UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2019

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 001-32108

Hornbeck Offshore Services, Inc.

(Exact Name of Registrant as Specified in Its Charter)

Delaware	**72-1375844**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification Number)*

103 NORTHPARK BOULEVARD, SUITE 300
COVINGTON, LA 70433
(Address of Principal Executive Offices) (Zip Code)
(985) 727-2000
(Registrant's Telephone Number, Including Area Code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐	Accelerated filer ☒
Non-accelerated filer ☐ (Do not check if a smaller reporting company)	Smaller reporting company ☐
	Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Class	Trading Symbol	Name of exchange on which registered	Outstanding at April 30, 2019
Common Stock, $0.01 par value	HOS	New York Stock Exchange	37,874,611

HORNBECK OFFSHORE SERVICES, INC. AND SUBSIDIARIES

FORM 10-Q FOR THE QUARTER ENDED MARCH 31, 2019

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PART 1—FINANCIAL INFORMATION

Item 1—Financial Statements

HORNBECK OFFSHORE SERVICES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In thousands, except per share data)

	March 31, 2019	December 31, 2018
	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 174,554	$ 224,936
Accounts receivable, net of allowance for doubtful accounts of $919 and $1,123, respectively	59,283	54,924
Other current assets	21,249	19,768
Total current assets	255,086	299,628
Property, plant and equipment, net	2,410,116	2,434,829
Deferred charges, net	29,173	22,525
Right of use assets	24,285	—
Other assets	4,687	7,655
Total assets	$ 2,723,347	$ 2,764,637
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 31,117	$ 26,826
Accrued interest	13,218	15,910
Accrued payroll and benefits	10,976	12,445
Current portion of long-term debt, net of original issue discount of $443 and $2,725 and deferred financing costs of $149 and $611, respectively	25,174	96,311
Lease liabilities	3,104	—
Other accrued liabilities	8,808	9,750
Total current liabilities	92,397	161,242
Long-term debt, including deferred net gain of $36,608 and $15,845, and net of original issue discount of $3,762 and $3,013 and deferred financing costs of $6,835 and $6,149, respectively	1,171,559	1,123,625
Deferred tax liabilities, net	160,449	169,122
Lease liabilities	24,483	—
Other liabilities	2,710	2,722
Total liabilities	1,451,598	1,456,711
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; 37,875 and 37,701 shares issued and outstanding, respectively	379	377
Additional paid-in-capital	761,988	761,834
Retained earnings	510,983	549,475
Accumulated other comprehensive loss	(1,601)	(3,760)
Total stockholders' equity	1,271,749	1,307,926
Total liabilities and stockholders' equity	$ 2,723,347	$ 2,764,637

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

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HORNBECK OFFSHORE SERVICES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)

	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018
	(Unaudited)	
Revenues:		
Vessel revenues	$ 45,252	$ 33,134
Non-vessel revenues	8,784	8,453
	54,036	41,587
Costs and expenses:		
Operating expenses	40,394	35,969
Depreciation	24,771	24,648
Amortization	3,611	1,992
General and administrative expenses	11,967	12,875
	80,743	75,484
Gain on sale of assets	26	43
Operating loss	(26,681)	(33,854)
Other income (expense):		
Loss on early extinguishment of debt, net	(71)	—
Interest income	1,114	644
Interest expense	(19,726)	(13,945)
Other income (expense), net	(87)	9
	(18,770)	(13,292)
Loss before income taxes	(45,451)	(47,146)
Income tax benefit	(8,831)	(8,491)
Net loss	$ (36,620)	$ (38,655)
Loss per share:		
Basic loss per common share	$ (0.97)	$ (1.04)
Diluted loss per common share	$ (0.97)	$ (1.04)
Weighted average basic shares outstanding	37,788	37,339
Weighted average diluted shares outstanding	37,788	37,339

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

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HORNBECK OFFSHORE SERVICES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(In thousands)

	Three Months Ended March 31,	
	2019	2018
	(Unaudited)	
Net loss	$ (36,620)	$ (38,655)
Other comprehensive income (loss):		
Foreign currency translation income (loss)	287	(300)
Total comprehensive loss	$ (36,333)	$ (38,955)

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

HORNBECK OFFSHORE SERVICES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(Unaudited)

(In thousands)

	Three Months Ended March 31, 2019					
	Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (loss)	Total Stockholders Equity
	Shares	Amount				
Balance at January 1, 2019	37,700	$ 377	$ 761,834	$ 549,475	$ (3,760)	$ 1,307,926
Shares issued under employee benefit programs	175	2	(124)	—	—	(122)
Adoption of ASU 2018-02	—	—	—	(1,872)	1,872	—
Stock-based compensation expense	—	—	278	—	—	278
Net loss	—	—	—	(36,620)	—	(36,620)
Foreign currency translation income	—	—	—	—	287	287
Balance at March 31, 2019	37,875	$ 379	$ 761,988	$ 510,983	$ (1,601)	$ 1,271,749

	Three Months Ended March 31, 2018					
	Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (loss)	Total Stockholders Equity
	Shares	Amount				
Balance at January 1, 2018	37,144	$ 371	$ 760,278	$ 668,598	$ 8,677	$ 1,437,924
Shares issued under employee benefit programs	348	4	(536)	—	—	(532)
Stock-based compensation expense	—	—	610	—	—	610
Net loss	—	—	—	(38,655)	—	(38,655)
Foreign currency translation loss	—	—	—	—	(300)	(300)
Balance at March 31, 2018	37,492	$ 375	$ 760,352	$ 629,943	$ 8,377	$ 1,399,047

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

HORNBECK OFFSHORE SERVICES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018
	(Unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (36,620)	$ (38,655)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	24,771	24,648
Amortization	3,611	1,992
Stock-based compensation expense	975	2,868
Loss on early extinguishment of debt, net	71	—
Provision for bad debts	204	223
Deferred tax benefit	(8,749)	(8,556)
Amortization of deferred financing costs	481	1,139
Gain on sale of assets	(26)	(43)
Changes in operating assets and liabilities:		
Accounts receivable	(4,690)	(3,802)
Other current and long-term assets	(1,501)	2,282
Deferred drydocking charges	(9,300)	(1,970)
Accounts payable	4,476	8,919
Accrued liabilities and other liabilities	2,845	2,164
Accrued interest	(2,691)	(83)
Net cash used in operating activities	(26,143)	(8,874)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Costs incurred for OSV newbuild program	(3)	(2,690)
Net proceeds from sale of assets	26	43
Vessel capital expenditures	(522)	(3,906)
Non-vessel capital expenditures	(71)	(7)
Net cash used in investing activities	(570)	(6,560)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from first-lien term loans	29,159	—
Repurchase of convertible notes	(47,310)	—
Payment of deferred financing costs	(5,524)	—
Shares withheld for payment of employee withholding taxes	—	(536)
Net cash used in financing activities	(23,675)	(536)
Effects of exchange rate changes on cash	6	(43)
Net decrease in cash and cash equivalents	(50,382)	(16,013)
Cash and cash equivalents at beginning of period	224,936	186,849
Cash and cash equivalents at end of period	$ 174,554	$ 170,836
SUPPLEMENTAL DISCLOSURES OF CASH FLOW ACTIVITIES:		
Cash paid for interest	$ 19,507	$ 15,131
Cash paid for (refunds of) income taxes	$ (1,338)	$ 449
SUPPLEMENTAL DISCLOSURES OF NON-CASH FINANCING ACTIVITIES:		
Exchange of convertible notes for first-lien term loans	$ 20,951	$ —
Exchange of senior notes for second-lien term loans	$ 142,629	$ —

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

HORNBECK OFFSHORE SERVICES, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presentation

The accompanying unaudited consolidated financial statements do not include certain information and footnote disclosures required by United States generally accepted accounting principles, or GAAP. The interim financial statements and notes are presented as permitted by instructions to the Quarterly Report on Form 10-Q and Article 10 of Regulation S-X. In the opinion of management, all adjustments necessary for a fair presentation of the interim financial statements have been included and consist only of normal recurring items. The unaudited quarterly financial statements should be read in conjunction with the audited financial statements and notes thereto included in the Annual Report on Form 10-K of Hornbeck Offshore Services, Inc. (together with its subsidiaries, the “Company”) for the year ended December 31, 2018. The results of operations for the three months ended March 31, 2019 are not necessarily indicative of the results that may be expected for the year ending December 31, 2019.

The consolidated balance sheet at December 31, 2018 has been derived from the audited consolidated financial statements at that date, but does not include all of the information and footnotes required by GAAP for complete financial statements.

2. Going Concern

Since the second half of 2014, the offshore oil service sector has experienced difficult operating conditions due to the declining price of oil. This low oil price environment has caused many of the Company's customers to reduce their budgets for the worldwide exploration or production of oil. This reduced spending has negatively impacted the Company's financial results. As discussed in Note 8, the Company's 2020 senior notes and 2021 senior notes mature in April 2020 and March 2021, respectively. The maturity of the Company’s 2020 senior notes now falls within the twelve month period from the issuance of these financial statements for which the Company is required to evaluate as part of its assessment of its ability to continue as a going concern. Management of the Company continues to believe it has adequate liquidity to fund its operations up until the maturity of the 2020 senior notes. However, absent the combination of a significant recovery of market conditions such that cash flow from operations were to increase materially from currently projected levels, coupled with the refinancing and/or further management of its funded debt obligations, the Company does not currently expect to have sufficient liquidity to repay the full amount of the 2020 senior notes and the 2021 senior notes as they mature in 2020 and 2021, respectively. Management continues to implement its on-going plan to address its maturities as they become due, including the refinancing of its 2020 senior notes and, based on continuing discussions with existing and potential lenders, management is optimistic that it will be able to successfully implement this plan. However, management recognizes that its plan depends on the actions of these third parties, including reaching an agreement with existing senior note holders and/or obtaining new sources of liquidity, and, therefore, the Company is unable at this time to conclude that such plan is reasonably certain of being achieved. Accordingly, given the uncertainty with respect to the Company’s ability to pay its 2020 senior notes in full as they become due, the Company acknowledges that substantial doubt exists regarding its ability to continue as a going concern. There can be no assurance that cash flows from operations will increase materially or that the Company will succeed in reaching agreements with its senior note holders or accessing new capital to pay the 2020 senior notes in full as they become due within the next twelve months.

The accompanying consolidated financial statements have been prepared assuming the Company will continue as a going concern, which contemplates continuity of operations, realization of assets and the satisfaction of liabilities in the normal course of business for the twelve month period following the date of these consolidated financial statements. As such, the accompanying consolidated financial statements do not include any adjustments relating to the recoverability and classification of assets and their carrying amounts, or the amount and classification of liabilities that may result should the Company be unable to continue as a going concern.

3. Recent Accounting Pronouncements

Standard	Description	Required Date of Adoption	Effect on the financial statements and other significant matters
Standards that have been adopted			
ASU No. 2016-02, "Leases" (Topic 842)	This standard requires lessees to recognize a lease liability and a right-of-use asset for all leases (with the exception of short-term leases) at the commencement date. ASU 2016-02 requires a modified retrospective application. Early adoption is permitted.	January 1, 2019	The Company adopted this ASU effective January 1, 2019. See further discussion below and in footnote 12.

