UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2001

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-LEEVAC MARINE SERVICES, INC.
(Exact Name of Registrant as Specified in Its Charter)

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

414 NORTH CAUSEWAY BOULEVARD
MANDEVILLE, LOUISIANA 70448
(985) 727-2000

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

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 [X]

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

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 27, 2002 was 30,154,300.

DOCUMENTS INCORPORATED BY REFERENCE

None.

HORNBECK-LEEVAC MARINE SERVICES, INC. AND SUBSIDIARIES
FORM 10-K
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2001

TABLE OF CONTENTS

TABLE OF CONTENTS
(CONTINUED)

PART I

ITEMS 1 AND 2. -- BUSINESS AND PROPERTIES.

HORNBECK-LEEVAC Marine Services, Inc. was incorporated under the laws of the State of Delaware in 1997 under the name "HV Marine Services, Inc." We are a leading provider of marine transportation services in the markets we serve through the operation of newly constructed deepwater offshore supply vessels in the Gulf of Mexico and ocean-going tugs and tank barges in the northeastern United States and in Puerto Rico. Currently, we own and operate a fleet of ten deepwater offshore supply vessels and have another three deepwater vessels under construction. We also own and operate a fleet of thirteen ocean-going tugs, sixteen ocean-going tank barges and one coastwise tanker.

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

In this Form 10-K, "company," "we," "us" and "our" refers to HORNBECK-LEEVAC Marine Services, Inc. and its subsidiaries, except as otherwise indicated.

COMPETITIVE STRENGTHS

New Technologically Advanced Fleet of Deepwater Offshore Supply Vessels.

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

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

We believe that we operate the youngest fleet of offshore supply vessels in the Gulf of Mexico. Over 70% of the Gulf of Mexico offshore supply vessel fleet is over 18 years old with many approaching 25 years old, reflecting the absence of any significant construction activity between the early 1980s and mid-1990s. The average age of our offshore supply vessel fleet is less than two years, and we have three additional offshore supply vessels under construction. Moreover, our offshore supply vessels incorporate sophisticated technologies that allow us to operate more effectively and more safely in deepwater markets. These technologies include dynamic positioning, roll reduction, controllable pitch thrusters and our unique cargo handling systems permitting high volume transfer rates of liquid mud and dry bulk. Our offshore supply vessels are also capable of operating both on the continental shelf and in the deepwater regions of the Gulf of Mexico, which we believe gives us a competitive advantage over operators of conventional offshore supply vessels.

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

Leading Market Presence. We believe that we will be the second largest operator of deepwater offshore supply vessels in the Gulf of Mexico following delivery of our three offshore supply vessels currently under construction. We operate the largest fleet of tank barges for the transportation of petroleum products in Puerto Rico and, as a

result of our acquisition in May 2001 of tugs and tank barges from the Spentonbush/Red Star Group, affiliates of Amerada Hess Corporation, believe that we are also the fourth largest tank barge transporter of clean and dirty petroleum products in New York Harbor. Our offshore supply vessel and ocean-going tug and tank barge fleets also benefit from the restrictions of Section 27 of the Merchant Marine Act of 1920, commonly referred to as the Jones Act, which requires that vessels engaged in coastwise U.S. trade, including along the coast of Puerto Rico, be built in the United States, be U.S.-flagged and be owned and managed by U.S. citizens.

Numerous Industry-Recognized Certifications. As part of our commitment to quality and safety, we have pursued on a voluntary basis and have received certifications and classifications, which are not generally held by other companies in our industry. We maintain ISO 9000 and ISO 14001 certifications for quality and environmental management, respectively, from the International Standards Organization with respect to the nine tugs and nine tank barges acquired from the Spentonbush/Red Star Group. Our other tugs and tank barges participate in the Responsible Carrier Program, developed by the American Waterways Operators to improve marine safety and environmental protection in the tank barge industry. Our offshore supply vessels participate in the U.S. Coast Guard's Streamlined Inspection Program in which we and the Coast Guard cooperate to develop training, inspection and compliance processes, with our personnel conducting periodic examinations of vessel systems and taking corrective actions where necessary. Both of our principal office locations in Mandeville, Louisiana and Brooklyn, New York, as well as the majority of our vessels, including all of our offshore supply vessels and our tugs and tank barges acquired from the Spentonbush/Red Star Group, are also certified under the International Safety Management Code, developed by the International Maritime Organization to provide internationally recognized standards for the safe management and operation of ships and for pollution prevention. Our offshore supply vessels are classed by the American Bureau of Shipping, which develops and verifies standards for the design, construction and operational maintenance of vessels and facilities.

History of Successful Deepwater Offshore Supply Vessel Construction. We employ senior management with significant naval architecture, marine engineering and shipyard experience. We design our own offshore supply vessels and work closely with our contracted shipyards in their construction. We typically source and supply a large portion of the aggregate cost of a vessel with owner-furnished equipment from vendors other than the shipyard. We delivered our current fleet of ten deepwater offshore supply vessels substantially on time and on budget. We believe that our history of delivering new vessels without significant delays gives us a competitive advantage in obtaining contracts for our vessels before their actual delivery. The shipyards responsible for our three offshore supply vessels currently under construction have notified us that delivery of these vessels will be delayed from their original delivery dates. We do not believe that such delays in the delivery of these vessels will have a material adverse affect on our financial condition, results of operations or ability to charter such vessels prior to their delivery.

Favorable OPA 90 Fleet Status. Approximately 50% of the single hulled tank barge capacity serving the northeastern United States affected by the Oil Pollution Act of 1990, commonly referred to as OPA 90, is required to be retired or substantially reconstructed by December 31, 2004. Eleven of our sixteen tank barges are not required under OPA 90 to be retired or double hulled until 2015. Of the remainder, three are required to be retired or modified by 2004 and two by 2009. Our coastwise tanker, the M/V W.K. McWilliams, Jr., is not subject to OPA 90 retirement dates. Because most of our barges are not required to be double hulled until 2015, we believe we have a competitive advantage over operators with barges that must be retired or modified to add double hulls before that date.

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

While seven of our ten current offshore supply vessels are under contracts with expiration dates ranging from April 2003 through November 2006, we are currently involved in a contract dispute with one of our customers with respect to two of such vessels, which could result in only five of our offshore supply vessels being under long-term contracts. These contracts generally provide for full year-round utilization, are based on dayrates with a built-in escalation clause and are exclusively dedicated to the charterer.

In connection with the acquisition in May 2001 of tugs and tank barges and related business from the Spentonbush/Red Star Group, we entered into a long-term contract of affreightment with Amerada Hess to be its exclusive marine logistics provider and coastwise transporter of petroleum products in the northeastern United States. This long term contract with Amerada Hess, when coupled with our operation of tank barges in both the northeastern United States and Puerto Rico, provides revenue diversification to complement our offshore supply vessel fleet. We operate four of our tank barges in the Caribbean under renewable contracts that have been renewed in each of the last three years.

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

OUR STRATEGY

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

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

Continue Building New Vessels as Market Demand Dictates. Since we were formed in 1997, we have designed and delivered ten deepwater offshore supply vessels. Of these vessels, all were delivered without significant delays or cost overruns and are currently operating under time charters. We have three other vessels under construction with anticipated delivery dates from May 2002 to August 2002. We will continue to monitor demand for deepwater vessels, including demand in international markets, in determining the level and timing of additional vessels under our newbuild program.

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

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

Pursue Long-term Contracts. The average initial term for our current offshore supply vessel term contracts is approximately three years. Our contract of affreightment with Amerada Hess for the services of tugs and tank barges in the northeastern United States has an initial term of June 1, 2001 through March 31, 2006. All of our other tug

and tank barge contracts may be, and typically are, renewed annually. We intend to maintain a significant percentage of our assets working under long-term contracts, which results in high utilization rates and provides a stable cash flow base to manage our debt obligations.

Leverage Existing Customer Relationships to Meet Diversified Marine Transportation Demand. We continue to leverage our existing customer relationships by expanding our services to certain customers with diversified marine transportation needs. Many integrated oil companies require offshore supply vessels to support their exploration and production activities and ocean-going tug and tank barges to support their refining, trading and retail distribution activities. In addition, many of our customers conduct operations in international markets and have indicated an interest in chartering our offshore supply vessels for use overseas. We are currently evaluating several such opportunities.

OVERVIEW OF OUR INDUSTRY

Offshore Supply Vessel Industry. Oil prices were higher than historical averages during 1999, 2000 and much of 2001. During the same periods natural gas prices also generally increased. Increases in the prices of oil and natural gas and a tightening of inventory levels during the same periods increased the demand for working drilling rigs and related services, although fluctuations in oil and natural gas prices over the past six months have resulted in less offshore drilling activity in the shallow water areas of the Gulf of Mexico. This has decreased demand for offshore supply vessel services on the continental shelf in the Gulf of Mexico, and dayrates there have also declined. Demand and, correspondingly, dayrates for offshore supply vessels capable of operating in the deepwater Gulf of Mexico have not experienced a similar decline, but remain stable. The higher cost of deepwater drilling makes it generally less feasible to abandon a deepwater project upon a short-term decline in the price of oil and natural gas.

The Gulf of Mexico, a bifurcated market of continental shelf and deepwater regions, is a critical oil and gas supply basin for the United States, accounting for 20% and 26%, respectively, of total U.S. oil and gas production in 2001. Because natural gas production from wells on the continental shelf declines at a rapid rate and the deepwater regions of the Gulf of Mexico hold most of the unexplored areas of potential gas reserves, we believe that deepwater drilling in the Gulf of Mexico will continue to be a primary source of additions to domestic natural gas reserves. The Minerals Management Service has adopted royalty relief incentives for natural gas produced from wells drilled in at least 200 meters of water to encourage deepwater exploration. Moreover, the deepwater Gulf of Mexico is expected to be the source of a significant percentage of increased oil production in the United States. The Minerals Management Service estimates that by 2005 oil production from the deepwater Gulf of Mexico will represent approximately 65% of total offshore oil production in the United States.

Despite recent fluctuations in the prices of oil and natural gas, the active Gulf of Mexico offshore supply vessel fleet operating in the deepwater region continues to operate at nearly 100% utilization, largely because of continuing strong deepwater rig utilization as exploration, development and production companies find larger reserves in the deepwater to meet increased reserve loss through depletion. The total offshore supply vessel fleet in the Gulf of Mexico numbered 343 at the end of February 2002, of which we believe approximately 100 that operate on the continental shelf were unavailable for immediate service because they are cold stacked. Vessels that are cold stacked are available for service but are not under contract and are in drydock or need of a crew. Approximately 40% of the 243 active vessels have been built or "stretched" since 1996, and are designed to operate in the deepwater regions of the Gulf of Mexico.

We anticipate that demand for deepwater offshore supply vessels in the Gulf of Mexico will continue to increase in the near future. Although development of deepwater fields has historically been limited by the substantially greater cost of such development, new technologies, such as improved seismic surveying and subsea production systems, have lowered deepwater finding and development costs. Nevertheless, exploration and development activity in deepwater regions, once begun, remains less sensitive to movements in oil and gas prices than shallow water projects because the longer duration and higher costs still associated with the exploration and development of deepwater regions create a long-term commitment to deepwater projects regardless of short-term price fluctuations.

The number of deepwater fields under evaluation and development has grown dramatically in recent years. From 1990 to 2001, production in the deepwater Gulf of Mexico increased from 4% to 59% of total Gulf of Mexico oil production and from 1% to 23% of total Gulf of Mexico natural gas production. The Minerals Management Service estimates that production of oil and gas from deepwater Gulf of Mexico wells increased 20% and 15%, respectively, in 2000. Of the 72 deepwater Gulf of Mexico fields discovered to date, 42 fields began production by the end of 2000, and an additional four began production in 2001. Because offshore supply vessels with larger capacities and longer ranges are required to work in deepwater regions, we believe that the development of these fields and other potential discoveries will result in a need for additional deepwater offshore supply vessels beyond the number of currently available vessels and vessels being constructed under announced construction plans. This demand is most likely to be met through new construction.

Tug and Tank Barge Industry. Based upon our analysis of the industry, we believe approximately 1.2 million barrels of clean and dirty petroleum products are transported each day by tank barges operating in the coastwise trade in the northeastern United States. The market is made up of a vast network of refineries, terminals, tankers and pipelines delivering products to the harbors, most of which is then transported to smaller distribution terminals by tank barges.

The primary drivers of demand for tug and tank barge services in the northeastern United States are population growth, the strength of the U.S. economy and changes in weather patterns that affect consumption of heating oil and gasoline. The tank barge market in general is marked by steady demand and we believe that demand for refined petroleum products and crude oil will remain steady or gradually increase in the foreseeable future. Specifically, we believe that:

- demand for home heating oil will remain steady;

- gasoline shipments will continue to be supported by consistent demand from existing automobile technology;

- diesel fuel consumption will grow slowly as economic activity requires increased trucking miles and remain unaffected by any alternative fuel technologies; and

- jet fuel consumption will increase as air travel and air freight activity slowly increase.

The largest single market in the region is New York Harbor. Imported petroleum products are primarily delivered to New York Harbor as it has the capacity to receive products in cargo lots of 50,000 tons or more per tanker. By contrast, draft limitations in most New England ports and drawbridge limitations in Boston and Portland, Maine limit the average cargo carrying capacity of direct imports into many of the largest New England ports to about 30,000 tons per tanker. This means that ships importing directly into New England must frequently discharge in multiple ports or terminals or transfer cargoes to tank barges, involving more time and cost. As existing tankers are retired, they are typically replaced by larger tankers. As larger petroleum tankers are being built, we believe that direct delivery into New York Harbor with onward barging to New England, the Hudson River and Long Island will increase.

We also believe that demand for barging services will be strengthened as larger oil tankers are being built to replace oil tankers removed from service due to mandates under OPA 90. These larger-sized tankers are being built to facilitate the importation of crude oil and petroleum products into the United States, which is expected to grow at compounded annual growth rates of 1.7% and 4.9%, respectively, through 2020, according to the Energy Information Agency. These larger tankers will require lightering services provided by tugs and tank barges.

In addition, OPA 90 has imposed significant limits on the service lives and capacity of most existing tank barges. Approximately 50% of the U.S. flagged tanker and tank barge fleet in the northeastern United States affected by OPA 90 must be retired or substantially reconstructed by December 31, 2004. Based on the remaining lives of the majority of our tank barge fleet under OPA 90, we believe we are well positioned to obtain additional customers in the northeastern United States as currently available capacity is legally required to be removed from service or substantially reconstructed.

OUR OFFSHORE SUPPLY VESSEL BUSINESS

We serve the oil and gas industry in the deepwater region of the Gulf of Mexico through the operation and management of a fleet of ten newly constructed deepwater offshore supply vessels by our subsidiary, Hornbeck Offshore Services, LLC. We also have three additional deepwater offshore supply vessels under construction. We believe that the increased size of our vessel fleet will enable us to take further advantage of the strong demand for

offshore supply vessels in the deepwater regions of the Gulf of Mexico, which has resulted in high utilization levels and increased vessel dayrates, notwithstanding recent fluctuations in the prices of oil and natural gas.

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

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

We designed our fleet of offshore supply vessels specifically to meet the demands of the Gulf of Mexico's deepwater areas. Deepwater wells require specialized equipment to meet the more difficult operating environment compared to wells drilled on the continental shelf. They also require a substantially higher volume of supplies to support the drilling operations. Conventional offshore supply vessels do not have sufficient on-deck or below-deck cargo capacity to support deepwater drilling operations economically. Our vessels have two to three times the dry bulk capacity and deck space, three to ten times the liquid mud capacity and two to four times the deck tonnage as conventional 180' offshore supply vessels, which are used primarily in shallow water regions on the continental shelf. Our advanced cargo handling systems allow for dry bulk and liquid cargoes to be loaded and unloaded three times faster, while the solid state controls of our engines typically result in a 20% greater fuel efficiency than vessels powered by conventional engines.

In addition, drilling rigs and offshore supply vessels operating in deepwater environments generally require dynamic positioning capability to enable continued operation in such environments, even in adverse weather conditions. Conventional offshore supply vessels generally do not have dynamic positioning capability. Our advanced dynamic positioning systems allow our vessels to maintain position within a minimal variance. Our unique hull design and integrated rudder and thruster system provide a more manageable vessel. Our vessels have been designed with state-of-the-art lifesaving, fire alarm, monitoring, emergency power and fire suppression systems. Our vessels also have double-bottomed and double-sided hulls that minimize the environmental impact of hull penetrations, solid state control that minimizes visible soot and polluting gases and zero discharge sewage and waste systems that minimize the impact on regulated marine environments.

While offshore supply vessels service existing oil and gas production platforms as well as exploration and development activities, incremental vessel demand depends primarily upon the level of drilling activity, which can be influenced by a number of factors, including oil and gas prices and drilling budgets of exploration and production companies. As a result, utilization and dayrates have historically correlated to oil and gas prices and drilling activity, although the higher initial costs of deepwater production and the typically long-term nature of deepwater offshore supply vessel contracts have weakened the significance of that correlation in recent years. Our operations are presently limited to the Gulf of Mexico, which is one of the largest natural gas production areas in the United States. Natural gas currently accounts for approximately 60% of all hydrocarbon production in the Gulf of Mexico, and as a result, activity in this region is highly dependent upon natural gas prices.

Based on the growth in deepwater discoveries and announced development plans, the current and anticipated need for additional drilling rigs to service such growth, the number of vessels needed to service each rig and the anticipated redeployment of vessels currently working in the Gulf of Mexico to overseas locations, we believe that demand for offshore supply vessels capable of operating efficiently and safely in deepwater areas will continue to increase over the next two or three years. We expect a continued shortage of adequate vessels serving the deepwater Gulf of Mexico even though several of our competitors have announced plans to build new offshore supply vessels greater than 200' in length, which are specially designed for the deepwater market. Although vessels operating in

overseas locations that continue to be in compliance with the Jones Act requirements may be remobilized from overseas locations if dayrates increase significantly, we believe it is unlikely that any such remobilization would have a significant impact in the near future.

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

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

The following table provides information, as of March 27, 2002, regarding the offshore supply vessels owned by us as well as those under construction.

OFFSHORE SUPPLY VESSELS

NAME	CLASS LENGTH (FEET)	CURRENT SERVICE FUNCTION(1)	DATE COMMENCED SERVICE	BRAKE HORSEPOWER
HOS Crossfire...	200	Supply	November 1998	4,000
HOS Super H.....	200	Supply	January 1999	4,000
HOS Brigadoon...	200	Supply	March 1999	4,000
HOS Thunderfoot.	200	Supply	May 1999	4,000
HOS Dakota......	200	Supply	June 1999	4,000
HOS Deepwater...	240	Supply	November 1999	4,500
HOS Cornerstone.	240	Supply	March 2000	4,500
HOS Innovator...	240	ROV Support	April 2001	4,500
BJ Blue Ray.....	265	Well Stimulation	November 2001	6,700
HOS Dominator...	240	ROV Support	February 2002	4,500
HOS Brimstone...	265	TBD	May 2002(Est.)	6,700
HOS Sandstorm...	265	TBD	June 2002(Est.)	6,700
HOS Stormridge..	265	TBD	August 2002(Est.)	6,700

(1) ROV: remotely operated vehicle

TBD: to be determined

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

	CONVENTIONAL 180' OSV(1)	HORNBECK 200' CLASS	HORNBECK 240' CLASS	HORNBECK 265' CLASS
SIZE				
Class length overall (ft.)	180	200	240	265
Breadth (ft.)	40	54	54	60
Depth (ft.)	14	18	18	22
Maximum draft (ft.)	12	13	13	16
Deadweight (long tons)	950	1,750	2,250	3,560
Clear deck area (sq ft.)	3,450	6,580	8,836	9,212
CAPACITY				
Fuel capacity (gallons)	79,400	90,000	151,800	151,800
Fuel pumping rate (gallons per minute)	275	500	500	500
Drill water capacity (cu. ft.)..	141,000	240,000	240,000	332,500
Dry bulk capacity (cu. ft.).....	4,000	7,000	8,400	10,800
Liquid mud capacity (barrels) ..	1,200	3,640	6,475	11,500
Liquid mud pumping rate (gals per minute)	250	550	600	600
Potable water capacity (gallons)....................	11,500	52,200	52,200	52,200
MACHINERY				
Main engines (horsepower).......	2,250	4,000	4,500	6,700
Auxiliaries (number)	2	3	3	3
Total rating (kw)	200	750	750	810
Bow thruster (horsepower).......	325	800	1,600	2,400
Type	Fixed Pitch	Controllable Pitch	Controllable Pitch	Controllable Pitch
Stern thruster (horsepower).....	N/A	N/A	800	1,600
Type	N/A	N/A	Controllable Pitch	Controllable Pitch
Fire fighting (gallons per minute)......................	1,000	1,250	2,700	2,700
Dynamic positioning(2)	N/A	DP1	DP1/2	DP2/3
CREW REQUIREMENTS				
Number of personnel(3)	5	5	5	7

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

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

OUR TUG AND TANK BARGE BUSINESS

Through our subsidiary, LEEVAC Marine, LLC, we own and operate a fleet of thirteen ocean-going tugs, sixteen ocean-going tank barges, one of which has been bareboat chartered to a third party, and one coastwise tanker. Generally, a tug and tank barge work together as a "tow" to transport refined or bunker grade petroleum products along the coast of Puerto Rico and in the Caribbean and the upper east coast of the United States. 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 feed stocks, 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 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 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 barges, greatly expanding our capacity in the northeastern United States and increasing our market share of the coastwise trade on the U.S. upper east coast. As part of the acquisition, Amerada Hess entered into a long-term contract of affreightment with us pursuant to which Amerada Hess has committed to use us as its exclusive marine logistics provider and transporter of liquid petroleum products in the northeastern United States. Under this contract, Amerada Hess has committed to ship a minimum of 45 million barrels annually for an initial period from June 1, 2001 through March 31, 2006 with options to renew for subsequent periods. Also under the contract, we have the opportunity, on a reasonable commercial efforts basis, to coordinate the marine logistics for Amerada Hess in the southeastern United States, subject to Amerada Hess's right to cancel within 30 days after December 31 of each year of the contract.

