of the foreign Subsidiary's equity issued and outstanding is to be pledged), as security for the Obligations (and if the pledgor is not a Borrower, also as security for its guaranty of the Obligations), all pursuant to documentation in form and substance satisfactory to the Agent.

(i) Borrowers and (by its acceptance hereof) Guarantor acknowledge and agree that they shall be required to supplement the Collateral and the Collateral Documents, or to cause the Collateral and the Collateral Documents to be supplemented, with additional first priority Liens securing the Obligations as required in Sections 5.17 and 5.18 of this Agreement, pursuant to documentation in form and substance satisfactory to Agent.

[The rest of this page is intentionally blank.]

ARTICLE 4

REPRESENTATIONS AND WARRANTIES

In order to induce the Agent and the Banks to enter into this Agreement, Borrowers hereby represent and warrant to the Agent and the Banks (which representations and warranties shall be deemed to be restated by Borrowers in connection with any Advance) that:

Section 4.01 Existence. (a) Each Borrower is a limited liability company duly organized, legally existing and in good standing under the laws of its state of organization, and, as of the date of the first Advance and thereafter, is duly qualified as a foreign limited liability company in all jurisdictions wherein the property it owns or the business it transacts make such qualification necessary.

(b) The chief executive office of HOS is located at 103 Northpark Blvd., Suite 300, Covington, Louisiana 70433. The federal taxpayer identification number of HOS is 76-0497638.

(c) The chief executive office of HOT is located at 103 Northpark Blvd., Suite 300, Covington, Louisiana 70433. The federal taxpayer identification number of HOT is 72-1053262.

Section 4.02 Power and Authorization. Each Borrower is duly authorized and empowered to execute, deliver and perform the Loan Documents to which it is a party. All action on the part of each Borrower requisite for the due creation and execution of its Loan Documents has been duly and effectively taken.

Section 4.03 Binding Obligations. The Loan Documents to which each Borrower is a party constitute valid and binding obligations of such Borrower, enforceable against each Borrower in accordance with their respective terms (except that enforcement may be subject to any applicable bankruptcy, insolvency or similar laws generally affecting the enforcement of creditors' rights).

Section 4.04 No Legal Bar or Resultant Lien. The Loan Documents do not and will not violate any provisions of either Borrower's certificates of formation or operating agreement, will not violate any contract, agreement, law, regulation, order, injunction, judgment, decree or writ to which either Borrower is subject, and will not result in the creation or imposition of any Lien upon any property of either Borrower, other than as contemplated by this Agreement.

Section 4.05 No Consents. The execution, delivery and performance by each Borrower of the Loan Documents to which it is a party did not and do not require the consent or approval of any other Person (including without limitation any charterer) except those which have been obtained and remain in full force and effect.

Section 4.06 Financial Condition. All historical financial statements of each Borrower delivered to the Agent and the Banks fairly and accurately present the financial position of each Borrower and such financial statements have been prepared in accordance with generally accepted accounting principles consistently applied throughout the periods involved, and there are no contingent liabilities not disclosed thereby which would or could materially adversely affect the financial condition of either Borrower. Since the close of the period covered by the latest historical financial statement delivered to the Agent with respect to each Borrower, there has been no material adverse change in the assets, liabilities or financial condition of such Borrower or the prospects of such Borrower performing its obligations under the Loan Documents. Except as otherwise disclosed to the Agent and the Banks in writing, no event has occurred (including, without limitation, any litigation or administrative proceedings) and no condition exists or, to the knowledge of either Borrower, is threatened, which (i) might render

either Borrower unable to perform its obligations under this Agreement or the other Loan Documents to which it is a party, (ii) would constitute a Default hereunder, or (iii) might materially adversely affect the financial condition of either Borrower or the validity or priority of the lien of the Collateral Documents to which either Borrower is a party.

Section 4.07 Investments and Guaranties. Neither Borrower has made investments in, advances to or guaranties of the obligations of any Person, except as reflected in the financial statements described in Section 4.06 hereof, or as set forth on Schedule 4.07 attached hereto or as otherwise disclosed to the Agent and the Banks in writing, or as expressly permitted by this Agreement.

Section 4.08 Liabilities and Litigation. Neither Borrower has any material (individually or in the aggregate) liabilities, direct or contingent, except as disclosed or referred to in the financial statements described in Section 4.06 hereof, or as set forth on Schedule 4.08 attached hereto or as otherwise disclosed to the Agent and the Banks in writing. Except as referred to in the financial statements described in Section 4.06 hereof and except as set forth on Schedule 4.08 attached hereto or as otherwise disclosed to the Agent and the Banks in writing, there is no litigation, legal or administrative proceeding, investigation or other action of any nature pending or, to the knowledge of either Borrower, threatened against or affecting either Borrower which involves the possibility of any judgment or liability not fully covered by insurance (except for a deductible of up to $100,000), and which may materially and adversely affect, whether individually or in the aggregate, the business or the property of either Borrower or either Borrower's ability to carry on business as now conducted.

Section 4.09 Taxes and Governmental Charges. Each Borrower has filed all tax returns and reports required to be filed and has paid all taxes, assessments, fees and other governmental charges levied upon it or upon its property or income which are due and payable, including interest and penalties, or have provided adequate reserves for the payment thereof adequate under generally accepted accounting principles (provided that such reserves may be set up under generally accepted accounting principles).

Section 4.10 Defaults. Neither Borrower is in default (in any respect which materially and adversely affects its business, properties, operations or condition, financial or otherwise) under any indenture, mortgage, deed of trust, agreement or other instrument to which it is a party or by which it is bound, except as otherwise disclosed to the Agent and the Banks in writing.

Section 4.11 Casualties and Condemnation. Since the date of the most recent financial statements furnished to the Agent and the Banks, neither the business nor the property of either Borrower has been materially and adversely affected as a result of any casualty, fire, explosion, earthquake, flood, drought, windstorm, accident, strike or other labor disturbance, embargo, requisition or taking of property or cancellation of contracts, permits or concessions by any domestic or foreign government or any agency thereof, riot, activities of armed forces or acts of God or of any public enemy, except as otherwise disclosed in writing to the Agent and the Banks.

Section 4.12 Use of Proceeds; Margin Stock. The proceeds of the extensions of credit hereunder will be used by Borrowers for the purposes listed in Section 2.10. None of such proceeds will be used for the purpose of, and neither Borrower is engaged in the business of extending credit for the purpose of, purchasing or carrying any "margin stock" as defined in Regulation U of the Board of Governors of the Federal Reserve System (12 C.F.R. Part 221), or for the purpose of reducing or retiring any indebtedness which was originally incurred to purchase or carry a margin stock or for any other purpose which might constitute this transaction a "purpose credit" within the meaning of said Regulation U. Neither Borrower is engaged principally, or as one of such Borrower's important activities, in the business of extending credit for the purpose of purchasing or carrying margin stocks. Neither either Borrower nor any other Person acting on behalf of either Borrower has taken or will take any action

which might cause this Agreement to violate Regulation U or any other regulation of the Board of Governors of the Federal Reserve System or to violate the Securities Exchange Act of 1934 or any rule or regulation thereunder, in each case as now in effect or as the same may hereinafter be in effect.

Section 4.13 Compliance with the Law. To the best of the Borrowers' knowledge after due inquiry, except as set forth on Schedule 4.13 attached hereto, neither Borrower (i) is in violation of any Governmental Requirement to which such Borrower or any of its property is subject, or (ii) has failed to obtain any license, permit, franchise or other authorization required by any Governmental Authority or otherwise necessary to the ownership of any of its property or the conduct of its business; in each case, which violation or failure could reasonably be anticipated to materially and adversely affect the business, profits, property or condition (financial or otherwise) of such Borrower.

Section 4.14 ERISA. Each Borrower and its Plans are in compliance in all material respects with the applicable provisions of ERISA, and no Reportable Event, as such term is defined in Title IV of ERISA, has occurred with respect to any Plan of either Borrower.

Section 4.15 No Material Misstatements. No information, exhibit or report furnished by either Borrower to the Agent and the Banks in connection with this Agreement or the other Loan Documents or in the negotiation of this Agreement or the other Loan Documents contained any material misstatement of fact or omitted to state a material fact necessary to make the statements contained herein and therein not misleading.

Section 4.16 Utility or Investment Company. Neither Borrower is engaged in the generation, transmission, or distribution and sale of electric power; transportation, distribution and sale through a local distribution system of natural or other gas for domestic, commercial, industrial, or other use; ownership or operation of a pipeline for the transmission or sale of natural or other gas, crude oil or petroleum products to other pipeline companies, refineries, local distribution systems, municipalities, or industrial consumers; provision of telephone or telegraph service to others; production, transmission, or distribution and sale of steam or water; operation of a railroad; or provision of sewer service to others. Neither Borrower is an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

Section 4.17 Title to Collateral. As of the date of the first Advance and thereafter, each Borrower has good and merchantable title to its Collateral, free of all liens and encumbrances other than Permitted Liens.

Section 4.18 Hazardous Materials. Neither Borrower has any knowledge that any Hazardous Materials are now located on or in the Vessels, or that any other Person has ever caused or permitted any Hazardous Materials to be placed, held, located or disposed of on, the Vessels or any part thereof, except for such Hazardous Materials that may have been placed, held or located on the Vessels in accordance with, and otherwise not in violation of, all Governmental Requirements.

Section 4.19 Borrowers Ownership; Change in Control. Guarantor is the sole member of each Borrower. No event resulting in a Change in Control has occurred.

Section 4.20 Guarantor Subsidiaries. Guarantor directly owns all of the equity of HOS-IV and (as of the Effective Date and, unless the Borrowers have notified the Agent in writing, thereafter) HOT&T. Such ownership is free and clear of any Lien.

[The rest of this page is intentionally blank.]

ARTICLE 5

AFFIRMATIVE COVENANTS

Unless the Agent's and the Required Banks' (or, if required by Section 10.12 hereof, all of the Banks') prior written consent to the contrary is obtained, Borrowers will at all times comply with the covenants contained in this Article 5 (or cause Guarantor compliance with the applicable covenants), from the date hereof and for so long as any part of the Obligations is outstanding.

Section 5.01 Financial Statements and Reports. Borrowers will promptly furnish, or cause to be furnished, to Agent and each of the Banks such information regarding the business and affairs and financial condition of Borrowers and Guarantor as the Agent or the Required Banks may reasonably request. Without limiting the generality of the foregoing, Borrowers will furnish or cause to be furnished to Agent and each of the Banks, each of the following:

(a) Guarantor Annual Reports—as soon as available and in any event within one hundred twenty (120) days after the close of each fiscal year of Guarantor, the annual report on Form 10-K containing the audited consolidated balance sheet of Guarantor as of the end of such year, the audited consolidated statement of income of Guarantor for such year, the audited consolidated statement of shareholders equity of Guarantor for such year, and the audited consolidated statement of cash flow of Guarantor for such year (along with data for each business segment for such periods), setting forth in each case in comparative form the corresponding figures for the preceding fiscal year, accompanied by the unqualified audit opinions of Ernst & Young LLP or another independent certified public accountant acceptable to the Required Banks; and

(b) Borrowers Annual Reports—for any year in which there is a Subsidiary (other than Hornbeck Offshore Operators, LLC, Energy Services Puerto Rico, LLC and Borrowers) that is not a Guarantor Subsidiary, as soon as available and in any event within one hundred twenty (120) days after the close of such year, the audited balance sheet of each Borrower as of the end of such year, the audited statement of income of each Borrower for such year, the audited statement of shareholders equity of each Borrower for such year, and the audited statement of cash flow of each Borrower for such year, setting forth in each case in comparative form the corresponding figures for the preceding fiscal year, accompanied by the unqualified audit opinions of Ernst & Young LLP or another independent certified public accountant acceptable to the Required Banks; and

(c) Subsidiaries Annual Reports—promptly upon the request of the Agent or the Required Banks after April 30 in any year, the balance sheet of any Subsidiary or Subsidiaries (that are not Borrowers or Guarantor Subsidiaries) as of the end of the most recently completed fiscal year, the statement of income of such Subsidiary or Subsidiaries for such year, the statement of shareholders equity of such Subsidiary or Subsidiaries for such year, and the statement of cash flow of such Subsidiary or Subsidiaries for such year, setting forth in each case in comparative form the corresponding figures for the preceding fiscal year, certified as being true, correct and complete in all material respects by the chief financial officer of Guarantor; and

(d) Guarantor Quarterly Reports—as soon as available and in any event within sixty (60) days after the end of each quarter, the quarterly report on Form 10-Q containing the consolidated balance sheet of Guarantor as of the end of such quarter, the consolidated statements of income of Guarantor for such quarter and for the period from the beginning of the fiscal year through such quarter, the consolidated statements of shareholders equity of Guarantor for such

quarter and for the period from the beginning of the fiscal year through such quarter, and the consolidated statements of cash flow of Guarantor for such quarter and for the period from the beginning of the fiscal year through such quarter (along with data for each business segment for such periods), setting forth in each case in comparative form the corresponding figures for the corresponding period of the preceding fiscal year (if in existence in such preceding fiscal year), certified as being true, correct and complete in all material respects by the chief financial officer of Guarantor; and

(e) Audit Reports—promptly upon receipt thereof, copies of each other audit report submitted to either Borrower or Guarantor by independent accountants in connection with any annual, interim or special audit made by them of the books of either Borrower or Guarantor; and

(f) Budget—as soon as available and in any event not later than March 31 of each calendar year (commencing with the calendar year 2004) up to and including the Maturity Date, Guarantor's consolidated annual budget (including income statement, balance sheet and statement of cash flow) for such calendar year.

All such balance sheets and other reports referred to above shall be in such detail as the Agent or the Required Banks may reasonably request and shall conform to generally accepted accounting principles applied on a consistent basis, except only for such changes in accounting principles or practice with which the independent certified public accountants concur.

Section 5.02 Certificates of Compliance. (a) Concurrently with the furnishing of the annual financial statements pursuant to subsections 5.01(a) and (b) hereof, Borrowers will furnish or cause to be furnished to the Agent, for distribution to the Banks, certificates from the independent certified public accountants for Borrowers and Guarantor stating that in the ordinary course of their audit of Borrowers or Guarantor, as applicable, insofar as it relates to accounting matters, their audit has not disclosed the existence of any condition which constitutes a Default, or if their audit has disclosed the existence of any such condition, specifying the nature, period of existence and status thereof; provided, that the independent certified public accountants shall not be liable to the Agent or the Banks for their failure to discover a Default.