ASU No. 2018-02, "Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income"	This standard allows companies to reclassify items in accumulated other comprehensive income to retained earnings for stranded tax effects resulting from The Tax Cuts and Jobs Act.	January 1, 2019	The Company adopted ASU No. 2018-02 on January 1, 2019. This adoption had no material impact on its consolidated financial statements.
ASU No. 2018-09, "Codification Improvements"	This standard provides clarification, corrects errors in and makes minor improvements to various ASC topics. Many of the amendments in this update have transition guidance with effective dates for annual periods beginning after December 15, 2018, and some amendments do not require transition guidance and are effective upon issuance of this update.	January 1, 2019	The Company adopted ASU No. 2019-09 on January 1, 2019. This adoption had no material impact on its consolidated financial statements.
ASU No. 2018-11, "Leases" (Topic 842): Targeted Improvements	This standard provides for the election of transition methods between the modified retrospective method and the optional transition relief method. The modified retrospective method is applied to all prior reporting periods presented with a cumulative-effect adjustment recorded in the earliest comparative period while the optional transition relief method is applied beginning in the period of adoption with a cumulative-effect adjustment recorded in such period. Also, this standard allows lessors to elect to not separate non-lease components from the associated lease components if certain criteria are met.	January 1, 2019	The Company adopted ASU No. 2018-11 on January 1, 2019. See further discussion below.
Standards that have not been adopted			
ASU No. 2016-13, "Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments"	This standard requires measurement and recognition of expected credit losses for financial assets held. ASU No. 2016-13 requires modified retrospective application. Early adoption is permitted.	January 1, 2020	The Company believes that the implementation of this new guidance will not have a material impact on its consolidated financial statements.

ASC 842, Leases

Lessee Accounting

In February 2016, the Financial Accounting Standards Board, or FASB, issued ASU 2016-02, *Leases*, which requires lessees to recognize a right-of-use, or ROU, asset and a lease obligation for all leases. This ASU became effective for the Company for its annual reporting period beginning January 1, 2019, including interim periods within that reporting period. The Company adopted the standard using a modified retrospective approach with the effective date of the standard as the date of initial application.

The Company elected the package of practical expedients permitted under the transition guidance within the standard, which eliminates the reassessment of past leases, classification and initial direct costs. For leases with a term of twelve months or less, the Company has made a policy election in which the ROU asset and lease liability will not be recognized on its balance sheet.

As a result of the Company's adoption of this new standard, it recorded ROU assets of $24.7 million and lease liabilities of $27.7 million. The adoption of the standard did not have an impact on the Company's equity and will not have a material impact on the Company's results of operations and cash flows.

Lessor Accounting

Under ASU 2018-11 a lessor may elect to combine lease and non-lease components provided that the non-lease component(s) otherwise would be accounted for under the new revenue guidance in ASC 606 and both of the following conditions are met:

- The timing and pattern of transfer for the lease component are the same as those for the non-lease components associated with that lease component.
- The lease component, if accounted for separately, would be classified as an operating lease.

When the above conditions are met, the entity will need to assess predominance. If the non-lease components are predominant, the entity accounts for the combined component under ASC 606; otherwise, the entity accounts for the combined component under ASC 842.

After review of its revenue streams, the Company has concluded that the non-lease component of its revenue is predominant, and that both of the criteria above are met. Therefore, the Company has adopted the new transition options and will combine lease and non-lease revenues. The Company will recognize revenue based on the non-lease component under ASC 606, as it has concluded that the non-lease component is the predominant component. The adoption of ASU 2018-11 on January 1, 2019 did not change the timing or amounts of revenues recognized by the Company.

4. Revenues from Contracts with Customers

Effective January 1, 2018, the Company adopted ASU 2014-09, *Revenue from Contracts with Customers,* using the modified retrospective method. The adoption of this standard did not have a material impact on the Company's financial position or results of operations. Accordingly, the Company did not make an adjustment to the opening balance of retained earnings in order to account for the implementation of the new requirements of this standard, and it did not restate prior period information for the effects of the new standard.

The services that are provided by the Company represent a single performance obligation under our contracts that are satisfied at a point in time or over time. Revenues are earned primarily by (1) chartering the Company's vessels, including the operation of such vessels, (2) providing vessel management services to third party vessel owners, and (3) providing shore-based port facility services, including rental of land. The services generating these revenue streams are provided to customers based upon contracts that include fixed or determinable prices and do not generally include right of return or other significant post-delivery obligations. The Company's vessel revenues, vessel management revenues and port facility revenues are recognized either at a point in time or over the passage of time when the customer has received or is receiving the benefit from the applicable service. Revenues are recognized when the performance obligations are satisfied in accordance with contractual terms and in an amount that reflects the consideration that the Company expects to be entitled to in exchange for the services rendered or rentals provided. Revenues are recognized net of any taxes collected from customers, which are subsequently remitted to governmental authorities. Invoices are typically billed to our customers on a monthly basis and payment terms on customer invoices typically range 30 to 60 days.

A performance obligation under contracts with the Company's customers to render services is the unit of account under Topic 606. The Company accounts for services rendered separately if they are distinct and the service is separately identifiable from other items provided to a customer and if a customer can benefit from the services rendered provided on its own or with other resources that are readily available to the customer. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied.

As of March 31, 2019, the Company has certain remaining performance obligations representing contracted vessel revenues for which work has not been performed and such contracts have an original expected duration of more than one year. As of March 31, 2019, the aggregate amount of the transaction price allocated to remaining performance obligations for such contracts was $5.6 million, all of which is expected to be recognized in 2019. The Company has elected to apply the optional exemption for the disclosure of the remaining performance obligations for any of its revenue streams that are expected to have a duration of one year or less and, therefore, such amounts have not been disclosed.

Disaggregation of Revenues

For the three months ended March 31, 2019 and 2018, the Company recognized revenues as follows (in thousands):

	Three months ended March 31,	
	2019	2018
Vessel revenues	$ 45,252	$ 33,134
Vessel management revenues	8,475	7,759
Shore-based facility revenues	309	694
	$ 54,036	$ 41,587

5. Loss per share

Basic loss per common share was calculated by dividing net loss by the weighted average number of common shares outstanding during the period. Diluted loss per common share was calculated by dividing net loss by the weighted average number of common shares outstanding during the year plus the effect of dilutive stock options and restricted stock unit awards. When reporting a net loss, the Company uses weighted average basic shares outstanding to calculate diluted earnings per share. Weighted average number of common shares outstanding was calculated by using the sum of the shares determined on a daily basis divided by the number of days in the period.

The table below reconciles the Company's loss per share (in thousands, except for per share data):

	Three Months Ended March 31,	
	2019	2018
Net loss	$ (36,620)	$ (38,655)
Weighted average number of shares of common stock outstanding	37,788	37,339
Add: Net effect of dilutive stock options and unvested restricted stock (1)(2)(3)	—	—
Weighted average number of dilutive shares of common stock outstanding	37,788	37,339
Loss per common share:		
Basic loss per common share	$ (0.97)	$ (1.04)
Diluted loss per common share	$ (0.97)	$ (1.04)

(1) Due to a net loss, the Company excluded from the calculation of loss per share the effect of equity awards representing the rights to acquire 404 shares of common stock for the three months ended March 31, 2019 and 750 shares of common stock for the three months ended March 31, 2018, respectively.
(2) For the three months ended March 31, 2019 and 2018, the 2019 convertible senior notes were not dilutive, as the average price of the Company's stock was less than the effective conversion price of such notes. It is the Company's stated intention to redeem the principal amount of its 2019 convertible senior notes in cash and the Company has used the treasury method for determining potential dilution in the diluted earnings per share computation.
(3) Dilutive unvested restricted stock units are expected to fluctuate from quarter to quarter depending on the Company's performance compared to a predetermined set of performance criteria. See Note 9 to these financial statements for further information regarding certain of the Company's restricted stock grants.

6. Property, Plant and Equipment

Asset Impairment Assessment

In accordance with ASC 360, the Company periodically reviews long-lived asset valuations when events or changes in circumstances indicate that an asset's carrying value may not be recoverable. If indicators of impairment exist, the Company assesses the recoverability of its long-lived assets by comparing the projected future undiscounted cash flows associated with the related long-lived asset group over their remaining estimated useful lives. If the sum of the estimated undiscounted cash flows are less than the carrying amounts of the asset group, the assets are written down to their estimated fair values based on the expected discounted future cash flows or appraised values attributable to the assets. The future cash flows are subjective and are based on the Company’s current assumptions regarding future dayrates, utilization, operating expense, G&A expense and recertification costs that could differ from actual results.

During the second quarter of 2016, the Company determined that it observed indicators of impairment related to its vessels. This resulted from the rapid deterioration of its second quarter 2016 operating results, as well as the uncertainty regarding future market conditions and the related impact on the Company's projected operating results. For the purpose of calculating the undiscounted cash flows, the Company grouped its vessels into two groups, OSVs and MPSVs, and used a probability-weighted undiscounted cash flow projection to test for recoverability. After reviewing the results of this calculation, the Company determined that each of its asset groups had sufficient projected undiscounted cash flows to recover the remaining book value of the Company's long-lived assets within such groups. While the Company has not observed any new impairment indicators since 2016, the Company has reviewed and updated, as necessary, the assumptions used in determining its undiscounted cash flow projections for each asset group to reflect current market conditions. After reviewing the results of these updated projections, the Company determined that each of its asset groups continue to have sufficient projected undiscounted cash flows to recover the remaining book value of the Company's long-lived assets within such group.

7. Acquisition of Vessels

On May 18, 2018, the Company completed the acquisition of four high-spec Jones Act-qualified OSVs and related equipment from Aries Marine Corporation and certain of its affiliates for $40.9 million in cash, inclusive of $4.0 million related to a non-compete intangible asset that is being amortized over the life of such asset, or two years. Also included in this transaction was the cost of fuel and lube inventory and transactions fees. The acquired vessels are all U.S.-flagged and are comprised of two 300 class OSVs and two 280 class OSVs. The Company determined that substantially all of the fair value of the assets acquired are concentrated in a group of similar identifiable assets and, therefore, has accounted for such transaction as an asset acquisition under ASU 2017-01.

8. Long-Term Debt

As of the dates indicated, the Company had the following outstanding long-term debt (in thousands):

	March 31, 2019	December 31, 2018
5.875% senior notes due 2020, net of deferred financing costs of $937 and $1,162	$ 223,376	$ 365,780
5.000% senior notes due 2021, net of deferred financing costs of $1,930 and $2,173	448,070	447,827
1.500% convertible senior notes due 2019, net of original issue discount of $443 and $2,725 and deferred financing costs of $149 and $611	25,174	96,311
First-lien term loans due 2023, including deferred gain of $15,628 and $15,845, and net of original issue discount of $3,762 and $3,013, and deferred financing costs of $3,968 and $2,814	357,898	310,018
Second-lien term loans due 2025, including deferred gain of $20,980	142,215	—
	1,196,733	1,219,936
Less current maturities	(25,174)	(96,311)
	$ 1,171,559	$ 1,123,625

The table below summarizes the Company's cash interest payments (in thousands):

	Cash Interest Payments		Payment Dates
5.875% senior notes due 2020	$	6,589	April 1 and October 1
5.000% senior notes due 2021		11,250	March 1 and September 1
1.500% convertible senior notes due 2019		193	Final payment on September 1, 2019
First-lien term loans due 2023		2,800	Variable (1)
Second-lien term loans due 2025		2,879	January 31, April 30, July 31, and October 31

(1) The interest rate on the first-lien term loans is variable based on the Company's election. The amount reflected in this table is the monthly amount payable based on the 30-day LIBOR interest rate that was elected and in effect on March 31, 2019. Please see further discussion of the variable interest rate below.