The contract of affreightment will provide us with a significant source of revenues over the life of the contract. Our contract of affreightment allows Amerada Hess to reduce its minimum annual cargo volume commitment subject to a significant adjustment penalty. If Amerada Hess does not transport volumes as contemplated under the contract, we believe that we would be able to replace such volumes through other customers.

The following tables provide information, as of March 27, 2002, regarding the tugs and tank barges we own.

OCEAN-GOING TANK BARGES

NAME	BARREL CAPACITY	LENGTH (FEET)	YEAR BUILT	OPA 90 DATE(1)
Energy 11101	111,844	420	1979	2009
Energy 11102	111,844	420	1979	2009
Energy 9801	97,432	390	1967	2004
M/V W.K. McWilliams, Jr.(2)	--	402	1992	N/A
Energy 9501	94,442	346	1972	2004
Energy 8701	86,454	360	1976	2004
Energy 7002	72,693	351	1971	2015

Energy 7001	72,016	300	1977	2015
Energy 6504	66,333	305	1958	2015
Energy 6505	65,710	328	1978	2015
Energy 6503	65,145	327	1988	2015
Energy 6502	64,317	300	1980	2015
Energy 6501	63,875	300	1974	2015
Energy 5501	57,848	341	1969	2015
Energy 5502	55,761	309	1969	2015
Energy 2201	22,556	242	1973	2015
Energy 2202	22,457	242	1974	2015

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

(2)This coastwise tanker, acquired on November 15, 2001, is not currently certificated to transport petroleum products and, therefore, barrel capacity is not applicable to this vessel.

OCEAN-GOING TUGS

NAME	GROSS TONNAGE	LENGTH (FEET)	YEAR (FEET)	BRAKE HORSEPOWER
Ponce Service....	190	107	1970	4,200
Caribe Service...	194	111	1970	4,200
Atlantic Service.	198	105	1978	4,000
Brooklyn Service.	198	105	1975	4,000
Gulf Service.....	198	126	1979	4,000
Tradewind Service	183	105	1975	3,000
Yabucoa Service..	183	105	1975	3,000
Spartan Service..	126	102	1978	3,000
Sea Service......	173	109	1975	2,820
Port Service.....	198	95	1957	2,300
North Service....	187	100	1978	2,200
Bay Ridge Service	194	100	1981	2,000
Stapleton Service	146	78	1966	1,530

CUSTOMERS AND CHARTER TERMS

Major integrated oil companies and large independent oil and gas exploration, development and production companies constitute the majority of our customers for our offshore supply vessel services, while refining, marketing and trading companies constitute the majority of our customers for our tug and tank barge services. The number and identity of our customers vary from year to year, as does the percentage of revenues attributable to a specific customer. The percentage of revenues attributable to a customer in any particular year depends on the level of oil and gas exploration, development and production activities undertaken or refined petroleum products or crude oil transported by a particular customer, the availability and suitability of our vessels for the customer's projects or products and other factors, many of which are beyond our control. For the year ended December 31, 2001, Amerada Hess Corporation and Mariner Energy, Inc. each accounted for more than 10% of our total revenues for such period.

Currently, seven of our ten offshore supply vessels are under long-term charter contracts, with initial terms ranging from two to five years. However, we are currently involved in a contract dispute with one of our customers with respect to two of such vessels, which could result in only five of our offshore supply vessels being under long-term contracts. Certain of the contracts for our offshore supply vessels contain early termination options in favor of the customer, some with substantial early termination penalties designed to discourage the customers from exercising such options. Similarly, thirteen of our sixteen tank barges provide services under long-term contracts of one year or longer. Our offshore supply vessels have performed services for approximately

34 different customers, and our tugs and tank barges have performed services for approximately 84 different customers. Because of the variety and number of customers historically using the services of our fleet, and the near equal balance between supply and demand in both the offshore supply vessel 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.

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.

Two of our offshore supply vessels had been under long-term charter to Mariner Energy, Inc., which is 96%-owned by an indirect affiliate of Enron Corp. Mariner had been using these two vessels to service an offshore drilling rig it chartered for drilling operations in the Gulf of Mexico. On December 11, 2001, Mariner notified us of its intent to furlough the drilling rig by December 15, 2001 and unilaterally sought to terminate its contract with respect to our two vessels. Mariner, in fact, released one of our vessels on December 14, 2001 and the other on December 16, 2001.

We do not believe that Mariner's actions will have a material adverse affect on our financial condition or results of operations. Both vessels have already been redeployed under spot market charters with major oil companies earning substantially the same dayrates as under the Mariner contract with almost no lapse in utilization. We continue to experience strong demand for offshore supply vessels capable of operating in the deepwater Gulf of Mexico based on the ongoing requests we receive from other customers for the services of our vessels. In addition,

we are in discussions with several customers regarding term contract opportunities for these vessels. Furthermore, we do not believe that Mariner was entitled under the terms of the contract to terminate the charter of our vessels, and we are continuing discussions with Mariner on this issue. Should our discussions with Mariner not lead to a resolution of this issue, we believe that we would have certain rights of recovery against Mariner, and we intend to take all appropriate steps to protect our rights under the contract.

As of February 28, 2002, accounts receivable from Mariner for base charter hire for the period prior to the release of our vessels, had been fully paid.

COMPETITION

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

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

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

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

We do not anticipate significant competition in the near term from pipelines as an alternative method of petroleum product delivery in the northeastern United States or Puerto Rico. No pipelines are currently under construction that could provide significant competition to tank barges in the northeastern United States or Puerto Rico, nor are any new pipelines likely to be built in the near future due to cost constraints and logistical and environmental requirements.

Although some of our principal competitors are larger and have greater financial resources and international experience, we believe that our operating capabilities and reputation enable us to compete effectively with other fleets in the market areas in which we operate. In particular, we believe that the relatively young age and advanced features of our offshore supply vessels provide us with a competitive advantage in both the shelf and deepwater segments of the Gulf of Mexico. The ages of our offshore supply vessels range from one month to 41 months, while approximately 70% of the offshore supply vessels operating in the Gulf of Mexico continental shelf areas are over 18 years old, with many approaching 25 years old. We believe that many of these older vessels will be retired in the next few years. In addition to the young age of our fleet, the advanced capabilities of our fleet position us to take advantage of the expanding deepwater segment of the Gulf of Mexico. Operators in the deepwater segment of the Gulf of Mexico typically require larger offshore supply vessels with greater capacities than conventional 180' class offshore supply vessels. All of our existing supply vessels provide faster horsepower and greater capacities for drill water, dry bulk, drilling mud and mud pumping than conventional vessels. Upon completion of our three vessels currently under construction, we believe that we will be in an even better position to provide continuing service in the growing deepwater segment of the Gulf of Mexico. We also believe we hold a competitive advantage with respect to our tank barges: most of our barges will not be required to be removed from service under OPA 90 until January 1, 2015, while many of the tank barges in the fleets of our competitors currently operating in the northeastern U.S. must be retired or modified by 2005. We also believe we have a competitive advantage with

respect to our tank barge operations in Puerto Rico because labor restrictions and tax laws in Puerto Rico and mobilization/demobilization costs make it impractical for competitors to provide occasional transportation services without entering the market on a long-term basis.

ENVIRONMENTAL AND OTHER GOVERNMENTAL REGULATION

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

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

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

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

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

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

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

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

- limits ownership by foreigners of any class of our capital stock (including our common stock) to 4%, so that foreign ownership will not exceed the 25% permitted;

- permits withholding of dividends and suspension of voting rights with respect to any shares held by foreigners that exceed 4%;

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

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

Our operations are also subject to a variety of federal, state, local and international laws and regulations regarding the discharge of materials into the environment or otherwise relating to environmental protection. The requirements of these laws and regulations have become more complex and stringent in recent years and may, in certain circumstances, impose strict liability, rendering a company liable for environmental damages and remediation costs without regard to negligence or fault on the part of such party. Aside from possible liability for damages and costs associated with releases of hazardous materials including oil into the environment, such laws and regulations may expose us to liability for the conditions caused by others or even acts of ours that were in compliance with all applicable laws and regulations at the time such acts were performed. Failure to comply with

applicable laws and regulations may result in the imposition of administrative, civil and criminal penalties, revocation of permits, and issuance of corrective action orders. Moreover, it is possible that changes in the environmental laws, regulations or enforcement policies or claims for damages to persons, property, natural resources or the environment could result in substantial costs and liabilities to us. We believe that we are in substantial compliance with currently applicable environmental laws and regulations.

OPA 90 and regulations promulgated pursuant thereto impose a variety of regulations on "responsible parties" related to the prevention of oil spills and liability for damages resulting from such spills. A "responsible party" includes the owner or operator of an onshore facility, pipeline or vessel or the lessee or permittee of the area in which an offshore facility is located. OPA 90 assigns liability to each responsible party for oil removal costs and a variety of public and private damages. Under OPA 90, "tank vessels" of over 3,000 gross tons that carry oil or other hazardous materials in bulk as cargo, a term which includes our tank barges, are subject to liability limits of the greater of $1,200 per gross ton or $10 million. For any vessels, other than "tank vessels," that are subject to OPA 90, the liability limits are the greater of $0.5 million or $600 per gross ton. A party cannot take advantage of liability limits if the spill was caused by gross negligence or willful misconduct or resulted from violation of a federal safety, construction or operating regulation. If the party fails to report a spill or to cooperate fully in the cleanup, the liability limits likewise do not apply.

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

OPA 90 requires that all newly-built tank vessels used in the transport of petroleum products be built with double-hulls and provides for a phase-out period for existing single-hull vessels. Modifying existing vessels to provide for double-hulls will be required of all tank barges and tankers in the industry by the year 2015. We are in a favorable position concerning this provision because a significant number of vessels in our fleet of tank barges 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 not be required to modify or replace most of our tank barges before 2015. Although we are not aware of anything that would lead us to believe this will change, a change in the law affecting the requirement for double-hulls or other aspects of our operations may occur that would require us to modify or replace our existing tank barge fleet earlier than currently anticipated.

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

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

The Resource Conservation and Recovery Act regulates the generation, transportation, storage, treatment and disposal of onshore hazardous and non-hazardous wastes and requires states to develop programs to ensure the safe disposal of wastes. We generate non-hazardous wastes and small quantities of hazardous wastes in connection with

routine operations. We believe that all of the wastes that we generate are handled in compliance with the Resource Conservation and Recovery Act and analogous state statutes.

In or around early September 2000, LEEVAC Marine, a subsidiary of ours, was one of approximately 130 companies that received a letter from the U.S. Environmental Protection Agency, also known as the "EPA," directing LEEVAC Marine to respond to a request for information on hazardous substances that may have been sent by it to the Palmer Barge Line Site in Port Arthur, Texas. The Palmer Barge Line Site was listed as a federal Superfund site in July 2000. According to records furnished by EPA, LEEVAC Marine had two tank cleaning jobs performed at this site in September-October 1988 at a cost of approximately $12,000. We believe that the cleaning services performed by Palmer Barge Line involved the removal of non-hazardous waste. In late September 2001, LEEVAC Marine received a letter from the EPA notifying LEEVAC Marine that it is no longer identified as a potentially responsible party in this matter and, therefore, we do not believe that we will have any ultimate liability with respect to this matter. LEEVAC Marine was notified in March 1996 regarding the possibility of remediating on a voluntary basis certain waste pits at the SBA Shipyards site in Jennings, Louisiana. This site is not identified as a Superfund site. Subsequent to this initial notice, in December 2000, LEEVAC Marine was one of approximately 14 companies that formed a limited liability company referred to as "SSCI Remediation, LLC" to address this matter. LEEVAC Marine accrued a $97,500 liability at the time of our formation to cover this expense. LEEVAC Marine's current percentage of liability for cleanup efforts at this site is estimated at approximately 1.7%, and, to date, it has contributed approximately $34,000 towards this cleanup effort. This amount represents LEEVAC Marine's share of a $2 million voluntary clean-up plan submitted to the limited liability company's member group by an independent contractor whose contract is to clean up the site in a manner that will meet both state and federal standards. Remedial activities have begun at the SBA Shipyards site. Pursuant to the agreement in June 1997, Cari Investment Company agreed to indemnify us for certain matters, which would include those discussed in this paragraph. The indemnity would be applicable to all liabilities, obligations, damages and expenses related to the Superfund matter and to all liabilities, obligations, damages and expenses in excess of $0.1 million. Christian G. Vaccari, who served as our Chairman and Chief Executive Officer until February 2002, is a minority shareholder and President of Cari Investment Company.

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

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

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

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

In connection with the terrorist attacks in New York on September 11, 2001, certain of our tugs operating in New York Harbor were requisitioned by the U.S. Coast Guard for four days pursuant to federal law authorizing the requisition of U.S. owned vessels in a national emergency. The loss of revenues associated with such requisition by the Coast Guard did not have a material adverse impact on our financial condition or results of operations.

OPERATING HAZARDS AND INSURANCE

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

EMPLOYEES

At December 31, 2001, we had 393 employees in the United States and Puerto Rico, including 337 operating personnel and 56 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. In July 2001, the International Organization of Masters, Mates and Pilots, ILA, AFL-CIO, initiated action to organize a union that would include 30 of our fleet and technical employees in Puerto Rico. We contested the action with the regional office of the National Labor Relations Board and engaged in a campaign to educate our employees with regard to the issues related to the action. Our Puerto Rican employees held an election on the matter in October 2001, the results of which are currently sealed pending our appeal to the National Labor Relations Board with regard to the appropriate make-up of the collective unit presumed by the union. Regardless of the Board's decision on our appeal, we anticipate a favorable result in this matter. 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 headquarters are located in Mandeville, Louisiana in two leased facilities consisting of approximately 6,500 and approximately 1,800 square feet, respectively. These facilities house our principal executive and administrative offices. The leases on these facilities are month to month. For local support, we have an office in Puerto Rico 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 the dock space expires in 2006. We believe that our facilities, including waterfront locations used for vessel dockage and certain vessel repair work, provide an adequate base of operations for the foreseeable future. Information regarding our fleet is set forth above in "Items 1 and 2 -- Business and Properties -- Our Offshore Supply Vessel Business" and " -- Our Tug and Tank Barge Business."

SEASONALITY OF BUSINESS

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

Tank barge services are significantly affected by demand for refined petroleum products and crude oil. Such demand is seasonal and often dependent on weather conditions. Unseasonably mild winters result in significantly

lower demand for heating oil in the northeastern United States, which is a significant market for our tank barge services. Conversely, the summer driving season can increase demand for automobile fuel and, accordingly, the demand for our services. While the recent winter season was the warmest on record and, therefore, adversely affected the volume of products we transported in the northeastern United States in the fourth quarter of 2001 and the first quarter of 2002, we do not believe that this trend will continue next winter.

RECENT DEVELOPMENTS

Changes in Senior Management. On February 27, 2002, Todd M. Hornbeck was appointed Chief Executive Officer in addition to his positions as President and Secretary, and Carl G. Annessa was appointed Chief Operating Officer in addition to his position as Vice President. Also, Bernie W. Stewart was named Chairman of the Board on February 27, 2002. Christian G. Vaccari, who formerly served as our Chief Executive Officer and Chairman of the Board, continues to serve as one of our directors.

Delivery of the HOS Dominator. On February 20, 2002, we took delivery of the HOS Dominator, a 240-ft. class offshore supply vessel. The HOS Dominator was immediately employed under a three-year contract with a large oilfield service company to support remotely operated vehicle, subsea construction services.

Completion of Senior Notes Exchange Offer. On January 18, 2002, we completed an exchange offer pursuant to an effective Registration Statement on Form S-4, whereby $175 million of our privately placed 10 5/8% Series A notes due 2008 were exchanged for a like principal amount of our 10 5/8% Series B notes due 2008, which are identical in all material respects to the form and terms of the Series A notes, except that the offering of the Series B notes was registered under the Securities Act of 1933. References in this Form 10-K to our "senior notes" refers to the outstanding Series B notes.

New Revolving Line of Credit. On December 31, 2001, two of our subsidiaries, Hornbeck Offshore Services, LLC and LEEVAC Marine, LLC, entered into a new three-year senior secured revolving line of credit (the "Revolver") for $50.0 million. Pursuant to the terms of the Revolver, our borrowings under this facility will initially be limited to $25.0 million unless we have obtained the lender's concurrence to borrow in excess of $25.0 million and are in compliance with the terms of the indenture governing our senior notes with respect to the incurrence of additional indebtedness. Borrowings under the Revolver accrue interest, at our option, at either (i) the prime rate announced by Citibank, N.A. in New York, plus a margin of 0% to 1%, or (ii) the London Interbank Offered Rate, plus a margin of 1.75% to 3.0%. We are also required to pay a commitment fee on available but unused amounts ranging from 0.25% to 0.375%. The interest rate margin and commitment fee are based on our leverage ratio, as defined in the agreement governing the Revolver. We can use the amounts we draw under the Revolver for working capital purposes, acquisitions and vessel construction. On February 25, 2002, the undrawn Revolver was collateralized by four of our offshore supply vessels and four of our ocean-going tugs with an aggregate orderly liquidation value of approximately $75.0 million. We have guaranteed the obligations of Hornbeck Offshore Services, LLC and LEEVAC Marine, LLC under the Revolver.

Changes in Subsidiaries. Effective December 17, 2001, two of our subsidiaries, Hornbeck Offshore Services, Inc. and HORNBECK-LEEVAC Marine Operators, Inc., both Delaware corporations, converted into Delaware limited liability companies, as permitted by Delaware law, and are now known as Hornbeck Offshore Services, LLC and HORNBECK-LEEVAC Marine Operators, LLC, respectively. On December 17, 2001, we formed two new subsidiaries, LEEVAC Marine, LLC and Energy Services Puerto Rico, LLC, both Delaware limited liability companies. Effective December 31, 2001, we merged LEEVAC Marine, Inc., one of our existing Louisiana corporate subsidiaries, into LEEVAC Marine, LLC, and Energy Services Puerto Rico, Inc., our other existing Louisiana corporate subsidiary, into Energy Services Puerto Rico, LLC.

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

None.

PART II

ITEM 5 -- MARKET FOR THE REGISTRANT'S COMMON STOCK AND RELATED STOCKHOLDER MATTERS

Our common stock is privately-held and not listed for quotation on any exchange or over-the-counter market. At March 27, 2002, we had 70 holders of record of our common stock.

In August and October 2001, we issued a total of 5,509,434 shares of our common stock that were not registered under the Securities Act in reliance upon Section 4(2) of the Act and Regulation D promulgated thereunder exempting transactions by an issuer not involving a public offering. The shares were issued to our existing stockholders and the amount of consideration we received for the issuance of these shares was $14.6 million. We repurchased all of our outstanding warrants with $14.5 million of the proceeds. The remaining funds were available for payment of expenses incurred in the offering.

In September 2001, we issued 50,000 shares of our common stock that were not registered under the Securities Act in reliance upon Section 4(2) of the Act exempting transactions by an issuer not involving a public offering. The shares were issued to one of our employees and the amount of consideration we received for the issuance of these shares was $0.1 million. These proceeds were available for general corporate purposes.

On July 24, 2001, we issued $175 million in principal amount of our 10 5/8% Series A notes due 2008 to the initial purchasers of those notes who then resold the Series A notes only to qualified institutional buyers pursuant to Rule 144A of the Securities Act of 1933. We used a substantial portion of the proceeds we received in connection with this private placement to repay the outstanding indebtedness under our then existing credit facilities and such facilities have been terminated. On January 18, 2002, all of the Series A notes were exchanged for a like principal amount of our 10 5/8% Series B notes due 2008, which are identical in all material respects to the form and terms of the Series A notes, except that the offering of the Series B notes was registered under the Securities Act. We did not receive any proceeds from the exchange offer.

We do not plan to pay 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 debt agreements prohibit us from paying dividends on our common stock.

ITEM 6 -- SELECTED FINANCIAL DATA

HORNBECK-LEEVAC MARINE SERVICES, INC.

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

Our selected historical consolidated financial information as of and for the fiscal years ended December 31, 1997, 1998, 1999, 2000 and 2001, was derived from our audited historical consolidated financial statements. You should read this information together with, and is qualified in its entirety by reference to, "Management's Discussion and Analysis of Results of Operations and Financial Condition" and our historical consolidated financial statements and their notes included elsewhere in this report.