(b) Concurrently with the furnishing of the quarterly financial statements pursuant to subsection 5.01(d) hereof, Borrowers will furnish to Agent a certificate that there is no Default or Event of Default at such time and a certificate in form and substance satisfactory to the Agent calculating (and certifying compliance or non-compliance with) applicable financial tests at subsections 8.01(m), (n) and (p) hereof, and Borrowers will cause Guarantor to deliver a certificate to Agent specifying any changes in the ownership of Guarantor that Guarantor is aware of since the last certificate of the ownership of Guarantor and certifying that no Change in Control has occurred.

Section 5.03 Taxes and Other Liens. Each Borrower will, and will cause Guarantor to, pay and discharge promptly when due all taxes, assessments and governmental charges or levies imposed upon such Borrower or Guarantor or upon its income or upon any of its property as well as all claims of any kind (including claims for labor, materials, supplies and rent) which, if unpaid, might become a Lien upon any or all of its property; provided, that a Borrower or Guarantor shall not be required to pay any such tax, assessment, charge, levy or claim if the amount, applicability or validity thereof shall currently be contested in good faith by appropriate proceedings diligently conducted and if the contesting party shall have set up reserves therefor adequate under generally accepted accounting principles (provided that such reserves may be set up under generally accepted accounting principles).

Section 5.04 Existence; Compliance. Each Borrower will, and will cause Guarantor to, maintain its limited liability company existence and rights. Each Borrower will, and will cause Guarantor to, observe and comply with all valid laws, statutes, codes, acts, ordinances, orders, judgments, decrees, injunctions, rules, regulations, certificates, franchises, permits, licenses, authorizations, directions and requirements of all federal, state, county, municipal and other governments, departments, commissions, boards, courts, authorities, officials and officers, domestic or foreign, unless any such failure to observe and comply would not have a material adverse effect on the business, profits, property or condition (financial or otherwise) of either Borrower or of Guarantor.

Section 5.05 Further Assurance. Borrowers will promptly (and in no event later than 30 days after written notice from the Agent is received) cure or cause to be cured any defects in the creation, execution and delivery of any of the Loan Documents. Borrowers will, at their expense, promptly (and in no event later than 30 days after written notice from the Agent is received) execute and deliver, or cause to be executed and delivered, to the Agent and the Banks upon request all such other and further documents, agreements and instruments (including without limitation further security agreements, financing statements, continuation statements, and assignments of accounts and contract rights) in compliance with or accomplishment of the covenants and agreements of each Borrower and Guarantor in the Loan Documents or to further evidence and more fully describe the Collateral, including any renewals, additions, substitutions, replacements or accessions to the Collateral, or to correct any omissions in the Collateral Documents, or more fully state the security obligations set out herein or in any of the Collateral Documents, or to perfect, protect or preserve any Liens created pursuant to any of the Collateral Documents, or to make any recordings, to file any notices, or obtain any consents as may be necessary or appropriate in connection with the transactions contemplated by this Agreement.

Section 5.06 Performance of Obligations. Borrowers will repay the Credit Loan in accordance with the Notes and this Agreement. Each Borrower will do and perform every act required of such Borrower, and will cause the other Borrower and Guarantor to do and perform every act required of them, by the Loan Documents at the time or times and in the manner specified.

Section 5.07 Reimbursement of Expenses. Borrowers will pay (i) all reasonable legal fees incurred by the Agent in connection with the preparation, execution, delivery, filing, recording and administration of the Loan Documents and all related documents (including any amendments), and (ii) all reasonable legal fees incurred by the Agent and the Banks in connection with the enforcement of the Loan Documents and all related documents; provided, that Borrowers shall not be responsible for the costs and expenses of the Agent or any Bank in connection with the preparation of documentation regarding an assignment by a Bank (other than Hibernia National Bank, individually) of its portion of the Loans (and, with respect to any assignments by Hibernia National Bank, Borrowers shall be liable for the costs and expenses, but in any event not more than $2,500.00 of costs and expenses per assignment). Except as otherwise set forth in Section 5.18 hereof, Borrowers will pay all costs and other expenses in connection with any appraisal required or performed under this Agreement and otherwise payable to the Surveyor in connection with this Agreement. Borrowers will upon request promptly reimburse the Agent and the Banks for all reasonable amounts expended, advanced or incurred by the Agent and the Banks to satisfy any obligation of Borrowers under this Agreement, or to protect the property of a Borrower or Guarantor or to collect the Obligations, or to enforce the rights of the Agent and the Banks under this Agreement or the other Loan Documents, which amounts will include all court costs, reasonable attorneys' fees (including without limitation, any reasonable attorneys' fees incurred in connection with any bankruptcy proceeding affecting the Agent's and the Banks' rights hereunder and any attorneys' fees incurred in connection with preparation for trial or appeal), fees of auditors and accountants, and investigation expenses reasonably incurred by the Agent and the Banks in connection with any such matters, together with interest at the Default Rate on each such amount from the date that the same is expended, advanced or incurred by the Agent and the Banks until the date of reimbursement to the Agent and the Banks.

Section 5.08 Insurance. (a) Borrowers shall cause the Agent to be named as loss payee, for the ratable benefit of the Banks, as to the Collateral and as mortgagee and the Agent and the Banks to be named as additional insureds, with a waiver of rights of subrogation, under an all risk insurance policy, and the Agent and the Banks to be named as additional insureds, with a waiver of rights of subrogation, under the comprehensive general liability insurance, statutory workers' compensation insurance and longshoreman and harbor workers' act coverage policies.

(b) Borrowers may purchase such insurance from any insurance company or broker that is acceptable to the Agent, which approval shall not be unreasonably withheld. All such insurance policies, including renewals and replacements, must also be in form and substance acceptable to the Agent, which approval shall not be unreasonably withheld, and must additionally contain a non-contributory loss payable endorsement in favor of the Agent, for the ratable benefit of the Banks, providing in part that (i) all proceeds under such policies of insurance will, subject to the terms and conditions of subsection (f) below, be delivered directly to the Agent (payable as hereinafter provided), (ii) all returned premiums under such policies of insurance (to the extent the same were not paid by a Borrower) will be delivered and paid directly to the Agent, and (iii) no act or omission on the part of a Borrower, or any of their officers, agents, employees or representatives, nor breach of any warranty contained in such policies, shall affect the obligations of the insurer to pay the full amount of any loss to the Agent. Such policies of insurance must also contain a provision prohibiting cancellation or the alteration of such insurance without at least thirty (30) days' prior written notice to the Agent of such intended cancellation or alteration.

(c) Borrowers agree to provide, or cause to be provided to, the Agent with originals or certified copies of such policies of insurance or certificates with respect thereto. Borrowers further agree to promptly furnish the Agent with copies of all renewal notices and, if requested by the Agent, with copies of receipts for paid premiums. Borrowers shall provide, or cause to be provided to, the Agent binders or such other proof acceptable to the Agent that renewal or replacement policies of insurance will be in effect before any such existing policy or policies should expire. If Borrowers' insurance policies and renewals are held by another Person, Borrowers agree to supply, or cause to be supplied, original or certified copies of the same to the Agent, together with binders or such other proof acceptable to the Agent that renewal or replacement policies of insurance will be in effect before any such existing policy or policies should expire.

(d) In the event Borrowers should, for any reason whatsoever, fail to cause any insurance required hereunder or under the HOT Fleet Mortgage or the HOS Fleet Mortgage to be maintained as herein or therein provided, or to cause such policies to be and remain so assigned or payable as provided herein, or to cause to be delivered to the Agent satisfactory evidence thereof, then the Agent, if it so elects, may itself have any such insurance effected in such amounts and in such companies as it may deem proper and may pay the premiums therefor and Borrowers shall reimburse the Agent (and the Banks, if applicable) upon demand for the amount of the premiums paid, together with interest thereon at the Default Rate from date until paid. The Agent and the Banks shall not be responsible for the solvency of any company issuing any insurance policy, whether or not selected or approved by the Agent or the Banks, or for the collection of any amounts due under any such policy, and shall be responsible and accountable only for such money as may be actually received by the Agent or the Banks.

(e) Borrowers agree to immediately notify the Agent in writing of any material casualty to or accident involving a HOT Vessel or a HOS Vessel (or any other vessel owned by either Borrower or any Guarantor Subsidiary that could have a material adverse effect upon such Borrower or such Guarantor Subsidiary), in each case whether or not such casualty or loss is covered by insurance. Borrowers further agree to promptly notify the applicable Borrower's insurance company and to submit

an appropriate claim and proof of claim to the insurance company in the event that a HOT Vessel or a HOS Vessel or any other vessel owned by either Borrower, is lost, damaged, or destroyed as a result of an insured hazard. As to the HOT Vessels and the HOS Vessels, the Agent may submit such a claim and proof of claim to the insurance company on the applicable Borrower's behalf, should the applicable Borrower fail to do so promptly for any reason. As to the HOT Vessels and the HOS Vessels, each Borrower hereby irrevocably appoints the Agent as its agent and attorney-in-fact, each such agency being coupled with an interest, to make, settle and adjust claims under such policy or policies of insurance (regardless of whether a settlement or adjustment of a claim is an Event of Default) and to endorse the name of such Borrower on any check or other item of payment for the proceeds thereof; it being understood, however, that unless one or more Defaults exist under this Agreement, the Agent will not settle or adjust any such claim without the prior approval of such Borrower (which approval shall not be unreasonably withheld).

(f) In the event of an actual, constructive, agreed, compromised or arranged total loss or of any requisition of a HOT Vessel or a HOS Vessel, all insurance payments therefor shall be made payable, and delivered, only to the Agent and no other Person. Neither Borrower shall declare or agree with underwriters that a HOT Vessel or a HOS Vessel is a constructive or compromised, agreed or arranged constructive total loss without the prior written consent of the Agent and the Required Banks. The proceeds of all other insurance (i) covering a HOT Vessel shall be made payable to HOT and the Agent jointly, and delivered to the Agent, and (ii) covering a HOS Vessel shall be made payable to HOS and the Agent jointly, and delivered to the Agent. Subject to the last sentence of this paragraph, the Agent shall make available to the applicable Borrower the proceeds of all insurance (x) by an appropriate payment order directed to the interested underwriter to pay any outstanding bill for repairing or replacing a HOT Vessel or a HOS Vessel and/or any outstanding third-party claims or (y) to reimburse the applicable Borrower in whole or in part for any expenditures the applicable Borrower may have made for repairing or replacing a HOT Vessel or a HOS Vessel and/or to pay any third party claims, but the Agent, as a condition precedent to such reimbursement, may require the applicable Borrower to furnish the Agent with receipted bills or waivers of liens or appropriate releases for any third-party claims. In connection with any repair to or replacement of a HOT Vessel or a HOS Vessel, the applicable Borrower shall be required to pay the amount of the deductible and the applicable Borrower shall be required to pay any balance of the cost of repairs or replacement not covered by insurance. Notwithstanding the foregoing provisions of this Section 5.08, but subject to clause (B) of the next sentence following this sentence, the insurance policies may provide that if for a particular claim any such insurance payments do not exceed $125,000.00, then such payments may be paid to the applicable Borrower. Notwithstanding anything contained herein to the contrary, the Agent shall, at the option of the Required Banks, be entitled to receive any insurance proceeds and apply them to the Obligations (in accordance with Section 2.17 hereof, and if there is then existing an Event of Default, then there shall be deemed to have been a foreclosure on Collateral for purposes of Section 2.17) if (A) there has been an actual, constructive, agreed or arranged total loss or requisition of a HOS Vessel or a HOT Vessel or (B) there otherwise has been and is then continuing any Event of Default.

(g) The Agent's receipt of such insurance proceeds and the application of such proceeds as provided herein shall not, however, affect the Agent's Liens against the HOT Vessels or the HOS Vessels, for the ratable benefit of the Banks. Other than the circumstances where insurance proceeds relative to the loss of or damage to a HOT Vessel or a HOS Vessel are applied to the repayment of the Obligations, nothing under this Section shall be deemed to excuse Borrowers from their obligations to promptly repair, replace or restore any lost or damaged vessel, whether or not the same are covered by insurance, whether or not such proceeds of insurance are available, and whether or not such proceeds are sufficient in amount to complete such repair, replacement or restoration, to the satisfaction of the Agent. Furthermore, unless otherwise confirmed by the Agent and the Banks in writing, the application or release of any insurance proceeds by the Agent shall not be deemed to cure or waive any Event of Default under

this Agreement. Any proceeds which have not been disbursed within one (1) month after their receipt and which a Borrower has not committed to the repair or restoration of a HOT Vessel or a HOS Vessel shall be used to repay the Credit Loan (in accordance with Section 2.17 hereof).

(h) Borrowers, upon request of the Agent, shall furnish, or cause to be furnished, to the Agent reports on each existing policy of insurance showing such information as the Agent or the Required Banks may request, including without limitation the following: (i) the name of the insurer; (ii) the risks insured; (iii) the amount of the policy; (iv) the property insured; (v) the then current value on the basis of which insurance has been obtained and the manner of determining that value; and (vi) the expiration date of the policy.

Section 5.09 Accounts and Records. Borrowers will keep, and will cause Guarantor to keep, books of record and accounts in which true and correct entries will be made as to all material matters of all dealings or transactions in relation to the respective business and activities, sufficient to permit reporting in accordance with generally accepted accounting principles, consistently applied.

Section 5.10 Right of Inspection. (a) Borrowers will, and will cause Guarantor to, permit any officer, employee or agent of the Agent, any Bank, the Surveyor, the United States Coast Guard or the American Bureau of Shipping to visit and inspect the HOS Vessels and the HOT Vessels, and to visit and inspect the other Collateral, and (b) Borrowers will, and will cause Guarantor to, permit any officer, employee or agent of the Agent and (upon the occurrence and continuance of an Event of Default) any Bank to examine the books of record and accounts of Borrowers and Guarantor, take copies and extracts therefrom, and discuss the affairs, finances and accounts of Borrowers and Guarantor with Borrowers' and Guarantor's officers, accountants, counsel and auditors, all of the foregoing at such reasonable times and on reasonable notice and without hindrance or delay and as often as the Agent, any Bank (if applicable), the Surveyor, the United States Coast Guard or the American Bureau of Shipping may reasonably desire.

Section 5.11 Maintenance of Properties. Borrowers shall maintain and preserve, and cause Guarantor to maintain and preserve, all of Borrowers' and Guarantor's respective properties (and any property leased by or consigned to a Borrower or Guarantor or held under title retention or conditional sales contracts) that are used or useful in the conduct of Borrowers' and Guarantor's respective business in the ordinary course in good working order and condition at all times, ordinary wear and tear excepted, and make all repairs, replacements, additions, betterments and improvements to its properties to the extent necessary so that any failure will not materially and adversely affect the business of a Borrower or Guarantor. Without limiting the generality of the foregoing, Borrowers shall at all times maintain the Vessels in compliance with the requirements of the American Bureau of Shipping or any other classification society acceptable to the Agent, for the highest classification for vessels of like age and type, and upon the Agent's request therefor, the Borrowers shall promptly provide to the Agent copies of certificates duly issued by the American Bureau of Shipping or other classification society acceptable to the Agent, to the effect that the Vessels have been given the highest classification and rating for vessels of the same respective ages and types, free of all recommendations and notations of such classification society affecting class.