First-Lien Term Loans

On June 15, 2017, the Company entered into the First Lien Term Loan Agreement (as amended, amended and restated, supplemented or otherwise modified from time to time, the First Lien Term Loan Agreement), by and among the Company, as Parent Borrower, Hornbeck Offshore Services, LLC, or HOS, as Co-Borrower, certain holders of the Company’s then outstanding notes, or the First-Lien Initial Lenders, and Wilmington Trust, National Association, as Administrative Agent and Collateral Agent for the lenders that initially provided for $300 million of first-lien delayed-draw term loans, or the first-lien term loans. On March 1, 2019, the Company entered into Incremental First Lien Term Loan Joinder Agreements with such parties, including certain existing as well as additional lenders, to borrow an additional $50.0 million of first-lien term loans, or the incremental first-lien term loans, under the First Lien Term Loan Agreement, including approximately $30.1 million in cash of new financing. On March 1, 2019, the Company exchanged approximately $21.0 million in face value of its 2019 convertible senior notes in a privately negotiated debt-for-debt exchange for the remaining approximately $19.9 million of incremental first-lien term loans. In accordance with applicable accounting guidance, this debt-for-debt exchange was accounted for as a debt modification. As a result, the Company recorded a loss on early extinguishment of debt of $1.3 million ($1.1 million or $0.03 per diluted share after-tax) due to deal costs associated with the exchange. The incremental first-lien term loans have the same terms applicable to the first-lien term loans originally issued under the existing First Lien Term Loan Agreement.

The Company can use the amounts under the first-lien term loans for working capital and general corporate purposes, including acquisitions and/or the refinancing of existing debt, subject to, among other things, compliance with certain covenants requiring the Company to maintain access to liquidity (cash and credit availability) of $25.0 million at all times. The minimum liquidity level required for prepayment of the Company’s existing indebtedness and/or certain other restricted payments is $65.0 million.

The first-lien term loans are collateralized by 48 domestic high-spec OSVs and MPSVs and seven foreign high-spec OSVs, including a security interest in two pending MPSV newbuilds, and associated personalty, as well as by certain deposit and securities accounts. Borrowings accrue interest, at the Company’s option, at either an adjusted London Interbank Offered Rate (subject to a 1.00% floor) plus an applicable margin or the greatest of (a) the prime rate announced by The Wall Street Journal, (b) the Federal Funds Effective Rate in effect on such day plus 1/2 of 1%, and (c) the London Interbank Offered Rate plus, 1%, plus, an applicable a margin.

Second-Lien Term Loans

During the three months ended March 31, 2019, the Company completed two private offers and exchanged an aggregate of $142.6 million in face value of its 2020 senior notes for $121.2 million of second-lien term loans due 2025, or second-lien term loans, of the Company and the Co-Borrower. In accordance with applicable accounting guidance, this debt-for-debt exchange was accounted for as a debt modification. As a result, the Company recorded a loss on early extinguishment of debt of $2.4 million ($1.9 million or $0.05 per diluted share after-tax) due to deal costs associated with the exchange. As contemplated by and provided for under the agreement governing the first-lien term loans, the second-lien term loans were made pursuant to a Second Lien Term Loan Agreement entered into by the Company, the Co-Borrower, the lenders party thereto and the Administrative Agent and Collateral Agent. The second-lien term loans have a maturity date of February 7, 2025 and bear interest at a fixed rate per annum of 9.50%. The second-lien term loans are guaranteed by certain of the Company’s present domestic subsidiaries and will be guaranteed by certain of the Company's future domestic subsidiaries and are secured on a second-lien basis, subject to certain permitted liens, by a second-priority interest in the same collateral securing the Company’s first-lien term loans.

Convertible Note Repurchases

During the three months ended March 31, 2019, the Company completed a series of private transactions for the repurchase of $52.9 million in face value of its outstanding 2019 convertible senior notes for an aggregate total of $47.6 million of cash. The Company recorded a gain on early extinguishment of debt of $3.6 million ($2.9 million or $0.08 per diluted share after-tax), which was comprised of a $5.6 million gain on the repurchase, offset in part by the write-off of $2.0 million of original issue discount, deal costs and unamortized financing costs related to the notes repurchased.

The agreements governing the first-lien term loans and the second-lien term loans and the indentures governing the Company's 2020 senior notes and 2021 senior notes impose certain restrictions on the Company. Such restrictions affect, and in many cases limit or prohibit, among other things, the Company's ability to incur additional indebtedness, make capital expenditures, redeem equity, create liens, sell assets and make dividend or other restricted payments.

The Company estimates the fair value of its 2020 senior notes, 2021 senior notes, 2019 convertible senior notes, the first-lien term loans, and the second-lien term loans by primarily using quoted market prices. Given the observability of the inputs to these estimates, the Company has assigned a Level 2 of the three-level valuation hierarchy. As of the dates indicated below, the Company had the following face values, carrying values and fair values (in thousands):

	March 31, 2019			December 31, 2018		
	Face Value	Carrying Value	Fair Value	Face Value	Carrying Value	Fair Value
5.875% senior notes due 2020	$ 224,313	$ 223,376	$ 141,878	$ 366,942	$ 365,780	$ 191,727
5.000% senior notes due 2021	450,000	448,070	251,438	450,000	447,827	220,500
1.500% convertible senior notes due 2019	25,766	25,174	22,803	99,647	96,311	88,125
First-lien term loans due 2023 (1)	350,000	357,898	350,455	300,000	310,018	295,875
Second-lien term loans due 2025 (2)	121,235	142,215	96,685	—	—	—
	$ 1,171,314	$ 1,196,733	$ 863,259	$ 1,216,589	$ 1,219,936	$ 796,227

(1) The carrying value of the first-lien term loans due 2023 includes a deferred gain of $15,628 less original issue discount and deferred financing costs of $7,730.
(2) The carrying value of the second-lien term loans due 2025 includes a deferred gain of $20,980.

Capitalized Interest

During the first quarter of 2018, the Company notified the shipyard that it was terminating the construction contracts for two vessels in the Company's fifth OSV newbuild program. The Company did not capitalize any of its interest costs during the three months ended March 31, 2019. Upon recommencement of construction of such vessels, the Company intends to resume capitalization of interest costs related thereto. During the three months ended March 31, 2018, the Company capitalized approximately $2.3 million of interest costs related to the construction of vessels.

9. Incentive Compensation

Stock-Based Incentive Compensation Plan

The Company's stock-based incentive compensation plan covers a maximum of 4.95 million shares of common stock that allows the Company to grant restricted stock awards, restricted stock unit awards, or collectively restricted stock, stock options, stock appreciation rights and fully-vested common stock to employees and directors. As of March 31, 2019, the Company has granted awards covering 4.61 million shares of common stock under such plan.

Restricted Stock

During the three months ended March 31, 2019, the Company granted 2.4 million time-based phantom restricted stock units. The compensation expense related to time-based phantom restricted stock units are amortized over a vesting period of up to three years and is determined based on the market price of the Company's stock on the date of grant applied to the total shares that are expected to fully vest. All phantom restricted stock units are re-measured quarterly and classified as a liability, due to the currently intended settlement of these awards in cash. In addition to the phantom restricted stock units granted in 2019, the Company granted performance-based and time-based restricted stock units and phantom restricted stock units in prior years. During the three months ended March 31, 2019, the Company issued 173,997 shares of common stock due to vestings of restricted stock units.

Stock Appreciation Rights

During the three months ended March 31, 2019, the Company granted 1.6 million stock appreciation rights, or SARs. The SARs vest and become exercisable in three equal annual installments on each of the 1st, 2nd and 3rd anniversaries of the grant date and have a ten-year life. The SARs represent the right to receive, upon exercise, a number of shares of Company common stock, cash, or a combination thereof, at the election of the Company, equal to the product of the aggregate number of shares of Company common stock with respect to which the SAR is exercised and the excess of the fair market value of a share of Company common stock as of the date of exercise over the grant price of $1.38.

In accordance with ASC 718, the fair value of each SAR granted is estimated on the date granted using the Black-Scholes option-pricing model. As of the grant date, the Company does not have shares available to settle these SARs in shares and, therefore, they are accounted for as liability awards and are re-measured quarterly and classified as a liability. As of March 31, 2019, the fair value for SARs granted during the three months ended March 31, 2019 was $0.97 per share granted.

The following weighted average assumptions were used to value SARs:

	Three Months Ended March 31, 2018	
Expected volatility	96.4	%
Expected life	6.0	years
Risk-free interest rate	2.4	%
Expected dividend yield	—	%

The risk-free interest rate used to value SARs is based on the U.S. Treasury yield curve in effect at the time of grant with maturity dates that coincide with the expected life of the SARs. Since this is the first time the Company has issued SARS, it used the simplified method under GAAP to determine the expected life. The

Company's assumption for volatility is based on its historical volatility calculated on the grant date of an award for a period of time that coincides with the expected life of the options.

The impact of stock-based compensation expense charges on the Company’s operating results are reflected in the table below (in thousands, except for per share data):

	Three Months Ended March 31,	
	2019	2018
Loss before income taxes	$ 975	$ 2,868
Net loss	$ 786	$ 2,351
Earnings per common share:		
Basic earnings per common share	$ 0.02	$ 0.06
Diluted earnings per common share	$ 0.02	$ 0.06

10. Commitments and Contingencies

Vessel Construction

During the first quarter of 2018, the Company notified the shipyard that was constructing the remaining two vessels in the Company's fifth OSV newbuild program that it was terminating the construction contracts for such vessels. The Company has worked with the performance bond surety and will select and contract with a shipyard that can finish construction and deliver such vessels. On October 2, 2018, the original shipyard filed suit against the Company in the 22nd Judicial District Court for the Parish of St. Tammany in the State of Louisiana. The Company has responded to the suit and has alleged counter-claims. The Company intends to vigorously defend the shipyard’s claims and considers them to be without merit. The surety has authorized the Company to select a completion yard and, subject to the terms of the applicable performance bonds and subject to a reservation of rights, the surety will fund the cost to complete the vessels in excess of their contract price of up to the full amount of the performance bond.

The cost of this nearly completed 24-vessel newbuild program, before construction period interest, is expected to be approximately $1,335.0 million, of which $22.7 million and $38.2 million are currently expected to be incurred in the remainder of 2019 and fiscal 2020, respectively. As of the date of termination, these two remaining vessels, both of which are 400 class MPSVs, were projected to be delivered in the second and third quarters of 2019, respectively. Due to the uncertainty of the timing and location of future construction activities, these vessels are now projected to be delivered in the second and third quarters of 2020, respectively. However, the timing of the remaining construction draws remains subject to change commensurate with any potential further delays in the delivery dates of such vessels. From the inception of this program through March 31, 2019, the Company had incurred $1,274.1 million, or 95.4%, of total expected project costs.

Contingencies

In the normal course of its business, the Company becomes involved in various claims and legal proceedings in which monetary damages are sought. It is management's opinion that the Company's liability, if any, under such claims or proceedings would not materially affect the Company's financial position or results of operations. The Company insures against losses relating to its vessels, pollution and third party liabilities, including claims by employees under Section 33 of the Merchant Marine Act of 1920, or the Jones Act. Third party liabilities and pollution claims that relate to vessel operations are covered by the Company’s entry in a mutual protection and indemnity association, or P&I Club, as well as by marine liability policies in excess of the P&I Club’s coverage. The Company provides reserves for any individual claim deductibles for which the Company remains responsible by using an estimation process that considers Company-specific and industry data, as well as management’s experience, assumptions and consultation with outside counsel. As additional information becomes available, the Company will assess the potential liability related to its pending claims and revise its estimates. Although historically revisions to such estimates have not been material, changes in estimates of the potential liability could materially impact the Company’s results of operations, financial position or cash flows.