	YEAR ENDED DECEMBER 31,				
	1997	1998	1999	2000	2001
STATEMENT OF OPERATIONS DATA:					
Revenue	$ 6,656	$ 12,822	$ 25,723	$ 36,102	$ 68,791
Operating expenses	5,906	10,701	17,275	20,410	32,371
General and administrative expenses	762	1,699	2,467	3,355	8,473
Operating income (loss)	(12)	422	5,981	12,337	27,947
Interest income	47	130	170	305	1,455
Interest expense	324	1,155	5,262	8,216	10,665
Other income (expense)(1)	29	544	(20)	(138)	--
Income (loss) before income taxes and extraordinary item	(260)	(59)	869	4,288	18,737
Extraordinary loss, net of tax benefit of $1,065(2)	--	--	--	--	1,964
Income tax (expense) benefit	80	156	(341)	(1,550)	(6,802)
Net income (loss)	(180)	97	528(3)	2,738	9,971
BALANCE SHEET DATA (AT PERIOD END):					
Cash and cash equivalents	$ 4,621	$ 3,183	$ 6,144	$ 32,988	$ 53,203
Working capital	4,206	2,129	1,857	29,524	48,516
Property, plant and equipment, net	14,742	45,819	85,700	98,935	180,781
Total assets	25,461	58,216	103,486	147,148	258,817
Total debt	9,500	34,621	83,954	89,391	172,413(4)
Stockholders' equity(5)	12,350	13,060	13,480	49,745	59,866
STATEMENT OF CASH FLOWS DATA:					
Net cash provided by operating activities(6)	$ 950	$ 3,593	$ 1,559	$ 4,203	$ 25,677
OTHER FINANCIAL DATA AND RATIOS					

(UNAUDITED):					
EBITDA(7)	$ 511	$ 1,890	$ 9,875	$ 17,806	$ 37,072
Cash interest	324	418	4,495	7,145	5,577
Capital expenditures	6,403	33,492	42,293	16,224	88,328
Depreciation and amortization	476	1,338	3,724	5,164	7,670
Ratio of EBITDA to cash interest(8)	1.6x	4.5x	2.2x	2.5x	6.6x
OTHER OPERATING DATA (UNAUDITED):					
Offshore Supply Vessels:					
Average number	N/A	0.1	4.1	6.8	7.8
Average utilization rate(9)	N/A	100%	93.1%	93.4%	99.1%
Average dayrate(10)	N/A	$ 8,936	$ 6,724	$ 8,435	$ 11,872

	YEAR ENDED DECEMBER 31,				
	1997	1998	1999	2000	2001
Tugs and Tank Barges:					
Average number of tank barges	7.1	7.0	7.1	7.0	12.3
Average fleet capacity (barrels)	406,462	358,108	434,861	451,655	847,780
Average barge size (barrels)	56,770	51,158	61,464	64,522	68,109
Average utilization rate(9)	N/A	75.3%	73.9%	71.4%	84.4%
Average dayrate(11)	N/A	$ 6,502	$ 8,482	$ 8,982	$ 9,306

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(1) Includes other operating income and expenses.

(2) A non-cash extraordinary loss of $1,964, net of taxes, was incurred during 2001 resulting from the early extinguishment of debt. This extraordinary item relates to the write off of deferred financing costs upon the refinancing of all our debt through the issuance of the Series A notes.

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

(4) Excludes original issue discount associated with the Series A notes in the amount of $3,024.

(5) On October 25, 2001, we completed a private placement of $14,600 of our common stock. We repurchased all of our outstanding warrants with $14,500 of the proceeds.

(6) For more information regarding cash flows from operating activities and for information regarding cash flows from investing activities and financing activities, please refer to our Consolidated Statements of Cash Flows beginning on page F-6.

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

(8) Calculated as EBITDA divided by cash interest. For purposes of calculating the ratio of EBITDA to cash interest, EBITDA consists of the components discussed in footnote (9) above.

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

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

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

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 Form 10-K.

GENERAL

We operate deepwater offshore supply vessels in the Gulf of Mexico and ocean-going tugs and tank barges in the northeastern United States, primarily New York Harbor, and in Puerto Rico. We charter our offshore supply vessels on a dayrate basis, under which the customer pays us a specified dollar amount for each day during the term of the contract, under either fixed time charters or spot market charters. A fixed time charter is a contract in which the charterer obtains the right for a specified period to direct the movements and utilization of the vessel in exchange for payment of a specified daily rate, 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 offshore supply vessel industry are generally time charter contracts with terms of less than one year. Generally, we absorb crew, insurance and repair and maintenance costs in connection with operation of our offshore supply vessels and our customers absorb other direct operating costs.

All of our offshore supply vessels are currently operating under time charter contracts, including seven that are chartered with initial terms ranging from two to five years. We are currently involved in a contract dispute with one of our customers with respect to two of such vessels, which could result in only five of our offshore supply vessels being under long-term contracts. Our long-term contracts for our offshore supply vessels are consistent with those used in the industry and are either fixed for a term of months or years or are tied to the duration of a long-term contract for a drilling rig for which the vessel provides services. These contracts generally contain, among others, provisions governing insurance, reciprocal indemnifications, performance requirements and, in certain instances, dayrate escalation terms and renewal options.

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

Generally, we operate an ocean-going tug and tank barge together as a "tow" to transport petroleum products between U.S. ports and along the coast of Puerto Rico. We operate our tugs and tank barges under fixed time charters, spot market charters, contracts of affreightment and consecutive voyage contracts. 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 has been chartered to a third party under a bareboat charter. 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 drivers of demand for our tug and tank barge services are population growth, the strength of the United States economy and changes in weather patterns that affect consumption of heating oil and gasoline. The tug and tank barge market, in general, is marked by steady demand over time. We believe that demand for refined petroleum products and crude oil will remain steady or gradually increase for the foreseeable future.

Our operating costs are primarily a function of fleet size and utilization levels. The most significant direct operating costs are wages paid to vessel crews, maintenance and repairs and marine insurance. Generally, fluctuations in vessel utilization affect only that portion of our direct operating costs that is incurred when our

vessels are active. Direct operating costs as a percentage of revenues may therefore vary substantially due to changes in day rates and utilization.

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

RESULTS OF OPERATIONS

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

	YEAR ENDED DECEMBER 31,			
	1998	1999	2000	2001(1)
OFFSHORE SUPPLY VESSELS:				
Average number of vessels	0.1	4.1	6.8	7.8
Vessel days available	44	1,517	2,490	2,857
Average utilization rate	100.00%	93.1%	93.4%	99.1%
Average dayrate	$ 8,936	$ 6,724	$ 8,435	$ 11,872
TUGS AND TANK BARGES:				
Average number of tank barges ...	7.0	7.1	7.0	12.3
Average fleet capacity (barrels)	358,108	434,861	451,655	847,780
Average barge size (barrels)	51,158	61,464	64,522	68,109
Average utilization rate	75.3%	73.9%	71.4%	84.4%
Average dayrate	$ 6,502	$ 8,482	$ 8,982	$ 9,306

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(1) Includes only seven months of operations of the nine tugs and nine tank barges acquired from the Spentonbush/Red Star Group effective May 31, 2001, and only eight months of operations from the HOS Innovator, delivered April 28, 2001 and only 2 months of operations from the BJ Blue Ray delivered November 6, 2001.

YEAR ENDED DECEMBER 31, 2001 COMPARED TO YEAR ENDED DECEMBER 31, 2000

Revenues. Revenues were $68.8 million for the year ended December 31, 2001, as compared to $36.1 million in 2000, an increase of $32.7 million or 90.6%. This increase was primarily attributable to our offshore supply vessel segment, which continued to experience strong demand for our vessels, and the revenues generated by the additional tugs and tank barges acquired on May 31, 2001.

Revenues from our offshore supply vessel segment increased to $33.6 million in 2001 as compared to $19.6 million in 2000, an increase of $14.0 million or 71.4%. The primary reasons for the increase in revenue from this segment were a 41% increase in average dayrates, a 6% increase in utilization and the addition, during 2001, of two newly constructed offshore supply vessels, one in late April and the other in early November. Our utilization rate

for our offshore supply vessels was 99.1% for 2001 compared to 93.4% in 2000 as a result of higher demand for deepwater drilling, construction and field development activity in the Gulf of Mexico. Our offshore supply vessel average dayrate was $11,872 for 2001 compared to $8,435 in 2000, an increase of $3,437 or 40.7%. The increase in average dayrates was due to a combination of higher demand and the addition to our fleet of the larger, newly constructed 240' class HOS Innovator on April 28, 2001 and the 265' class BJ Blue Ray on November 6, 2001, which operated at higher dayrates than our 200' class offshore supply vessels.

Revenues from our tug and tank barge segment totaled $35.2 million for 2001 as compared to $16.5 million in 2000, an increase of $18.7 million or 113.3%. This segment revenue increase is primarily due to increased utilization and the acquisition of nine tugs and nine tank barges on May 31, 2001, which increased fleet capacity from 451,655 barrels to 1,130,727 barrels. Our utilization rate for our tugs and tank barges increased to 84.4% for 2001 compared to 71.4% in 2000. The increase in utilization was primarily the result of a change from vessels operating under contracts of affreightment to time charters, as well as the vessels being out of service for repairs fewer days in 2001 as compared to 2000. Our average dayrate increased to $9,306 in 2001 compared to $8,982 in 2000, an increase of $324 per day or 3.6%.

Operating Expense. Our operating expense, including depreciation and amortization, increased to $32.4 million for 2001 as compared to $20.4 million in 2000, an increase of $12.0 million or 58.8%. The increase in total operating expense resulted primarily from the addition of vessels to the offshore supply vessel and tank barge fleets during 2001. Daily operating expenses per vessel in both the offshore supply vessel segment and the tug and tank barge segment remained fairly constant.

Operating expense for our offshore supply vessel segment increased $5.9 million or 63.4% in 2001 to $15.2 million compared to $9.3 million in 2000. This increase was primarily the result of the HOS Cornerstone being in service for all of 2001, but only a portion of 2000 and the HOS Innovator and BJ Blue Ray being in service for a portion of 2001 but not in service during 2000.

Operating expense for our tug and tank barge segment was $25.7 million for 2001 compared to $11.1 million in 2000, an increase of $14.6 million or 131.5%. The operating expense increase resulted primarily from our acquisition of nine tugs and nine tank barges on May 31, 2001.

General and Administrative Expense. Our general and administrative expense was $8.5 million for 2001 as compared to $3.4 million of 2000, an increase of $5.1 million. This increase primarily resulted from increased overhead relating to the nine tugs and nine tank barges acquired on May 31, 2001, new costs associated with compliance with our reporting obligations under the federal securities laws and an increase in profit-based incentive bonus compensation accruals as our profitability increased.

Interest Expense. Interest expense was $10.7 million in 2001 compared to $8.2 million in 2000, an increase of $2.5 million or 30.5%. This increase in interest expense resulted from the refinancing of all of our conventional floating rate debt through the issuance of the Series A notes in July 2001 with a higher fixed rate, and a higher average balance of debt outstanding in the 2001 period. This increase was offset by the capitalization of interest costs relating to new construction which increased significantly in 2001 due to the construction in progress of six offshore supply vessels compared to the construction in 2000 of one vessel completed in March 2000.

Interest Income. Interest income was $1.5 million in 2001 compared to $0.3 million in 2000, an increase of $1.2 million or 400%. This increase in interest income resulted from substantially higher cash balances invested during the 2001 period resulting from the excess proceeds of the Series A notes offering being available for investment after the refinancing.

Income Tax Expense. Our effective tax rate for 2001 was 36.3% compared to an effective tax rate of 36.0% for 2000.

Extraordinary Loss. A non-cash extraordinary loss of $2.0 million, net of taxes, was incurred during 2001 resulting from the early extinguishment of debt. This extraordinary item relates to the write-off of deferred financing costs upon the refinancing of all our debt through the issuance of the Series A notes in July 2001.

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

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

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

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

In addition to the impact of new vessel deliveries, average dayrates in 2000 were $8,435 as compared to $6,724 in 1999, an increase of $1,711 per day or 25%. This increase reflects the continuing increase in demand for offshore supply vessels to support deepwater oil and gas exploration, drilling and production in the Gulf of Mexico, combined with the higher dayrates attributable to two 240' class vessels entering the fleet in late 1999 and early 2000. Our average utilization rate was approximately 93% in each year.

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

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

Operating expense for our offshore supply vessel segment increased $4.0 million in 2000 to $9.3 million compared to $5.3 million in 1999. This increase resulted from the inclusion in 2000 of vessels added to our fleet at various times in 1999 and early 2000.

Operating expense for our tug and tank barge segment decreased $0.9 million or 8% in 2000 to $11.1 million compared to $12.0 million in 1999. The operating expense reduction was the result of changes from contracts of affreightment to time charters for three tows. During 1999, we had seven tows operating under contracts of affreightment as compared to six tows operating under a contract of affreightment and one tow operating under a time charter in 2000. The result was a daily operating cost of $4,340 per day in 2000 compared to $4,648 per day in 1999, a decrease of $308 per day or 7%.

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

Interest Expense. Interest expense was $8.2 million in 2000 compared to $5.3 million in 1999, an increase of $2.9 million or 55%. Interest expense increased as vessels were delivered in 1998, 1999 and 2000 due to conversion from construction interest, which was capitalized, to interest expense under term financing. The financing of the HOS Deepwater and the HOS Cornerstone under one of our former credit facilities increased our debt balances, leading to increased interest expense.

Income Tax Expense. Our effective tax rate for 2000 was 36.0% compared to an effective tax rate of 39% for 1999. The effective tax rate decreased due to an increase in operating income and the amount of nondeductible expenses remaining constant between the periods.

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

Revenues. Revenues were $25.7 million in 1999 compared to $12.8 million in 1998, an increase of $12.9 million or 101%. The increase in revenue was the result of the delivery of newly constructed offshore supply vessels in late 1998 and during 1999 and the acquisition of tugs and tank barges with higher capacities in March 1999.

Revenues from our offshore supply vessel segment totaled $9.5 million in 1999 compared to $0.3 million in 1998, an increase of $9.2 million. The revenue increase in 1999 reflects the growth of our fleet through new construction from one vessel, the HOS Crossfire, which commenced service November 6, 1998, to six vessels at the end of 1999. Moreover, average dayrates decreased to $6,724 in 1999 compared to $8,936 in 1998. Average dayrates fluctuated as vessels entered the fleet in the spot market before term charters were obtained for the vessels in late 1998 and early 1999, then stabilized and began a rising trend in the third quarter due to the increase in demand for offshore supply vessels to support deepwater oil and gas exploration, development and production in the Gulf of Mexico. Our utilization rate was 93.1% in 1999 compared to 100% in 1998.

Revenues from our tug and tank barge segment totaled $16.2 million in 1999 compared to $12.5 million in 1998, an increase of $3.7 million or 29%. The majority of the increase resulted from the purchase in March 1999 of the Energy 6503 and Energy 7002 with capacities of 65,145 barrels and 72,693 barrels, respectively, which was partially offset by the sale in March 1999 of the LMI 2000 with a capacity of 20,750 barrels, and by the sale in December 1999 of the LMI 2503 with a capacity of 23,451 barrels, which had been cold stacked in February. These transactions increased our marine transportation total fleet capacity from 358,108 barrels to 451,655. Utilization remained relatively stable with a utilization rate of 73.9% in 1999 compared to 75.3% in 1998. Average dayrates increased to $8,482 in 1999 from $6,502 in 1998, an increase of $1,980 per day or 30%, due to increased capacity and time charter contracts at rates higher than historical averages.

Operating Expense. Our operating expense, including depreciation and amortization, increased from $10.7 million in 1998 to $17.3 million in 1999, an increase of $6.6 million or 62%. Daily operating expenses per vessel in both the offshore supply vessel segment and the tug and tank barge segment remained fairly constant. Changes in operating expenses resulted primarily from changes in the number and size of vessels operating in the fleet during the periods.

Operating expense for our offshore supply vessel segment increased $5.1

million in 1999 to $5.3 million compared to $0.2 million in 1998. This increase primarily resulted from the addition of the newly constructed vessels placed in service in late 1998 and during 1999.

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

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

Interest Expense. Interest expense was $5.3 million in 1999 compared to $1.2 million in 1998, an increase of $4.1 million or 342%. This increase reflects the incurrence of debt to construct offshore supply vessels that were delivered in 1998 and 1999. Interest expense increased as vessels were delivered in late 1998 and throughout 1999

due to the conversion from construction interest, which was capitalized, to interest expense under term financing. During 1998, the proceeds of a debt placement provided interest income which partially offset interest expense. Moreover, the amortization of financing costs and the warrant valuation adjustment that occurred in connection with the June 1998 debt placement were reflected for all of 1999 compared to six months in 1998.

Income Tax Expense. The comparison of our effective tax rates for the years ended December 31, 1998 and 1999 was not meaningful due to the Company's net operating loss of $59 and other non-deductible expenses of $101 in 1998.

LIQUIDITY AND CAPITAL RESOURCES

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

Net cash provided by operating activities was $1.6 million in 1999, $4.2 million in 2000 and $25.7 million in 2001. Changes in cash flow from operating activities are principally the result of higher income from operations after considering increases in depreciation and amortization due to the significant expansion of our vessel fleet, offset by changes in our net working capital.

Net cash used in investing activities was $42.3 million in 1999, $16.2 million in 2000 and $88.3 million in 2001. Net cash used in investing activities was primarily the result of new vessel construction and acquisitions. Also included in these invested cash amounts are drydocking expenditures, predominately related to recertification of vessels not recently acquired, of $1.0 million in 1999 and $1.7 million in both 2000 and 2001.

Net cash provided by financing activities was $43.7 million in 1999, $38.9 million in 2000 and $82.9 million in 2001. Net cash provided by financing activities was primarily the result of issuances of equity and senior notes and borrowings under our former credit facilities offset in part by the repayment in full of such credit facilities.

On December 31, 2001, two of our subsidiaries, Hornbeck Offshore Services, LLC and LEEVAC Marine, LLC, entered into a new three-year senior secured revolving line of credit (the "Revolver") for $50.0 million. Pursuant to the terms of the Revolver, our borrowings under this facility will initially be limited to $25.0 million unless we have obtained the lender's concurrence to borrow in excess of $25.0 million and are in compliance with the terms of the indenture governing our senior notes with respect to the incurrence of additional indebtedness. Borrowings under the Revolver accrue interest, at our option, at either (i) the prime rate announced by Citibank, N.A. in New York, plus a margin of 0% to 1%, or (ii) the London Interbank Offered Rate, plus a margin of 1.75% to 3.0%. We are also required to pay a commitment fee on available but unused amounts ranging from 0.25% to 0.375%. The interest rate margin and commitment fee are based on our leverage ratio, as defined in the agreement governing the Revolver. We can use the amounts we draw under the Revolver for working capital purposes, acquisitions and vessel construction. On February 25, 2002, the undrawn Revolver was collateralized by four of our offshore supply vessels and four of our ocean-going tugs with an aggregate orderly liquidation value of approximately $75.0 million. We have guaranteed the obligations of Hornbeck Offshore Services, LLC and LEEVAC Marine, LLC under the Revolver.

On July 24, 2001, we issued $175.0 million in principal of 10 5/8% Series A notes due 2008. We realized net proceeds of $165.0 million, a substantial portion of which was used to repay and extinguish our outstanding indebtedness under our then existing credit facilities, which were terminated. On January 18, 2002, all of the Series A notes were exchanged for a like principal amount of our 10 5/8% Series B notes due 2008, which are identical in all material respects to the form and terms of the Series A notes, except that the offering of the Series B notes was registered under the Securities Act. We did not receive any proceeds from the exchange offer. At December 31, 2001, we had outstanding debt of $172.0 million, net of original issue discount, under the senior notes.

Interest on the senior notes 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 certain events, such as asset sales or a change in control.

The senior notes are general unsecured obligations and rank equally in right of payment with all our existing and future unsecured senior indebtedness and senior to all our future subordinated indebtedness. Our payment obligations under the senior notes are fully and unconditionally guaranteed on a senior unsecured basis by all our present and future significant subsidiaries on a joint and several basis.

The agreement governing the Revolver and the indenture under which the senior notes were issued impose 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 make dividends or other payments.

During 2001, we expended approximately $88.3 million for vessel construction, the Spentonbush/Red Star Group acquisition (including drydocking expenses incurred with respect to such vessels during 2001) and the acquisition of the M/V W.K. McWilliams, Jr. As of December 31, 2001, we had cash of approximately $53.2 million and working capital of approximately $48.5 million. As of December 31, 2001, we were committed under vessel construction contracts to complete construction of four offshore supply vessels. As of December 31, 2001, the amount expected to be expended to complete construction of these vessels was approximately $27.1 million, which becomes due at various dates through 2002. In addition, we expect to expend approximately $8.0 million during 2002 for drydocking expenses related to recertification of all vessels and other maintenance capital expenditures.