Section 5.12 Notice of Certain Events. (a) Borrowers shall promptly notify the Agent if either Borrower learns of the occurrence of any event which constitutes a Default, together with a detailed statement by a responsible officer of each Borrower as to the nature of the Default and the steps being taken to cure the effect of such Default.

(b) Borrowers shall promptly notify the Agent of any change in location of a Borrower's principal place of business or the office of a Borrower where records concerning accounts and

contract rights are kept, or any change in the federal taxpayer identification number or organizational identification number of a Borrower.

(c) Borrowers shall promptly provide the Agent, upon request therefor by the Agent, listings of the Borrowers' assets and the condition thereof, in form and substance satisfactory to the Agent.

(d) Borrowers shall promptly submit such information in form and substance satisfactory to the Agent as may be reasonably requested by the Agent concerning construction of new vessels for the Borrowers.

(e) Borrowers shall promptly notify the Agent of any defaults or alleged defaults of any party with respect to any construction contract for new-build vessels or any charter agreement that could have a material adverse effect upon either Borrower or any of their Affiliates, and thereafter keep the Agent advised of any significant developments in connection therewith.

(f) Borrowers shall promptly notify the Agent of any and all Liens filed or otherwise asserted, and attachments made, against the HOS Vessels or the HOT Vessels, together with copies of all related instruments and any other materials that the Agent shall require.

(g) Borrowers shall cause Guarantor to provide to the Agent (i) written notice of any sale or transfer of shares of five (5%) percent or more of the stock of Guarantor promptly after any such sale or transfer and (ii) upon request therefor by the Agent from time to time, evidence satisfactory to the Agent that no Change in Control has occurred.

Section 5.13 Indemnity. Borrowers hereby agree to defend, indemnify and hold the Agent and the Banks and their respective directors, officers, agents and employees harmless from and against all claims, demands, causes of action, liabilities, losses, costs and expenses (including, without limitation, costs of suit, reasonable legal fees and fees of expert witnesses; provided, that such costs of suit, reasonable legal fees and fees of expert witnesses shall be only those incurred by the Agent; provided, further, that such limitation in connection with the indemnity hereunder shall not limit the application of Section 5.07 hereof) arising from or in connection with (i) the presence in, on or under all Collateral and their other properties of any Hazardous Material, or any releases or discharges thereof on, under or from such property, (ii) any activity carried on or undertaken on or off such property, whether prior to or during the term of this Agreement, and whether by a Borrower, a contractor or any predecessor in title or any officers, employees, agents, contractors, or subcontractors of a Borrower, a contractor or any predecessor in title, or any third persons at any time occupying or present on such property, in connection with the handling, use, generation, manufacture, treatment, removal, storage, decontamination, clean-up, transport or disposal of any such Hazardous Material at any time located or present on or under such property, (iii) any and all other third party claims in connection with any of the Collateral or their other properties, or (iv) any breach of any representation, warranty or covenant under the terms of this Agreement. The foregoing indemnity shall further apply to any residual contamination affecting any natural resources, and to any contamination of any property or natural resources arising in connection with the generation, use, handling, storage, transport or disposal of any such Hazardous Material, and irrespective of whether any of such activities were or will be undertaken in accordance with applicable Governmental Regulations, and shall survive the termination of this Agreement and all of the other Loan Documents. The indemnity herein shall not apply to the extent of any gross negligence or willful misconduct on the part of the Agent or the Banks.

Section 5.14 ERISA Information and Compliance. Borrowers will furnish to the Agent (i) promptly after the filing thereof with the United States Secretary of Labor or the Pension Benefit Guaranty Corporation, copies of each annual and other report with respect to each Plan or any trust

created by either Borrower, and (ii) immediately upon becoming aware of the occurrence of any "reportable event," as such term is defined in Section 4043 of ERISA, or of any "prohibited transaction," as such term is defined in Section 4975 of the Internal Revenue Code of 1986, as amended, in connection with any Plan or any trust created by either Borrower, a written notice signed by the president, the chairman or the chief financial officer of each Borrower specifying the nature thereof, what action the applicable Borrower is taking or proposes to take with respect thereto, and, when known, any action taken by the Internal Revenue Service with respect thereto. Each Borrower will comply with all of the applicable funding and other requirements of ERISA as such requirements relate to the Plans of such Borrower.

Section 5.15 Charters. HOS shall perform all of its obligations in respect of, and observe all of the terms and provisions of, any charter of a HOS Vessel, and shall use its best efforts to keep all such agreements in full force and effect for the applicable term thereof. HOT shall perform all of its obligations in respect of, and observe all of the terms and provisions of, any charter of a HOT Vessel, and shall use its best efforts to keep all such agreements in full force and effect for the applicable term thereof. Notwithstanding the foregoing, no breach by a Borrower under a charter shall be a Default or Event of Default hereunder unless the result would have a material adverse effect on the financial condition of a Borrower or otherwise on a Borrower's ability to repay the Obligations.

Section 5.16 Intentionally omitted.

Section 5.17 Collateral Value. The Borrowers shall cause the fair market value of the Vessels (and other vessels of Guarantor Subsidiaries or (subject to the second sentence hereafter) other Subsidiaries of Guarantor included within the Collateral in accordance with subsections 3.01(h) and (i) hereof) at all times to be greater than or equal to two hundred (200%) percent of the Borrowing Base from time to time in effect. If from time to time, in order for Borrowers to comply with the preceding sentence, additional vessels are required to be mortgaged to the Agent, then (i) the Agent shall be entitled to choose in its sole and absolute discretion which additional vessel or vessels owned (subject to the next following sentence) by any Subsidiary of Guarantor, not otherwise subject to a mortgage Permitted Lien (as to the Borrowers) or a mortgage Lien securing Debt that otherwise does not violate this Agreement (as to any other Subsidiary of Guarantor), shall be so mortgaged so that Borrowers will be in compliance with the preceding sentence (and the parties acknowledge that the Borrowers may suggest what additional vessel or vessels they would prefer but such suggestions nevertheless shall not have the effect of impairing the fact that the selection is at the Agent's sole and absolute discretion), and (ii) the applicable Borrower(s) or Guarantor Subsidiary(ies) or other Subsidiary(ies) of Guarantor owning such vessel(s) shall promptly supplement and amend the applicable Collateral Documents and this Agreement, or enter into Collateral Documents, pursuant to documentation in form and substance satisfactory to the Agent, so as to grant to the Agent, for the ratable benefit of the Banks, first preferred ship mortgage liens (or the foreign equivalent) thereon and first priority security interests (or the foreign equivalent) in all related assets (see, subsections 3.01(a) - (d)), and in connection therewith Borrowers shall provide to the Agent evidence of insurance required under the Loan Documents and applicable Certificates of Documentation as to the vessels and vessel abstracts thereon showing the HOS Mortgage or the HOT Mortgage (or other first preferred ship mortgage, if by a Guarantor Subsidiary or other Subsidiary), as the case may be, as the only recorded Lien thereon. Notwithstanding the foregoing, to the extent necessary so that no Subsidiary formed outside the United States will be considered under the U.S. Internal Revenue Code (as amended) and the regulations promulgated thereunder (including without limitation Reg. Section 1.956-2(c)(2)) to be a pledgor or guarantor of the Obligations, the Agent agrees that in choosing additional vessels to be Collateral, it will not choose vessels owned by a Subsidiary formed outside the United States if the Borrowers, Guarantor Subsidiaries or other Subsidiaries formed within the United States own vessels that are not already Collateral and that are operating; provided, that the Borrowers acknowledge and agree that, without limiting each Bank's right to approve or disapprove increases in the Borrowing Base in its

sole discretion, any Bank's dissatisfaction with the additional collateral taken as a whole may be a reason for withholding its consent to an increase in the Borrowing Base. If the market value of the Vessels (and other vessels granted as Collateral) is greater than two hundred (200%) percent of the Borrowing Base, Borrowers shall not be entitled to the release of any Collateral without the written consent of all Banks. Borrowers shall not substitute vessels (and related assets) for existing Vessels that are Collateral without the written consent of the Required Banks. The parties hereto acknowledge and consent that on the Effective Date, the HOS GEMSTONE (Official Number 1141952) is being substituted for the HOS CORNERSTONE (Official Number 1091051) as a HOS Vessel.

Section 5.18 Appraisal. The Required Banks shall be entitled to require, at any time (but in any event only two (2) times during the term of this Agreement) that Agent obtain appraisals by the Surveyor relative to the Vessels. The foregoing limitation shall not apply (i) in connection with increases of the Borrowing Base and (ii) during the occurrence and continuance of any Default or Event of Default, in which event the Agent or the Required Banks shall be entitled to require by the Surveyor other appraisals relative to the Vessels. Borrowers shall, in accordance with Section 5.07 hereof, be liable for all expenses in connection with any such appraisals. In addition to the foregoing, the Required Banks may from time to time in their discretion obtain further appraisals by the Surveyor relative to the Vessels, at the pro-rata cost and expense of all the Banks (computed by reference to each Bank's respective Commitments).

Section 5.19 Deposit Accounts. Borrowers shall (and Borrowers shall cause Guarantor to) maintain their primary domestic deposit, collection and disbursement banking accounts at the Agent. The foregoing is not applicable to investment or foreign banking accounts of Borrowers and Guarantor or other banking related products.

[The rest of this page is intentionally blank.]

ARTICLE 6

NEGATIVE COVENANTS

Unless the Agent's and the Required Banks' (or, if required by Section 10.12 hereof, all the Banks') prior written consent to the contrary is obtained, Borrowers will at all times comply with the covenants contained in this Article 6 (or cause Guarantor compliance with the applicable covenants), from the date hereof and for so long as any part of the Obligations is outstanding.

Section 6.01 Liens. Neither Borrower will create, incur, assume, or permit to exist any Lien on any of its Collateral or other properties, except for:

(i) The security interests in its Collateral and any other Liens in favor of the Agent and the Banks to secure the Obligations;

(ii) Any other liens or security interests in favor of the Agent and the Banks;

(iii) Liens for taxes, assessments, or other governmental charges not yet due or which are being contested in good faith by appropriate action promptly initiated and diligently conducted, if such reserve as shall be required by generally accepted accounting principles shall have been made therefor;

(iv) Liens of landlords, carriers, warehousemen, mechanics, laborers, seamen (for the last voyage of the applicable Vessel or other vessel belonging to a Borrower) and materialmen arising by law in the ordinary course of business for sums either not yet due or being contested in good faith by appropriate action promptly initiated and diligently conducted, if such reserve as shall be required by generally accepted accounting principles shall have been made therefor;

(v) Precautionary Liens on property covered by capital leases;

(vi) Legal or equitable encumbrances deemed to exist by reason of negative pledge covenants and other covenants or undertakings of like nature (provided, that any such covenant or undertaking shall not apply to Borrowers' ability to grant Liens in favor of the Agent and the Banks);

(vii) Purchase money Liens granted by a Borrower on equipment (including vessels) of such Borrower that is not Collateral, securing the purchase price of such equipment; provided, that such Lien shall not extend to or cover any other property of either Borrower or Guarantor;

(viii) Liens granted by a Borrower on the vessels under construction on the Effective Date or other vessels acquired or constructed by a Borrower after July 19, 2001, securing Debt incurred by a Borrower for the acquisition of assets or construction of vessels by a Borrower after the Effective Date or securing refinances of such Debt (but not principal amounts over and above the principal amount(s) refinanced; and

(ix) Liens on property of a Borrower that is not Collateral, which Liens arise from a judgment or judgments against a Borrower; provided, that such Liens shall not exceed $500,000.00 in the aggregate during the term of the Loan and such Borrower shall nevertheless diligently contest any such judgment.

Section 6.02 Intentionally omitted.

Section 6.03 Dividends. Neither Borrower shall, and Borrowers shall cause Guarantor to not, declare or make any cash dividends, or reservations therefor, or make any distribution of cash or property, or both, in respect of any membership interests or shares of the capital stock, as the case may be, of either Borrower or of Guarantor; provided, that (i) Borrowers shall be permitted to make cash distributions, collectively, to Guarantor (x) that are simultaneously invested as equity in the other Borrower or a Subsidiary Guarantor, and (y) otherwise, of up to $2,000,000 in any calendar year in the aggregate for both Borrowers collectively, but in any such event under clause (x) or (y), only if there is no Default or Event of Default and the making of any such dividend shall not give rise to a Default or an Event of Default, and (ii) stock dividends (including any rights distributed pursuant to a stockholder rights plan), stock splits and reverse stock splits with respect to Guarantor shall be permitted; provided, further, that Borrowers shall promptly notify the Agent (or cause the Guarantor to notify the Agent) of any such permitted dividends, splits or reverse splits.

Section 6.04 Nature of Business. Neither Borrower will engage in any material respect in any business other than the marine vessel business, including any logistics services related thereto.

Section 6.05 Mergers and Consolidations; Asset Acquisitions; Guarantor Subsidiaries. (a) Neither Borrower will acquire, merge with or consolidate with any Person, nor will it sell, assign, lease or otherwise dispose of (whether in one transaction or in a series of transactions) any Collateral or all or substantially all of its property (whether now owned or hereafter acquired) to any Person; provided, that—

(x) a Borrower may merge with another Person (other than the other Borrower and the Guarantor) if, and only if, (1) such Borrower is the surviving entity, (2) the merging Person is primarily in the business of owning and/or operating vessels, (3) immediately preceding and after giving effect to such merger, (A) there is no Default or Event of Default and (B) the Borrowers shall have $10,000,000 in cash or cash equivalents in account(s) maintained at one or more Banks or otherwise available for the making of Advances under the Credit Line (taking into account the Credit Limit), (4) after giving effect to such merger, (A) such Borrower shall have at least as much tangible net worth as it had before giving effect to the merger and (B) had the merger occurred on the last day of the most recently ended fiscal quarter, the Leverage Ratio of Guarantor (on a consolidated basis with its Subsidiaries) would be at least 0.375 below the maximum ratio permitted under subsection 8.01(p) for such quarter end before an Event of Default otherwise would exist thereunder, and (5) Borrowers shall have provided the Agent at least fifteen (15) days advance notice of the merger and such information and materials in connection therewith that the Agent or any Bank reasonably requests, and

(y) a Borrower may acquire or form a Subsidiary if, and only if, (1) the Subsidiary is primarily in the business of owning and/or operating vessels or owning companies that primarily are in the business of owning and/or operating vessels, (2) immediately preceding and after giving effect to such acquisition or formation, (A) there is no Default or Event of Default and (B) the Borrowers shall have $10,000,000 in cash or cash equivalents in account(s) maintained at one or more Banks or otherwise available for the making of Advances under the Credit Line (taking into account the Credit Limit), (3) after giving effect to such acquisition or formation, had the acquisition or formation occurred on the last day of the most recently ended fiscal quarter, the Leverage Ratio of Guarantor (on a consolidated basis with its Subsidiaries, including the new Subsidiary) would be at least 0.375 below the maximum ratio permitted under subsection 8.01(p) for such quarter end before an Event of Default otherwise would exist thereunder, (4) such Borrower shall control the management and operations of such Subsidiary, (5)

simultaneously with the acquisition or formation of such Subsidiary, such Subsidiary shall (if required under subsection 3.01(h) hereof) execute and deliver to the Agent, for the ratable benefit of the Banks, a guaranty of the payment of the Obligations and also such Subsidiary or another Subsidiary shall grant collateral therefor as may be required under subsection 3.01(h) hereof or by the Required Banks in accordance with Section 5.17 hereof, (6) the Guarantor and the Borrowers shall not at any time be or become liable for such Subsidiary's Debts, then or thereafter arising, and (7) the Borrowers shall have provided the Agent at least fifteen (15) days advance notice of the acquisition and such information and materials in connection therewith that the Agent or any Bank reasonably requests.