11. Income Taxes

The effective tax benefit rate for the three months ended March 31, 2019 and 2018 was 19.4% and 18.0%, respectively. The Company's effective tax rate differs from the federal statutory rate due to the establishment of valuation allowances in 2019 and 2018 for state net operating loss and foreign tax credit carryforwards based upon management's conclusion that it is more likely than not such losses and credits will not be realized by their expiration dates. The Company's income tax benefit for the three months ended March 31, 2019 was higher than the benefit rate from the three months ended March 31, 2018 due to higher tax expense related to valuation allowances and long-term incentive compensation in the prior year quarter.

During the three months ended March 31, 2019, the Company adopted ASU 2018-02 and has elected to reclassify the stranded income tax effects of the Tax Cuts and Jobs Act from accumulated comprehensive income to retained earnings. As a result, a reduction in retained earnings and an increase in accumulated other comprehensive income of $1.9 million was recorded in the quarter ended March 31, 2019.

12. Leases

The Company determines if an agreement is a lease or contains a lease at inception. The lease term may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise the option. ROU assets and the corresponding lease liabilities are recorded at the commencement date based on the present value of lease payments over the expected lease term. The Company uses its incremental borrowing rate, which would be the rate incurred to borrow on a collateralized basis over a similar term in a similar economic environment, to calculate the present value of lease payments.

The Company is obligated under certain operating leases for shore-based facilities, office space and temporary housing. Such leases will often include options to extend the lease and the Company will include option periods that, on commencement date, it is reasonably likely that it will exercise the option. Some leases may require variable lease payments such as real estate taxes and maintenance expenses. These costs are expensed in the period in which they are incurred. None of the Company's leases contain any residual value guarantees. The Company recorded $1.1 million of expense related to leases in general and administrative and operating expenses during the three months ended March 31, 2019. The expense recorded for short-term leases was immaterial.

During the three months ended March 31, 2019, the Company recorded operating cash outflows from operating leases of $0.8 million.

Annual maturities of operating lease liabilities under non-cancelable leases with terms in excess of one year, as of March 31, 2019, are as follows (in thousands):

	Three Months Ended March 31, 2019
Remainder of 2019	$ 2,294
2020	3,114
2021	3,017
2022	3,065
2023	3,122
Thereafter	43,873
Total lease payments	58,485
Less: imputed interest	30,898
Total operating lease liabilities	$ 27,587

Weighted-average remaining lease term	17.8
Weighted-average discount rate	9.0%

13. Condensed Consolidating Financial Statements of Guarantors

The following tables present the condensed consolidating balance sheets as of March 31, 2019 and December 31, 2018, the condensed consolidating statements of operations, the condensed consolidating statements of comprehensive income (loss) and condensed consolidating statements of cash flows for the three months ended March 31, 2019 and 2018, respectively, for the domestic subsidiaries of the Company that serve as guarantors of the Company's first-lien term loans, second-lien term loans, 2019 convertible senior notes, 2020 senior notes, 2021 senior notes and the financial results for the Company's subsidiaries that do not serve as guarantors. The guarantor subsidiaries of the first-lien term loans, second-lien term loans, 2019 convertible senior notes, 2020 senior notes, 2021 senior notes are 100% owned by the Company and the guarantees are full and unconditional and joint and several. The non-guarantor subsidiaries of such notes include all of the Company's foreign subsidiaries. Certain prior period amounts have been reclassified to conform to the current period presentation.

Condensed Consolidating Balance Sheet
(In thousands, except per share data)

	As of March 31, 2019				
	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating	Consolidated
ASSETS					
Current assets:					
Cash and cash equivalents	$ 9	$ 166,404	$ 8,141	$ —	$ 174,554
Accounts receivable, net of allowance for doubtful accounts of $919	—	40,039	19,272	(28)	59,283
Other current assets	65	18,584	2,600	—	21,249
Total current assets	74	225,027	30,013	(28)	255,086
Property, plant and equipment, net	—	2,069,820	340,296	—	2,410,116
Deferred charges, net	—	25,404	3,769	—	29,173
Intercompany receivable	1,894,953	1,042,857	511,453	(3,449,263)	—
Investment in subsidiaries	660,838	—	—	(660,838)	—
Right of use assets	—	23,932	353	—	24,285
Other assets	—	4,147	540	—	4,687
Total assets	$ 2,555,865	$ 3,391,187	$ 886,424	$ (4,110,129)	$ 2,723,347
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current liabilities:					
Accounts payable	$ 180	$ 28,628	$ 2,309	$ —	$ 31,117
Accrued interest	13,218	—	—	—	13,218
Accrued payroll and benefits	—	9,465	1,511	—	10,976
Current portion of long-term debt, net of original issue discount of $443 and deferred financing costs of $149	25,174	—	—	—	25,174
Lease liabilities	—	2,860	244	—	3,104
Other liabilities	—	5,431	3,405	(28)	8,808
Total current liabilities	38,572	46,384	7,469	(28)	92,397
Long-term debt, including deferred net gain of $36,608, and net of original issue discount of $3,762 and deferred financing costs of $6,835	1,171,559	—	—	—	1,171,559
Deferred tax liabilities, net	—	159,006	1,443	—	160,449
Intercompany payables	73,985	2,443,193	932,085	(3,449,263)	—
Lease liabilities	—	24,374	109	—	24,483
Other liabilities	—	2,710	—	—	2,710
Total liabilities	1,284,116	2,675,667	941,106	(3,449,291)	1,451,598
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; 37,875 shares issued and outstanding	379	—	—	—	379
Additional paid-in capital	761,988	37,979	8,602	(46,581)	761,988
Retained earnings	510,983	677,541	(63,284)	(614,257)	510,983
Accumulated other comprehensive loss	(1,601)	—	—	—	(1,601)
Total stockholders' equity	1,271,749	715,520	(54,682)	(660,838)	1,271,749
Total liabilities and stockholders' equity	$ 2,555,865	$ 3,391,187	$ 886,424	$ (4,110,129)	$ 2,723,347

Condensed Consolidating Balance Sheet
(In thousands, except per share data)

	As of December 31, 2018				
	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating	Consolidated
ASSETS					
Current assets:					
Cash and cash equivalents	$ 1	$ 219,217	$ 5,718	$ —	$ 224,936
Accounts receivable, net of allowance for doubtful accounts of $1,123	—	42,136	12,788	—	54,924
Other current assets	30	18,740	998	—	19,768
Total current assets	31	280,093	19,504	—	299,628
Property, plant and equipment, net	—	2,193,797	241,032	—	2,434,829
Deferred charges, net	—	19,721	2,804	—	22,525
Intercompany receivable	1,920,557	914,060	483,128	(3,317,745)	—
Investment in subsidiaries	699,325	—	—	(699,325)	—
Other assets	—	7,118	537	—	7,655
Total assets	$ 2,619,913	$ 3,414,789	$ 747,005	$ (4,017,070)	$ 2,764,637
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current liabilities:					
Accounts payable	$ —	$ 25,345	$ 1,481	$ —	$ 26,826
Accrued interest	15,910	—	—	—	15,910
Accrued payroll and benefits	—	11,520	925	—	12,445
Deferred revenue	—	—	—	—	—
Current portion of long-term debt, net of original issue discount of $2,725 and deferred financing costs of $611	96,311	—	—	—	96,311
Other accrued liabilities	—	7,491	2,259	—	9,750
Total current liabilities	112,221	44,356	4,665	—	161,242
Long-term debt, including deferred net gain of $15,845, and net of original issue discount of $3,013 and deferred financing costs of $6,149	1,123,625	—	—	—	1,123,625
Deferred tax liabilities, net	—	167,756	1,366	—	169,122
Intercompany payables	76,141	2,452,258	789,342	(3,317,741)	—
Other liabilities	—	2,720	2	—	2,722
Total liabilities	1,311,987	2,667,090	795,375	(3,317,741)	1,456,711
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; 37,701 shares issued and outstanding	377	—	—	—	377
Additional paid-in capital	761,834	37,978	8,602	(46,580)	761,834
Retained earnings	549,475	709,721	(56,972)	(652,749)	549,475
Accumulated other comprehensive loss	(3,760)	—	—	—	(3,760)
Total stockholders' equity	1,307,926	747,699	(48,370)	(699,329)	1,307,926
Total liabilities and stockholders' equity	$ 2,619,913	$ 3,414,789	$ 747,005	$ (4,017,070)	$ 2,764,637

Condensed Consolidating Statement of Operations
(In thousands)

	Three Months Ended March 31, 2019				
	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating	Consolidated
Revenues	$ —	$ 46,256	$ 8,289	$ (509)	$ 54,036
Costs and expenses:					
Operating expenses	—	31,546	9,333	(485)	40,394
Depreciation	—	21,055	3,716	—	24,771
Amortization	—	2,726	885	—	3,611
General and administrative expenses	40	11,078	873	(24)	11,967
	40	66,405	14,807	(509)	80,743
Gain on sale of assets	—	26	—	—	26
Operating loss	(40)	(20,123)	(6,518)	—	(26,681)
Other income (expense):					
Loss on early extinguishment of debt, net	(71)	—	—	—	(71)
Interest income	—	1,037	77	—	1,114
Interest expense	(19,726)	—	—	—	(19,726)
Equity in earnings (losses) of consolidated subsidiaries	(16,783)	—	—	16,783	—
Other income (expense), net	—	362	(449)	—	(87)
	(36,580)	1,399	(372)	16,783	(18,770)
Loss before income taxes	(36,620)	(18,724)	(6,890)	16,783	(45,451)
Income tax benefit	—	(8,723)	(108)	—	(8,831)
Net loss	$ (36,620)	$ (10,001)	$ (6,782)	$ 16,783	$ (36,620)

Condensed Consolidating Statement of Comprehensive Income (Loss)
(In thousands)

	Three Months Ended March 31, 2019				
	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating	Consolidated
Net income (loss)	$ (36,620)	$ (10,001)	$ (6,782)	$ 16,783	$ (36,620)
Other comprehensive income:					
Foreign currency translation gain	287	—	—	—	287
Total comprehensive income (loss)	$ (36,333)	$ (10,001)	$ (6,782)	$ 16,783	$ (36,333)

Condensed Consolidating Statement of Operations
(In thousands)

	Three Months Ended March 31, 2018				
	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating	Consolidated
Revenues	$ —	$ 40,315	$ 1,329	$ (57)	$ 41,587
Costs and expenses:					
Operating expenses	—	33,985	2,038	(54)	35,969
Depreciation	—	23,306	1,342	—	24,648
Amortization	—	1,799	193	—	1,992
General and administrative expenses	56	12,369	453	(3)	12,875
	56	71,459	4,026	(57)	75,484
Gain on sale of assets	—	43	—	—	43
Operating loss	(56)	(31,101)	(2,697)	—	(33,854)
Other income (expense):					
Interest income	—	569	75	—	644
Interest expense	(13,945)	—	—	—	(13,945)
Equity in earnings (losses) of consolidated subsidiaries	(24,654)	—	—	24,654	—
Other income (expense), net	—	2,016	(2,007)	—	9
	(38,599)	2,585	(1,932)	24,654	(13,292)
Income (loss) before income taxes	(38,655)	(28,516)	(4,629)	24,654	(47,146)
Income tax benefit	—	(8,299)	(192)	—	(8,491)
Net income (loss)	$ (38,655)	$ (20,217)	$ (4,437)	$ 24,654	$ (38,655)