We believe that cash on hand and cash generated from operations will provide sufficient funds for our identified capital projects, debt service and working capital requirements. Our strategy, however, includes expanding our fleet through the construction or acquisition of additional offshore supply vessels, tugs and tank barges as needed to take advantage of the strong demand for such vessels. Depending on the market demand for offshore supply vessels, tugs and tank barges and consolidation opportunities that may arise, we may require additional debt or equity financing. Although we continue to evaluate potential acquisitions and newbuild opportunities, we do not presently have any agreements, understandings or arrangements with respect to any specific acquisition target or newbuild opportunity.

As of December 31, 2001, we had federal net operating loss carryforwards of approximately $8.8 million available through 2017 to offset future taxable income. In addition, we expect our federal tax net operating losses to increase due to our use of accelerated tax depreciation with respect to new vessels. Our use of these net operating losses may be limited due to U.S. tax laws. Based on the age and composition of our current fleet, however, we expect to pay a lower than normal amount of federal income taxes over the next five years. See Note 8 to our Consolidated Financial Statements included in this Form 10-K.

CONTRACTUAL OBLIGATIONS AND COMMERCIAL COMMITMENTS

The following table sets forth an aggregation of our contractual obligations and commercial commitments as of December 31, 2001, in thousands of dollars.

	PAYMENTS DUE BY PERIOD				
CONTRACTUAL OBLIGATIONS	TOTAL	LESS THAN 1 YEAR	1-3 YEARS	4-5 YEARS	AFTER 5 YEARS
Long-term Debt (1)	$172,413	$ 437	$ --	$ --	$171,976
Operating Leases	1,632	847	483	302	--
Construction Commitments (2)	27,167	27,167	--	--	--
Total Contractual Cash Obligations	$201,212	$ 28,451	$ 483	$ 302	$171,976

(1) Net of original issue discount of $3,024.

(2) See Note 9 to our Consolidated Financial Statements for further discussion of these commitments.

INFLATION

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

CRITICAL ACCOUNTING POLICIES

Management's Discussion and Analysis of Financial Condition and Results of Operations discusses our Consolidated Financial Statements included in this Form 10-K, which 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, the Company is required to make estimates, judgments and assumptions that we believe are reasonable based upon information available. We base our estimates and judgments on historical experience and various other factors that we believe to be reasonable under the circumstances. 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 a higher degree of judgment.

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 first twelve months immediately following the acquisition of such vessels are capitalized into the costs of such vessels and are depreciated over the estimated useful lives of the vessels. The allocation period does not exceed beyond 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. Should information become available after the allocation period, those items are reflected in operating results.

Carrying Value of Vessels. We depreciate our tugs, tank barges, and offshore supply vessels over estimated useful lives of 14 to 25 years, 3 to 18 years and 25 years, respectively. The useful lives used for tank barges is based on their classification under the Oil Pollution Act of 1990 (OPA 90). 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 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 offshore supply vessels 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. Routine repairs and maintenance are expensed as incurred. Recertification costs are generally deferred and amortized over the length of time in which the recertification is expected to last, which is generally 30 to 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.

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 the negative of these words or other comparable 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:

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

- our ability to manage costs effectively;

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

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

- the effects of competition;

- our ability to integrate acquisitions successfully;

- our ability to charter our vessels on acceptable terms;

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

- our success at managing these risks.

Our forward-looking statements are only predictions based on expectations that we believe are reasonable. Actual events or results may differ materially from those described in any forward-looking statement. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. To the extent these risks, uncertainties and assumptions give rise to events that vary from our expectations, the forward-looking events discussed in this Form 10-K may not occur.

ITEM 7A -- QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company has not entered into any derivative financial instrument transactions to manage or reduce market risk or for speculative purposes.

The Company is subject to interest rate risk on its 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 notes prior to the maturity date.

The Company's operations are conducted between U.S. ports, including along the coast of Puerto Rico, and therefore the Company is not presently exposed to foreign currency fluctuation.

ITEM 8 -- FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The financial statements and information required by this Item appear on pages F-1 through F-17 of this report.

ITEM 9 -- CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURES

None.

PART III

ITEM 10 -- DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Our directors and executive officers are as follows:

NAME	AGE	POSITION
Todd M. Hornbeck................	33	President, Chief Executive Officer, Secretary and Director
Carl G. Annessa.................	45	Vice President and Chief Operating Officer
James O. Harp, Jr...............	41	Vice President and Chief Financial Officer
Paul M. Ordogne.................	50	Treasurer and Controller
Richard W. Cryar................	54	Director
Larry D. Hornbeck...............	63	Director
Bruce W. Hunt...................	44	Director
Bernie W. Stewart...............	57	Director
Christian G. Vaccari............	42	Director
Andrew L. Waite.................	41	Director

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 held offshore service vessel company, from 1986 to 1996, serving in various positions relating to business strategy and development. Following the merger of Hornbeck Offshore Services, Inc. with Tidewater, Inc. (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 Gulf of Mexico region. Mr. Hornbeck remained with Tidewater until our formation. Mr. Hornbeck is the son of Larry D. Hornbeck.

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

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

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

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

Larry D. Hornbeck joined our Board of Directors effective August 22, 2001. An executive with over 30 years experience in the offshore vessel business worldwide, Mr. Hornbeck was the founder of the original Hornbeck Offshore Services, Inc., an offshore supply vessel company with over 100 vessels operating worldwide. From its inception in 1981 until its merger with Tidewater, Inc., Mr. Hornbeck served as the Chairman of the Board, President and Chief Executive Officer of Hornbeck Offshore

Services. From 1969 to 1980, Mr. Hornbeck was Chairman, President and Chief Executive Officer of Sealcraft Operators, Inc., a publicly held, specialty service offshore supply vessel company operating worldwide. Following the merger, Mr. Hornbeck served as a director of Tidewater from March 1996 until October 2000. Since 1994, Mr. Hornbeck has served on the board of directors of Coastal Towing, Inc., an inland tug and tank barge company. Mr. Hornbeck is the father of Todd M. Hornbeck.

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

Bernie W. Stewart joined our Board of Directors effective November 21, 2001 and was appointed Chairman of the Board in February 2002. Mr. Stewart was Senior Vice President, Operations of R&B Falcon Corporation 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 President of such company 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., 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.

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

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

Advisory Director. R. Clyde Parker, Jr. serves as an advisor to our Board of Directors. He was appointed to such position by our Board of Directors and serves with the title Advisory Director at the board's discretion. In his capacity as an Advisory Director, Mr. Parker's presence at or absence from any meeting of our Board of Directors is not counted for quorum purposes, and he is not entitled to vote on any matters submitted to our Board of Directors for approval. Mr. Parker served as one of our directors from our formation in June 1997 until August 2001. He has been a shareholder with the law firm of Winstead Sechrest & Minick P.C. since May 1996. Mr. Parker was previously a partner with the law firm of Keck, Mahin & Cate from February 1992 to May 1996. Mr. Parker was also an attorney with Weil, Gotshal & Manges from June 1986 to February 1992 and with Vinson & Elkins from April 1983 to June 1986. He was a certified public accountant and practiced in public accounting with A.M. Pullen & Company (now McGladrey & Pullen) from June 1971 through July 1980.

COMMITTEES OF THE BOARD OF DIRECTORS

Our board of directors has a compensation committee, which currently consists of Messrs. Stewart, Hunt and Waite. The compensation committee:

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

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

- administers our stock incentive plan.

The board has also established an audit committee comprised Messrs. Cryar, Larry Hornbeck, Hunt, Stewart and Waite. 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.

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

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

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

TERM AND COMPENSATION OF DIRECTORS

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

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

As compensation for their service as directors or advisory directors, as applicable, during 2001, in March 2002 each of Messrs. Cryar, Larry Hornbeck, Hunt, Parker, and Waite were granted options to purchase 20,000 shares of our common stock at an exercise price of $2.65 per share. In March 2002, Mr. Stewart was also granted options to purchase 10,000 shares of our common stock at an exercise price of $2.65 per share in connection with his service as director in 2001. One fourth of these options was exercisable as of the date of grant and one-fourth will become exercisable on each of the three following anniversaries of such dates. Also, during 2001, Messrs. Waite and Larry Hornbeck were each granted options to purchase 10,000 shares of our common stock at an exercise price of $2.65 per share in connection with the commencement of their service as directors. One-fifth of these options granted to Messrs. Waite and Larry Hornbeck was exercisable as of the date of the grant and one-fifth will become exercisable on each of the four following anniversaries of such dates.

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 advises and makes 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 is providing these services on a full-time basis through May 31, 2002 and will provide these services on a part-time basis through February 27, 2003. He will receive $20,000 per month for his full-time advisory services and $8,335 per month for his part-time services. In addition to the options granted to Mr. Stewart described above, under the terms of his advisory agreement Mr. Stewart was granted options to purchase 10,000 shares of our common stock at an exercise price of $2.65 per share. Also under the terms of the advisory agreement, Mr. Stewart purchased 37,736 shares of our common stock at a purchase price of $2.65 per share, and, upon such purchase, we granted Mr. Stewart an option to purchase an equal number of shares of our common stock at a purchase price of $2.65 per share, which option shall be exercised in accordance with, and subject to the terms of, the terms and conditions of the HORNBECK-LEEVAC Marine Services, Inc. Incentive Compensation Plan. If we terminate the agreement for any reason other than for cause, or if Mr. Stewart terminates the agreement for cause, he will be entitled to receive his advisory fees for the remainder of the original term of the agreement. Mr. Stewart has agreed that during the term of his advisory agreement he will not be employed by or associated with or own more than five percent (5%) of the outstanding securities of any entity which competes with us. Mr. Stewart has also agreed that during the term of the advisory agreement and for a period of two years after he will not (i) solicit any of our employees, customers, suppliers or sales agents to terminate their relationship with us or (iii) 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.

ITEM 11 -- EXECUTIVE COMPENSATION

EXECUTIVE COMPENSATION

The following table sets forth compensation information for the chief executive officer and certain of our other executive officers whose total annual salary and bonus exceeded $100,000 for the years ended December 31, 2000 and 2001.

SUMMARY COMPENSATION TABLE

		ANNUAL COMPENSATION			LONG-TERM COMPENSATION AWARDS	
NAME AND POSITION(1)	FISCAL YEAR	SALARY	BONUS(2)	OTHER ANNUAL COMPENSATION (3)	SECURITIES UNDERLYING OPTIONS(4)	ALL OTHER COMPENSATION (5,6)
Todd M. Hornbeck President, Chief Executive Officer	2000	$165,625	$ 70,000	--	300,000	$ 1,206
and Secretary	2001	$195,833	$400,000	--	--	1,940
Carl G. Annessa Vice President and	2000	$121,771	$ 39,000	--	100,000	1,286
Chief Operating Officer ..	2001	$155,000	$240,000	--	--	1,953
James O. Harp, Jr Vice President and Chief Financial	2000	--	--	--	--	--
Officer	2001	$163,571	$255,000	--	100,000	1,103
Paul M. Ordogne Treasurer and	2000	$103,021	$ 30,804	--	48,000	648
Controller	2001	$115,000	$ 42,665	--	--	1,541
Christian G. Vaccari Former Chairman of the Board and Chief	2000	$168,750	$ 70,000	--	300,000	--
Executive Officer	2001	$195,833	$400,000	--	--	1,295

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(1) Mr. Harp joined us as our Vice President and Chief Financial Officer on January 15, 2001. Effective February 27, 2002, Mr. Vaccari ceased serving as our Chairman of the Board and Chief Executive Officer and continues to serve as one of our directors. Also effective February 27, 2002, Mr. Hornbeck was appointed to the additional position of Chief Executive Officer and Mr. Annessa was appointed to the additional position of Chief Operating Officer.

(2) Bonuses were paid in 2001 and 2002 as compensation for services provided in 2000 and 2001, respectively.

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

(4) In connection with the adoption of an incentive compensation program for executive officers, we granted options in 2001 in part as compensation for services provided in 2000 for Messrs. Vaccari, Hornbeck, Annessa and Ordogne. In addition, Mr. Harp was granted options upon commencement of his employment in 2001,

vesting in equal amounts on the first, second and third anniversaries of the grant, to purchase 100,000 shares of our common stock at an exercise price of $2.65 per share.

(5) For 2000, these amounts represent (i) employer matching contributions made under our 401(k) savings plan in the amount of $630, $796 and $360 for Messrs. Hornbeck, Annessa and Ordogne, respectively, and (ii) premiums of $576, $490 and $288 for Messrs. Hornbeck, Annessa and Ordogne, respectively, associated with life insurance policies.

(6) 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, $1,118 and $872 for Messrs. Hornbeck, Annessa, Harp, Ordogne and Vaccari, respectively, and (ii) premiums of $423, $423, $423, $423 and $423 for Messrs. Hornbeck, Annessa, Harp, Ordogne and Vaccari, respectively, associated with life insurance policies.

OPTION GRANTS

The following table shows all grants of options to acquire shares of our common stock granted during the year ended December 31, 2001 to the executive officers named in the Summary Compensation Table above under the HORNBECK-LEEVAC Marine Services, Inc. Incentive Compensation Plan.

NAME	NUMBER OF SECURITIES UNDERLYING OPTIONS GRANTED	% OF TOTAL OPTIONS GRANTED IN FISCAL YEAR	EXERCISE OR BASE PRICE ($/SHARE)(1)	EXPIRATION DATE	POTENTIAL REALIZABLE VALUE AT ASSUMED ANNUAL RATES OF STOCK APPRECIATION FOR OPTION TERM(2)	
					5%	10%
Todd M. Hornbeck........	300,000(4)	22%	$ 2.65	March 9, 2011	501,000	1,266,000
Carl G. Annessa.........	100,000(4)	7%	$ 2.65	March 9, 2011	167,000	422,000
James O. Harp, Jr.......	100,000(3)	7%	$ 2.65	Jan. 15, 2011	167,000	422,000
Paul M. Ordogne.........	48,000(4)	3%	$ 2.65	March 9, 2011	80,160	202,560
Christian G. Vaccari....	300,000(4)	22%	$ 2.65	March 9, 2011	501,000	1,266,000

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

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

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

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

FISCAL YEAR END OPTION VALUES

The following table shows information with respect to unexercised options held by the executive officers named in the Summary Compensation Table as of December 31, 2001. None of our executive officers named in the Summary Compensation Table have exercised any options to purchase our common stock.

NAME	NUMBER OF SECURITIES UNDERLYING UNEXERCISED OPTIONS AT DECEMBER 31, 2001		VALUE OF UNEXERCISED IN-THE-MONEY OPTIONS AT DECEMBER 31, 2001	
	EXERCISABLE	UNEXERCISABLE	EXERCISABLE	UNEXERCISABLE
Todd M. Hornbeck.................	128,333	256,667	$ 48,333	$ 10,167
Carl G. Annessa..................	60,000	90,000	28,200	6,100
James O. Harp, Jr................	--	100,000	--	--
Paul M. Ordogne..................	30,433	45,067	14,133	4,067
Christian G. Vaccari.............	128,333	256,667	48,333	10,167

EMPLOYMENT AGREEMENTS

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

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

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

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

Christian G. Vaccari served as our Chairman of the Board and Chief Executive Officer under an employment agreement with terms substantially identical to the terms of Mr. Hornbeck's employment agreement described above. Effective February 27, 2002, Mr. Vaccari ceased serving as our Chairman of the Board and Chief Executive Officer, and his employment under the terms of his agreement terminated.

INCENTIVE COMPENSATION PLAN

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

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

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

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

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

Under the plan, awards other than stock options and stock appreciation rights given to any of our executive officers whose compensation must be disclosed in our annual proxy statement and who is subject to the limitations imposed by Section 162(m) of the tax code must be based on the attainment of certain performance goals established by the Board or the compensation committee. The performance measures are limited to earnings per share, return on assets, return on equity, return on capital, net profit after taxes, net profits before taxes, operating profits, stock price and sales or expenses. Additionally, the performance goals must include formulas for calculating the amount of compensation payable if the goals are met; both the goals and the formulas must be sufficiently objective so that a third party with knowledge of the relevant performance results could assess that the goals were met and calculate the amount to be paid.

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

401(K) RETIREMENT PLAN

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

All employees' contributions are immediately 100% vested. Contributions by us to the plan vest at a rate of 20% each year after the second year of service. Upon attaining age 65, participants are automatically 100% vested, even with respect to our contributions. Subject to certain limitations imposed under the tax code, participants or their designated beneficiaries are entitled to payment of vested benefits upon termination of employment. On attaining age 65, participants are entitled to distribution of the full value of their benefits even if they continue to be employed by us. Such employees also have the option of deferring payment until April 1 following the year they attain the age of 70 1/2. In addition, hardship and other in-service distributions are available under certain circumstances and

subject to certain conditions. The amount of benefits ultimately payable to a participant under the plan depends on the level of the participant's salary deferral contributions under the plan, the amount of our discretionary and matching contributions made to the plan and the performance of the investment funds maintained under the plan in which participants are invested.

ITEM 12 -- SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information regarding the beneficial ownership of our voting securities as of March 27, 2002 by:

- each person who is known to us to be the beneficial owner of more than 5% of our voting securities;

- each of our directors; and

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

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

	DIRECT OWNERSHIP			BENEFICIAL OWNERSHIP	
	NUMBER OF SHARES	PERCENTAGE OF OUTSTANDING		NUMBER OF SHARES	PERCENTAGE OF OUTSTANDING(1)
SCF-IV, L.P.	9,864,912	32.7		9,864,912(2)	32.7
Cari Investment Company	5,129,364	17.0	)	5,753,982	18.8
Christian G. Vaccari	239,618	*	)		
William Herbert Hunt Trust			)	5,123,976(4)	
Estate	5,065,976	16.8	)		17.0
Bruce W. Hunt	25,000	*	)		
Todd M. Hornbeck	1,537,736	5.1		3,242,736(5)	10.7
Rock Creek Partners II, Ltd.	2,660,904	8.8		2,660,904	8.8
Carl G. Annessa	70,000	*		160,000(6)	*
James O. Harp, Jr.	35,088	*		68,421(7)	*
Paul M. Ordogne	99,300	*		146,000(8)	*
Richard W. Cryar	43,143	*		76,143(9)	*
Larry D. Hornbeck	159,120	*		166,120(10)	*
Bernie W. Stewart	73,450	*		87,884(11)	*
Andrew L. Waite	2,210	*		9,377(12)	*
All shares owned or controlled by executive officers and directors as a group (10 persons)	2,320,379	7.7		14,834,639(13)	47.8

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* Less than 1%

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

(2) SCF-IV, L.P. is a limited partnership of which the ultimate general partner is L.E. Simmons & Associates, Incorporated. The Chairman of the Board and President of L.E. Simmons & Associates, Incorporated is Mr. L.E. Simmons. As such Mr. Simmons may be deemed to have voting and dispositive power over the shares owned by SCF-IV, L.P. The address of Mr. Simmons and SCF-IV, L.P. is 6600 Chase Bank Tower, 600 Travis Street, Houston, Texas 77002. Pursuant to a voting arrangement agreed to by SCF-IV, L.P. and the company in connection with our private equity offering completed in October 2001, SCF is restricted from voting 562,081 of those shares.

(3) Cari Investment Company is owned entirely by Christian G. Vaccari and other members of his family. Mr. Vaccari also serves as its chief executive officer and may be deemed to share voting and dispositive power with respect to the 5,129,364 shares of common stock owned by Cari Investment Company. Cari Investment Company's address is 1100 Poydras Street, Suite 2000, New Orleans, LA 70163. Beneficial ownership includes options to purchase 385,000 shares of common stock that are currently exercisable by Mr. Vaccari.

(4) Mr. Bruce W. Hunt is a representative of the William Herbert Hunt Trust Estate and may be deemed to share voting and dispositive power with respect to the 5,065,976 shares of common stock owned by the Trust Estate. Also includes options to purchase 33,000 shares of common stock that are

currently exercisable by Mr. Hunt. The Trust Estate's address is 3900 Thanksgiving Tower, 1601 Elm Street, Dallas, TX 75201.

(5) Troy A. Hornbeck has granted a power of attorney to Todd M. Hornbeck covering the voting interest in his 1,500,000 shares, and therefore Todd Hornbeck has control of all voting decisions with respect to a total of 3,037,376 shares. Beneficial ownership includes options to purchase 205,000 shares of common stock that are currently exercisable by Todd Hornbeck.

(6) Beneficial ownership includes options to purchase 90,000 shares of common stock that are currently exercisable.

(7) Beneficial ownership includes options to purchase 33,333 shares of common stock that are currently exercisable.

(8) Beneficial ownership includes options to purchase 46,700 shares of common stock that are currently exercisable.

(9) Beneficial ownership includes options to purchase 33,000 shares of common stock that are currently exercisable.

(10) Beneficial ownership includes options to purchase 7,000 shares of common stock that are currently exercisable.

(11) Beneficial ownership includes options to purchase 14,434 shares of common stock that are currently exercisable.

(12) Mr. Waite serves as Managing Director of L.E. Simmons & Associates, Incorporated, the ultimate general partner of SCF-IV, L.P. As such, Mr. Waite may be deemed to have voting and dispositive power over the shares owned by SCF-IV, L.P. Mr. Waite disclaims beneficial ownership of the shares owned by SCF-IV, L.P. Beneficial ownership includes options to purchase 7,167 shares of common stock that are currently exercisable.