(b) Other than with respect to new build vessels (including barges) constructed for or acquired by, a Borrower pursuant to construction contracts or acquisition agreements to which such Borrower from time to time is a party, neither Borrower will acquire or construct any vessel (including barges) or other capital assets unless (1) immediately preceding and after giving effect to such acquisition or new construction, (A) there is no Default or Event of Default and (B) the Borrowers shall have $10,000,000 in cash or cash equivalents in account(s) maintained at one or more Banks or otherwise available for the making of Advances under the Credit Line (taking into account the Credit Limit), (2) after giving effect to such acquisition or new construction, (A) such Borrower shall have at least as much tangible net worth as it had before giving effect to the acquisition and (B) had the acquisition occurred on the last day of the most recently ended fiscal quarter, the Leverage Ratio of Guarantor (on a consolidated basis with its Subsidiaries) would be at least 0.375 below the maximum ratio permitted under subsection 8.01(p) for such quarter end before an Event of Default otherwise would exist thereunder, and (3) Borrowers shall have provided the Agent at least fifteen (15) days advance notice of the acquisition or new construction and such information and materials in connection therewith that the Agent or any Bank reasonably requests.

If a Borrower desires to take any action contrary to the terms of this Section 6.05, the Agent and the Required Banks shall not unreasonably withhold their consent with respect thereto; provided, that before the Agent and the Banks decide whether to consent, the Agent and the Banks shall have been provided with all such information and materials that they request and had sufficient time to assess the proposed action and, further, if the Agent and the Required Banks so consent, then Guarantor and Borrowers and such other Persons as may be required by the Agent shall execute and deliver such documents as the Agent requires, in form and substance satisfactory to the Agent.

(c) Guarantor shall not, and Borrowers will not permit Guarantor to, acquire, merge with or consolidate with any Person, or sell, assign, lease or otherwise dispose of (whether in one transaction or in a series of transactions) all or substantially all of its property (whether now owned or hereafter acquired) to any Person; provided, that—

(x) the Guarantor may merge with another Person (other than either Borrower) if, and only if, (1) the Guarantor is the surviving entity, (2) the merging Person is primarily in the business of owning and/or operating vessels or owning companies that primarily own and/or operate vessels, (3) immediately preceding and after giving effect to such merger, (A) there is no Default or Event of Default and (B) the Borrowers shall have $10,000,000 in cash or cash equivalents in account(s) maintained at one or more Banks or otherwise available for the making of Advances under the Credit Line (taking into account the Credit Limit), (4) after giving effect to such merger, (A) the Guarantor shall have at least as much tangible net worth as it had before giving effect to the merger and (B) had the merger occurred on the last day of the most recently ended fiscal quarter, the Leverage Ratio of Guarantor (on a consolidated basis with its Subsidiaries) would be at

least 0.375 below the maximum ratio permitted under subsection 8.01(p) for such quarter end before an Event of Default otherwise would exist thereunder, and (5) the Guarantor shall have provided the Agent at least fifteen (15) days advance notice of the merger and such information and materials in connection therewith that the Agent or any Bank reasonably requests, and

(y) the Guarantor may acquire or form a Subsidiary if, and only if, (1) the Subsidiary is primarily in the business of owning and/or operating vessels or owning other companies that primarily are in the business of owning and/or operating vessels, (2) immediately preceding or after giving effect to such acquisition or formation, (A) there is no Default or Event of Default and (B) the Borrowers shall have $10,000,000 in cash or cash equivalents in account(s) maintained at one or more Banks or otherwise available for the making of Advances under the Credit Line (taking into account the Credit Limit), (3) after giving effect to such acquisition or formation, had the acquisition or formation occurred on the last day of the most recently ended fiscal quarter, the Leverage Ratio of Guarantor (on a consolidated basis with its Subsidiaries, including the new Subsidiary) would be at least 0.375 below the maximum ratio permitted under subsection 8.01(p) for such quarter end before an Event of Default otherwise would exist thereunder, (4) Guarantor shall control the management and operations of such Subsidiary, (5) simultaneously with the acquisition or formation of such Subsidiary, such Subsidiary shall (if required under subsection 3.01(h) hereof) execute and deliver to the Agent, for the ratable benefit of the Banks, a guaranty of the payment of the Obligations and also such Subsidiary or another Subsidiary shall grant collateral therefor as may be required under subsection 3.01(h) hereof or by the Required Banks in accordance with Section 5.17 hereof, (6) the Guarantor and the Borrowers shall not at any time be or become liable for such Subsidiary's Debts, then or thereafter arising, and (7) the Guarantor shall have provided the Agent at least fifteen (15) days advance notice of the acquisition and such information and materials in connection therewith that the Agent or any Bank reasonably requests.

If Guarantor desires to take any action contrary to the terms of this Section 6.05, the Agent and the Required Banks shall not unreasonably withhold their consent with respect thereto; provided, that before the Agent and the Banks decide whether to consent, the Agent and the Banks shall have been provided with all such information and materials that they request and had sufficient time to assess the proposed action and, further, if the Agent and the Required Banks so consent, then Guarantor and Borrowers and such other Persons as may be required by the Agent shall execute and deliver such documents as the Agent requires, in form and substance satisfactory to the Agent.

Section 6.06 ERISA Compliance. Neither Borrower will at any time permit any Plan maintained by it to engage in any "prohibited transaction" as such term is defined in Section 4975 of the Code; incur any "accumulated funding deficiency" as such term is defined in Section 302 of ERISA; or terminate any such Plan in a manner which could result in the imposition of a Lien on the property of such Borrower pursuant to Section 4068 of ERISA.

Section 6.07 Indenture Documents. Borrowers shall not amend, modify, supplement, refinance or waive (and Borrowers shall cause Guarantor to not amend, modify, supplement, refinance or waive) the Indenture Documents, or enter into other documents in connection therewith (and Borrowers shall cause Guarantor to not enter into other documents in connection therewith), including without limitation as to any refinance, to increase the interest rates or fees or premiums thereunder, to add any additional collateral thereunder, to increase or decrease the principal amount subject thereto if the incurrence of the Debt will result in a Default or an Event of Default, to add other circumstances that would require

prepayment of the underlying loans, to change any sections containing provisions relating to insurance requirements or the applications of insurance proceeds or other insurance-related matters, to change any sections containing provisions relating to asset sales, to change Section 4.09 thereof, to reduce any standstill periods, to place further restrictions on the ability of Borrowers or Guarantor to operate or conduct their business, to add any other defaults or events of default (or amend the definitions thereof in a manner that would be more restrictive on Borrowers, Guarantor, or any Subsidiaries), or to change the maturity, amortization and other payment schedules of the underlying loans. In addition, Borrowers shall not otherwise amend, modify, supplement, refinance or waive (and Borrowers shall cause Guarantor not to amend, modify, supplement, refinance or waive) the Indenture Documents in any manner so as to make any of the covenants therein more restrictive than when first executed or so as to result in a Default or Event of Default or provide for Borrower or the Guarantor to take or not take any action that could result in a Default or Event of Default. As to all other amendments, modifications, supplements, refinances and waivers to such documents, Borrowers shall provide to the Agent an executed copy promptly after the execution and delivery thereof. As of the Effective Date, the Banks and the Agent (i) understand that the Guarantor intends to amend or refinance the Indenture Obligations during the term of this Agreement, and (ii) acknowledge that if (x) the amended or refinanced Debt thereunder accrues interest at a rate per annum less than the per annum interest rate that the notes issued under the Indenture accrue on the Effective Date, (y) the amended or refinanced Debt thereunder is scheduled to mature later than the scheduled maturity of the notes issued under the Indenture in existence on the Effective Date, and (z) the debt incurrence covenants under the amended or refinanced Indenture are less stringent on the Guarantor than the debt incurrence covenants under Section 4.09 of the Indenture as in existence on the Effective Date, then such provisions shall not violate this Section 6.07; provided, that nothing in this sentence shall be construed as limiting the possible acceleration of the Maturity Date as set forth in the definition of such term in Section 1.02 hereof or as amending or otherwise modifying the debt incurrence provisions under this Agreement.

Section 6.08 Indenture Obligations and Other Debt Payments and Prepayments. Borrowers shall not pay (or allow same by an other Person) the Indenture Obligations or any other Debt (other than the Obligations and trade payables coming due in the ordinary course of business) incurred after December 31, 2001 if there is then existing a Default or an Event of Default or if doing so would give rise to a Default or an Event of Default. Borrowers shall not prepay (or allow same by any other Person) any Debt, other than (i) the Credit Loan, in accordance with this Agreement, (ii) trade payables, in the ordinary course of business, and (iii) as to all other Debt (including without limitation the Indenture Obligations), so long as there is no Default or Event of Default then existing and doing so would not give rise to a Default or an Event of Default and the Borrowers shall have $10,000,000 in cash or cash equivalents in account(s) maintained at one or more Banks or otherwise available for the making of Advances under the Credit Line (taking into account the Credit Limit), partial prepayments of such other Debt or the refinancing of any such other Debt in full. If any Debt is to be incurred by the Borrowers or the Guarantor for any prepayments, reference is hereby made to Section 10.12 hereof as to certain conditions that may have to be satisfied before the incurrence of such Debt.

Section 6.09 Loans. Borrowers, Guarantor Subsidiaries and Guarantor shall not lend or advance any money to any Person; provided, that (i) intra-company Debt, in an aggregate amount not to exceed $20,000,000 outstanding at any one time, owed by Guarantor, a Borrower, a Subsidiary or a less than 50%-owned Affiliate of a Borrower, Guarantor or a Guarantor Subsidiary to a Borrower, a Guarantor Subsidiary or Guarantor in connection with accounting allocations between such Persons (provided, further, that such Debt shall be unsecured and subordinated to the Obligations upon terms and conditions satisfactory to Agent) is permitted, (ii) loans or advances by Guarantor, a Borrower, or a Guarantor Subsidiary to Guarantor, a Borrower or a Guarantor Subsidiary (provided, further, that such Debt shall be unsecured and subordinated to the Obligations upon terms and conditions satisfactory to Agent) are permitted, (iii) loans or advances to officers, directors and employees of a Borrower or the Guarantor

made in the ordinary course of business and consistent with past practices of the Borrowers, Guarantor Subsidiaries, and the Guarantor in an aggregate amount not to exceed $500,000 outstanding at any one time, are permitted, and (iv) Guarantor, a Borrower or a Guarantor Subsidiary may provide financing to a Person in connection with such Person acquiring an ownership interest in a Subsidiary or a less than 50%-owned Affiliate of a Borrower, Guarantor or a Guarantor Subsidiary (and such financing shall be for no other purpose) where such Person's ownership interest is reasonably necessary, advisable or incidental to the conduct of business by such Subsidiary or Affiliate in a jurisdiction outside of the United States (provided, further, that (x) as to such a financing provided by a Guarantor Subsidiary that does not involve a transfer of equity in such Guarantor Subsidiary and as to any such financing provided by a Borrower or Guarantor, the Person acquiring the equity interest shall be acquiring it from the applicable Loan Party providing the financing, (y) no actual funds shall transfer from the Guarantor, a Borrower or a Guarantor Subsidiary in connection with any such financing and (z) no such financings in the aggregate shall be with respect to more than thirty percent (30%) of the equity of any such Subsidiary or more than 51% of the equity of any such Affiliate).

[The rest of this page is intentionally blank.]

ARTICLE 7

CONDITIONS

Section 7.01 General Conditions to Amendment and Restatement. The obligation of the Agent and the Banks to amend and restate the 2001 Credit Agreement is subject to (a) the accuracy of each and every representation and warranty of Borrowers and any other Loan Party made in this Agreement or any other Loan Document, or in any certificate delivered to the Agent and the Banks pursuant to or in connection with this Agreement, (b) the absence of a Default or Event of Default hereunder, and (c) the satisfaction of the following conditions: (i) Borrowers shall have paid or caused to be paid all fees and out-of-pocket expenses of the Agent in connection with the preparation, execution and delivery of all of the Loan Documents executed on the date of this Agreement and the consummation of the transactions contemplated thereby; and (ii) the Agent shall have received the following, each in form and substance satisfactory to the Agent and (except for the Notes) in sufficient counterparts:

(A) Duly executed counterparts of this Agreement signed by all the parties hereto.

(B) The duly executed Credit Notes, each dated the Effective Date.

(C) Duly executed counterparts of the Collateral Documents, including without limitation such confirmatory agreements and amendments and supplements as are required by the Agent.

(D) All consents to, waivers (other than those that are not required until the initial Advance in accordance with the further terms of this Section 7.01) and subordination agreements respecting the transactions contemplated hereby as may be required by the Agent.

(E) Certificates of good standing as to each Borrower, Guarantor, HOS-IV and HOT&T issued by the Secretary of State of their respective states of organization and from the other jurisdictions where Borrowers are qualified to conduct business.

(F) The duly executed certificate of the Secretary of each Borrower, HOS-IV and HOT&T setting forth (i) resolutions of its managers in form and substance satisfactory to the Agent with respect to the authorization of this Agreement and the other Loan Documents to which it is a party and the transactions contemplated hereby and thereby; (ii) the names and true signatures of the officers or other persons authorized to sign such instruments; and (iii) copies of the certificates of formation (and all prior merger or conversion, as the case may be, documentation) and the operating agreement of such Borrower, HOS-IV or HOT&T, as the case may be. If there have been no changes to the certificates of formation and operating agreement since the time that they previously were delivered, then a certificate to that effect from the applicable Loan Party will be acceptable.