Condensed Consolidating Statement of Comprehensive Income (Loss)
(In thousands)

	Three Months Ended March 31, 2018				
	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating	Consolidated
Net income (loss)	$ (38,655)	$ (20,217)	$ (4,437)	$ 24,654	$ (38,655)
Other comprehensive income:					
Foreign currency translation loss	(300)	—	—	—	(300)
Total comprehensive income (loss)	$ (38,955)	$ (20,217)	$ (4,437)	$ 24,654	$ (38,955)

Condensed Consolidating Statement of Cash Flows
(In thousands)

	Three Months Ended March 31, 2019				
	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating	Consolidated
CASH FLOWS FROM OPERATING ACTIVITIES:					
Net cash provided by (used in) operating activities	$ 23,683	$ (52,865)	$ 3,039	$ —	$ (26,143)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Costs incurred for acquisition of offshore supply vessels	—	—	—	—	—
Costs incurred for OSV newbuild program	—	(3)	—	—	(3)
Net proceeds from sale of assets	—	26	—	—	26
Vessel capital expenditures	—	114	(636)	—	(522)
Non-vessel capital expenditures	—	(85)	14	—	(71)
Net cash provided by (used in) investing activities	—	52	(622)	—	(570)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Proceeds from first-lien term loans	29,159	—	—	—	29,159
Repurchase of convertible notes	(47,310)	—	—	—	(47,310)
Deferred financing costs	(5,524)	—	—	—	(5,524)
Net cash used in financing activities	(23,675)	—	—	—	(23,675)
Effects of exchange rate changes on cash	—	—	6	—	6
Net increase (decrease) in cash and cash equivalents	8	(52,813)	2,423	—	(50,382)
Cash and cash equivalents at beginning of period	1	219,217	5,718	—	224,936
Cash and cash equivalents at end of period	$ 9	$ 166,404	$ 8,141	$ —	$ 174,554
SUPPLEMENTAL DISCLOSURES OF CASH FLOW ACTIVITIES:					
Cash paid for interest	$ 19,507	$ —	$ —	$ —	$ 19,507
Cash paid for (refunds of) income taxes	$ —	$ (1,476)	$ 138	$ —	$ (1,338)
SUPPLEMENTAL DISCLOSURES OF NON-CASH FINANCING ACTIVITIES:					
Exchange of convertible notes for first-lien term loans	$ 20,951	$ —	$ —	$ —	$ 20,951
Exchange of senior notes for second-lien term loans	$ 142,629	$ —	$ —	$ —	$ 142,629

Condensed Consolidating Statement of Cash Flows
(In thousands)

	Three Months Ended March 31, 2018				
	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating	Consolidated
CASH FLOWS FROM OPERATING ACTIVITIES:					
Net cash provided by (used in) operating activities	$ 553	$ (9,055)	$ (372)	$ —	$ (8,874)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Costs incurred for OSV newbuild program	—	(2,690)	—	—	(2,690)
Net proceeds from sale of assets	—	43	—	—	43
Vessel capital expenditures	—	(2,852)	(1,054)	—	(3,906)
Non-vessel capital expenditures	—	(23)	16	—	(7)
Net cash used in investing activities	—	(5,522)	(1,038)	—	(6,560)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Shares withheld for payment of employee withholding taxes	(536)	—	—	—	(536)
Net cash used in financing activities	(536)	—	—	—	(536)
Effects of exchange rate changes on cash	—	—	(43)	—	(43)
Net increase (decrease) in cash and cash equivalents	17	(14,577)	(1,453)	—	(16,013)
Cash and cash equivalents at beginning of period	4	178,746	8,099	—	186,849
Cash and cash equivalents at end of period	$ 21	$ 164,169	$ 6,646	$ —	$ 170,836
SUPPLEMENTAL DISCLOSURES OF CASH FLOW ACTIVITIES:					
Cash paid for interest	$ 15,131	$ —	$ —	$ —	$ 15,131
Cash paid for income taxes	$ —	$ 278	$ 171	$ —	$ 449

Item 2—Management's Discussion and Analysis of Financial Condition and Results of Operations

The following Management's Discussion and Analysis of Financial Condition and Results of Operations should be read together with our unaudited consolidated financial statements and notes to unaudited consolidated financial statements in this Quarterly Report on Form 10-Q and our audited financial statements and notes thereto included in our Annual Report on Form 10-K as of and for the year ended December 31, 2018. This discussion contains forward-looking statements that reflect our current views with respect to future events and financial performance. Our actual results may differ materially from those anticipated in these forward-looking statements. See "Forward Looking Statements" for additional discussion regarding risks associated with forward-looking statements. In this Quarterly Report on Form 10-Q, "company," "we," "us," "our" or like terms refer to Hornbeck Offshore Services, Inc. and its subsidiaries, except as otherwise indicated. Please refer to Item 5—Other Information for a glossary of terms used throughout this Quarterly Report on Form 10-Q.

In this Quarterly Report on Form 10-Q, we rely on and refer to information regarding our industry from the BOEM, EIA and IHS-Petrodata, Inc. These organizations are not affiliated with us and are not aware of and have not consented to being named in this Quarterly Report on Form 10-Q. We believe this information is reliable. In addition, in many cases we have made statements in this Quarterly Report on Form 10-Q regarding our industry and our position in the industry based on our experience in the industry and our own evaluation of market conditions.

General

During the first quarter of 2019, WTI and Brent oil prices steadily increased from $50 to $60 per barrel to $60 to $70 per barrel. Despite this rebound, crude prices still remain below the average prices between 2005 and late 2014. The sustained decrease in oil prices caused major, international and independent oil companies with deepwater operations to significantly reduce their offshore capital spending budgets for the worldwide exploration or production of oil since 2015. Less spending by our customers combined with a global oversupply of OSVs for current market conditions, including high-spec OSVs in our core markets, have resulted in significant reductions in our dayrates and utilization.

The principal question facing the offshore oilfield-related industry is the duration of the current downturn in offshore activities. Our current view is that market conditions will begin to rebound in mid-2019. While impossible to predict with certainty, given the general improvement in oil prices over the lows experienced between 2015 and 2017, global economic stability, growth in oil demand and lower exploration and development costs achieved by our customers, we believe that the necessary elements for improved conditions in our market may be taking shape. However, a loss of confidence in oil price recovery or an inability by our customers to sustain cost improvements could derail or postpone a recovery. Additionally, global economic uncertainty, driven by events such as a trade-war involving the United States and major trading partners, could negatively impact global economic conditions or oil markets.

Against this backdrop, the primary challenge confronting us, has been, and continues to be the ability to repay amounts maturing in 2020 and 2021 under the Company's 2020 senior notes and its 2021 senior notes. In June 2017, we issued first-lien term loans that provided us with liquidity and financial flexibility to engage in liability management transactions involving this indebtedness. That transaction enabled us to reduce the outstanding amount due under our 2019 convertible senior notes to approximately $100 million from $300 million. During the first quarter of 2019, we further reduced the outstanding amount due under our 2019 convertible senior notes to approximately $26 million from $100 million through a series of open market repurchases totaling $53 million and a $21 million exchange for $20 million of first-lien term loans. We also availed ourselves of the flexibility under the indentures governing our 2020 senior notes and 2021 senior notes and the agreement governing our first-lien term loans to conduct an exchange of approximately $143 million of our 2020 senior notes for $121 million of second-lien term loans due in 2025. We have sufficient liquidity to satisfy the outstanding amount due under the 2019 convertible senior notes in September 2019. By having reduced the face amount of outstanding 2020 senior notes to $224 million, we have taken a significant step towards being able to address that maturity in April 2020. Additional measures are being explored utilizing other flexibility under the indentures governing our 2020 senior notes and 2021 senior notes and under the agreements governing our first-lien term loans and second-lien term loans in order to further advance the Company's efforts to satisfy the remaining 2020 senior notes. We believe that once we have fully addressed the 2020 maturity, improved market conditions expected to take hold during 2019 and 2020 will be a significant factor in addressing the $450 million of senior notes maturing in March 2021.

While we are in the fifth year of a downturn in offshore exploration, development and production activities that has adversely affected demand for our vessels, we are observing a marked shift in sentiment that underscores our view that a market recovery should begin to take hold this year. Our thinking has evolved to a more regional mindset when we think about vessel demand. While we have historically thought about the U.S. GoM in isolation from other nearby markets, with the recent advent of Mexico and Guyana as emerging deepwater markets in their own right, the reality is that we now see rigs being mobilized and fluidly working across an area that is generally comprised of the U.S. GoM, the Mexican GoM, the Caribbean Sea, and the northern slope of South America, but excluding Brazil, or the Greater GoM Operating Region. Leading indicators that we have observed include larger offshore capital budget announcements by our customers, a growth in the number of final investment decisions, or FIDs, made public by our customers for offshore projects, recently announced deepwater discoveries, a growing contract backlog announced by several drilling contractors and increased customer inquiries for our services, principally in the Greater GoM Operating Region. Assuming no significant change in the anticipated supply of high-spec U.S.-flagged OSVs, market conditions may show improvement in the second half of 2019 across the Greater GoM Operating Region. In the U.S. GoM, two high-spec OSVs have been delivered into the domestic market so far this year. We expect an additional three high-spec OSVs to be delivered into domestic service through 2019. We do not anticipate significant growth in the supply of high-spec U.S.-flagged OSVs beyond the currently anticipated level of 185 of such vessels by the end of 2019.

In late April 2019, there were 24 floating rigs working in the Greater GoM Operating Region. Based on discussions with customers and public announcements, we predicted that in 2019 an incremental ten to twelve floating rigs would commence charters in the Greater GoM Operating Region. We have confirmed that ten of these incremental units have commenced work or will commence work in the Greater GoM Operating Region this year, mostly in the first half of the year and we now see an additional five to six incremental floaters that will work in the Greater GoM Operating Region this year. In the aggregate, there should be approximately 15 to 16 incremental floaters working in/or available to work in the region this year. While we do not expect that all of these units will work at the same time or that all units currently working will continue to work; overall we view these developments as favorable for market conditions going forward. We believe that these improved regional demand drivers will create increased opportunities for our fleet of ultra high-spec OSVs. Once the current supply and demand fundamentals return to more normal conditions, our results from operations should improve.

Unlike our OSVs, whose utilization are tied principally to drilling activities, demand for our MPSVs is also driven by other offshore activities. These vessels are used for a wide variety of oilfield applications that are not necessarily related to drilling. Because of the need to continuously inspect, repair and maintain offshore infrastructure, our MPSVs have, at times, partially counter-acted weakness in overall drilling activities. However, we have not yet seen a significant pick up in the expansion of offshore infrastructure, such as field development that more meaningfully drives MPSV utilization. Consequently, utilization of our MPSVs has been volatile. We expect to continue experiencing seasonal fluctuations, with peak activity occurring in late spring through early fall followed by softer demand during the winter months of each year.