(13) Beneficial ownership includes options to purchase 854,634 shares of common stock that are currently exercisable.

Voting Agreements. Under the terms of a voting agreement among Todd M. Hornbeck, Troy A. Hornbeck, Cari Investment Company and the company, the Hornbecks and Cari Investment Company 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 the position of Todd and Troy Hornbeck and the company that this voting agreement has terminated. Christian G. Vaccari, as representative of Cari Investment Company, has indicated that Cari Investment Company does not agree. Under the terms of a stockholders' agreement among SCF-IV, L.P., Todd

Hornbeck, Troy 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 it owns at least 5% of the company's outstanding common stock or, prior to an initial public offering, it owns at least 80% of the common stock it acquired in November 2000. SCF-IV, L.P. also agrees to vote its shares in favor of the two designees of Todd and Troy Hornbeck and the two designees of Cari Investment Company. Pursuant to a voting arrangement entered into between SCF-IV, L.P. and the company in connection with our private equity offering completed in October 2001, SCF is restricted from voting 562,081 of its shares.

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 five percent of our common stock. We believe that the terms of each of these transactions were at least as favorable as could have been obtained in similar transactions with unaffiliated third parties. Because of the existence of these transactions, the parties to these transactions could have interests different from those of other shareholders.

Christian G. Vaccari, who served as our Chairman of the Board and Chief Executive Officer until February 2002 and who is one of our current directors, is a member of LEEVAC Industries, LLC and Chairman of the Board of LEEVAC Shipyards, Inc. Three of our recently constructed offshore supply vessels were built by LEEVAC Shipyards, two were built by LEEVAC Industries and, as of December 31, 2001, we had contracts with LEEVAC Industries for the construction of two additional offshore supply vessels, one of which was delivered in February 2002. Our current contracts with LEEVAC Industries, as well as our past contracts with LEEVAC Industries and LEEVAC Shipyards, were entered into following a competitive bidding process. In 2001, we made payments under such shipyard contracts aggregating $24.9 million, and at December 31, 2001, after giving effect to subsequent change orders, we had contracts calling for the payment of an additional $7.6 million over the course of construction of the two offshore supply vessels.

On June 5, 1998, Enron North America Corp. and Joint Energy Development Investments II Limited Partnership entered into an agreement with us and Hornbeck Offshore Services, Inc. and LEEVAC Marine Inc., which we refer to as Facility C and pursuant to which Enron North America and Joint Energy Development Investments agreed to lend these subsidiaries $20 million. In connection with Facility C, our subsidiaries issued to each of Enron North America and Joint Energy Development Investments a promissory note in the amount of $10 million, which each bore interest at 7% annually. ENA CLO I Holding Company I L.P., an affiliate of Enron North America, subsequently succeeded to the interests, obligations, duties and rights of both Joint Energy Development Investments and Enron North America as lenders under Facility C. These notes were paid in full with proceeds from the private placement of the Series A notes and this credit facility has been terminated.

In connection with Facility C, Enron North America and Joint Energy Development Investments were each issued warrants to purchase shares of our common stock. On October 25, 2001, we repurchased all of the warrants for an aggregate purchase price of $14.5 million. In order to finance the repurchase of the warrants, we completed a private placement of $14.6 million of our common stock.

PART IV

ITEM 14 -- 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 though F-17 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	--	Restated Certificate of Incorporation of HORNBECK-LEEVAC Marine Services, Inc. filed with the Secretary of State of the State of Delaware on December 13, 1997 (incorporated by reference to Exhibit 3.1 to the Company's Registration Statement on Form S-4 dated September 21, 2001, Registration No. 333-69826).
3.2	--	Certificate of Amendment of the Restated Certificate of Incorporation of HORNBECK-LEEVAC Marine Services, Inc. filed with the Secretary of State of Delaware on December 1, 1999 (incorporated by reference to Exhibit 3.2 to the Company's Registration Statement on Form S-4 dated September 21, 2001, Registration No. 333-69826).
3.3	--	Certificate of Amendment of the Restated Certificate of Incorporation of HORNBECK-LEEVAC Marine Services, Inc. filed with the Secretary of State of the State of Delaware on October 23, 2000 (incorporated by reference to Exhibit 3.3 to the Company's Registration Statement on Form S-4 dated September 21, 2001, Registration No. 333-69826).
3.4	--	Certificate of Correction to Certificate of Amendment of the Restated Certificate of Incorporation of HORNBECK-LEEVAC Marine Services, Inc. filed with the Secretary of State of the State of Delaware on November 14, 2000 (incorporated

		by reference to Exhibit 3.4 to the Company's Registration Statement on Form S-4 dated September 21, 2001, Registration No. 333-69826).
3.5	--	Second Restated Bylaws of HORNBECK-LEEVAC Marine Services, Inc., adopted October 4, 2000 (incorporated by reference to Exhibit 3.5 to the Company's Registration Statement on Form S-4 dated September 21, 2001, Registration No. 333-69826).
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	--	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).
10.1	--	Employment Agreement dated effective January 1, 2001 by and between Christian G. Vaccari and the Company (incorporated by reference to Exhibit 10.1 to the Company's Registration Statement on Form S-4 dated September 21, 2001, Registration No. 333-69826).
10.2	--	Employment Agreement dated effective January 1, 2001 by and between Todd M. Hornbeck and the Company (incorporated by reference to Exhibit 10.2 to the Company's Registration Statement on Form S-4 dated September 21, 2001, Registration No. 333-69826).
10.3	--	Employment Agreement dated effective January 1, 2001 by and between Carl Annessa and the Company (incorporated by reference to Exhibit 10.3 to the Company's Registration Statement on Form S-4 dated September 21, 2001, Registration No. 333-69826).
10.4	--	Employment Agreement dated effective January 1, 2001 by and between Paul M. Ordogne and the Company (incorporated by reference to Exhibit 10.4 to the Company's Registration Statement on Form S-4 dated September 21, 2001, Registration No. 333-69826).
10.5	--	Employment Agreement dated effective January 1, 2001 by and between James O. Harp, Jr. and the Company (incorporated by reference to Exhibit 10.5 to the Company's Registration Statement on Form S-4 dated September 21, 2001, Registration No. 333-69826).
*10.6	--	Advisory Agreement dated effective February 27, 2002 by and between Bernie W. Stewart and the Company.
10.7	--	Incentive Compensation Plan (incorporated by reference to Exhibit 10.6 to the Company's Registration Statement on Form S-4 dated September 21, 2001, Registration No. 333-69826).
10.8	--	Amendment No. 1 to Incentive Compensation Plan (incorporated by reference to Exhibit 10.7 to the Company's Registration Statement on Form S-4 dated September 21, 2001, Registration No. 333-69826).
10.9	--	Asset Purchase Agreement dated as of May 31, 2001 among LEEVAC Marine, Inc., Hygrade Operators, Inc., Red Star Towing and Transportation Company, Inc., Sheridan Towing Co., Inc., R.S. Bushey & Sons, Inc., and Amerada Hess Corporation (incorporated by reference to Exhibit 10.8 to the Company's Registration Statement on Form S-4 dated September 21, 2001, Registration No. 333-69826).

10.10	--	Contract of Affreightment dated as of May 31, 2001 among LEEVAC Marine, Inc. and Amerada Hess Corporation (certain portions omitted based on a grant of confidential treatment filed separately with the Commission) (incorporated by reference to Exhibit 10.9 to Amendment No. 2 to the Company's Registration Statement on Form S-4 dated December 19, 2001, Registration No. 333-69826).
*10.11	--	Credit Agreement dated as of December 31, 2001 among Hornbeck Offshore Services, LLC, LEEVAC Marine, LLC and Hibernia National Bank, as Agent and the lenders named therein.
*10.12	--	First Amendment to Credit Agreement dated as of February 25, 2002 among Hornbeck Offshore Services, LLC, LEEVAC Marine, LLC and Hibernia National Bank, as Agent and the lenders named therein.
*21	--	Subsidiaries of HORNBECK-LEEVAC Marine Services, Inc.

* Filed herewith.

(b) Reports on Form 8-K.

None.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors and Stockholders of
HORNBECK-LEEVAC Marine Services, Inc.

We have audited the accompanying consolidated balance sheets of HORNBECK-LEEVAC Marine Services, Inc. and subsidiaries (formerly HV Marine Services, Inc.) as of December 31, 2001 and 2000, and the related consolidated statements of operations, changes in stockholders' equity and cash flows for each of the three years in the period ended December 31, 2001. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of HORNBECK-LEEVAC Marine Services, Inc. and subsidiaries as of December 31, 2001 and 2000, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2001 in conformity with accounting principles generally accepted in the United States.

ARTHUR ANDERSEN LLP

New Orleans, Louisiana
January 28, 2002

HORNBECK-LEEVAC MARINE SERVICES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(IN THOUSANDS)

	DECEMBER 31, 2000	DECEMBER 31, 2001
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 32,988	$ 53,203
Accounts and claims receivable, net of allowance for doubtful accounts of $55 and $133, respectively	6,349	10,690
Prepaid insurance	668	1,047
Other current assets	333	665
Total current assets	40,338	65,605
Property, plant and equipment, net	98,935	180,781
Goodwill, net of accumulated amortization of $495 and $621, respectively	2,755	2,628
Deferred charges, net	5,120	9,803
Total assets	$ 147,148	$ 258,817
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 2,183	$ 5,624
Current portion of long-term debt	6,834	437
Accrued interest	869	8,161
Other accrued liabilities	928	2,867
Total current liabilities	10,814	17,089
Long-term debt, net of original issue discount of $0 and $3,024, respectively	82,557	171,976
Deferred tax liabilities, net	3,875	9,570
Other liabilities	157	316
Total liabilities	97,403	198,951
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; 24,575 shares and 30,135 shares issued and outstanding at December 31, 2000 and 2001, respectively	246	301
Additional paid-in capital	48,301	61,019
Retained earnings (deficit)	1,198	(1,454)
Total stockholders' equity	49,745	59,866
Total liabilities and stockholders' equity	$ 147,148	$ 258,817

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

CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 1999, 2000 AND 2001
(IN THOUSANDS)

	YEAR ENDED DECEMBER 31,		
	1999	2000	2001
Revenue	$ 25,723	$ 36,102	$ 68,791
Costs and Expenses:			
Operating expenses	17,275	20,410	32,371
General and administrative expenses	2,467	3,355	8,473
	19,742	23,765	40,844
Operating income	5,981	12,337	27,947
Other Income (Expense):			
Interest income	170	305	1,455
Interest expense	(5,262)	(8,216)	(10,665)
Other income (expense), net	(20)	(138)	--
	(5,112)	(8,049)	(9,210)
Income before income taxes, cumulative effect of change in accounting principle and extraordinary item	869	4,288	18,737
Income tax expense	(341)	(1,550)	(6,802)
Income before cumulative effect of change in accounting principle and extraordinary item	528	2,738	11,935
Extraordinary loss, net of tax benefit of $1,065	--	--	(1,964)
Cumulative effect on prior years of change in accounting for start-up costs, net of taxes of $55	(108)	--	--
Net Income	$ 420	$ 2,738	$ 9,971
Pro forma information (Note 6):			
Net Income, reported above	$ 420	$ 2,738	$ 9,971
Pro forma additional interest expense	2,262	7,262	2,952
Pro forma net income	$ (1,842)	$ (4,524)	$ 7,019

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

HORNBECK-LEEVAC MARINE SERVICES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(IN THOUSANDS)

	CAPITAL STOCK				
	SHARES	AMOUNT	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS (DEFICIT)	TOTAL STOCKHOLDERS' EQUITY
Balance at December 31, 1998	11,367	$ 114	$ 13,029	$ (83)	$ 13,060
Amortization of put feature of warrants	--	--	617	(617)	--
Net income	--	--	--	420	420
Balance at December 31, 1999	11,367	114	13,646	(280)	13,480
Shares issued	13,208	132	33,395	--	33,527
Amortization of put feature of warrants	--	--	1,260	(1,260)	--
Net income	--	--	--	2,738	2,738
Balance at December 31, 2000	24,575	246	48,301	1,198	49,745
Shares issued	5,560	55	14,595	--	14,650
Amortization of put feature of warrants	--	--	12,623	(12,623)	--
Repurchase of warrants	--	--	(14,500)	--	(14,500)
Net income	--	--	--	9,971	9,971
Balance at December 31, 2001	30,135	$ 301	$ 61,019	$ (1,454)	$ 59,866

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

HORNBECK-LEEVAC MARINE SERVICES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 1999, 2000 AND 2001
(IN THOUSANDS)

	1999	2000	2001
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 420	$ 2,738	$ 9,971
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	3,724	5,164	7,670
Provision for bad debts	78	(77)	78
Deferred tax expense	286	1,550	5,816
Gain on sale of assets	--	(3)	--
Amortization of financing costs and initial warrant valuation.	391	496	1,026
Changes in operating assets and liabilities:			
Accounts and claims receivable	(1,570)	(3,051)	(4,419)
Prepaid expenses	(513)	(50)	(379)
Deferred charges and other assets	(1,718)	(2,975)	(6,917)
Accounts payable	(191)	(1,002)	3,441
Accrued liabilities, accrued interest and other liabilities.	652	1,413	9,390
Net cash provided by operating activities	1,559	4,203	25,677
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital expenditures	(42,293)	(15,324)	(60,298)
Acquisition of tugs and tank barges from Spentonbush/Red Star Group	--	--	(28,030)
Net cash used in investing activities	(42,293)	(15,324)	(88,328)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issuance of senior notes	--	--	171,896
Proceeds from borrowings under debt agreements	43,695	8,329	40,750
Payments on long-term debt	--	(2,991)	(129,930)
Repurchase of warrants	--	--	(14,500)
Proceeds from shares issued	--	32,627	14,650
Net cash provided by financing activities	43,695	37,965	82,866
Net increase (decrease) in cash and cash equivalents	2,961	26,844	20,215
Cash and cash equivalents at beginning of period	3,183	6,144	32,988
Cash and cash equivalents at end of period	$ 6,144	$ 32,988	$ 53,203
SUPPLEMENTAL DISCLOSURES OF CASH FLOW ACTIVITIES:			
Interest paid	$ 4,495	$ 7,145	$ 5,577

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

HORNBECK-LEEVAC MARINE SERVICES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 2001
(IN THOUSANDS)

1. ORGANIZATION:

Formation

HORNBECK-LEEVAC Marine Services, Inc. (formerly HV Marine Services, Inc. and, herein, the Company) is incorporated in the state of Delaware. The Company wholly owns LEEVAC Marine, LLC, Hornbeck Offshore Services, LLC, HORNBECK-LEEVAC Marine Operators, LLC and Energy Services Puerto Rico, LLC. All of the subsidiaries were converted from C Corporations to Limited Liability Companies (LLC) 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 nine offshore supply vessels to furnish support to the offshore oil and gas exploration and production industry, primarily in the United States Gulf of Mexico and to provide specialty services. Prior to 2000, HOS operated six vessels with one additional vessel being added in each of March 2000, April 2001 and November 2001. HOS has four vessels under construction which are expected to be delivered in 2002. LEEVAC Marine, LLC (LM) operates ocean-going tugs and tank barges which provide vessel and barge charters for the transportation of petroleum products. In 2000, LM operated an average of seven ocean-going tank barges and associated tugs. 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, for approximately $28,000 in cash. The result of this acquisition has been included since the date of acquisition (see Note 14). HORNBECK-LEEVAC Marine Operators, LLC (HLMO) 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 employees residing in Puerto Rico.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Revenue Recognition

HOS contracts its offshore support vessels to clients under time charters based on a daily rate of hire and recognizes revenue as earned on a daily basis during the contract period of the specific vessel.

LM also contracts its vessels to clients under time charters based on a daily rate of hire. Revenue is recognized on such contracts as earned on a daily basis during the contract period of the specific vessel. Under other contracts, primarily contracts of affreightment, revenue is recognized based on the percentage of days incurred for the voyage to total estimated days applied to total estimated revenues. Voyage related costs are expensed as incurred. Substantially all voyages under these contracts are less than 10 days in length.

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. Improvements and major repairs that extend the useful life of the related asset are capitalized. Gains and losses from retirements or other dispositions are recognized currently.

The estimated useful lives by classification are as follows:

Tugs......................................	14-25 years
Tank Barges...............................	3-18 years
Offshore supply vessels...................	25 years
Machinery and equipment...................	5 years

All of the tank barges have estimated useful lives based on their classification under the Oil Pollution Act of 1990.

Deferred Charges

The Company's tank barges, tugs and offshore supply vessels are required by regulation to be recertified after certain periods of time. The Company defers certain costs related to the recertification of the vessels. Deferred drydocking costs are amortized over the length of time in which the improvement made during the recertification is expected to last (generally thirty or sixty months).

Financing charges are amortized over the term of the related debt using the interest method.

Income Taxes

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. The Company's temporary differences primarily relate to depreciation and deferred drydocking costs.

Deferred tax assets and liabilities are measured using currently enacted tax rates. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. The provision for income taxes includes provisions for both federal and state income taxes.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Accounts Receivable

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.

Goodwill

Goodwill reflects the excess of cost over the estimated fair value of the net assets acquired. Goodwill is being amortized on a straight-line basis over its estimated useful life of 25 years. Realization of goodwill is periodically assessed by management based on the expected future profitability and undiscounted future cash flows of acquired entities and their contribution to the overall operations of the Company. Should the review indicate that the carrying value is not recoverable, the excess of the carrying value over the undiscounted cash flow would be recognized as an impairment loss. See Recent Accounting Pronouncements below.

Recent Accounting Pronouncements

In early 1998, the American Institute of Certified Public Accountants (AICPA) issued Statement of Position (SOP) 98-5, "Reporting on the Costs of Start-Up Activities." The SOP is effective for fiscal years beginning after December 15, 1998 and requires costs of start-up activities and organization costs to be expensed as incurred. The unamortized costs were written off and reflected as a cumulative effect of a change in accounting principle during 1999.

Effective January 1, 2001, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities," which establishes accounting and reporting standards that every derivative instrument be recorded in the balance sheet as either an asset or liability measured at its fair value. The adoption did not have a material impact on its financial position as the Company has not entered into any derivative instruments.

In July 2001, the Financial Accounting Standards Board (FASB) issued Financial Accounting Standards Statement No. 141, Business Combinations (SFAS 141) and Financial Accounting Standards Statement No. 142, Goodwill and Other Intangible Assets (SFAS 142). SFAS 141 eliminates the pooling-of-interests method of accounting for business combinations except for qualifying business combinations that were initiated prior to July 1, 2001. The purchase method of accounting is required to be used for all business combinations initiated after June 30, 2001. SFAS 141 also requires separate recognition of intangible assets that meet certain criteria.

Under SFAS 142, goodwill and indefinite-lived intangible assets are no longer amortized but are reviewed for impairment annually, or more frequently if circumstances indicate potential impairment. Separable intangible assets that are not deemed to have an indefinite life will continue to be amortized over their useful lives. For goodwill and indefinite-lived intangible assets acquired prior to July 1, 2001, goodwill will continue to be amortized through the remainder of 2001 at which time amortization will cease and a transitional goodwill impairment test will be performed. Any impairment charges resulting from the initial application of the new rules will be classified as a cumulative change in accounting principle. The Company has not completed its initial evaluation of goodwill impairment that is required with the adoption of the SFAS No. 142. However, based on the preliminary evaluation procedures it has performed, the Company does not believe that its existing goodwill balances will be impaired under the new standards; however, no assurances can be given. The initial transition evaluation is required to be and will be completed by June 30, 2002 which is within the six month transition period allowed by the new standard upon adoption. Goodwill amortization for each of the years ended December 31, 2000 and 2001 was $126.

In July 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations" (SFAS 143), which requires recording the fair value of a liability for an asset retirement obligation in the period incurred. SFAS 143 is effective for fiscal years beginning after June 15, 2002, with earlier application permitted. Upon adoption of SFAS 143, the Company will be required to use a cumulative effect approach to recognize transition amounts for any existing retirement obligation liabilities, asset retirement costs and accumulated depreciation. The Company does not have any known asset retirement obligations, therefore adoption of this statement will have no effect on the financial statements.

In August 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" (SFAS 144), 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 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 40. 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 is not expected to have any effect on the Company's financial statements.

3.DEFINED CONTRIBUTION PLAN:

HLMO is a participating employer in a defined contribution plan with a cash or deferred arrangement pursuant to Section 401(k) of the Internal Revenue Code, which was, until September 30, 2001, sponsored by an affiliate. Employees must be at least twenty-one years of age and have completed one year of service to be eligible for participation. Participants may elect to defer up to 20 percent 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, 1999, 2000 and 2001 the Company made contributions of $6, $6 and $75, respectively.

4. PROPERTY, PLANT AND EQUIPMENT:

Property, plant and equipment consisted of the following :

	DECEMBER 31, 2000	DECEMBER 31, 2001

Tugs	$ 9,467	$ 28,846
Tank barges	14,614	26,504
Offshore supply vessels	69,744	102,932
Construction in progress	12,294	36,402
Machinery and equipment	818	581
Less: Accumulated depreciation	(8,002)	(14,484)
	$ 98,935	$ 180,781

Interest expense of $365 and $3,075 was capitalized for the years ended December 31, 2000 and 2001, respectively.