(G) The duly executed certificate of the Secretary of Guarantor setting forth (i) resolutions of its directors in form and substance satisfactory to Agent with respect to the authorization of the Loan Documents to which it is a party and the transactions contemplated hereby and thereby; (ii) the names and true signatures of the officers authorized to sign such instruments; and (iii) copies of the certificate of incorporation and the bylaws of Guarantor. If there have been no changes to the certificate of incorporation

or bylaws since the time that they previously were delivered, then a certificate to that effect from Guarantor will be acceptable.

(H) Copies of (i) all charter agreements then effective and for longer than twelve (12) months relating to the HOT Vessels and the HOS Vessels, (ii) Certificates of Documentation for the HOT Vessels and the HOS Vessels, (iii) vessel abstracts for the HOT Vessels and the HOS Vessels showing the HOT Fleet Mortgage and the HOS Fleet Mortgage, as the case may be, as the only recorded Lien thereon.

(I) Evidence that the insurance as to the Borrowers required hereunder and under the other Loan Documents has been obtained and is in full force and effect.

(J) The fees set forth in Section 2.09 hereof or otherwise required under any other Loan Documents.

(K) A copy of each amendment or supplement changes to the Indenture since December 31, 2001.

(L) A certificate of Guarantor certifying as to the Effective Date Shareholders.

(M) Duly executed counterparts by the Borrowers of a Compliance Certificate.

(N) Any other document (including without limitation legal opinions of counsel to Borrowers and Guarantor) which the Agent may reasonably request.

Section 7.02 Conditions to Each Advance. The obligation of the Banks to make Advances after the Effective Date is subject to (a) the accuracy as of the date of such Advance of each and every representation and warranty of Borrowers and any other Loan Party made in this Agreement or any other Loan Document, or in any certificate delivered to the Agent and the Banks pursuant to or in connection with this Agreement, (b) the absence of a Default or Event of Default hereunder as of the date of such Advance, (c) the performance by each Borrower of the respective obligations to be performed hereunder on or before such date, or the satisfaction of other conditions hereunder on or before such date, including without limitation those obligations and conditions set forth in Section 2.02 hereinabove, and (d) the Agent shall have received on or before such date the following:

(A) A Draw Request Certificate.

(B) In connection with acquisitions, any other document which the Agent may reasonably request.

[The rest of this page is intentionally blank.]

ARTICLE 8

DEFAULT

Section 8.01 Events of Default. Any of the following events shall be considered an "Event of Default" as that term is used herein:

(a) Principal and Interest Payments; Fees. Borrowers fail to make payment when due of any installment of principal or interest on the Loans, or of any fee or any other Obligation or Debt to the Agent or any of the Banks, whether or not related to the Credit Loan, and (other than with respect to the payment due on the Maturity Date) such failure is not cured within three (3) Business Days after the applicable due date; or

(b) Representations and Warranties. Any representation or warranty made by a Borrower, Guarantor or a Guarantor Subsidiary under the Loan Documents proves to have been incorrect in any material adverse respect as of the date thereof, or any representation, statement (including financial statements), certificate or data furnished or made by a Borrower, Guarantor or a Guarantor Subsidiary (or any officer, accountant or attorney thereof) under the Loan Documents proves to have been untrue in any material adverse respect as of the date as of which the facts therein set forth were stated or certified; or

(c) Covenants. A Borrower, Guarantor or a Guarantor Subsidiary defaults in the observance or performance of any of the covenants or agreements contained in this Agreement, the Notes or any of the other Loan Documents (including without limitation Hedging Agreements) or any Hedging Arrangements, or any other present or future agreements relating to any Debt between a Borrower and the Banks, to be kept or performed by a Borrower or any such other Person (other than a default under any other paragraph of this Section 8.01) and such Default continues unremedied for a period of thirty (30) days after the earlier of (i) written notice thereof having been given by the Agent to Borrowers and (ii) such Default otherwise becoming known to the chief executive officer, president or chief financial officer of a Borrower; provided, that no such notice or cure period shall be applicable concerning a failure of the covenants under (x) Sections 5.05 and 5.08 or Article 6 of this Agreement, (y) Section 3.13 in each of the HOT Fleet Mortgage and the HOS Fleet Mortgage, (z) Section 4.1 of each of the HOS Security Agreement, the HOT Security Agreement; or

(d) Involuntary Bankruptcy or Receivership Proceedings. A receiver, conservator, liquidator or trustee of a Borrower, Guarantor or a Guarantor Subsidiary, or of any of their respective properties is appointed by order or decree of any court or agency or supervisory authority having jurisdiction; or an order for relief is entered against a Borrower, Guarantor or a Guarantor Subsidiary under the Federal Bankruptcy Code; or a Borrower, Guarantor or a Guarantor Subsidiary is adjudicated bankrupt or insolvent; or any material portion of the properties of a Borrower, Guarantor or a Guarantor Subsidiary is sequestered by court order and such order remains in effect for more than thirty (30) days after such party obtains knowledge thereof; or a petition is filed against a Borrower, Guarantor or a Guarantor Subsidiary under any reorganization, arrangement, insolvency, readjustment of debt, dissolution, liquidation or receivership law of any jurisdiction, whether now or hereafter in effect, and such petition is not dismissed within thirty (30) days; or

(e) Voluntary Petitions. A Borrower, Guarantor or a Guarantor Subsidiary files a case under the Federal Bankruptcy Code or seeks relief under any provision of any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation law of

any jurisdiction, whether now or hereafter in effect, or consents to the filing of any case or petition against it under any such law; or a Borrower, Guarantor or a Guarantor Subsidiary makes an assignment for the benefit of its creditors, or admits in writing its inability to pay its debts generally as they become due, or consents to the appointment of a receiver, trustee or liquidator of a Borrower, Guarantor or a Guarantor Subsidiary or of all or any part of their respective properties; or

(f) Invalidity of Loan Documents. (i) Any material provision of the Loan Documents shall for any reason cease to be valid and binding on a Borrower, Guarantor or a Guarantor Subsidiary after the Effective Date, or a Borrower, Guarantor or a Guarantor Subsidiary or any third party shall so state in writing, and (ii) such invalidity or the effect of such invalidity is not cured to the Agent's satisfaction within thirty (30) days after the earliest to occur of (x) notice from the Agent concerning its belief that a material provision is no longer valid and binding, (y) any written statement of a Borrower, Guarantor, or a Guarantor Subsidiary or any third party that a material provision is not valid and binding, or (z) the chief executive officer, president or chief financial officer of a Borrower, Guarantor or a Guarantor Subsidiary otherwise becomes aware that any material provision is not valid and binding; or

(g) Attachment. A writ or warrant of attachment or any similar process (in any such instance, a "writ") shall be issued by any court against all or any material portion of the respective properties of a Borrower, Guarantor or a Guarantor Subsidiary and such writ is not released or bonded within thirty (30) days after its entry; or

(h) Other Debt. A Borrower, Guarantor or a Guarantor Subsidiary defaults in the payment of any amounts due to any Person in connection with any Debt in excess of $5,000,000.00 in aggregate principal amount (other than the Indenture Obligations), or (other than as to vessel construction contracts covered under subsection 8.01(j) below) defaults in the observance or performance of any of the covenants or agreements contained in any credit agreements, indentures, notes, leases, contracts, collateral or other documents relating to a contract involving remaining Debt (including indemnity) obligations in excess of $5,000,000.00 to which either Borrower, Guarantor or a Guarantor Subsidiary is a party under which any such Debt was created or is governed, and any grace period applicable to any such default has elapsed without cure or waiver; or

(i) Undischarged Judgments. Judgment for the payment of money in excess of $1,000,000.00 (which is not covered by insurance) is rendered by any court or other governmental body against either Borrower, Guarantor or a Guarantor Subsidiary and such Borrower, Guarantor or such Guarantor Subsidiary does not discharge the same or provide for its discharge in accordance with its terms, or procure a stay of execution thereof within thirty (30) days from the date of entry thereof, and within said period of thirty (30) days from the date of entry thereof or such longer period during which execution of such judgment shall have been stayed, appeal therefrom and cause the execution thereof to be stayed during such appeal while providing such reserves therefor as may be required under generally accepted accounting principles; or

(j) Construction Contracts. Any default occurs under any construction contract for the construction of a vessel for HOS or HOT and any grace period available to a Borrower or the applicable contractor for any such default has elapsed without cure or waiver and such default results in termination of the contract for the construction of such vessel and payment obligations for remaining Debt owed by a Borrower as a result of such default are in excess of $5,000,000; or

(k) Citizenship. Either Borrower ceases to be a citizen of the United States of America within the meaning of Title 46, Section 802 of the United States Code; or

(l) Vessel Loss. There occurs a total loss of a Vessel, actual or constructive, or a compromised or arranged or otherwise agreed constructive loss of a Vessel, not fully covered by insurance (subject to permitted deductibles) and such Vessel is not replaced as Collateral with another vessel or vessels of the Required Banks' choosing in their sole and absolute discretion (as though additional Collateral were required under Section 5.17 hereof and in accordance with the requirements of such section) within thirty (30) days after such loss; or

(m) Minimum Guarantor Net Worth. Guarantor (on a consolidated basis with its Subsidiaries consistent with its audited financial statements as of December 31, 2003) fails to maintain a net worth of at least 80% of Guarantor's net worth at December 31, 2003 (on a consolidated basis with its Subsidiaries) as of the last day of each quarter, commencing March 31, 2004, increased annually at the end of each calendar year by fifty (50%) percent of Guarantor's net income (on a consolidated basis with its Subsidiaries consistent with its audited financial statements for the period ended December 31, 2003) for such year and ninety (90%) percent of the gross proceeds derived from all equity contributed to Guarantor during such year and reduced by the amount of net losses incurred to the extent of non-cash unamortized deferred finance charges, if any, written off in connection with any refinancing of the Indenture Obligations. For the purposes of this section, "net worth" shall mean the sum of common stock, preferred stock, capital surplus and retained earnings; or

(n) Minimum Guarantor Fixed Charge Coverage Ratio. Guarantor (on a consolidated basis with its Subsidiaries) as of the last day of each fiscal quarter fails to maintain a ratio of (i) EBITDA minus expenditures for the maintenance and recertification of assets (including drydocking, but excluding discretionary items such as vessel upgrades) incurred and paid during the applicable period of calculation of EBITDA, to (ii) Fixed Charges incurred, whether or not paid, during the applicable period of calculation of EBITDA, of greater than or equal to 1.30:1.00; or

(o) Intentionally deleted.

(p) Maximum Guarantor Leverage Ratio. Guarantor (on a consolidated basis with its Subsidiaries) as of the last day of each fiscal quarter fails to maintain a Leverage Ratio of less than or equal to 4.5:1.0; or

(q) Change in Control. There occurs a Change in Control; or

(r) Indenture Obligations. There occurs an "Event of Default" as defined in any of the Indenture Documents; provided, that a cure or waiver of such "Event of Default" under the Indenture Documents will automatically cure an Event of Default under this subsection 8.01(r); or

(s) Contract Payments. Either Borrower accepts, solicits or retains, or any third party on behalf of a Borrower accepts, solicits or retains, any amounts under Vessel charters (including without limitation contracts of affreightment) more than one (1) month in advance of when such amounts are to become due; or

(t) Surveys. The Borrowers do not provide to the Agent by March 31, 2004 surveys of the Vessels dated not earlier than April 1, 2003 from the Surveyor showing an aggregate orderly liquidation value of at least $120,000,000.

Section 8.02 Remedies. (a) Upon the happening of any Event of Default specified in Section 8.01 (other than subsections 8.01(d) or 8.01(e) thereof, (i) all obligations, if any, of the Agent or the Banks to make Advances to Borrowers shall immediately cease and terminate; and (ii) the Agent may, and at the written direction of the Required Banks shall (to the extent so directed), by written notice to Borrowers declare the entire principal amount of all Obligations then outstanding, including interest accrued thereon, to be immediately due and payable without presentment, demand, protest, notice of protest or dishonor or other notice of default of any kind, all of which are hereby expressly waived by Borrowers.

(b) Upon the happening of any Event of Default specified in subsections 8.01(d) or 8.01(e) hereof, (i) all obligations, if any, of the Agent or the Banks to make Advances to Borrowers shall immediately cease and terminate; and (ii) the entire principal amount of all Obligations then outstanding, including interest accrued thereon, shall, without notice or action by the Agent, be immediately due and payable without presentment, demand, protest, notice of protest or dishonor or other notice of default of any kind, all of which are hereby expressly waived by Borrowers.

(c) In addition to the foregoing, upon the happening of any of the events described in subsections (a) and (b) above, the Agent may, and at the written direction of the Required Banks shall (to the extent so directed), exercise any of the rights or remedies provided in the Collateral Documents and other Loan Documents or avail itself of any rights or remedies provided by applicable law.

Section 8.03 Set-Off. Upon the occurrence of any Event of Default, Agent and Banks shall have the right to set-off any funds of either Borrower in the possession of Agent or Banks against any Debt then due by Borrowers to the Agent or the Banks. Borrowers agree that any holder of a participation in any Note may exercise any and all rights of counter-claim, set-off, banker’s lien and other liens with respect to any and all monies owing by Borrowers to such holder as fully as if such holder of a participation were a holder of a note in the amount of such participation.

[The rest of this page is intentionally blank.]

ARTICLE 9

THE AGENT; SETOFF; RATABLE PAYMENTS

Section 9.01 Appointment and Authorization. (a) Each Bank appoints and authorizes the Agent to receive all payments of principal, interest, fees and other amounts payable by the Borrowers under this Agreement and to remit same that is payable to the Banks immediately to the Banks, to disburse the Advances from the Banks, and to take such action and to exercise such powers under this Agreement, the Notes, the Collateral Documents and the other Loan Documents as are delegated to the Agent by the Banks from time to time. The Agent shall promptly distribute to the Banks upon receipt, by the close of business on the next Business Day following receipt by the Agent, all payments and prepayments of principal, interest, fees and other amounts paid by the Borrowers under this Agreement that is payable to the Banks, in proportion to the Banks' Commitments or as otherwise set forth herein (such as under Section 2.17 hereof). Similarly, the Banks shall be obligated to fund Advances in proportion to their Borrowing Base Credit Commitments. The Agent may resign at any time by written notice to the Banks; the successor Agent shall be selected by the Required Banks from among the remaining Banks.