Since October 1, 2014, we stacked OSVs and MPSVs on various dates. As of March 31, 2019, as well as May 1, 2019, we had 36 OSVs and two MPSV stacked and such stacked vessels represent 51% of our fleetwide vessel headcount, and 37% of our total OSV and MPSV deadweight tonnage. We may consider stacking additional vessels or reactivating vessels as market conditions warrant. By stacking vessels, we have significantly reduced our on-going cash outlays and lowered our risk profile; however, we also have fewer revenue-producing units in service that can contribute to our results and produce cash flows to cover our fixed costs and commitments. While we may choose to stack additional vessels should market conditions warrant, our current expectation is to retain our active fleet in the market to accept contracts at the best available terms even if such contracts are below our breakeven cash cost of operations.

In order to support customer requirements in Mexico, and based on our long-term view that Mexico will continue to invest directly or allow foreign investment in its offshore energy sector, and increasingly in deepwater prospects, we elected to Mexican flag four HOSMAX 300 class OSVs, one 280 class OSV and two 240 class OSVs during 2018. In the first quarter of 2019, we continued the increase of our Mexican flagged fleet by Mexican flagging one MPSV.

At present, our Mexican flag fleet is comprised of seven high-spec OSVs, five low-spec OSVs and one MPSV, which is the second largest concentration of vessels we have committed to a single market. Mexico has undergone significant transformation as a market for offshore energy over the last several years. The monopoly held by Pemex over all national E&P activities has been eliminated opening the way for greater participation by independent oil companies, or IOCs, in the Mexican offshore energy sector. Several offshore drilling programs have been completed and several more are underway and planned involving IOCs, Pemex and joint-ventures between Pemex and IOCs. While the recent presidential election creates some uncertainty over how Mexico will proceed in the development of its offshore energy sector, the successes achieved over the past several years since reforms were initiated are evidence that the reforms have brought significant benefits to Mexico. Accordingly, while we expect Mexico to continue to refine energy policies that are appropriate to its national objectives, we do not expect significant changes that alter its bright future for offshore energy.

In Brazil, we presently own and operate one Brazilian-flagged high-spec OSV. We have flexibility under Brazilian law to import and flag into Brazilian registry an additional vessel of similar DWT. We also own and operate on Vanuatu-flagged MPSV currently working in Brazil as a flotel. Brazil is the single largest deepwater market in the world. Recent measures to expand the role of IOCs in its “pre-salt” prospects are taking hold and we believe Brazilian activity in the offshore energy space will be a significant contributor to the overall recovery in global offshore E&P activities that we anticipate beginning to take hold in 2019.

Our Vessels

All of our current vessels are qualified under the Jones Act to engage in U.S. coastwise trade, except for 16 foreign-flagged new generation OSVs and two foreign-flagged MPSVs. As of March 31, 2019, our 30 active new generation OSVs, six active MPSVs and four managed OSVs were operating in domestic and international areas as noted in the following table:

Operating Areas

Domestic	
GoM	19
Other U.S. coastlines (1)	8
	27
Foreign	
Trinidad	3
Brazil	2
Mexico	8
	13
Total Vessels (2)	40

(1) Includes four owned vessels and four managed vessels supporting the military.
(2) Excluded from this table are 36 new generation OSVs and two MPSVs that were stacked as of March 31, 2019.

Critical Accounting Estimates

This Management's Discussion and Analysis of Financial Condition and Results of Operations discusses our unaudited consolidated financial statements included in this Quarterly Report on Form 10-Q. In many cases, the accounting treatment of a particular transaction is specifically dictated by GAAP. In other circumstances, we are required to make estimates, judgments and assumptions that we believe are reasonable based on available information. We base our estimates and judgments on historical experience and various other factors that we believe are reasonable based upon the information available. Actual results may differ from these estimates under different assumptions and conditions. Our significant accounting policies and estimates are discussed in Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations and in Note 2 to our consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2018.

Results of Operations

The tables below set forth the average dayrates, utilization rates and effective dayrates for our owned new generation OSVs and the average number and size of vessels owned during the periods indicated. These vessels generate a substantial portion of our revenues and operating profit. Excluded from the OSV information below are the results of operations for our MPSVs, our shore-based port facility and vessel management services, including the four non-owned vessels managed for the U.S. Navy. The Company does not provide average or effective dayrates for its MPSVs. MPSV dayrates are impacted by highly variable customer-required cost-of-sales associated with ancillary equipment and services, such as ROVs, accommodation units and cranes, which are typically recovered through higher dayrates charged to the customer. Due to the fact that each of our MPSVs have a workload capacity and significantly higher income generating potential than each of the Company's new generation OSVs, the utilization and dayrate levels of our MPSVs can have a very large impact on our results of operations. For this reason, our consolidated operating results, on a period-to-period basis, are disproportionately impacted by the level of dayrates and utilization achieved by our six active MPSVs.

	Three Months Ended March 31,	
	2019	2018
Offshore Supply Vessels:		
Average number of new generation OSVs (1)	66.0	62.0
Average number of active new generation OSVs (2)	29.7	18.0
Average new generation OSV fleet capacity (DWT)	238,845	220,072
Average new generation OSV capacity (DWT)	3,619	3,550
Average new generation OSV utilization rate (3)	32.5%	20.7%
Effective new generation OSV utilization rate (4)	72.1%	71.3%
Average new generation OSV dayrate (5)	$ 18,156	$ 17,985
Effective dayrate (6)	$ 5,901	$ 3,723

(1) We owned 66 new generation OSVs as of March 31, 2019. Excluded from this data are eight MPSVs owned and operated by the Company as well as four non-owned vessels managed for the U.S. Navy.

(2) In response to weak market conditions, we elected to stack certain new generation OSVs on various dates since October 1, 2014. Active new generation OSVs represent vessels that are immediately available for service during each respective period.

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

(4) Effective utilization rate is based on a denominator comprised only of vessel-days available for service by the active fleet, which excludes the impact of stacked vessel days.

(5) Average new generation OSV dayrates represent average revenue per day, which includes charter hire, crewing services, and net brokerage revenues, based on the number of days during the period that the OSVs generated revenues.

(6) Effective dayrate represents the average dayrate multiplied by the average utilization rate.

Non-GAAP Financial Measures

We disclose and discuss EBITDA as a non-GAAP financial measure in our public releases, including quarterly earnings releases, investor conference calls and other filings with the Securities and Exchange Commission. We define EBITDA as earnings (net income) before interest, income taxes, depreciation and amortization. Our measure of EBITDA may not be comparable to similarly titled measures presented by other companies. Other companies may calculate EBITDA differently than we do, which may limit its usefulness as a comparative measure.

We view EBITDA primarily as a liquidity measure and, as such, we believe that the GAAP financial measure most directly comparable to this measure is cash flows provided by operating activities. Because EBITDA is not a measure of financial performance calculated in accordance with GAAP, it should not be considered in isolation or as a substitute for operating income, net income or loss, cash flows provided by operating, investing and financing activities, or other income or cash flow statement data prepared in accordance with GAAP.

EBITDA is widely used by investors and other users of our financial statements as a supplemental financial measure that, when viewed with our GAAP results and the accompanying reconciliations, we believe EBITDA provides additional information that is useful to gain an understanding of the factors and trends affecting our ability to service debt, pay deferred taxes and fund drydocking charges and other maintenance capital expenditures. We also believe the disclosure of EBITDA helps investors meaningfully evaluate and compare our cash flow generating capacity from quarter to quarter and year to year.

EBITDA is also a financial metric used by management as a supplemental internal measure for planning and forecasting overall expectations and for evaluating actual results against such expectations; to compare to the EBITDA of other companies when evaluating potential acquisitions; and to assess our ability to service existing fixed charges and incur additional indebtedness.

The following table provides the detailed components of EBITDA as we define that term for the three months ended March 31, 2019 and 2018, respectively (in thousands):

	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018
Components of EBITDA:		
Net loss	$ (36,620)	$ (38,655)
Interest, net		
Debt obligations	19,726	13,945
Interest income	(1,114)	(644)
Total interest, net	18,612	13,301
Income tax benefit	(8,831)	(8,491)
Depreciation	24,771	24,648
Amortization	3,611	1,992
EBITDA	$ 1,543	$ (7,205)

The following table reconciles EBITDA to cash flows provided by operating activities for the three months ended March 31, 2019 and 2018, respectively (in thousands):

	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018
EBITDA Reconciliation to GAAP:		
EBITDA	$ 1,543	$ (7,205)
Cash paid for deferred drydocking charges	(9,300)	(1,970)
Cash paid for interest	(19,507)	(15,131)
Cash (paid for) refunds of taxes	1,338	(449)
Changes in working capital	(1,443)	12,833
Stock-based compensation expense	975	2,868
Loss on early extinguishment of debt, net	71	—
Gain on sale of assets	(26)	(43)
Changes in other, net	206	223
Net cash flows provided by (used in) operating activities	$ (26,143)	$ (8,874)

In addition, we have also historically made certain adjustments, as applicable, to EBITDA for losses on early extinguishment of debt, stock-based compensation expense and interest income, to internally evaluate our performance based on the computation of ratios used in certain financial covenants of our credit agreements with various lenders, whenever applicable. We believe that such ratios can, at times, be material components of financial covenants and, when applicable, failure to comply with such covenants could result in the acceleration of indebtedness or the imposition of restrictions on our financial flexibility.

The following table provides certain detailed adjustments to EBITDA, as we define that term, for the three months ended March 31, 2019 and 2018, respectively (in thousands):

	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018
Loss on early extinguishment of debt, net	$ 71	$ —
Stock-based compensation expense	975	2,868
Interest income	1,114	644

Set forth below are the material limitations associated with using EBITDA as a non-GAAP financial measure compared to cash flows provided by operating activities.

- EBITDA does not reflect the future capital expenditure requirements that may be necessary to replace our existing vessels as a result of normal wear and tear,
- EBITDA does not reflect the interest, future principal payments and other financing-related charges necessary to service the debt that we have incurred in acquiring and constructing our vessels,
- EBITDA does not reflect the deferred income taxes that we will eventually have to pay once we are no longer in an overall tax net operating loss carryforward position, as applicable, and
- EBITDA does not reflect changes in our net working capital position.

Management compensates for the above-described limitations in using EBITDA as a non-GAAP financial measure by only using EBITDA to supplement our GAAP results.

Summarized financial information for the three months ended March 31, 2019 and 2018, respectively, is shown below in the following table (in thousands, except percentage changes):

	Three Months Ended March 31,		Increase (Decrease)	
	2019	2018	$ Change	% Change
Revenues:				
Vessel revenues				
Domestic	$ 27,128	$ 25,224	$ 1,904	7.5 %
Foreign	18,124	7,910	10,214	>100.0 %
	45,252	33,134	12,118	36.6 %
Non-vessel revenues	8,784	8,453	331	3.9 %
	54,036	41,587	12,449	29.9 %
Operating expenses	40,394	35,969	4,425	12.3 %
Depreciation and amortization	28,382	26,640	1,742	6.5 %
General and administrative expenses	11,967	12,875	(908)	(7.1) %
	80,743	75,484	5,259	7.0 %
Gain on sale of assets	26	43	(17)	(39.5) %
Operating loss	(26,681)	(33,854)	7,173	(21.2) %
Loss on early extinguishment of debt, net	(71)	—	(71)	100.0 %
Interest expense	19,726	13,945	5,781	41.5 %
Interest income	1,114	644	470	73.0 %
Income tax benefit	(8,831)	(8,491)	(340)	4.0 %
Net loss	$ (36,620)	$ (38,655)	$ 2,035	(5.3) %

Three Months Ended March 31, 2019 Compared to Three Months Ended March 31, 2018

Revenues. Revenues for the three months ended March 31, 2019 increased by $12.4 million, or 29.9%, to $54.0 million compared to the same period in 2018. Our weighted-average active operating fleet for the three months ended March 31, 2019 and 2018 was 35.5 and 26.0 vessels, respectively.