5. INVESTMENT IN UNCONSOLIDATED ENTITY:

In years prior to 2000 and for over ten months in 2000 the Company had a 60 percent limited partner interest in a partnership. The remaining 40 percent was owned by an entity in which the Company's Chairman of the Board and Chief Executive Officer had a minority interest. The partnership's only asset was a tank barge which was leased by the Company on a short-term basis. The Company accounted for this investment using the cost-method of accounting because it did not exert significant influence over the operations of the partnership. Monthly lease payments were charged to expense, and partnership profit distributions were netted against the lease expense. During the years ended December 31, 1999, 2000 and 2001 LM's lease expense, net of distributions, related to this partnership was approximately $105, $106 and $0, respectively. As part of its $35,000 private equity offering in November 2000, the Company issued approximately 340 shares of common stock at a per share price of $2.65 for an aggregate of $900 in exchange for the remaining 40 percent of the partnership. The price represented 40 percent of the value of the tank barge based on an independent appraisal. As a result the barge was recorded as an asset in the Company's consolidated property, plant and equipment.

6. LONG-TERM DEBT:

On June 5, 1998, the Company entered into a $43,000 line of credit agreement with two banks (Facility A) and $15,000 and $20,000 line of credit agreements (Facility B and C, respectively) with two venture capital companies. These "Credit Agreements" were used to refinance existing indebtedness and partially finance the construction of offshore supply vessels (see Note 9). Facilities A and B converted to term loans on the completion of the last offshore supply vessel. In connection with Facility C, the Company issued detachable warrants to purchase 11,905 shares of common stock. The warrants were assigned an estimated market value of $500. The warrants for the purchase of 10,500 shares of common stock were exercisable with an exercise price of $1.68 per share. The remaining warrants became exercisable only on the occurrence of an event of default under Facility C, the Company filing for bankruptcy or if the indebtedness under Facility C was not discharged in full by June 5, 2003. All of the warrants issued in connection with establishment of Facility C 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 88-9, Accounting for Put Warrants, issued by the Emerging Issues Task Force and supplemented by EITF Issue 00-19, Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's own Stock, a company whose stock is not publicly traded may elect to account for warrants that contain put options either as a liability or as equity. As previously discussed, the Company assigned a market value of $500 to the warrants at issuance based on the relative fair value of the Facility C debt and the warrants. The $500 was allocated to equity and the Company has been amortizing, through retained earnings, the fair market value of the warrants through June 5, 2003, the first date on which the put could have been exercised. The warrants were revalued each period-end with changes in value accounted for prospectively. Had the Company elected to account for the warrants as a liability rather than as equity, the warrants would have been adjusted to their fair value at each

period-end with the fair value adjustment reported as a noncash adjustment to interest expense. The additional interest expense that would be reported for the years ended December 31, 1999, 2000 and 2001 would be $2,262, $7,262 and $2,952, respectively. The Company has included this pro forma information in its consolidated statements of operations. In the event of an initial public offering of the Company's stock, the Company's operating results would be required to reflect the additional interest expense in the amounts stated above for each applicable period.

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 $14,600. The remaining funds were used for payment of expenses incurred in the offering. As a result of the repurchase of the warrants, the unamortized value of the warrants was accelerated and charged to retained earnings in the fourth quarter of 2001. Beginning in 2002, there will be no further pro forma effects relating to the accounting for the put warrants due to the Company's repurchase as noted above.

On March 5, 1999, the Facility A credit agreement was amended by the Company with the two banks by which it was then maintained. The commitment was increased from $43,000 to $49,400 along with an extension of the outside date for conversion of construction loans to term loans. The conversion date occurred at the delivery of the last offshore supply vessel in March 2000.

In July and November 2000, the Company entered into two new credit facilities (collectively, Facility D) totaling $41,400 with a new lender. Of the proceeds, $15,000 was used to repay Facility B in full. The remaining amounts were used to pay the construction costs of additional offshore supply vessels. At December 31, 2000, Facility D was collateralized by two existing vessels and four vessels under construction.

In November 2000, Facility A credit agreement was amended by the Company. The Commitment was increased from $49,400 to $69,000. These additional funds were used to build additional vessels.

On July 24, 2001, the Company issued $175,000 in principal amount of 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 percent on February 1 and August 1 of each year until maturity, with the first payment due on February 1, 2002. The effective interest rate on the Senior Notes is 11.18 percent. 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. As of December 31, 2001, the Company was permitted to incur a minimum of $25,000 of additional indebtedness.

The Company completed an Exchange Offer on January 18, 2002, whereby the 10 5/8% Series A Senior Notes, due 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 (the Revolver) for $50,000 with one of its former lenders. Pursuant to the terms of the Revolver, the Company's borrowings under this facility will initially be limited to $25,000 unless it has obtained the lender's concurrence to borrow in excess of $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 initially will be limited to $25,000 plus 15 percent 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. The Revolver is currently unsecured and cannot be drawn upon by the Company until the Revolver is secured. The Revolver will be collateralized by four offshore supply vessels and four ocean going tugs. The collateral was not in place as of December 31, 2001 due to the administrative changes necessary which resulted from the restructuring of the Company's subsidiaries into limited liability entities as discussed in Note 1. Upon collateralization of the Revolver, which is expected to occur by February 28, 2002, the Company will be allowed to draw upon the facility.

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

	2000	2001
Non-revolving line of credit payable to two banks at 9.9% (Facility A) due 2004, with interest paid at LIBOR tranche renewals, but not greater than 90 days	$ 44,869	$ --
Senior subordinated notes, payable to two venture capital companies at 7% (Facility C) due 2005, with interest paid quarterly	23,542	--
Term note, payable to a financing company at 10.3% (Facility D) due 2013, with interest paid monthly	20,700	--
10 5/8% Series A Senior Notes due 2008, net of original issue discount of $3,024	--	171,976
Insurance notes payable and other	506	437
		89,617
Less: Debt discount, 7% senior subordinated notes due 2005	(226)	--
	89,391	172,413
Less: Current maturities	6,834	437
	$ 82,557	$ 171,976

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

2002	$ 437
2003	--
2004	--
2005	--
2006	--
Thereafter	171,976
	$172,413

7. STOCK OPTION PLANS:

SFAS No. 123, "Accounting for Stock-Based Compensation," established financial accounting and reporting standards for stock-based compensation plans. The Company's plan includes all arrangements by which employees and directors receive shares of stock or other equity instruments of the Company, or the Company incurs liabilities to employees or directors in amounts based on the price of the stock. SFAS No. 123 defines a fair-value-based method of accounting for stock-based compensation. However, SFAS No. 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 No. 25 must make pro forma disclosures of net income assuming dilution as if the fair-value-based method of accounting defined in SFAS No. 123 had been applied. The Company retained the provisions of APB No. 25 for expense recognition purposes. Under APB No. 25, where the exercise price of the Company's stock options equals the market price of the underlying stock on the date of grant, no compensation expense in recognized.

The Company established an incentive stock option plan which provides that options for a maximum of 3,500 shares of common stock that may be granted by the Company. The purchase price of the stock subject to each option is determined by the Board of Directors of the Company and cannot be less than the fair market value of the stock at the date of grant. No options have been exercised to date. All options granted expire 5 - 10 years after 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 2 to 4 year period.

The following summarizes the option activity in the plans during 1999, 2000 and 2001:

	1999		2000		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
Balance, beginning of year	53	$1.85	150	$1.85	386	$1.97
Granted	97	1.85	236	2.04	1,420	2.65
Cancelled	--	--	--	--	(66)	2.36
Balance, end of year	150	$1.85	386	$1.97	1,740	$2.51

There were 76, 196 and 568 options exercisable at December 31, 1999, 2000 and 2001, respectively.

Had compensation cost for the Company's stock options been determined based on the fair value at the grant date consistent with the method under SFAS No. 123, the Company's income available to common stockholders for the years ended December 31, 1999, 2000 and 2001 would have been as indicated below:

	1999	2000	2001
INCOME AVAILABLE TO COMMON STOCKHOLDERS:			
As reported......................................	$ 420	$ 2,738	$ 9,971
Pro forma..	405	2,697	9,801

The weighted average fair value at the date of grant for options granted during the periods presented was $.38, $.52 and $.74 as of December 31, 1999, 2000 and 2001, respectively.

The fair value of the options granted under the Company's stock option plan during each of the three years ended December 31, 2001, was estimated using the Black-Scholes Pricing Model using the minimum value method whereby volatility is not considered. The other assumptions used were: risk-free interest rate of six percent, expected life of five to seven years and no expected dividends.

8. INCOME TAXES:

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

	2000	2001
DEFERRED TAX LIABILITIES:		
Fixed assets	$ 8,605	$ 11,819
Deferred charges	711	964
Total deferred tax liabilities	9,316	12,783
ASSETS:		
Net operating loss carryforward	(5,422)	(3,201)
Allowance for doubtful accounts	(19)	(39)
Other	(92)	(65)
Total deferred tax assets	(5,533)	(3,305)
Valuation allowance	92	92
Total deferred tax liabilities, net	$ 3,875	$ 9,570

The components of the income tax expense follow:

	1999	2000	2001
Current tax expense	$ 55	$ --	$ --
Deferred tax expense	231	1,550	5,737
Total	286	1,550	5,737
Tax benefit allocated to accounting change and extraordinary loss	55	--	1,065
Tax expense attributed to continuing operations	$ 341	$1,550	$6,802

At December 31, 2001, the Company had federal net operating loss carryforwards of approximately $8,832. The carryforward benefit from the federal net operating loss carryforwards begin to expire in 2017. The Company had state net operating loss carryforwards of approximately $1,515. These carryforwards can only be utilized if the Company generates taxable income in the appropriate tax jurisdiction. A valuation allowance has been established to fully offset the deferred tax asset related to the state carryforward.

The following table reconciles the difference between the statutory federal income tax rate for the Company to the effective income tax rate:

	1999	2000	2001
Statutory Rate	34.0%	34.0%	35.0%
State Taxes	2.0%	1.0%	1.0%
Non-deductible expense	2.0%	1.0%	0.3%
Other	1.0%	--%	--%
	39.0%	36.0%	36.3%

9. COMMITMENTS:

Vessel Construction

At December 31, 2001, the Company was committed under a vessel construction contract with a shipyard affiliated with the Company's Chairman of the Board and Chief Executive Officer to construct two offshore supply vessels. At that date, the remaining amount expected to be incurred to complete construction with respect to such contract was approximately $7,622. At December 31, 2001, the Company was also committed under a vessel construction contract with another shipyard to construct two additional offshore supply vessels. At that date, the remaining amount expected to be expended to complete construction with respect to such contract was approximately $19,545.

The Company is obligated under the terms of both 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 office space lease provides for a term of five years with five one-year renewal options.

Future minimum payments under noncancelable leases for years subsequent to 2001 follow:

YEAR ENDED DECEMBER 31,	
2002	$ 847
2003	258

2004	225
2005	214
2006	88

In addition, the Company leases marine vessels used in its operations under month-to-month operating lease agreements. See Note 5 for information regarding a short-term vessel operating lease from an affiliate.

Total rent expense related to leases was $3,104, $1,758 and $771 during the years ended December 31, 1999, 2000 and 2001, respectively.

See Note 14 for a description of the lease entered into in connection with the Spentonbush/Red Star Group acquisition.

10. DEFERRED CHARGES:

Deferred charges include the following:

	1999	2000	2001
Deferred loan costs, net of accumulated amortization of $552, $889 and $424, respectively	$2,034	$3,004	$6,972
Deferred drydockings costs, net of accumulated amortization of $589, $1,372 and $2,414, respectively	1,383	2,086	2,789
Other	--	30	42
Total	$3,417	$5,120	$9,803

11. RELATED PARTY TRANSACTIONS:

A former member of the Company's Board of Directors, now serving as an Advisory Director, is a partner in a law firm that has provided legal services to the Company. The Company paid approximately $123, $475 and $1,529 to the law firm during the years ended December 31, 1999, 2000 and 2001, respectively. The Company paid approximately $351 to a venture capital company, certain members of which are related parties of the Company, for services provided during the year ended December 31, 1999. No services were provided during 2000 and 2001. As discussed in Note 9, the Company was committed under a vessel construction contract to construct two offshore supply vessels with a shipyard affiliated with the Company's Chairman of the Board and Chief Executive Officer. The same shipyard has constructed five of the nine offshore supply vessels in service as of December 31, 2001. See Note 9 for additional information.

12. MAJOR CUSTOMERS:

In the years ended December 31, 1999, 2000 and 2001 revenues by customer that individually exceeded ten percent of total revenue are as follows:

	YEAR ENDED DECEMBER 31,		
	1999	2000	2001
Customer A.............	19%	--	--
Customer B.............	10%	--	--
Customer C.............	12%	13%	12%
Customer D.............	--	15%	--
Customer E.............	--	--	19%

13. SEGMENT INFORMATION:

The Company provides marine transportation services through two business segments. The Company operates newly constructed deepwater offshore supply vessels in the Gulf of Mexico through its offshore supply vessel segment.

The offshore supply vessels principally support offshore drilling and production operations in the deepwater regions of the Gulf of Mexico by transporting cargo to offshore drilling rigs and production facilities and provide support for specialty services. The tug and tank barge segment operates ocean-going tugs and tank barges in the northeastern United States and in Puerto Rico. The ocean-going tugs and tank barges provide coastwise transportation of refined and bunker grade petroleum products from one port to another. The following shows reportable segment information for the years ended December 31, 1999, 2000 and 2001 reconciled to consolidated totals and prepared on the same basis as the Company's consolidated financial statements.

	1999	2000	2001
OPERATING REVENUE:			
Offshore supply vessels	$ 9,492	$ 19,626	$ 33,610
Tugs and tank barges	16,231	16,476	35,181
Total	$ 25,723	$ 36,102	$ 68,791
OPERATING EXPENSES:			
Offshore supply vessels	$ 5,263	$ 9,291	$ 15,168
Tugs and tank barges	12,012	11,119	25,676
Total	$ 17,275	$ 20,410	$ 40,844
OPERATING INCOME:			
Offshore supply vessels	$ 3,498	$ 8,784	$ 18,442
Tugs and tank barges	2,483	3,553	9,505
Total	$ 5,981	$ 12,337	$ 27,947
CAPITAL EXPENDITURES:			
Offshore supply vessels	$ 35,136	$ 14,473	$ 53,317
Tugs and tank barges	6,979	1,609	34,926
Corporate	178	142	85
Total	$ 42,293	$ 16,224	$ 88,328
DEPRECIATION AND AMORTIZATION:			
Offshore supply vessels	$ 1,685	$ 2,823	$ 3,503
Tugs and tank barges	2,039	2,341	4,167
Total	$ 3,724	$ 5,164	$ 7,670
IDENTIFIABLE ASSETS:			
Offshore supply vessels	$ 74,407	$ 87,866	$140,580
Tugs and tank barges	28,472	28,569	67,937
Corporate	607	30,713	50,300
Total	$103,486	$147,148	$258,817
LONG-LIVED ASSETS:			
Offshore supply vessels	$ 66,380	$ 78,143	$128,188
Tugs and tank barges	19,040	20,449	52,272
Corporate	280	343	321
Total	$ 85,700	$ 98,935	$180,781

14. SPENTONBUSH/RED STAR GROUP ACQUISITION:

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. Costs related to the recertification of acquired vessels that are drydocked within the first twelve months immediately following the acquisition of such vessels are capitalized into the costs of such vessels and are depreciated over the estimated useful life of the vessels. The purchase price was allocated to the acquired assets based on the estimated fair value as of May 31, 2001 as follows (in thousands):

Property, Plant and Equipment	$27,030
Other Assets	1,000
	=======
Purchase Price	$28,030

The following summarized unaudited pro-forma income statement data reflects the impact the Spentonbush/Red Star Group acquisition would have had on the Company's consolidated results of operations for each year, had the acquisition taken place at the beginning of the fiscal year (in thousands):

	UNAUDITED PRO-FORMA RESULTS FOR THE	
	YEAR ENDED DECEMBER 31, 2001	YEAR ENDED DECEMBER 31, 2000
Revenue	$89,298	$78,198
Operating income	33,614	21,621
Net Income	13,141	7,546

15. SUPPLEMENTAL SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED):

	QUARTER ENDED			
(In thousands)	MAR 31	JUN 30	SEP 30	DEC 31
FISCAL YEAR 2001				
Revenues	$ 10,416	$ 15,278	$ 21,422	$ 21,675
Operating Income	3,999	6,438	8,788	8,722
Extraordinary items	--	--	1,877	87
Net Income	1,758	3,122	1,667	3,424
Pro forma net income (Note 6)	1,758	3,122	1,667	472
FISCAL YEAR 2000				
Revenues	$ 7,265	$ 9,054	$ 9,813	$ 9,970
Operating Income	1,408	3,534	3,477	3,918
Extraordinary items	--	--	--	--
Net Income (loss)	(305)	769	863	1,411
Pro forma net income (Note 6)	(305)	769	863	(5,851)

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 Mandeville, the State of Louisiana, on April 1, 2002.

HORNBECK-LEEVAC MARINE 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)	April 1, 2002
/s/ JAMES O. HARP, JR. (James O. Harp, Jr.)	Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	April 1, 2002
/s/ RICHARD W. CRYAR (Richard W. Cryar)	Director	April 1, 2002
/s/ LARRY D. HORNBECK (Larry D. Hornbeck)	Director	April 1, 2002
/s/ BRUCE W. HUNT (Bruce W. Hunt)	Director	April 1, 2002
/s/ BERNIE W. STEWART (Bernie W. Stewart)	Director and Chairman of the Board	April 1, 2002
/s/ CHRISTIAN G. VACCARI (Christian G. Vaccari)	Director	April 1, 2002
/s/ ANDREW L. WAITE (Andrew L. Waite)	Director	April 1, 2002

EXHIBIT INDEX

EXHIBIT NUMBER	DESCRIPTION OF EXHIBIT

3.1	-- Restated Certificate of Incorporation of HORNBECK-LEEVAC Marine Services, Inc. filed with the Secretary of State of the State of Delaware on December 13, 1997 (incorporated by reference to Exhibit 3.1 to the Company's Registration Statement on Form S-4 dated September 21, 2001, Registration No. 333-69826).
3.2	-- Certificate of Amendment of the Restated Certificate of Incorporation of HORNBECK-LEEVAC Marine Services, Inc. filed with the Secretary of State of Delaware on December 1, 1999 (incorporated by reference to Exhibit 3.2 to the Company's Registration Statement on Form S-4 dated September 21, 2001, Registration No. 333-69826).
3.3	-- Certificate of Amendment of the Restated Certificate of Incorporation of HORNBECK-LEEVAC Marine Services, Inc. filed with the Secretary of State of the State of Delaware on October 23, 2000 (incorporated by reference to Exhibit 3.3 to the Company's Registration Statement on Form S-4 dated September 21, 2001, Registration No. 333-69826).
3.4	-- Certificate of Correction to Certificate of Amendment of the Restated Certificate of Incorporation of HORNBECK-LEEVAC Marine Services, Inc. filed with the Secretary of State of the State of Delaware on November 14, 2000 (incorporated by reference to Exhibit 3.4 to the Company's Registration Statement on Form S-4 dated September 21, 2001, Registration No. 333-69826).
3.5	-- Second Restated Bylaws of HORNBECK-LEEVAC Marine Services, Inc., adopted October 4, 2000 (incorporated by reference to Exhibit 3.5 to the Company's Registration Statement on Form S-4 dated September 21, 2001, Registration No. 333-69826).
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	-- 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).
10.1	-- Employment Agreement dated effective January 1, 2001 by and between Christian G. Vaccari and the Company (incorporated by reference to Exhibit 10.1 to the Company's Registration Statement on Form S-4 dated September 21, 2001, Registration No. 333-69826).
10.2	-- Employment Agreement dated effective January 1, 2001 by and between Todd M. Hornbeck and the Company (incorporated by reference to Exhibit 10.2 to the Company's Registration Statement on Form S-4 dated September 21, 2001,

Registration No. 333-69826).