(b) Each Bank appoints and authorizes the Agent to hold this Agreement, the Collateral Documents and all other Loan Documents (except for the Notes and Hedging Agreements, which will be held by the respective Banks party thereto), and to take such action and exercise such powers under this Agreement, the Notes, the Collateral Documents and the other Loan Documents as are delegated to the Agent by the Banks from time to time. Any requests by the Borrowers for consent by the Banks or waiver or amendment of provisions of this Agreement shall be delivered by the Borrowers to the Agent, but favorable action on such requests shall require the approval of the Required Banks or all of the Banks, as the case may be.

(c) Each Bank appoints and authorizes the Agent to supervise the syndication of the Loans to a group of financial institutions identified by the Agent in consultation with the Borrowers in accordance with the provisions of Section 9.06 hereof.

Section 9.02 Agent's Reliance. Neither the Agent nor any of its directors, officers, agents or employees shall be liable for any action taken or omitted to be taken by it under or in connection with this Agreement, the Notes, the Collateral Documents or the other Loan Documents, except for its or their own gross negligence or willful misconduct. Without limiting the generality of the foregoing, the Agent: (i) may treat the payee of any of the Notes as the holder thereof until the Agent receives written notice of the assignment or transfer thereof, signed by such payee and in form satisfactory to the Agent; (ii) may consult with legal counsel (including counsel for the Borrowers), independent public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken by it in good faith in accordance with the advice of such counsel, accountants or experts; (iii) makes no warranty or representation to any Bank and shall not be responsible to any Bank for any statements, warranties or representations made in or in connection with this Agreement, the Notes, the Collateral Documents and the other Loan Documents; (iv) shall not have any duty to ascertain or to inquire as to the performance or observance of any of the terms, covenants or conditions of this Agreement, the Notes, the Collateral Documents or the other Loan Documents, or to inspect any property (including the books and records) of the Borrowers; (v) shall not be responsible to any Bank for the due execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement, the Notes, the Collateral Documents or the other Loan Documents; and (vi) shall incur no liability under or in respect to this Agreement, the Notes, the Collateral Documents or the other Loan Documents by acting upon any notice, consent,

certificate or other instrument or writing (which may be by facsimile, telegram, cable or telex) believed by it to be genuine and signed or sent by the proper party or parties.

Section 9.03 Acts by Agent after Default, etc. In the event that the Agent shall have been notified in writing by any of the Borrowers or the Banks of any Default or Event of Default (or in the event that the officer of the Agent responsible for the Borrowers' account obtains actual knowledge of a Default or an Event of Default), the Agent (a) shall immediately notify the Banks; (b) shall take such action and assert such rights under this Agreement as it is expressly required to do pursuant to the terms of this Agreement with the consent of the Required Banks; (c) may take such other actions and assert such other rights as it deems advisable, in its discretion, for the protection of the interests of the Banks pursuant to applicable laws with the consent of the Required Banks; and (d) shall inform all the Banks of the taking of action or assertion of rights pursuant to this Section. Each Bank agrees with the Agent and the other Banks that the decisions and determinations of the Required Banks in enforcing this Agreement, the Notes, the Collateral Documents and other applicable Loan Documents and guiding the Agent in those matters shall be binding upon all the Banks, including without limitation authorizing the Agent at the pro rata expense of all the Banks (to the extent not reimbursed by the Borrowers) to retain attorneys to seek judgment on this Agreement, the Notes, the Collateral Documents and other applicable Loan Documents. Each Bank agrees with the other Banks that it will not, without the consent of the other Banks, separately seek to institute any legal action with respect to the Credit Loan against the Borrowers, the Guarantor or any other party executing documents in favor of the Agent or the Banks; provided, that a Bank party to a Hedging Agreement or Hedging Arrangement shall be entitled to enforce the applicable Borrower's payment obligations thereunder.

Section 9.04 Bank Credit Decision. Each Bank acknowledges that it has, independently and without reliance upon the Agent or any other Bank and based on the financial statements referred to herein and such other documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Bank also acknowledges that it will, independently and without reliance upon the Agent or any other Bank and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement, the Notes, the Collateral Documents and the other Loan Documents.

Section 9.05 Agent. The Agent shall have the same rights and powers under this Agreement, the Notes, the Collateral Documents and the other Loan Documents as any other Bank and may exercise the same as though it were not the Agent; and the term "Bank" or "Banks" shall, unless otherwise expressly indicated, include Agent in its individual capacity. The Agent may accept deposits from, lend money to, act as trustee under indentures of, and generally engage in any kind of business with Borrowers as if the Agent were not the Agent and without any duty to account therefor to the Banks.

Section 9.06 Assignments and Participations. (a) No Bank may assign to any other Person any portion of its interests, rights and obligations under this Agreement (including, without limitation, any portion of its Commitment or the Credit Loan at the time owing to it and Note held by it) unless each of the following conditions is or has been satisfied: (i) the Agent has given its prior written consent (which consent will not be unreasonably withheld), (ii) so long as there is not then existing an Event of Default, the Borrowers have given their prior written consent (which consent will not be unreasonably withheld), (iii) each such assignment is of a constant, and not a varying, percentage of all the assigning Bank's rights and obligations under this Agreement, (iv) the assignment is for a Commitment of $5,000,000.00 or more (or if a Bank's Commitment is for less than $5,000,000, then such Bank may sell all of its Commitment), (v) the parties to such assignment have executed and delivered to the Agent an Assignment and Acceptance, substantially in the form of Exhibit C hereto (the "Assignment and Acceptance"), together with the Note subject to such assignment, one or more signature pages to this Agreement containing the

signature of the assignee, and (following the Effective Date, as defined in the applicable Assignment and Acceptance) payment by the assignee to the Agent for its own account of an assignment administration fee in the amount of $3,500.00, (vi) either the assignor or assignee shall have paid the Agent's and any Bank's costs and expenses (including without limitation attorneys fees and expenses) in connection with the assignment if, in accordance with Section 5.07 hereof, such costs and expenses are not to be borne by Borrowers, (vii) the Agent shall have delivered to the Borrowers a fully executed copy of such Assignment and Acceptance, and (viii) the assignee is (A) a state or national commercial bank or other financial institution located in the United States or (B) a bank or other financial institution organized under a jurisdiction other than the United States, provided that such foreign bank or other financial institution has provided the Agent and the Borrowers with forms prescribed by the Internal Revenue Service certifying as to such Bank's status for purposes of determining exemption from United States withholding taxes with respect to all payments to be made to such Bank hereunder, and provided further that such foreign bank or other financial institution shall not transfer its interests, rights and obligations under this Agreement to any affiliate of such foreign bank or other financial institution unless such affiliate provides the Agent and the Borrowers with the aforesaid tax forms; provided, that with respect to clause (ii) above, the Borrowers' consent also shall not be required as to an assignment by a Bank of all of its Commitment if such assignment is part of a sale or assignment of all or substantially all of either that Bank's assets or its marine transactions portfolio and the acquiring Person is a bank or financial institution not affiliated with any company engaged in marine transportation and is not a creditor of the Borrowers or the Guarantor with respect to other Debts. Upon satisfaction of each of the foregoing conditions and upon acceptance and notation by the Agent, from and after the effective date specified in each Assignment and Acceptance, which effective date shall be at least five (5) Business Days after the execution thereof, (x) the assignee thereunder shall be a party hereto and, to the extent provided in such Assignment and Acceptance, have the rights and obligations of a Bank, and (y) the assigning Bank shall, to the extent provided in such assignment, be released from its obligations under this Agreement. Notwithstanding the foregoing, the restrictions contained above in this subsection 9.06(a) shall not apply to assignments to any Federal Reserve Bank, and the conditions set forth in clauses (i) and (ii) above shall not apply to assignments by any Bank to any Person which controls, is controlled by, or is under common control with, or is otherwise substantially affiliated with that Bank.

(b) Upon its receipt of an Assignment and Acceptance executed by the parties to such assignment together with the Note subject to such assignment and the written consent of the Agent and the Borrowers to such assignment, the Agent shall give prompt notice thereof to the Borrowers and the Banks. Within five (5) Business Days after receipt of such notice, the Borrowers at their own expense, shall execute and deliver to the Agent, in exchange for the surrendered Note, a new Note to the order of such assignee(s) in an amount equal to the amount assumed by such assignee pursuant to such Assignment and Acceptance and, if the assigning Bank has retained some portion of its obligations hereunder, a new Note to the order of the assigning Bank in an amount equal to the amount retained by it hereunder. Such new Notes shall be in an aggregate principal amount equal to the aggregate principal amounts of the surrendered Note, shall be dated the effective date of such Assignment and Acceptance and shall otherwise be in the form of the assigned Note. The surrendered Note shall be canceled and returned to the Borrowers. The Agent shall have the right to substitute a revised Schedule 1 hereto to reflect the respective Commitments (and Borrowing Base Credit Commitments) following each such assignment.

(c) Each Bank, without the consent of the Agent, the other Banks or the Borrowers, may sell participations to one or more banks or other financial institutions not affiliated with any company engaged in marine transportation and not a creditor of the Borrowers or the Guarantor with respect to other Debts (and such bank or banks or financial institution or financial institutions shall be bound by the terms of this Agreement, including without limitation this Section 9.06) in all or a portion of the Credit Loan (including its Commitment) under this Agreement; provided, that the selling Bank shall

retain the sole right and responsibility to enforce the obligations of the Borrowers relating to the Credit Loan and that the only rights granted to the participant pursuant to such participation arrangements with respect to waivers, amendments or modifications of this Agreement shall be the right to approve waivers, amendments, or modifications which require the consent of all of the Banks as provided in Section 10.12 hereof.

Section 9.07 Indemnification of the Agent. The Banks ratably (computed by reference to each Bank's respective Commitment) shall indemnify the Agent, its respective affiliates and the respective shareholders, directors, officers, employees, agents and counsel of the foregoing (each an "Agent Indemnitee") and hold each Agent Indemnitee harmless from and against any and all claims (whether groundless or otherwise), liabilities, losses, damages, costs and expenses of any kind, including, without limitation, (i) the reasonable fees and disbursements of counsel for which the Agent has not been reimbursed by the Borrowers and (ii) any expenses for which the Agent has not been reimbursed by the Borrowers as required by this Agreement, which may be incurred by such Agent Indemnitee arising out of or related to this Agreement or the transactions contemplated hereby, or the Agent's actions taken hereunder; provided, that (x) no Agent Indemnitee shall have the right to be indemnified hereunder for such Agent Indemnitee's own gross negligence or willful misconduct, as determined by a court of competent jurisdiction, or to the extent that such claim relates to the breach by such Agent Indemnitee of its obligations under this Agreement, and (y) insofar as the Agent may also be a Bank, the foregoing indemnification in favor of the Agent shall not apply to claims, liabilities, losses, damages, costs and expenses incurred in its capacity as a Bank. The foregoing shall survive the termination of this Agreement.

Section 9.08 Setoff. In addition to, and without limitation of, any rights of the Banks under applicable law, if either Borrower or any other Loan Party becomes insolvent, however evidenced, or any Event of Default occurs, any and all deposits (including all account balances, whether provisional or final and whether or not collected or available) and any other Obligations at any time held or owing by any Bank or any Affiliate of any Bank to or for the credit or account of either Borrower or any other Loan Party may be offset and applied toward the payment of the Obligations owing to such Bank, whether or not the Obligations, or any part thereof, shall then be due.

Section 9.09 Ratable Payments. If any Bank, whether by setoff or otherwise, has payment made to it upon the Obligations owing to it (other than payments received pursuant to Sections 2.12, 2.13 or 2.14) in a greater proportion than that received by any other Bank, such Bank agrees, promptly upon demand, to purchase a portion of the Obligations held by the other Banks so that after such purchase each Bank will hold its proportionate share of the Borrowing Base Credit Commitments. If any Bank, whether in connection with setoff or amounts which might be subject to setoff or otherwise, receives Collateral or other protection for its Obligations or such amounts which may be subject to setoff, such Bank agrees, promptly upon demand, to take such action necessary such that all Banks share in the benefits of such Collateral ratably in proportion to their respective Borrowing Base Credit Commitments. In case any such payment is disturbed by legal process, or otherwise, appropriate further adjustments shall be made.

[The rest of this page is intentionally blank.]

ARTICLE 10

MISCELLANEOUS

Section 10.01 Notices. Any notice or demand which, by provision of this Agreement, is required or permitted to be given or served by one party to or on another shall be deemed to have been sufficiently given and served for all purposes (if mailed) three calendar days after being deposited, postage prepaid, in the United States mail, registered or certified mail, or (if delivered by express courier) one calendar day after being delivered to such courier, or (if delivered in person) the same day as delivery, in each case addressed (until another address or addresses are given in writing) as follows:

If to Borrowers:

Hornbeck Offshore Services, LLC
103 Northpark Blvd., Suite 300
Covington, LA 70433
Attn: Mr. Todd M. Hornbeck

and

Hornbeck Offshore Transportation, LLC
103 Northpark Blvd., Suite 300
Covington, LA 70433
Attn: Mr. Todd M. Hornbeck

If to Agent:

Hibernia National Bank, as Agent
313 Carondelet Street
New Orleans, LA 70130
Attn: Mr. Gary Culbertson

If to Banks:

At the addresses set forth on Schedule 1 hereto.

Section 10.02 Invalidity. In the event that any one or more of the provisions contained in this Agreement, the Notes, the Collateral Documents or the other Loan Documents shall, for any reason, be held invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision of this Agreement, the Notes, the Collateral Documents or the other Loan Documents.

Section 10.03 Successors and Assigns. All covenants and agreements by or on behalf of the Borrowers, the Agent or the Banks contained in the Loan Documents shall bind their respective successors and assigns and shall inure to the benefit of the Agent, the Banks and the Borrowers and their respective successors and assigns.

Section 10.04 Renewal, Extension or Rearrangement. All provisions of this Agreement relating to the Notes shall apply with equal force and effect to each and all promissory notes or security instruments hereinafter executed which in whole or in part represent a renewal, extension for any period, increase or rearrangement of any part of the Notes.

Section 10.05 Waivers. No course of dealing on the part of the Agent, any Bank, their respective officers, employees, consultants or agents, nor any failure or delay by the Agent or any Bank with respect to exercising any of their rights, powers or privileges under this Agreement, the Notes, the Collateral Documents or the other Loan Documents shall operate as a waiver thereof.

Section 10.06 Cumulative Rights. The rights and remedies of Agent and Banks under this Agreement, the Notes, the Collateral Documents or the other Loan Documents shall be cumulative, and the exercise or partial exercise of any such right or remedy shall not preclude the exercise of any other right or remedy.

Section 10.07 Singular or Plural. Words used herein in the singular, where the context so permits, shall be deemed to include the plural or vice versa. The definitions of words in the singular herein shall apply to such words when used in the plural where the context so permits and vice versa.