Vessel revenues increased $12.1 million, or 36.6%, to $45.3 million for the three months ended March 31, 2019 compared to $33.1 million for the same period in 2018. The increase in vessel revenues primarily resulted from improved market conditions for our OSVs and the addition of four OSVs to our operating fleet during the second quarter of 2018. Revenues from our MPSV fleet decreased $2.4 million, or 20.9%, for the three months ended March 31, 2019 compared to the prior-year period. For the three months ended March 31, 2019, we had an average of 38.5 vessels stacked compared to an average of 44.0 vessels stacked in the prior-year period. Average new generation OSV dayrates were $18,156 for the first three months of 2019 compared to $17,985 for the same period in 2018, an increase of $171, or 1.0%. Our new generation OSV utilization was 32.5% for the first three months of 2019 compared to 20.7% for the same period in 2018. Our new generation OSVs incurred 116 days of aggregate downtime for regulatory drydockings and were stacked for an aggregate of 3,263 days during the first three months of 2019. Excluding stacked vessel days, our new generation OSV effective utilization was 72.1% and 71.3% during the three months ended March 31, 2019 and 2018, respectively. Domestic vessel revenues increased $1.9 million from the year-ago period primarily due to increased utilization of our OSVs during the three months ended March 31, 2019. Foreign vessel revenues increased $10.2 million. The increase in foreign revenue is attributable to an average of 7.1 additional vessels working in foreign locations during the current year quarter. Foreign vessel revenues for the first three months of 2019 comprised 40.1% of our total vessel revenues compared to 23.9% for the year-ago period.

Non-vessel revenues increased $0.3 million, or 3.9%, from the prior-year period. This increase is primarily attributable to higher revenues earned from vessel management services during the three months ended March 31, 2019 compared to the year-ago period.

Operating Expenses. Operating expenses were $40.4 million, an increase of $4.4 million, or 12.3%, for the three months ended March 31, 2019 compared to $36.0 million for the same period in 2018. Operating expenses were higher due to increased activity from our MPSVs and OSVs.

Depreciation and Amortization. Depreciation and amortization expense of $28.4 million was $1.7 million, or 6.5%, higher for the three months ended March 31, 2019 compared to the same period in 2018. Depreciation was in-line with the prior-year period. Amortization expense increased $1.6 million, which was driven higher mainly by the amortization of an intangible asset that was included in the acquisition of four OSVs in the second quarter of 2018, costs associated with the drydocking of two of such vessels and costs associated with the initial special surveys for vessels that were placed in service under the Company's fifth OSV newbuild program.

General and Administrative Expense. G&A expense of $12.0 million was $0.9 million lower during the three months ended March 31, 2019 compared to the same period in 2018. The decrease in G&A expense was primarily attributable to lower long-term incentive compensation expense. This favorable variance was partially offset by higher short-term incentive compensation expense.

Operating Loss. Operating loss decreased by $7.2 million to an operating loss of $26.7 million during the three months ended March 31, 2019 compared to the same period in 2018 for the reasons discussed above. Operating loss as a percentage of revenues was 49.4% for the three months ended March 31, 2019 compared to 81.4% for the same period in 2018.

Loss on Early Extinguishment of Debt, Net. During the three months ended March 31, 2019, we exchanged $142.6 million in face value of 2020 senior notes for $121.2 million of second-lien term loans and we exchanged $21.0 million in face value of our 2019 convertible senior notes for $19.9 million of first-lien term loans. In accordance with applicable accounting guidance, these debt-for-debt exchanges were accounted for as debt modifications, requiring the Company to defer the gains on such exchanges and record a loss on early extinguishment of debt of $3.7 million related to deal cost for the exchanges. During the three months ended March 31, 2019, we arranged for the repurchase of $52.9 million of our outstanding 2019 convertible senior notes for an aggregate total of $47.6 million of cash. We recorded a net gain on early extinguishment of debt of $3.6 million ($2.9 million or $0.08 per diluted share after-tax) related to these purchases.

Interest Expense. Interest expense of $19.7 million was $5.8 million higher than the same period in 2018. During the three months ended March 31, 2019, we did not record any capitalized construction period interest compared to having capitalized $2.3 million, or roughly 14.2% of our total interest costs, for the year-ago period.

Interest Income. Interest income was $1.1 million during the three months ended March 31, 2019, which was $0.5 million higher than the same period in 2018. Our average cash balance increased to $199.9 million for the three months ended March 31, 2019 compared to $186.8 million for the same period in 2018. The average interest rate earned on our invested cash balances was 2.3% and 1.4% during the three months ended March 31, 2019 and 2018, respectively. The increase in average cash balance was primarily due to the additional draws and the expansion of our first-lien term loans partially offset by cash repurchases of our 2019 convertible senior notes during the first quarter of 2019.

Income Tax Benefit. Our effective tax benefit rate was 19.4% and 18.0% for the three months ended March 31, 2019 and 2018, respectively. Our income tax benefit for the three months ended March 31, 2019 was higher than the benefit rate from the three months ended March 31, 2018 due to higher tax expense related to valuation allowances and long-term incentive compensation in the prior year quarter. Our income tax benefit primarily consisted of deferred taxes. Our income tax rate differs from the federal statutory rate primarily due to expected state tax liabilities and items not deductible for federal income tax purposes.

Net Loss. Net loss decreased by $2.0 million for a reported net loss of $36.6 million for the three months ended March 31, 2019 compared to a net loss of $38.7 million for the same period during 2018. This decreased net loss was primarily driven by increased revenue earned by our OSVs, partially offset by increased operating expenses for such vessels and interest expense during the three months ended March 31, 2019.

Liquidity and Capital Resources

We have $350 million of first-lien term loans that mature in June 2023 and have $121 million in second-lien term loans that mature in February 2025, which are all guaranteed by our significant domestic subsidiaries other than Hornbeck Offshore Services, LLC, which is the Co-Borrower under the term loan agreements. The term loan agreements contain customary representations and warranties, covenants and events of default, but only one maintenance covenant, which is a $25 million minimum liquidity requirement. The Company also has permissibility under its various debt instruments to incur an additional $113 million of secured indebtedness. See Note 8 of the Notes to Consolidated Financial Statements for further discussion of the first-lien term loans and second-lien term loans.

Our capital requirements have historically been financed with cash flows from operations, proceeds from issuances of our debt and common equity securities, borrowings under our revolving and term loan agreements and cash received from the sale of assets. We require capital to fund on-going operations, remaining obligations under our fifth OSV newbuild program, vessel recertifications, discretionary capital expenditures and debt service and may require capital to fund potential future vessel construction, retrofit or conversion projects, acquisitions, stock repurchases or the retirement of debt. The nature of our capital requirements and the types of our financing sources are not expected to change significantly for the balance of 2019.

We regularly review all of our debt agreements, including the agreements governing the first-lien term loans and second-lien term loans, as well as our liquidity position and projected future cash needs. Despite volatility in commodity markets, we remain confident in the long-term viability of our business model upon improvement in market conditions. Since the fall of 2014, our liquidity has been impacted by low oil and natural gas prices, which together with oil and natural gas being produced in greater volumes onshore, has impacted the extent of offshore exploration and development activities, resulting in lower than normal cash flow from operations. However, we project that, even with the current depressed operating levels, cash generated from operations together with cash on-hand should be sufficient to fund our operations and commitments through at least March 31, 2020. We also believe that we will be able to fund all of the deferred maintenance capital expenditures that will be required upon reactivation of our stacked vessels when market conditions improve with existing sources of liquidity. We have three tranches of funded unsecured debt outstanding that mature in fiscal years 2019, 2020 and 2021, respectively. However, absent the combination of a significant recovery of market conditions such that cash flow from operations were to increase materially from currently projected levels coupled with the refinancing and/or further management of our funded debt obligations, we do not currently expect to have sufficient liquidity to repay the full amount of the 2020 senior notes and the 2021 senior notes as they mature in fiscal years 2020 and 2021, respectively. The issuance of first-lien term loans and second-lien term loans were significant measures that have enabled us to be in a position to repay our 2019 convertible notes and significantly reduce the size of the maturity of our 2020 senior notes from $367 million to $224 million. Moreover, refinancing in the current climate is not likely to be achievable on terms that are in-line with our pre-downturn cost of debt capital. We remain fully cognizant of the challenges currently facing the offshore oil and gas industry and are proactively taking steps to protect the business enterprise.

As of March 31, 2019, we had total cash and cash equivalents of $174.6 million. As of May 10, 2019, we are in compliance with all applicable covenants under our term loan agreements and the indentures governing our senior notes.

We may, subject to market conditions and our other strategic options, from time to time amend, extinguish or repurchase part or all of our outstanding debt securities or exchange them for other debt or equity securities or loans. While we have an authorized share repurchase program, we currently intend, subject to market conditions, to prioritize our cash usage appropriate to the current market cycle, our longer term commitments and our strategic objectives.

Events beyond our control, such as sustained low prices for oil and natural gas, a further significant decline in such commodity prices, renewed regulatory-driven delays in the issuance of drilling plans and permits in the GoM, declines in expenditures for offshore exploration, development and production activity, any extended reduction in domestic consumption of refined petroleum products and other reasons discussed under the "Forward Looking Statements" on page ii and "Item 1A—Risk Factors" of our Annual Report on Form 10-K, may affect our financial condition, results of operations or cash flows in the future. Should the need for additional financing arise, we may not be able to access the capital markets on attractive terms at that time or otherwise obtain sufficient capital to meet our maturing debt obligations or finance growth opportunities that may arise. We will continue to closely monitor our liquidity position, as well as the state of the global capital and credit markets. See further discussion in the Contractual Obligations section below.

Cash Flows

Operating Activities. Historically, we have relied primarily on cash flows from operations to provide working capital for current and future operations. Cash flows used in operating activities were $26.1 million for the three months ended March 31, 2019 compared to cash flows used in operating activities of $8.9 million for the same period in 2018. Operating cash flows for the first three months of 2019 continue to be unfavorably affected by weak market conditions for our vessels operating worldwide.

Investing Activities. Net cash used in investing activities was $0.6 million for the three months ended March 31, 2019 compared to $6.6 million for the same period in 2018. Cash used during the first three months of 2019 consisted primarily of capital improvements for active vessels operating in our fleet. Cash used during the first three months of 2018 consisted primarily of the purchase of four high-spec Jones Act-qualified OSVs and related equipment from Aries Marine Corporation.

Financing Activities. Net cash used in financing activities was $23.7 million for the three months ended March 31, 2019 compared to $0.5 million net cash used in financing activities for the same period in 2018. Net cash used in financing activities for the three months ended March 31, 2019 resulted from the repurchase of a portion of the 2019 convertible senior notes partially offset by net proceeds from the first-lien term loans. Net cash used in financing activities for the three months ended March 31, 2018 resulted from the repurchase of a portion of the 2019 convertible senior notes and the 2020 senior notes and related financing costs.