10.3	-- Employment Agreement dated effective January 1, 2001 by and between Carl Annessa and the Company (incorporated by reference to Exhibit 10.3 to the Company's Registration Statement on Form S-4 dated September 21, 2001, Registration No. 333-69826).
10.4	-- Employment Agreement dated effective January 1, 2001 by and between Paul M. Ordogne and the Company (incorporated by reference to Exhibit 10.4 to the Company's Registration Statement on Form S-4 dated September 21, 2001, Registration No. 333-69826).
10.5	-- Employment Agreement dated effective January 1, 2001 by and between James O. Harp, Jr. and the Company (incorporated by reference to Exhibit 10.5 to the Company's Registration Statement on Form S-4 dated September 21, 2001, Registration No. 333-69826).
*10.6	-- Advisory Agreement dated effective February 27, 2002 by and between Bernie W. Stewart and the Company.
10.7	-- Incentive Compensation Plan (incorporated by reference to Exhibit 10.6 to the Company's Registration Statement on Form S-4 dated September 21, 2001, Registration No. 333-69826).
10.8	-- Amendment No. 1 to Incentive Compensation Plan (incorporated by reference to Exhibit 10.7 to the Company's Registration Statement on Form S-4 dated September 21, 2001, Registration No. 333-69826).
10.9	-- Asset Purchase Agreement dated as of May 31, 2001 among LEEVAC Marine, Inc., Hygrade Operators, Inc., Red Star Towing and Transportation Company, Inc., Sheridan Towing Co., Inc., R.S. Bushey & Sons, Inc., and Amerada Hess Corporation (incorporated by reference to Exhibit 10.8 to the Company's Registration Statement on Form S-4 dated September 21, 2001, Registration No. 333-69826).
10.10	-- Contract of Affreightment dated as of May 31, 2001 among LEEVAC Marine, Inc. and Amerada Hess Corporation (certain portions omitted based on a grant of confidential treatment filed separately with the Commission) (incorporated by reference to Exhibit 10.9 to Amendment No. 2 to the Company's Registration Statement on Form S-4 dated December 19, 2001, Registration No. 333-69826).
*10.11	-- Credit Agreement dated as of December 31, 2001 among Hornbeck Offshore Services, LLC, LEEVAC Marine, LLC and Hibernia National Bank, as Agent and the lenders named therein.
*10.12	-- First Amendment to Credit Agreement dated as of February 25, 2002 among Hornbeck Offshore Services, LLC, LEEVAC Marine, LLC and Hibernia National Bank, as Agent and the lenders named therein.
*21	-- Subsidiaries of HORNBECK-LEEVAC Marine Services, Inc.

* Filed herewith.

EXHIBIT 10.6

ADVISORY AGREEMENT WITH CHAIRMAN OF THE BOARD

This Agreement is entered into between HORNBECK-LEEVAC Marine Operators, Inc., (the "Company"), a wholly owned subsidiary of HORNBECK-LEEVAC Marine Services, Inc., which is also included in the definition of Company, as used herein, and Bernie W. Stewart (the "Advisor") upon the following terms and conditions:

Preamble: The parties acknowledge and agree that in no way does this agreement negate, supercede, detract from, reduce or limit the inherent responsibilities, obligations, or fiduciary duties associated with the role Bernie W. Stewart is also performing as a member of the Board of Directors of Company or as Chairman of the Board.

1. Services. Advisor is also serving, at the direction of the Board of Directors and consistent with Company's bylaw provisions governing such position, as the Chairman of the Board of Directors, subject to reelection annually at the meeting of the Board of Directors held in conjunction with the annual meeting of shareholders of Company. In addition to such service as Chairman of the Board of Directors, Advisor agrees to provide management consulting services to Company, including the following:

(a) Advisor will advise Company's executive officers and other existing management regarding the operation of Company's business, make recommendations relating to Company's operations, administrative functions, systems and procedures and otherwise foster and promote the positive attributes of the existing company in all respects;

(b) Advisor will advise Company's Chief Executive Officer, and such other members of management as the Chief Executive Officer may direct, regarding Company's finances, strategic planning, new-vessel building program, mergers and acquisitions, public disclosures, financial community relations, public and private equity and debt transactions or similar matters; and

(c) Advisor will provide such other advisory and/or management services as the Board of Directors or Chief Executive Officer may request from time to time.

2. Term. The term of this Agreement shall have two phases totalling 12 months (subject to extension):

(a) Full time. Advisor's services hereunder shall be for an initial three month term beginning February 27, 2002, and ending May 31, 2002 (the "Full Time Term"). During the Full Time Term, Advisor shall devote his full time employment efforts to the advisory duties hereunder; provided, however, that Company acknowledges that Advisor has other investment interests for which he does not have any management or employment role that require a portion of his business time and effort; and provided further that Advisor shall accept no other employment during the Full Time Term.

(b) Part time. At the end of the Full Time Term, Advisor shall continue as a part-time Advisor for nine months (the "Initial Part Time Term," and together with the Full Time Term, the "Initial Term") devoting such time and effort to the business of Company as is reasonably required to perform his duties hereunder, and/or may be reasonably requested by Company. At the end of the Initial Term, this Agreement may be extended by agreement of the parties. During the part-time phase, whether the Initial Part Time Term or any extension thereof, Advisor may accept other than full time employment with another business or company; provided that, during the Initial Term of this Agreement and any extension thereof, Advisor shall not perform, consult with or be employed by a company that competes with Company or its subsidiaries in any line of business in which Company or any such subsidiary is engaged during the term of this Agreement without the prior written approval of Company.

(c) Meaning. For purposes of determining "full time employment efforts," that phrase shall mean at least 40 hours per week, exclusive of travel time and time expended in his capacity as a director or carrying out his duties as Chairman, and in the Full Time Term shall mean such additional hours as may be required to effectively carry out Advisor's responsibilities under this Agreement. For purposes of determining any percentage of "business time" under Section 3(b) below, the percentage shall be calculated by dividing the number of hours of business effort in the applicable calendar quarter on behalf of Company, exclusive of travel time and time expended as a director or Chairman, by the product obtained by multiplying the number of calendar weeks in such calendar quarter by 40. The partial calendar quarter from the end of the Full Time Term until June 30, 2002 shall be added to the calendar quarter ended September 30, 2002 for purposes of evaluating the first such evaluative period.

3. Compensation and Benefits.

(a) During the Full Time Term, Company shall pay Advisor a fee in the gross amount of $20,000, per month payable in arrears on the last calendar day of each month of the Full Time Term; provided that the first such month shall run from the effective date of this Agreement through March 31, 2002.

(b) After the Full Time Term, Company shall pay Advisor a monthly fee equal to 1/12 of $100,000 (rounded to $8,335 per month), payable in arrears on the last calendar day of each month during the part-time phase of this Agreement; provided that should the demands on Advisor's time significantly exceed 25% of his business time, when considered on a quarterly basis, Company and Advisor will in good faith discuss any equitable adjustment to Advisor's cash compensation for such month or longer period as applicable.

(c) Company shall reimburse Advisor for all reasonable and necessary expenses incurred by him in the performance of his duties hereunder, upon presentation of reasonable written evidence of the incurring or paying of such expenses. Such reimbursement shall be made in accordance with the Company's usual policy regarding reimbursement of business expenses by its employees.

(d) During the Initial Term of this Agreement, Advisor shall be entitled in his capacity as Advisor, in addition to any option grants he receives as a member of the Board of Directors, to be granted at the same time as and in an amount equal to the amount of options to purchase common stock of Company that then constitute the standard grant to the outside directors of the Company under the HORNBECK-LEEVAC Marine Services, Inc. Incentive Compensation Plan (the "Plan"), subject to the other terms and conditions of the Plan.

(e) Recognising Advisor's previously expressed intent to purchase additional shares of Company's common stock since joining the Board in November 2001, in addition to the options described above, Advisor, for his personal account and without a view to distribution, shall have the option for 30 days from the effective date hereof to purchase that number of shares of common stock of Company set forth next to his signature on the signature page of this Agreement at a price of $2.65 per share. Such purchase shall be subject to execution and delivery by Advisor of Company's standard form Subscription Agreement and Investor Suitability Questionaire. This option must be exercised during the initial 30 days of the term of this Agreement, by written notice to the Company of its exercise and by tender of the purchase price for the shares to be purchased. For each share which Advisor purchases under this provision, the Company will provide additional matching options in accordance with the following conditions:

(i) The option price for each share of stock shall be $2.65 per share;

(ii) These options shall be exercised in accordance with, and subject to the other terms and conditions of the Plan; and

(iii) The maximum number of shares of common stock of Company to be issued pursuant to the exercise of these matching options shall be determined by dividing the purchase price of the shares purchased pursuant to the first sentence of this Section 3(e) by $2.65 and rounding up any fractional share; provided that the numerator in such calculation may not in any event exceed $100,000 (the maximum number of shares that could be covered by such options being 37,736).

4. Communications. Advisor shall, in such capacity, coordinate with the Chief Executive Officer and, from time to time, report directly to the Board of Directors.

5. Termination.

(a) Company shall have the right to terminate this Agreement at any time for any reason by providing notice thereof to Advisor. If this Agreement is terminated because Advisor (1) breaches the terms of this Agreement; (2) fails to provide the services required hereunder in a reasonable and workmanlike manner; (3) is convicted of a felony or other crime involving moral turpitude; (4) dies; (5) commits any act of fraud or bad faith; and/or (6) becomes totally disabled and unable to provide the services described hereunder as certified by a qualified physician (acceptable to Advisor and Company), Advisor shall be entitled to be paid the fees described herein, through the date

of termination, and neither Company nor Advisor shall have any further obligation thereafter. If during the Initial Term, Company shall terminate this Agreement for any other reason, Advisor shall, upon such termination, be entitled to be paid the balance of the fees described herein in a lump sum.

(b) Advisor shall have the right to terminate this Agreement if (1) Company breaches the terms of this Agreement; (2) Company fails to pay the compensation and/or reimbursement of expenses described herein; (3) Company is declared bankrupt, or initiates bankruptcy or insolvency proceedings. If Advisor terminates this Agreement for any of the reasons described above during the Initial Term hereof, Advisor shall be entitled to be paid the full consulting fee for the balance of the Initial Term. If Advisor terminates this Agreement for any reason set forth above thereafter, Advisor shall be entitled to his consulting fee for the month in which such termination occurs, and neither Advisor nor Company shall have any further right nor obligation thereafter. If Advisor terminates for any other reason than the reasons set forth above, he shall give Company 30 days advance written notice thereof and shall only be entitled to his consulting fee through the last date of service provided under this Agreement, and neither Advisor nor Company shall have any further right nor obligation under this Agreement thereafter.

6. Confidential Information.

(a) Confidential Information shall mean and include any and all information or material proprietary to the Company, or designated as confidential by it, and not generally known by persons who are not employees of Company, which Advisor develops or of which Advisor obtains knowledge or access through, or as a result of, Advisor's engagement hereunder (including information and materials conceived, originating, discovered, or developed, in whole or in part, by Advisor at the request or for the benefit of Company, pursuant to this Agreement). "Confidential Information" includes, but is not limited to, the following types of information, whether written, verbal or recorded by electronic, magnetic or other methods and whether or not expressly identified as confidential by Company (1) financial information about the Company, its revenues, expenses, profits and prospects; (2) specific information about the Company's customers, including prices, terms and conditions of specific orders or contracts; (3) information about the Company's personnel, including background, expertise and experience, compensation, and abilities; (4) confidential or proprietary information about the Company's products, services, equipment and operations; (5) information concerning the strategic plans, new vessel building programs and acquisition plans of the Company; (6) other material non-public information.

(b) Company agrees to provide Advisor with access to, and use of, Confidential Information during the term of this Agreement for the purpose of allowing Advisor to perform its services hereunder. Advisor acknowledges that it would not be able to perform its duties under this Agreement effectively without access to and use of such Confidential Information.

(c) Advisor acknowledges that the Confidential Information, and any document, file, or record, including electronic or magnetic records, which contain or

constitute Confidential Information belonging to Company. Advisor shall properly deliver such materials and all copies thereof to Company on the date this Agreement terminates or at any other time upon request of Company, other than any copies to which he has been entitled as a member of the Board of Directors.

Without modifying in any way his duties and obligations as a member and Chairman of the Board of Directors, during and after the term of this Agreement, Advisor will not disclose or use, directly or indirectly, for his own benefit or for the benefit of any person or entity, except Company, any Confidential Information. Advisor acknowledges that, because the Company reports under the Securities Exchange Act of 1934, disclosure of material non-public information could result in liability under applicable securities laws.

7. Non-Competition; Non-Solicitation. Because of the sensitive nature of Advisor's position, and his access to the Company's Confidential Information, including the Company's marketing, budget and sales forecasts, and business plan, Advisor agrees that he shall not be employed by, nor consult with, nor enter into any other contractual arrangement which requires him to perform personal services of any kind, either directly or indirectly (including, without limitation, through the ownership of more than a 5% in any entity), in any corporation or other business entity or activity that competes with the Company or any of its subsidiaries in any line of business in which the Company or its subsidiaries is engaged during the term of this Agreement. During the term of this Agreement and for a period of two years thereafter, Advisor shall not:

(a) directly or indirectly recruit, solicit, induce or influence any then current employee (or person who was an employee of Company or any of its subsidiaries at any time within ninety (90) days prior to the date of such potentially interfering activity), customer, supplier or sales agent of Company or any of its subsidiaries to discontinue or reduce the extent of such employment, supplier, customer or agency relationship with Company or any of its subisdiaries; or

(b) directly or indirectly employ, seek to employ, or cause any competitor of Company or any of its subsidiaries to employ or seek to employ, as a sales representative, contractor, Advisor or employee, any person who is, or at any time within ninety (90) days prior to the date of such potentially interfering activity was, an employee, sales representative, contractor, Advisor or agent of Company or any of its subsidiaries.

8. Authority. Advisor understands and agrees that Advisor has no power to bind the Company or any of its subsidiaries, except to the extent, if any, such authority is hereafter granted to Advisor by the Board in writing. Advisor shall not bind, or attempt to bind, or contract for, or on behalf of, the Company or any of its subsidiaries, except to the extent that Advisor is specifically authorized to do so by vote, resolution or consent of the Board of Directors of the Company.

9. Independent Parties. This Agreement does not create, nor shall it be construed to create any joint venture or partnership between the parties. Advisor is and shall remain an independent contractor and not an employee of the Company. Advisor further acknowledges and agrees that (i) he will not be eligible for or entitled to participate in any employee benefit plans,

arrangements, distributions, insurance or other similar benefits that may be provided by the Company to its employees; (ii) he will not be treated as an employee for purposes of any federal or state law regarding any income tax withholding or for purposes of contributions required by any unemployment, insurance or compensatory program; and (iii) he will be solely responsible for, and will indemnify the Company from any liability for, payment of any taxes or assessments imposed on him on account of the payment of compensation to, or the performance of consulting services by him pursuant to this Agreement.

10. Miscellaneous. The headings in this Agreement are for convenience only, they form no part of this Agreement and shall not affect its interpretation. The express terms hereof control and supersede any course of performance and/or usage of the trade inconsistent with any of the terms hereof.

11. Notices. Any notice given hereunder by any party to the other shall be deemed to have been given upon (i) delivery, if hand delivered, (ii) three days after the mailing, if mailed by registered or certified mail, return receipt requested, postage prepaid, or (iii) on the next business day after facsimile transmission, addressed to such address as any party hereunder may designate for notice purposes. Notices shall be sent to:

For Advisor: Bernie W. Stewart
2607 Countryside Circle
Spicewood, Texas 78669
Facsimile: 830/693-6540

For Company: HORNBECK-LEEVAC Marine Operators, Inc.
414 North Causeway Boulevard
Mandeville, Louisiana 70448
Facsimile : 985/727-2006

Attention: President and Chief Executive Officer

For the Company: R. Clyde Parker, Jr.
Winstead Sechrest & Minick P.C.
600 Town Center One
1450 Lake Robbins Drive
The Woodlands, Texas 77380
Facsimile: 281/681-5901

12. Severability. In case any term, phrase, clause, paragraph, section, covenant or agreement contained in this Agreement shall be held to be invalid or unenforceable, the same shall be deemed and it is hereby agreed that same is meant to be severable, and such invalidity or unenforceability shall not defeat or impair the remaining provisions hereof.

13. Entire Agreement, Amendments and Waivers. This Agreement constitutes the entire agreement of the parties with respect to the Services to be rendered by Advisor to the Company. It expressly supersedes all prior and contemporaneous understandings and commitments, whether written or oral, between Advisor and the Company. No variations, modifications, change or extensions of this Agreement or any of the terms hereof shall be

binding upon any party hereto unless set forth in a document duly executed by such party or an authorized officer or other duly authorized agent of such party. This Agreement shall be construed in accordance with and governed by the laws of the State of Louisiana; provided that should the Company relocate its headquarters to the state of Texas, from and after the date of such relocation this Agreement shall be governed by the laws of Texas. The failure of either party to insist in any one or more instances upon the performance of any of the terms or conditions of this Agreement shall not be construed as a waiver or relinquishment of any right granted hereunder or of the future performance of such term, covenant, or condition and the obligations of either party with respect thereto shall continue in full force and effect.

14. Binding Effect and Assignability. The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns. The rights and interests of the Company hereunder shall be freely assignable by them. This Agreement is for Advisor's personal services and may not be assigned by him.

15. Third Party Beneficiaries. Any Agreement to pay any amount and any assumption of any liability herein contained, express or implied, shall only be for the benefit of the undersigned parties and their successors and permitted assigns, it being the intention of the undersigned that no one (other than the Company) shall be deemed to be a third party beneficiary of this Agreement.

16. Effective Date. This Agreement shall become effective the 27th day of February, 2002.

HORNBECK-LEEVAC MARINE OPERATORS, INC.

By: /s/ TODD M. HORNBECK

Todd M. Hornbeck
President and Chief Executive Officer

/s/ BERNIE W. STEWART

Bernie W. Stewart, Advisor

Number of Shares of Common Stock
of Company to be Purchased

37,736

EXHIBIT 10.11

CREDIT AGREEMENT

among

HORNBECK OFFSHORE SERVICES, LLC

and

LEEVAC MARINE, LLC,
as Borrowers

and

HIBERNIA NATIONAL BANK,
as Agent

and

THE LENDERS LISTED ON THE SIGNATURE PAGE,
as Banks

Revolving Line of Credit

Dated as of December 31, 2001

CREDIT AGREEMENT

THIS CREDIT AGREEMENT, dated as of December 31, 2001, is made among HORNBECK OFFSHORE SERVICES, LLC, a Delaware limited liability company ("HOS"); LEEVAC MARINE, LLC, a Delaware limited liability company ("LM"; HOS and LM 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 desire to obtain a revolving line of credit in an aggregate amount not to exceed $50,000,000.00 to partially finance working capital needs and acquisitions, and the Banks have agreed to provide such line of credit, upon and subject to the terms and conditions hereof.

ARTICLE I

GENERAL TERMS

Section 1.01 Terms Defined Above. As used in this Agreement, the terms "HOS," "LM," "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 Credit Agreement, as the same may from time to time be amended, modified or supplemented.

"Amerada Hess Vessels" shall mean the vessels (including barges) acquired by Leevac Marine, Inc. (predecessor to LM) in June 2001 from Hygrade Operators, Inc., Red Star Towing and Transportation Company and Sheridan Towing Company, Inc. (and to the extent relevant, Ira S. Bushey & Sons, Inc., Spentonbush/Red Star Companies, Inc. and Amerada Hess Corporation).

"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:
> 3.5:1.0**	3.00% per annum	1.00% per annum	0.375% per annum
<= 3.5:1.0 and > 2.75:1.0	2.75% per annum	0.75% per annum	0.375% per annum
<= 2.75:1.0 and > 2.0:1.0	2.25% per annum	0.25% per annum	0.25% per annum
<= 2.0:1.0	1.75% 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 Twenty-Five Million and No/100 ($25,000,000.00) 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 (other than pursuant to an Offering Event), (ii) neither Christian G. Vaccari nor Todd M. Hornbeck (so long as either is alive and not incapacitated) is (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.

"Closing Date" shall mean the date on which the initial Credit Notes regarding the Credit Line are executed and delivered by Borrowers to the Banks.

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

"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 Cash Flow" shall have the meaning set forth in the Indenture.

"Consolidated Interest Coverage Ratio" shall have the meaning set forth in the Indenture.

"Control Group" shall mean (i) the Closing 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) Fifty Million and No/100 ($50,000,000.00) 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 Closing 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 (i) with respect to the Amerada Hess Vessels, through May 31, 2002, as at any applicable date of calculation, EBITDA shall be calculated for the preceding twelve months on a pro forma basis to include both (y) EBITDA with respect to such vessels for the period of time owned by LM, and (z) EBITDA with respect to such vessels under ownership of Persons other than LM for the period of time beginning with the day after the preceding year anniversary of the applicable date of calculation and ending on May 31, 2001 (being the day preceding the date that LM acquired the Amerada Hess Vessels), and (ii) with respect to the Leverage Ratio only, as at any date of calculation, (y) with respect to assets acquired by a Borrower after the Closing Date, whether by out-right purchase thereof or by virtue of a merger of a company into a Borrower or acquisition by a Borrower of any other company (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 Borrower, and (B) EBITDA with respect to such newly acquired assets, prior to the applicable Borrower'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 Borrower acquired such newly acquired assets (whether by acquisition or merger), and (z) with respect to any newly constructed vessel of a Borrower having a Qualified Service Contract upon delivery and acceptance of the vessel, for the first year following the delivery and acceptance of the vessel, EBITDA shall be calculated on a pro forma basis to include that which would be included in Consolidated Cash Flow under the Indenture for purposes of calculating the Consolidated Interest Coverage Ratio under the Indenture.

"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), as to Debt comprised of money borrowed, letters of credit and bankers acceptances, matured or unmatured, and the present value of capitalized lease obligations, but not as to Debt comprised of guaranties, unfunded commitments to lend and 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-LEEVAC Marine Services, Inc., a Delaware corporation.