Section 10.08 CONSTRUCTION. THIS AGREEMENT IS, AND THE NOTES WILL BE, CONTRACTS MADE UNDER AND SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE UNITED STATES OF AMERICA AND THE INTERNAL LAWS OF THE STATE OF LOUISIANA.

Section 10.09 Titles of Articles, Sections and Subsections. All titles or headings to articles, sections, subsections or other divisions of this Agreement or the exhibits hereto are only for the convenience of the parties and shall not be construed to have any effect or meaning with respect to the other content of such articles, sections, subsections or other divisions, such other content being controlling as to the agreement between the parties hereto.

Section 10.10 Limitation of Liability. The Loan Documents are executed by officers of the Agent and the Banks, and by acceptance of the Credit Line, Borrowers agree that for the payment of any claim or the performance of any obligations hereunder resulting from any default by the Agent or any of the Banks, resort shall be had solely to the assets and property of the defaulting Agent or Bank, and no shareholder, officer, employee or agent of the defaulting Agent or Bank shall be personally liable therefor.

Section 10.11 Relationship Between the Parties. The relationship between the Agent and the Banks, on the one hand, and Borrowers on the other, shall be solely that of lender and borrower, and such relationship shall not, under any circumstances whatsoever, be construed to be a joint venture, joint adventure or partnership. Neither the Agent nor any Bank has any fiduciary obligation to either Borrower, Guarantor or any Subsidiary with respect to this Agreement or the transactions contemplated hereby.

Section 10.12 Amendment; Waiver. No amendment or waiver of any provision of this Agreement or any other Loan Document (other than Hedging Agreements and Hedging Arrangements) or consent to any departure therefrom by Borrowers or the Banks shall be effective unless the same shall be in writing and signed by Borrowers, the Agent and the Required Banks; provided, that without the written consent of all of the Banks, no amendment or waiver to this Agreement or any other Loan Document (other than Hedging Agreements and Hedging Arrangements) shall (i) change the scheduled payment dates or maturity of the Credit Loan, or (ii) change the principal of or the rate or time of payment of interest or any premium payable with respect to any Note or the fees payable under Section 2.09, or (iii) increase the Commitments, or (iv) release any of the Borrowers, or affect the time, amount or allocation of any required prepayments, or (v) effect the release of any Collateral (except as contemplated by Sections 5.17 and 8.01(1)) or any guarantor of the Obligations or subordinate the rights of the Agent and the Banks with respect to Collateral, or (vi) reduce the proportion of the Required Banks required with respect to any consent, or (vii) change the application of payments under Sections 2.09 and 2.17 hereof,

or (viii) change the definition of Required Banks or amend this Section 10.12, or (ix) increase or decrease the Borrowing Base. In addition, but subject to those amendments that require the approval of all Banks, if a Borrower or the Guarantor incurs from time to time additional Debt (other than Obligations) in excess of $30,000,000 not in existence on the Effective Date, then the Required Banks shall be entitled to require such amendments to this Agreement and the other Loan Documents as they deem to be reasonably appropriate in light of the terms and conditions of such Debt; provided, that (A) absent there being any Default or Event of Default and absent any circumstances in connection with the incurrence of such Debt that would require a waiver or amendment of the terms and conditions of this Agreement, for example at Section 6.05 hereof (although nothing herein implies or should be deemed to imply that the Agents or the Banks would agree to any waiver or amendment) and (B) the Leverage Ratio would not have been violated on the last day of the fiscal quarter preceding the incurrence of such Debt had such Debt been incurred on such date, then the Required Banks shall not be entitled to require amendments to the definitions of Applicable Margin, EBITDA and Net Debt hereunder and Sections 2.09, 5.07, 5.17, 6.05, 6.08, 8.01(n) and 8.01(p) hereof. Banks not party to a Hedging Agreement or Hedging Arrangement shall not be entitled to consent to any amendments or other modifications thereto of waivers thereof. Bank Affiliates shall not be entitled to consent to any amendments or other modifications to, or waivers of the Loan Documents, other than their applicable Hedging Agreements as Hedging Arrangements.

Section 10.13 Entire Agreement. This Agreement and the other Loan Documents supersede all prior written or oral understandings with respect to the transactions contemplated hereby and thereby. Borrowers are not relying upon any representation by the Agent, any of the Banks or any representative thereof, and no representation has been made, that the Agent or any Bank will, at the time of an Event of Default or Default, or at any other time, waive, negotiate, discuss or take or refrain from taking any action with respect to any such Event of Default or Default.

Section 10.14 Time of the Essence. Time shall be deemed of the essence with respect to the performance of all of the terms, provisions and conditions on the part of Borrowers, the Agent and the Banks to be performed hereunder.

Section 10.15 Counterparts. This Agreement may be executed in multiple counterparts, and it shall not be necessary that the signatures of all parties hereto be contained on any one counterpart hereof; each counterpart shall be deemed an original, but all of which together shall constitute one and the same instrument.

Section 10.16 Interest. It is the intention of the parties hereto to conform strictly to applicable usury laws as presently in effect. Accordingly, notwithstanding the designation of Louisiana law pursuant to Section 10.08 hereof, if the transactions contemplated hereby are held by a final judgment of a court of competent jurisdiction to be usurious under applicable law (including the laws of the United States of America or any state other than Louisiana), then, in that event, notwithstanding anything to the contrary in this Agreement, the Notes, the Collateral Documents or the other Loan Documents, the parties hereto agree as follows: (i) the aggregate of all consideration which constitutes interest under applicable law that is contracted for, charged or received under the Loan Documents shall under no circumstances exceed the maximum amount of interest allowed by applicable law, and any excess shall be credited on the Obligations (or, if the Obligations shall have been paid in full, refunded to Borrowers for division between themselves as they deem appropriate), and (ii) in the event that the maturity of the Obligations is accelerated by reason of an election of the holder thereof resulting from any Event of Default under this Agreement or otherwise, or in the event of any prepayment, then such consideration that constitutes interest may never include more than the maximum amount allowed by applicable law, and excess interest, if any, provided for in this Agreement or otherwise shall be canceled automatically as of the date of such acceleration or prepayment and, if theretofore paid, shall be credited on the Obligations (or, if the

Obligations shall have been paid in full, refunded to Borrowers for division between themselves as they deem appropriate).

Section 10.17 NO THIRD PARTY BENEFICIARY. THERE SHALL BE NO THIRD PARTY BENEFICIARY OF THIS AGREEMENT, INCLUDING WITHOUT LIMITATION BANK AFFILIATES, GUARANTOR, INDENTURE NOTEHOLDERS AND THE INDENTURE TRUSTEE.

Section 10.18 SOLIDARY LIABILITY. EACH BORROWER ACKNOWLEDGES AND AGREES THAT IT IS SOLIDARILY (JOINTLY AND SEVERALLY) LIABLE WITH THE OTHER BORROWER FOR THE PAYMENT AND PERFORMANCE OF ALL OBLIGATIONS FROM TIME TO TIME OWING HEREUNDER AND UNDER THE OTHER LOAN DOCUMENTS EXECUTED BY EITHER OR BOTH OF THE BORROWERS.

Section 10.19 WAIVERS OF JURY TRIAL. BORROWERS, THE AGENT AND THE BANKS HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVE TRIAL BY JURY IN ANY LEGAL ACTION OR PROCEEDING RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT AND FOR ANY COUNTERCLAIM THEREIN.

Section 10.20 Bank Affiliates. No Bank Affiliate party to any Hedging Agreement with Borrowers shall have any rights under this Agreement or the other Loan Documents (other than its Hedging Agreement), except with respect to its rights under, but subject to the terms and conditions of, Section 2.17 hereof to receive proceeds of Collateral or as a result of the Agent's exercise of other rights and remedies under the Loan Documents. No Bank Affiliate shall be a third party beneficiary in any respect whatsoever of any of the terms and conditions of this Agreement (including without limitation as to any amendments to or waivers of Section 2.17) or the other Loan Documents.

[The rest of this page is intentionally blank.]

IN WITNESS WHEREOF, the parties hereto have caused this instrument to be duly executed on the date first above written.

HORNBECK OFFSHORE SERVICES, LLC

By: /s/ Todd M. Hornbeck

Name: Todd M. Hornbeck
Title: President and Chief Executive Officer

HORNBECK OFFSHORE TRANSPORTATION, LLC

By: /s/ Todd M. Hornbeck

Name: Todd M. Hornbeck
Title: President and Chief Executive Officer

HIBERNIA NATIONAL BANK, as Agent

By: /s/ Gary Culbertson

Name: Gary Culbertson
Title: Vice President

HIBERNIA NATIONAL BANK, as a Bank

By: /s/ Gary Culbertson

Name: Gary Culbertson
Title: Vice President

FORTIS CAPITAL CORP.

By: /s/ K. DeLathanwer

Name: K. DeLathanwer
Title: Senior Vice President

By: /s/ Carl Rasmussen

Name: Carl Rasmussen
Title: Vice President

SOUTHWEST BANK OF TEXAS, N.A.

By: /s/ Ross Bartley

Name: Ross Bartley
Title: Assistant Vice President

[Signatures continued on next page.]

DVB BANK AKTIENGESELLSCHAFT

By: /s/ Sylven Hoelitz

Name: Sylven Hoelitz
Title: Senior Vice President

By: /s/ Gorm Eikemo

Name: Gorm Eikemo
Title: Vice President

WELLS FARGO BANK, N.A.

By: /s/ C. Lauinger III

Name: C. Lauinger III
Title: Vice President

ACCEPTED AND AGREED TO:

HORNBECK OFFSHORE SERVICES, INC.
HOS-IV, LLC
HORNBECK OFFSHORE TRINIDAD & TOBAGO, LLC

By: /s/ Todd M. Hornbeck

Name: Todd M. Hornbeck
Title: President and Chief Executive Officer

The President and Chief Executive Officer of all of the aforementioned companies has executed this Agreement intending that all the companies named above are bound and to be bound by the one signature as if he had executed this Agreement separately for each company.

LIST OF SCHEDULES

1	Commitments of the Banks
4.07	Investments and Guaranties
4.08	Liabilities and Litigation
4.13	Compliance with the Law

LIST OF EXHIBITS

A	Form of Credit Note
B	Form of Draw Request Certificate (§2.02)
C	Form of Assignment and Acceptance (§9.06(a))

SCHEDULE 1

Commitments of the Banks

Name and Address of Bank	Credit Commitment of Bank	Borrowing Base Credit Commitment of Bank
Hibernia National Bank 313 Carondelet Street New Orleans, LA 70130 Attn: Mr. Gary Culbertson	$ 20,000,000.00	$ 12,000,000.00
Fortis Capital Corp. Three Stamford Plaza 301 Tresser Boulevard Stamford, CT 06901 Attn: Mr. Carl Rasmussen	$ 20,000,000.00	$ 12,000,000.00
Southwest Bank of Texas, N.A. 5 Post Oak Park 4400 Post Oak Parkway Houston, TX 77027 Attn: Mr. Edward Bowdon	$ 20,000,000.00	$ 12,000,000.00
DVB Bank Aktiengesellschaft 609 Fifth Avenue 5th Floor New York, NY 10017 Attn: Mr. Gorm Eikemo	$ 20,000,000.00	$ 12,000,000.00
Wells Fargo Bank, N.A. Energy Services and Equipment Group 1000 Louisiana Street Third Floor Houston, TX 77002 Attn: Mr. Philip Lauinger III	$ 20,000,000.00	$ 12,000,000.00

SCHEDULE 4.07

Investments and Guaranties

None.

SCHEDULE 4.08

Liabilities and Litigation

HOT is party to an environmental clean-up matter regarding SBA Shipyards, Inc., Jennings, Louisiana. The matter involves remediation resulting from work performed by SBA Shipyards, Inc. for approximately 20 companies (former customers of SBA Shipyards, Inc.). HOT's Participation Allocation is estimated to be 2.2%.

SCHEDULE 4.13

Compliance with the Law

None.

EXHIBIT A

[Form of Credit Note attached]

CREDIT NOTE

$______________ [Date]

Maturity Date: February 13, 2009 (subject to possible automatic acceleration as set forth in the Credit Agreement referred to below) New Orleans, Louisiana

FOR VALUE RECEIVED, the undersigned HORNBECK OFFSHORE SERVICES, LLC, a Delaware limited liability company, and HORNBECK OFFSHORE TRANSPORTATION, LLC, a Delaware limited liability company (collectively, the "Borrowers"), hereby promise to pay to the order of ______________ (the "Lender") at the office of Hibernia National Bank (herein called the "Agent"), 313 Carondelet Street, New Orleans, Louisiana 70130, the principal sum of __________ and 00/100 ($______.00) Dollars, or so much thereof as may be advanced pursuant to the Amended and Restated Credit Agreement dated as of February 13, 2004 among the Borrowers, the banks and other financial institutions from time to time party thereto and the Agent, as same may be amended from time to time (herein called the "Credit Agreement"), whichever is less.

The credit advice resulting from the deposit of the proceeds of any disbursement hereunder in the Borrowers' account with the Agent, or the Agent's copy of any cashier's check representing all or any part of the proceeds of the disbursements shall be deemed prima facie evidence of the Borrowers' indebtedness to the Bank on the Credit Line.

The unpaid principal of this Note shall bear interest at one (or both) of the following interest rates, at the Borrowers' option from time to time: (i) Prime Rate plus the Applicable Margin or (ii) Floating Rate plus the Applicable Margin, as more particularly set forth in the Credit Agreement. The Borrowers shall select the interest rate applicable to each Advance or other portion of the Credit Loan outstanding (or such interest rate shall otherwise be determined) in accordance with the provisions of the Credit Agreement. Interest after maturity of this Note for any reason whatsoever shall be increased to the Prime Rate plus the Applicable Margin plus 3% per annum and shall be payable on demand. Interest shall be computed as set forth in the Credit Agreement.

The Borrowers may or shall from time to time prepay the principal of this Note, and reborrow, in whole or in part, in accordance with the Credit Agreement. Any prepayment of the principal of this Note shall include accrued interest to the date of prepayment on the principal amount being prepaid and any applicable premium or fee.

Interest on Advances accruing interest based on the Prime Rate interest option shall be payable monthly in arrears on the last day of each month beginning February 29, 2004 and on any conversion thereof to accrue interest based on the Floating Rate interest option. Interest on Advances accruing interest based on the Floating Rate interest option shall be payable on the last day of each Interest Period (30, 60, 90 or 180 days), and in the case of 180 day Interest Periods, also at the end of the first 90 days thereof. The outstanding principal on this Note shall be payable in full at maturity of this Note on the Maturity Date.

This Note is a Credit Note issued pursuant to and is entitled to the benefit of the Credit Agreement. Reference is made to the Credit Agreement for provisions for the acceleration of the maturity

hereof on the occurrence of certain events specified therein, the definition of capitalized terms not otherwise defined herein, and for all other pertinent purposes.

All payments and prepayments made by the Borrowers hereunder shall be made to the Agent in lawful money of the United States, in immediately available funds, before 11:00 a.m. (central time) on the date that such payment is required, or otherwise is, to be made. Any payment received and accepted by the Agent after such time shall be considered for all purposes (including the calculation of interest, to the extent permitted by law) as having been made on the next following Business Day. Whenever any payment to be made hereunder falls on a day other than a Business Day, unless otherwise provided in the Credit Agreement, such payment shall be made on the next succeeding Business Day, and such extension of time shall in such case be included in the calculation of interest.

The Borrowers expressly waive demand and presentment for payment, notice of nonpayment, protest, notice of protest, notice of dishonor, bringing of suit, diligence in taking any action to collect amounts called for hereunder and in the handling of property at any time existing as security in connection herewith, and shall be directly and primarily liable for the payment of all sums owing and to be owing hereon, regardless of and without any notice, diligence, act or omission as or with respect to the collection of any amount called for hereunder or in connection with any right, lien, interest or property at any and all times had or existing as security for any amount called for hereunder.

If any Event of Default occurs, the Agent and the Lender shall have all of the rights and remedies (including acceleration of the maturity date of this Note) available to them pursuant to the Credit Agreement or applicable law.

If an Event of Default occurs and this Note is placed in the hands of an attorney for collection, or suit is filed hereon, or proceedings are had in bankruptcy, probate, receivership or other judicial proceedings for the establishment or collection of any amount called for hereunder, or any amount payable or to be payable hereunder is collected through any such proceedings, the Borrowers agree to pay to the Agent and the Lender a reasonable amount as attorney's fees.

Irrespective of the Borrower or Borrowers who directly or indirectly receive the amounts funded on Advances, each of the Borrowers shall be liable jointly and severally and solidarily to the Lender for all amounts outstanding from time to time under this Note.

This Note shall be governed by and construed in accordance with the laws of the State of Louisiana.

Neither this Note nor the indebtedness represented by this Note is a novation of the indebtedness represented by the credit agreement that has been amended and restated by the Credit Agreement or any promissory notes issued under such credit agreement.

IN WITNESS WHEREOF, the Borrowers have executed and delivered this Note on the day first written above.

HORNBECK OFFSHORE SERVICES, LLC

By: ______________________________

Name: Todd M. Hornbeck
Title: President and Chief Executive Officer

HORNBECK OFFSHORE TRANSPORTATION, LLC

By: ______________________________

Name: Todd M. Hornbeck
Title: President and Chief Executive Officer

EXHIBIT B

[Form of Draw Request Certificate]

[See Section 2.02]

__________, 200__

Hibernia National Bank, as Agent
313 Carondelet Street
New Orleans, LA 70130

Re: Draw Request

Ladies and Gentlemen:

Reference is hereby made to the Amended and Restated Credit Agreement dated as of February 13, 2004 (as amended, modified and supplemented from time to time, the "Credit Agreement") among Hornbeck Offshore Services, LLC ("HOS"), Hornbeck Offshore Transportation, LLC ("HOT"; HOS and HOT are collectively, "Borrowers"), Hibernia National Bank, as Agent ("Agent") and the Banks a party thereto ("Banks"). Capitalized terms used herein without definition shall have the respective meanings ascribed thereto in the Credit Agreement.

Pursuant to, and subject to the terms and conditions of, Section 2.02 and Article 7 of the Credit Agreement, Borrowers hereby request that the Banks make an Advance to Borrowers in the amount of __________ and ____/100 Dollars ($__________) on ________, 200__ in accordance with the terms and conditions of the Credit Agreement.

The Advance shall accrue interest based on ☐ the Prime Rate interest option, or ☐ the Floating Rate interest option, with an initial Interest Period of ______ days.

Borrowers hereby represent and warrant to the Agent and the Banks, and covenant, acknowledge and agree with the Agent and the Banks that:

(a) the aforementioned request for an Advance is with respect to:

(i) ☐ Working capital, in the amount of $________,

(ii) ☐ An acquisition (see attached for details), in the amount of $________.

(b) the Borrowing Base is $__________. After giving effect to the Advance requested hereby, the principal amount of the Credit Line outstanding will be $__________,

(c) the representations and warranties in the Credit Agreement are true and correct and no Default or Event of Default exists under the Credit Agreement,

(d) attached hereto are all other materials (if any) required to be delivered to Agent in connection with this Draw Request Certificate, and

(e) Borrowers are and shall continue to be solidarily (jointly and severally) liable for the Advance requested hereunder and all other Obligations.

The undersigned hereby represent and warrant to Agent that they have all requisite power and authority to execute and deliver this Draw Request Certificate to the Agent.

Very truly yours,

HORNBECK OFFSHORE SERVICES, LLC

By: ____________________________

Name:
Title:

By: ____________________________

Name:
Title:

HORNBECK OFFSHORE TRANSPORTATION, LLC

By: ____________________________

Name:
Title:

By: ____________________________

Name:
Title:

EXHIBIT C

FORM OF ASSIGNMENT AND ACCEPTANCE

Dated __________, 200__

Reference is made to the Credit Agreement dated as of February 13, 2004, as the same may be amended, modified or supplemented from time to time (as so amended, modified or supplemented from time to time, the "Agreement"), among Hornbeck Offshore Services, LLC and Hornbeck Offshore Transportation, LLC, as Borrowers, Hibernia National Bank, as Agent and the banks party thereto (the "Banks"). Capitalized terms which are used herein without definition and which are defined in the Agreement shall have the same meanings herein as in the Agreement.

____________ (the "Assignor") and ____________ (the "Assignee") agree as follows:

1. Assignment. The Assignor hereby sells and assigns to the Assignee, and the Assignee hereby purchases and assumes from the Assignor, as of the Effective Date (as hereinafter defined) a ____% interest in and to all the Assignor's rights and obligations under the Agreement (including, without limitation, its Commitment, the Credit Loan currently owing to it and the Note held by it).

2. Concerning the Assignor. The Assignor (i) represents that as of the date hereof, its Commitment percentage (without giving effect to assignments thereof which have not yet become effective) is ____%, and the outstanding balance of its Credit Loan (unreduced by any assignments thereof which have not yet become effective) is $__________; (ii) makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with the Agreement or the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Agreement or any other instrument or document furnished pursuant thereto, other than that it is the legal and beneficial owner of the interest being assigned by it hereunder and that such interest is free and clear of any adverse claim; (iii) makes no representation or warranty and assumes no responsibility with respect to the financial condition of the Borrowers or the performance or observance by the Borrowers of any of its obligations under the Agreement, the Notes, the Collateral Documents or any other Loan Document or any other instrument or document furnished pursuant thereto; and (iv) attaches the Note delivered to it under the Agreement and requests that the Borrowers exchange such Note for new Notes payable to each of the Assignor and the Assignee as follows:

Notes Payable to the Order of:	Amount of Note
[Name of Assignor]	[Note ($)]
[Name of Assignee]	[Note ($)]

3. Concerning the Assignee. The Assignee (i) represents and warrants that it is legally authorized to enter into this Assignment and Acceptance; (ii) confirms that it has received a copy of the Agreement, together with copies of the financial statements referred to therein and the most recent financial statements delivered pursuant thereto and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assignment and Acceptance; (iii) agrees that it will, independently and without reliance upon the Assignor, the Agent or any other Banks and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Agreement; (iv) appoints and authorizes the Agent to take such action as agent on its behalf and to exercise such powers under the Agreement and the Notes as are delegated to the Agent by the terms thereof, together with such powers as are reasonably incidental thereto; and (iv) agrees that it will perform in accordance with their terms all the obligations which the Agreement, the Notes, the Collateral Documents and the other Loan Documents require are to be performed by it as a Bank.

4. Effective Date. The effective date for this Assignment and Acceptance shall be __________ (the "Effective Date"). Following the execution of this Assignment and Acceptance, it will be delivered to the Agent for acceptance.

5. Obligations. Upon such acceptance and recording, from and after the Effective Date, (i) the Assignee shall be a party to the Agreement and, to the extent provided in this Assignment and Acceptance, have the rights and obligations of a Bank thereunder, and (ii) the Assignor shall, to the extent provided in this Assignment and Acceptance, relinquish its rights and be released from its obligations under the Agreement, other than confidentiality requirements.

6. Payments. Upon such acceptance and recording, from and after the Effective Date, the Agent shall make all payments in respect of the interest assigned hereby (including payments of principal, interest and other amounts) to the Assignee. The Assignor and Assignee shall make all appropriate adjustments in payments for periods prior to the Effective Date or with respect to the making of this assignment directly between themselves.

[NAME OF ASSIGNOR]

By: ______________________________

Name:
Title:

[NAME OF ASSIGNEE]

By: ______________________________

Name:
Title:

Each of the undersigned hereby consents to the assignment contemplated by this Assignment and Acceptance.

HORNBECK OFFSHORE SERVICES, LLC

By: ______________________________

Name:
Title:

HORNBECK OFFSHORE TRANSPORATION, LLC

By: ______________________________

Name:
Title:

HIBERNIA NATIONAL BANK, as Agent

By: ______________________________

Name:
Title:

[HORNBECK LOGO HERE]
HORNBECK OFFSHORE SERVICES, INC.
Service with Energy

DIRECTOR & ADVISORY DIRECTOR COMPENSATION
July 18, 2002

Effective Date

The effective date of the plan shall be July 18, 2002.

Cash Compensation Plan

Each Non-employee Director will receive a total annual retainer of $20,000 paid quarterly on the first day of each calendar quarter. Each Non-employee Director of the Company will receive $1,200 for each Board meeting if attended in person and $800 if attended by telephonic communications. Board appointed committee members would receive $600 with the committee chairman receiving $800 for each committee meeting. Committee members must attend meetings in person or by telephonic communications to receive the applicable compensation.

Stock Option Program

Non-employee Directors will receive a minimum annual grant of 5,000 options, which amount may be reviewed annually and increased at the discretion of the Compensation Committee.

Health Benefit Program

After 3 years of service as a Non-employee Director, such Non-employee Director and his immediate family may also elect to participate in the same insurance benefit programs on the same monetary terms as the executive officers.

103 North Boulevard, Suite 300
Covington, Louisiana 70433

Phone: (985) 727-2000
Fax: (985) 727-2006

Longevity Plan

The Company will provide a Longevity Plan for the benefit of Non-employee Directors as follows: Upon completion of three years of service as a Non-employee Director, the Non-employee Director will be granted (the "Three-Year Grant") an option to purchase the number of shares of common stock equaling 25% of the options granted to such Director over the previous three years. Upon completion of five years of service as a Non-employee Director, the Non-employee Director will be granted (the "Five-Year Grant") an option to purchase the number of shares of common stock equaling 50% of the options granted to such Director over the previous five years less the number of shares covered by options awarded in the Three-Year Grant, if any. Thereafter, upon completion of each successive period of five years of service, a Non-employee Director will be granted (a "Successive Longevity Grant") an option to purchase the number of shares of common stock equaling 50% of the options granted to such Director over the previous five years (exclusive of any prior Longevity Grants during such five years). The exercise price of the options granted under the Longevity Plan will be the fair market value per share of the common stock on the date of grant. The longevity options will vest in two tranches, 50% on the date of grant and 50% on the first anniversary of the date of grant. A Three-Year Grant, a Five Year Grant or a Successive Longevity Grant are also referred to herein individually as a "Longevity Grant" or collectively as "Longevity Grants." For purposes of the calculations contemplated by this paragraph, sign-on option awards shall not be counted and awards matched to purchases shall not be counted. Non-employee Directors on the approval date of the Longevity Plan will have an anniversary date (start date) of the Plan approval date. Non-employee board members joining the board after the Plan approval date, will have an anniversary date, the earlier of, on the date they are voted on the board or elected to the board by the shareholders.

Definition: Non-employee Director - A non-employee director or advisory director of the Company who has not been employed by the Company for at least 3 years and/or has not tendered his resignation from the Board; provided that payments for an advisory or consulting agreement or for professional services shall not constitute employment for this purpose.

Stock Option Grants

All options awarded to Directors under this plan will be granted under and issued from the Company's Incentive Compensation Plan, as such plan may be amended and restated from time to time.

First Amendment to
Director & Advisory Director Compensation Plan

An Amendment to the Director & Advisory Director Compensation Plan (the “Plan”) was approved by the Board of Directors effective as of May 6, 2003.

The “Cash Compensation Plan” section of the Plan is hereby amended to provide that the Chairman of the Board will be paid $1800 for each regular Board meeting he attends in person or by telephonic communication and $1,500 for each special board meeting he attends in person or by telephonic communication, in lieu of the $1200 provided to be paid to the Directors under the Plan.

EXHIBIT 21

Subsidiaries of Hornbeck Offshore Services, Inc.

Subsidiary Name	State of Incorporation
Hornbeck Offshore Services, LLC	Delaware
Hornbeck Offshore Transportation, LLC	Delaware
Hornbeck Offshore Operators, LLC	Delaware
Energy Services Puerto Rico, LLC	Delaware
HOS-IV, LLC	Delaware
Hornbeck Offshore Trinidad & Tobago, LLC	Delaware

EXHIBIT 31.1

CERTIFICATION

I, Todd M. Hornbeck, certify that:

1. I have reviewed this report on Form 10-K of Hornbeck Offshore Services, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   c) Disclosed in this report any change in the registrant's internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 10, 2004

/s/ Todd M. Hornbeck

Todd M. Hornbeck
Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 31.2

CERTIFICATION

I, James O. Harp, Jr., certify that:

1. I have reviewed this report on Form 10-K of Hornbeck Offshore Services, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    c) Disclosed in this report any change in the registrant's internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 10, 2004

/s/ James O. Harp, Jr.

James O. Harp, Jr.
Vice President and
Chief Financial Officer
(Principal Financial Officer)

EXHIBIT 32.1

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF
THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Hornbeck Offshore Services, Inc., a Delaware corporation (the "Company"), on Form 10-K for the period ending December 31, 2003, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Todd M. Hornbeck, President, Chief Executive Officer and Secretary of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. Information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: March 10, 2004

/s/ Todd M. Hornbeck

Todd M. Hornbeck
President, Chief Executive Officer and Secretary

EXHIBIT 32.2

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF
THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Hornbeck Offshore Services, Inc., a Delaware corporation (the “Company”), on Form 10-K for the period ending December 31, 2003, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, James O. Harp, Jr., Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. Information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: March 10, 2004

/s/ James O. Harp, Jr.

James O. Harp, Jr.
Vice President and Chief Financial Officer