"Guarantor Subsidiaries" shall mean those Subsidiaries that from time to time execute and deliver guaranties of the Obligations under subsection 3.01(g) 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. Section 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. Section 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 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 CORNERSTONE (Official Number 1091051) and the HOS DEEPWATER (Official Number 1088301); 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).

"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-LEEVAC Marine Operators, LLC 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.

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

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

"LM 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 LM be required to be mortgaged by LM 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 LM Vessels, and (ii) should the Agent and the Banks release an LM Vessel from the Liens securing the Obligations, then such vessel thereafter no longer shall be an LM 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 LM Vessel from such Liens).

"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.

"Maturity Date" shall mean December 31, 2004.

"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; provided, that in connection with the calculation of EBITDA for 2001, the non-cash charges related to Guarantor's amortization of the put feature of the Warrants and repurchase of the Warrants, and early extinguishment of indebtedness for borrowed money of Guarantor and the Borrowers in connection with the refinancing of all such indebtedness with the proceeds of the Indenture Obligations, shall be added back to Net Income.

"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; provided, that any such Transfer referred to in this subpart (iii) (x) by Todd M. Hornbeck shall be limited to one-third (1/3) of the Common Stock owned directly by him on the Closing Date plus any additional shares acquired by him and (y) by Christian G. Vaccari shall be limited to one-third (1/3) of the shares of Common Stock held by CIC and attributable to him (i.e., as of the Closing Date, one-third of one-third of the Common Stock held by CIC on the Closing Date, plus any additional shares acquired by CIC), plus any additional shares acquired by him 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 have the meaning set forth in the Indenture.

"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-six and two-thirds (66.667%) percent of the aggregate principal amount of the Notes.

"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.

"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 LM Vessels, and "Vessel" shall mean any of such Vessel.

"Warrants" shall mean the two warrants (numbers 1 and 2) that were issued by Guarantor to Enron Capital & Trade Resources Corp. and Joint Energy Development Investments II Limited Partnership, each for the purchase of an aggregate of 5,250,000 shares of the Common Stock of Guarantor, and any warrants issued upon the transfer thereof or in substitution therefor, which Warrants were repurchased by Guarantor on October 25, 2001.

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.

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ARTICLE 2

THE CREDIT LINE

Section 2.01 The Credit Line and the Credit Loan. (a) 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 Closing 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 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 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 Closing 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 $50,000, and (ii) after the Closing 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 0.25% of the amount of the increase of the Borrowing Base.

(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.

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ARTICLE 3

SECURITY FOR THE OBLIGATIONS

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

(a) A Security Agreement by HOS 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, the "HOS Security Agreement"), pursuant to which HOS shall grant and 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) A Security Agreement by LM 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, the "LM Security Agreement"), pursuant to which LM shall grant and maintain in favor of Agent a first security interest in all of LM's right, title and interest in and to the LM Vessels and all related property and rights of LM (including without limitation all goods, machinery, equipment, contract rights, construction plans and specifications and general intangibles relating to the LM Vessels, as well as all of LM's rights under charter hire and accounts relative to the LM Vessels), together with proper UCC-1 Financing Statements duly filed in Louisiana and appropriate consents.

(c) A First Preferred Fleet Mortgage by LM 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, the "LM Fleet Mortgage"), pursuant to which LM shall grant and maintain a first preferred ship mortgage lien in favor of Agent in all of LM's right, title and interest in and to the LM Vessels, duly filed with the United States Coast Guard.

(d) A First Preferred Fleet Mortgage by HOS 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, the "HOS Fleet Mortgage"), pursuant to which HOS shall grant and 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 LM Security Agreement.

(f) The Guaranty Agreement dated of even date herewith by Guarantor in favor of the Banks (as it may from time to time be amended, modified, supplemented or restated, the "Guaranty") guarantying the payment and performance of the Obligations.

(g) (i) Upon the formation or acquisition of any Subsidiary under Section 6.05 hereof which results in Guarantor having Subsidiaries (other than Borrowers and HORNBECK-LEEVAC Marine Operators, LLC) with assets totaling $40,000,000.00 or more, or upon any Subsidiaries (other than Borrowers and HORNBECK-LEEVAC Marine Operators, LLC) from time to time existing having assets totaling $40,000,000.00 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 and HORNBECK-LEEVAC Marine Operators, LLC, not guarantying the Obligations have assets totaling less than $40,000,000.00) 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 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).

(h) Borrowers acknowledge and agree that they shall be required to supplement the Collateral and the Collateral Documents 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.

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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 414 North Causeway Boulevard, Mandeville, Louisiana 70448. The federal taxpayer identification number of HOS is 76-0497638.

(c) The chief executive office of LM is located at 414 North Causeway Boulevard, Mandeville, Louisiana 70448. The federal taxpayer identification number of LM 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 $50,000), 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.

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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 audited consolidated and consolidating balance sheets of Guarantor as of the end of such year, the audited consolidated and consolidating statements of income of Guarantor for such year, the audited consolidated and consolidating statements of shareholders equity of Guarantor for such year, and the audited consolidated and consolidating statements of cash flow of Guarantor for such year, setting forth in each case in comparative form the corresponding figures for the preceding fiscal year, accompanied by the unqualified opinions of Andersen 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-LEEVAC Marine 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 opinions of Andersen 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 consolidated and consolidating balance sheets of Guarantor as of the end of such quarter, the consolidated and consolidating statements of income of Guarantor for such quarter and for the period from the beginning of the fiscal year through such quarter, the consolidated and consolidating 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 and

consolidating statements of cash flow of Guarantor for such quarter and for the period from the beginning of the fiscal year through such quarter, 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 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 - on or before December 31 of each calendar year (commencing December 31, 2002) up to and including the Maturity Date, Guarantor's consolidated annual projections (including income statements, balance sheets and statements of cash flow) for the next calendar year and, within sixty (60) days following the end of each calendar quarter, a report showing budgeted amounts for the past fiscal quarter versus actual expenditures.

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 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 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 LM 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 an LM Vessel or a HOS Vessel or any other vessel owned by either Borrower, 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 an LM 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 LM 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 LM 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 an LM 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 an LM 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 an LM Vessel shall be made payable to LM 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 an LM 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 an LM 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 an LM 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 on any insurance payments for hull coverage not exceeding $25,000.00, those 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 an LM 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 LM 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 an LM 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 an LM 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 LM 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, and thereafter keep the Agent advised of any developments in connection therewith. As of the Closing Date, the Borrowers have notified the Agent of a dispute between HOS and Mariner Energy, Inc. concerning whether or not there exist any defaults under the charter agreement between such parties as to two of HOS's vessels chartered to Mariner Energy, Inc.

(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 LM 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.

(h) Borrowers shall promptly notify Agent upon the acceptance and delivery of any new-build vessel.

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 promptly 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. LM shall perform all of its obligations in respect of, and observe all of the terms and provisions of, any charter of an LM 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 included within the Collateral in accordance with subsection 3.01(g) 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, not otherwise subject to a Permitted Lien, shall be so mortgaged so that Borrowers with be in compliance with the preceding sentence, and (ii) the applicable Borrower(s) or Guarantor Subsidiary(ies) owning such vessel(s) shall promptly supplement and amend the applicable Collateral Documents, 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 thereon and first priority security interests 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 LM Mortgage (or other first preferred ship mortgage, if by a Guarantor Subsidiary), as the case may be, as the only recorded Lien thereon. 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.

Section 5.18 Appraisal. The Banks shall be entitled to require, at any time (but in any event only one (1) time) that Borrowers obtain appraisals 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 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 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 all material banking accounts (deposit, collection and disbursement) at the Agent. The foregoing is not applicable to investment accounts of Borrowers and Guarantor.

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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; provided, further, that the foregoing shall not be deemed to permit any such acquisitions of equipment that otherwise would result in an Event of Default under Section 6.05 hereof or subsection 8.01(o) hereof);

(viii) Liens granted by a Borrower on the vessels under construction on the Closing 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 Closing Date or securing refinances of such Debt (but not principal amounts over and above the principal amount(s) refinanced; provided, that the foregoing shall not be deemed to permit any such acquisitions of equipment that otherwise would result in an Event of Default under Section 6.05 hereof or subsection 8.01(o) hereof); 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 Debt. On the Closing Date, and also on the date that the initial Collateral is granted to the Agent for the ratable benefit of the Banks, neither Borrower will (and Borrowers shall cause Guarantor not to) be liable for any Debt for borrowed money (other than in connection with the Obligations) that is secured by any assets of either Borrower or of Guarantor.

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, and (y) otherwise, of up to $500,000 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, 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.

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 an account maintained at the Agent 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, (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 an account maintained at the Agent 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(g) hereof) execute and deliver to the Agent, for the ratable benefit of the Banks, a guaranty of the payment of the Obligations and also grant collateral therefor as may be required 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 a Borrower pursuant to construction contracts 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, (A) there is no Default or Event of Default and (B) the Borrowers shall have $10,000,000 in cash or cash equivalents in an account maintained at the Agent 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, (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 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 companies that 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 an account maintained at the Agent 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 an account maintained at the Agent 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(g) hereof) execute and deliver to the Agent, for the ratable benefit of the Banks, a guaranty of the payment of the Obligations and also grant collateral therefor as may be required 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 or waive (and Borrowers shall cause Guarantor to not amend 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), 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), to change any defined terms therein that are incorporated into this Agreement (and any defined terms used in such defined terms, and so on), or to change the maturity, amortization and other payment schedules of the underlying loans. In addition, Borrowers shall not otherwise amend or waive (and Borrowers shall cause Guarantor not to amend 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 and waivers to such documents, Borrowers shall provide to the Agent an executed copy promptly after the execution and delivery thereof.

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 the Closing Date 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 an account maintained at the Agent 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. Except for intra-company Debt owed by a Borrower to another Borrower in connection with accounting allocations between such Persons (provided, that such Debt shall be unsecured and subordinated to the Obligations upon terms and conditions satisfactory to Agent) and 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 and the Guarantor in an aggregate amount not to exceed $500,000 outstanding at any one time, Borrowers and Guarantor shall not lend or advance any money to any Person.

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ARTICLE 7

CONDITIONS OF LENDING

Section 7.01 General Conditions to Initial Advance. The obligation of the Banks to make the initial Advance under this Agreement is subject to (a) the accuracy as of the date of the initial Advance of each and every representation and warranty of Borrowers and Guarantor 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 as of the date of the initial Advance of a Default or Event of Default hereunder, (c) the performance by each Borrower of its obligations to be performed hereunder on or before the date of such Advance, including without limitation those set forth in Section 2.02 hereinabove, and (d) the satisfaction of the following conditions as of or prior to the date of such Advance: (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 Closing

Date.

(C) Duly executed counterparts of the Collateral Documents.

(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 and Guarantor 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 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.

(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.

(H) Copies of (i) all charter agreements then effective relating to the LM Vessels and the HOS Vessels, (ii) Certificates of Documentation for the LM Vessels and the HOS Vessels, (iii) vessel abstracts for the LM Vessels and the HOS Vessels showing the LM 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 the Indenture.

(L) A certificate of Guarantor certifying as to the Closing Date Shareholders.

(M) Current surveys of the Vessels from the Surveyor to the Agent showing an orderly liquidation value of at least $75,000,000.

(N) A Draw Request Certificate.

(O) 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 Additional Advance. The obligation of the Banks to make additional Advances is subject to (a) the accuracy as of the date of such subsequent Advance of each and every representation and warranty of Borrowers and Guarantor 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 subsequent 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.

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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 LM Fleet Mortgage and the HOS Fleet Mortgage, (z) Section 4.1 of each of the HOS Security Agreement, the LM 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 Closing 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 to Other Lenders. 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 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 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 LM 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 or payment obligation owed by a Borrower as a result of such default 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, 2000) fails to maintain a net worth of at least 90% of Guarantor's net worth at December 31, 2000 (on a consolidated basis with its Subsidiaries) as of the last day of each quarter, commencing September 30, 2001, increased annually at the end of each calendar year by seventy-five (75%) 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, 2000) for such year and one hundred (100%) percent of all equity contributed to Guarantor during such year (disregarding, however, for the year 2001 the equity contributed to the Guarantor in connection with the repurchase by the Guarantor of the Warrants). 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) Guarantor Capital Expenditures. Guarantor and its Subsidiaries, on a consolidated basis, create, incur, assume or otherwise become liable for capital expenditures (y) aggregating more than $40,000,000 in any fiscal year as to capital expenditures incurred and otherwise permitted under Section 6.05 hereof other than capital expenditures covered under the next following clause (z), or (z) aggregating more than $25,000,000 in any fiscal year as to capital expenditures otherwise permitted under Section 6.05 hereof for the acquisition of vessel(s), barge(s) or other capital assets that are not all or substantially all of the seller's assets or applicable operating division; provided, that excluded from the foregoing limitations in clauses (y) and (z) shall be (i) expenditures for the construction of vessels under construction on the Closing Date, and (ii) acquisitions or construction of vessels that the Agent and the Required Banks may from time to time consent in writing are not to be counted under this subsection (provided, further, that nothing herein shall imply or be deemed to imply that they would agree to any such consent); or

(p) Maximum Guarantor Leverage Ratio. (w) Guarantor (on a consolidated basis with its Subsidiaries) as of December 31, 2001 fails to maintain a Leverage Ratio of less than or equal to 5.5:1.0, or (x) from January 1, 2002 through June 30, 2002, 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 5:0:1:0, or (y) from July 1, 2002 through December 31, 2002, 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 4.75:1.00, or (z) from and after January 1, 2003, 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).

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.

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ARTICLE 9

THE AGENT

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, (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.

[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
414 North Causeway Boulevard
Mandeville, LA 70448
Attn: Mr. Christian G. Vaccari

and

LEEVAC Marine, LLC
414 North Causeway Boulevard
Mandeville, LA 70448
Attn: Mr. Christian G. Vaccari

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 (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 or substitution of any Collateral (except as contemplated by Section 5.17) 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 $20,000,000 not in existence on the Closing 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), 8.01(o) 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/ CHRISTIAN G. VACCARI

Name: Christian G. Vaccari
Title: Chief Executive Officer

LEEVAC MARINE, LLC

By: /s/ CHRISTIAN G. VACCARI

Name: Christian G. Vaccari
Title: 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

ACCEPTED AND AGREED TO:

HORNBECK-LEEVAC MARINE
SERVICES, INC.

By: /s/ CHRISTIAN G. VACCARI

Name: Christian G. Vaccari
Title: Chief Executive Officer

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 (Section 2.02)

C Form of Assignment and Acceptance (Section 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	$50,000,000.00	$25,000,000.00

SCHEDULE 4.07

INVESTMENTS AND GUARANTIES

None.

SCHEDULE 4.08

LIABILITIES AND LITIGATION

LM 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.). LM'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: December 31, 2004 New Orleans, Louisiana

FOR VALUE RECEIVED, the undersigned HORNBECK OFFSHORE SERVICES, LLC, a Delaware limited liability company, and LEEVAC MARINE, 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 Credit Agreement dated as of December 31, 2001 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 December 31, 2001 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.

IN WITNESS WHEREOF, the Borrowers have executed and delivered this Note on the day first written above.

HORNBECK OFFSHORE SERVICES, LLC

By:_____________________________________
Name: Christian G. Vaccari
Title: Chief Executive Officer

LEEVAC MARINE, LLC

By:_____________________________________
Name: Christian G. Vaccari
Title: 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 Credit Agreement dated as of December 31, 2001 (as amended, modified and supplemented from time to time, the "Credit Agreement") among Hornbeck Offshore Services, LLC ("HOS"), LEEVAC Marine, LLC ("LM"; HOS and LM 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) [ENVELOPE ICON] Working capital, in the amount of $_________,

(ii) [ENVELOPE ICON] 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:

LEEVAC MARINE, 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 December 31, 2001, 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 LEEVAC Marine, 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:

LEEVAC MARINE, LLC

By:
Name:
Title:

HIBERNIA NATIONAL BANK, as Agent

By:
Name:
Title:

Exhibit C - Page 3

EXHIBIT 10.12

FIRST AMENDMENT TO CREDIT AGREEMENT

THIS FIRST AMENDMENT TO CREDIT AGREEMENT (this "Amendment"), dated February 25, 2002, is made among HORNBECK OFFSHORE SERVICES, LLC, a Delaware limited liability company ("HOS"); LEEVAC MARINE, LLC, a Louisiana limited liability company ("LM"; HOS and LM 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 lenders listed on the signature pages hereof (the "Banks"), which agree as follows:

W I T N E S S E T H:

WHEREAS, Borrowers, Banks and Agent are party to that certain Credit Agreement dated as of December 31, 2001 (the "Original Credit Agreement"; the Original Credit Agreement, as amended hereby, is hereinafter referred to as the "Credit Agreement") pursuant to which the Banks agreed to lend money to Borrowers upon and subject to the terms and conditions thereof;

WHEREAS, capitalized terms used herein without definition shall have the respective meanings given them in the Original Credit Agreement;

WHEREAS, Borrowers, Banks and Agent desire to amend the Original Credit Agreement as set forth herein, subject to the terms and conditions hereof;

NOW, THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Borrowers, Banks and Agent hereby agree as follows:

1. The Original Credit Agreement is hereby amended as follows:

(a) Section 5.17 is hereby amended by inserting the following sentence at the end of such section:

> "In addition, if the Required Banks from time to time are not satisfied with the underlying contract(s) for or in connection with the employment or engagement of a Vessel, then the Required Banks shall be entitled to require that such Vessel (and related assets) be substituted with another vessel (and related assets) of the Required Banks' choosing and satisfaction, not otherwise subject to a Permitted Lien, in which event the preceding requirements of this Section 5.17 in connection with the placement of additional Collateral shall be applicable."

(b) (i) Subsection 8.01(r) is amended by deleting the period at the conclusion thereof and substituting therefor "; or".

(ii) There is added the following new subsection 8.01(s) immediately following subsection 8.01(r):

> "(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."

2. The Original Credit Agreement shall be deemed amended to the extent necessary to give effect to the foregoing. Except as amended hereby, the Original Credit Agreement shall remain in full force and effect.

3. As conditions precedent to the execution and delivery by Agent and Banks of this Amendment, (i) all representations and warranties set forth in the Credit Agreement shall be true and correct as of the date hereof (other than those representations and warranties that are, by their specific items, limited in application to a specific date), (ii) Borrowers shall have paid or caused to be paid all costs and expenses incurred by Agent and Banks, or otherwise agreed by Borrowers to be paid, through the date hereof, (iii) Borrowers shall have paid the fees required to be paid through the date hereof, and (iv) Agent and

Banks shall have received the following, all of which shall be in form and substance satisfactory to the Agent and in sufficient counterparts:

(A) Duly executed counterparts of this Amendment signed by all parties hereto.

4. By its consent to this Amendment, Guarantor specifically reaffirms, confirms and acknowledges Guarantor's indebtedness, liabilities and obligations to Agent and Banks under and in connection with the Guaranty.

5. (a) Borrowers represent and warrant to Agent and Banks that no Default or Event of Default exists under the Credit Agreement.

(b) Borrowers acknowledge and agree in favor of Agent and Banks that notwithstanding their representation and warranty set forth in the immediately preceding subsection (a), to the extent that there is any Default or Event of Default under the Credit Agreement, the execution and delivery (and acceptance) of this Amendment by Agent and Banks shall not constitute or be deemed to constitute in any respect a waiver of any such Default or Event of Default.

(c) Borrowers and, by its consent to this Amendment, Guarantor acknowledge, agree, confirm, declare, represent and warrant to Agent and Banks that all of their respective representations and warranties set forth in the Credit Agreement and the other Loan Documents are true and correct on the date hereof (other than those representations and warranties that are, by their specific terms, limited in application to a specific date).

6. This Amendment shall be governed by and construed in accordance with the laws of the State of Louisiana.

7. This Amendment may be executed in one or more counterparts with the same effect as if the signatures hereto and thereto were upon the same instrument.

IN WITNESS WHEREOF, Borrowers, Banks and Agent have executed and delivered this Amendment on the date first above written.

HORNBECK OFFSHORE SERVICES, LLC

By: /s/ CHRISTIAN G. VACCARI

Name: Christian G. Vaccari
Title: Chief Executive Officer

LEEVAC MARINE, LLC

By: /s/ CHRISTIAN G. VACCARI

Name: Christian G. Vaccari
Title: 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

ACCEPTED AND AGREED TO:

HORNBECK-LEEVAC MARINE
SERVICES, INC.

By: /s/ CHRISTIAN G. VACCARI

Name: Christian G. Vaccari
Title: Chief Executive Officer

Exhibit 21

SUBSIDIARIES OF HORNBECK-LEEVAC MARINE SERVICES, INC.

SUBSIDIARY NAME	STATE OF INCORPORATION	NAME DOING BUSINESS AS
Hornbeck Offshore Services, LLC	Delaware	Hornbeck Offshore Services, LLC
HORNBECK-LEEVAC Marine Operators, LLC	Delaware	HORNBECK-LEEVAC Marine Operators, LLC
LEEVAC Marine, LLC	Delaware	LEEVAC Marine, LLC
Energy Services Puerto Rico, LLC	Delaware	Energy Services Puerto Rico, LLC