Contractual Obligations

Debt

As of March 31, 2019, the Company had the following outstanding debt (in thousands, except effective interest rate):

	Total Debt	Effective Interest Rate	Cash Interest Payment	Payment Dates
5.875% senior notes due 2020, net of deferred financing costs of $937 (1)	$ 223,376	6.08%	$ 6,589	April 1 and October 1
5.000% senior notes due 2021, net of deferred financing costs of $1,930 (1)	448,070	5.21%	11,250	March 1 and September 1
1.500% convertible senior notes due 2019, net of original issue discount of $443 and deferred financing costs of $149	25,174	6.23%	193	Final payment on September 1, 2019
First-lien term loans due 2023, plus deferred gain of $15,628, net of original issue discount of $3,762 and deferred financing costs of $3,968 (2)	357,898	9.00%	2,800	Variable
Second-lien term loans due 2025, including deferred gain of $20,980	142,215	9.50%	2,879	January 31, April 30, July 31, and October 31
	$ 1,196,733			

(1) The senior notes do not require any payments of principal prior to their stated maturity dates, but pursuant to the indentures under which the 2020 and 2021 senior notes were issued, we would be required to make offers to purchase such senior notes upon the occurrence of specified events, such as certain asset sales or a change in control.

(2) The interest rate on the first-lien term loan is variable based on the Company's election. The amount reflected in this table is the monthly amount payable based on the 30-day LIBOR interest rate that was elected and in effect on March 31, 2019. Please see Note 8 for further discussion of the variable interest rate applicable to the first-lien term loans.

The credit agreement governing the first-lien term loans and second-lien term loans and the indentures governing our 2020 and 2021 senior notes impose certain operating and financial restrictions on us. Such restrictions affect, and in many cases limit or prohibit, among other things, our ability to incur additional indebtedness, make capital expenditures, redeem equity, create liens, sell assets and pay dividends or make other restricted payments. For the three months ended March 31, 2019, we were in compliance with all applicable financial covenants. We continuously review our debt covenants and report to the agents for the lenders of our first-lien term loans and second-lien term loans our compliance with all applicable covenants on a quarterly basis. We also consider such covenants in evaluating transactions that will have an effect on our financial ratios.

Growth Capital Expenditures and Related Commitments

During the first quarter of 2018, the Company notified the shipyard that was constructing the remaining two vessels in the Company's fifth OSV newbuild program that it was terminating the construction contracts for such vessels. The Company intends to work with the performance bond surety to select and contract with a mutually acceptable shipyard that can finish construction and deliver such vessels. On October 2, 2018, the original shipyard filed suit against the Company in the 22nd Judicial District Court for the Parish of St. Tammany in the State of Louisiana. The Company has responded to the suit and has alleged counter-claims. The Company intends to vigorously defend the shipyard’s claims and considers them to be without merit.

The cost of this nearly completed 24-vessel newbuild program, before construction period interest, is expected to be approximately $1,335.0 million, of which $22.7 million and $38.2 million are currently expected to be incurred in the remainder of 2019 and fiscal 2020, respectively. As of the date of termination, these two remaining vessels, both of which are 400 class MPSVs, were projected to be delivered in the second and third quarters of 2019, respectively. Due to the uncertainty of the timing and location of future construction activities, these vessels are now projected to be delivered in the second and third quarters of 2020, respectively. However, the timing of these remaining construction draws remains subject to change commensurate with any potential further delays in the delivery dates of such vessels. From the inception of this program through March 31, 2019, the Company had incurred $1,274.1 million, or 95.4%, of total expected project costs. During the three months ended March 31, 2019 the Company did not incur any project cost related to the construction of these vessels.

Maintenance and Other Capital Expenditures

The following table summarizes the costs incurred, prior to the allocation of construction period interest, for the purposes set forth below for the three months ended March 31, 2019 and 2018, respectively, and a forecast for the fiscal year ending December 31, 2019 (in millions):

	Three Months Ended March 31,		Year Ended December 31,
	2019	2018	2019
	Actual	Actual	Forecast
Maintenance and Other Capital Expenditures:			
Maintenance Capital Expenditures			
Deferred drydocking charges (1)	$ 9.3	$ 2.0	$ 31.0
Other vessel capital improvements (2)	0.3	2.6	5.5
	9.6	4.6	36.5
Other Capital Expenditures			
Commercial-related capital expenditures (3)	0.2	1.3	0.2
Non-vessel related capital expenditures (4)	0.1	—	0.6
	0.3	1.3	0.8
Total	$ 9.9	$ 5.9	$ 37.3

(1) Deferred drydocking charges for 2019 include the projected recertification costs for 15 OSVs and five MPSVs.
(2) Other vessel capital improvements include costs for discretionary vessel enhancements, which are typically incurred during a planned drydocking event to meet customer specifications.
(3) Commercial-related capital expenditures, including vessel improvements such as the addition of cranes, ROVs, helidecks, living quarters and other specialized vessel equipment, or the modification of vessel capacities or capabilities, such as DP upgrades and mid-body extensions, which costs are typically included in and offset, in whole or in part, by higher dayrates charged to customers; and commercial-related intangibles.
(4) Non-vessel related capital expenditures are primarily related to information technology and shoreside support initiatives.

Forward Looking Statements

This Quarterly Report on Form 10-Q contains “forward-looking statements,” as contemplated by the Private Securities Litigation Reform Act of 1995, in which the Company discusses factors it believes may affect its performance in the future. Forward-looking statements are all statements other than historical facts, such as statements regarding assumptions, expectations, beliefs and projections about future events or conditions. You can generally identify forward-looking statements by the appearance in such a statement of words like “anticipate,” “believe,” “continue,” “could,” “estimate,” “expect,” “forecast,” “intend,” “may,” “might,” “plan,” “potential,” “predict,” “project,” “remain,” “should,” “will,” or other comparable words or the negative of such words. The accuracy of the Company’s assumptions, expectations, beliefs and projections depends on events or conditions that change over time and are thus susceptible to change based on actual experience, new developments and known and unknown risks. The Company gives no assurance that the forward-looking statements will prove to be correct and does not undertake any duty to update them. The Company’s actual future results might differ from the forward-looking statements made in this Quarterly Report on Form 10-Q for a variety of reasons, including impacts from changes in oil and natural gas prices in the U.S. and worldwide; continued weakness in demand and/or pricing for the Company’s services through and beyond the maturity of any of the Company's long-term debt; unplanned customer suspensions, cancellations, rate reductions or non-renewals of vessel charters, or vessel management contracts, or failures to finalize commitments to charter or manage vessels; continued weak capital spending by customers on offshore exploration and development; the inability to accurately predict vessel utilization levels and dayrates; sustained weakness in the number of deepwater and ultra-deepwater drilling units operating in the GoM or other regions where the Company operates; the Company’s inability to successfully complete the final two vessels of its current vessel newbuild program on-budget, including any failure or refusal by the issuer of performance bonds to cover cost overruns that may result at a completion shipyard; the inability to successfully market the vessels that the Company owns, is constructing or might acquire; the government's cancellation or non-renewal of the management, operations and maintenance contracts for non-owned vessels; an oil spill or other significant event in the United States or another offshore drilling region that could have a broad impact on deepwater and other offshore energy exploration and production activities, such as the suspension of activities or significant regulatory responses; the imposition of laws or regulations that result in reduced exploration and production activities or that increase the Company’s operating costs or operating requirements; environmental litigation that impacts customer plans or projects; disputes with customers; disputes with vendors; bureaucratic, administrative or operating barriers that delay vessels in foreign markets from going on-hire; administrative or political barriers to exploration and production activities in Mexico, Brazil or other foreign locations; disruption in the timing and/or extent of Mexican offshore activities or changes in law or policy in Mexico that restricts further development of its offshore oilfields; changes in law or policy in Mexico affecting the Company's Mexican registration of vessels there; administrative or legal changes in Mexican cabotage laws; other legal or administrative changes in Mexico that adversely impact planned or expected offshore energy development; unanticipated difficulty in effectively competing in or operating in international markets; less than anticipated subsea infrastructure and field development demand in the GoM and other markets affecting the Company's MPSVs; sustained vessel over capacity for existing demand levels in the markets in which the Company competes; economic and geopolitical risks; weather-related risks; upon a return to improved operating conditions, the shortage of or the inability to attract and retain qualified personnel, when needed, including vessel personnel for active vessels or vessels the Company may reactivate or acquire; any success in unionizing any of the Company's U.S. fleet personnel; regulatory risks; the repeal or administrative weakening of the Jones Act or adverse changes in the interpretation of the Jones Act; drydocking delays and cost overruns and related risks; vessel accidents, pollution incidents or other events resulting in lost revenue, fines, penalties or other expenses that are unrecoverable from insurance policies or other third parties; unexpected litigation and insurance expenses; other industry risks;

fluctuations in foreign currency valuations compared to the U.S. dollar and risks associated with expanded foreign operations, such as non-compliance with or the unanticipated effect of tax laws, customs laws, immigration laws, or other legislation that result in higher than anticipated tax rates or other costs; the inability to repatriate foreign-sourced earnings and profits; the possible loss or material limitation of the Company's tax net operating loss carryforwards and other attributes due to a change in control, as defined in Section 382 of the Internal Revenue Code; the inability of the Company to refinance or otherwise retire certain funded debt obligations that come due in 2020 and 2021; the potential for any impairment charges that could arise in the future and that would reduce the Company's consolidated net tangible assets which, in turn, would further limit the Company's ability to grant certain liens, make certain investments, and incur certain debt permitted under the Company's senior notes indentures and term loan agreements; or an adverse decision in any potential dispute involving the permissibility of the exchange of 2020 senior notes for second-lien term loans due February 2025. In addition, the Company's future results may be impacted by adverse economic conditions, such as inflation, deflation, lack of liquidity in the capital markets or an increase in interest rates, that may negatively affect it or parties with whom it does business resulting in their non-payment or inability to perform obligations owed to the Company, such as the failure of customers to fulfill their contractual obligations, if and when required. Should one or more of the foregoing risks or uncertainties materialize in a way that negatively impacts the Company, or should the Company's underlying assumptions prove incorrect, the Company's actual results may vary materially from those anticipated in its forward-looking statements, and its business, financial condition and results of operations could be materially and adversely affected and, if sufficiently severe, could result in noncompliance with certain covenants of the Company's existing indebtedness. Additional factors that you should consider are set forth in detail in the "Risk Factors" section of the Company's most recent Annual Report on Form 10-K as well as other filings the Company has made and will make with the Securities and Exchange Commission which, after their filing, can be found on the Company's website, www.hornbeckoffshore.com.

Item 3—Quantitative and Qualitative Disclosures About Market Risk

There have been no material changes to the market risk disclosures set forth in Item 7A in our Annual Report on Form 10-K for the year ended December 31, 2018.

Item 4—Controls and Procedures

Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this report. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of such period, our disclosure controls and procedures were effective to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the quarter ended March 31, 2019 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1—Legal Proceedings

None.

Item 1A—Risk Factors

There were no changes to the risk factors previously disclosed in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2018.

Item 2—Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3—Defaults Upon Senior Securities

None.

Item 4—Mine Safety Disclosures

None.

Item 5—Other Information

Glossary of Terms Currently Used in Our SEC Filings

"2019 convertible senior notes" or "2019 notes" means 1.500% convertible senior notes due 2019;

"2020 senior notes" or "2020 notes" means 5.875% senior notes due 2020;

"2021 senior notes" or "2021 notes" means 5.000% senior notes due 2021;

“AHTS” means anchor-handling towing supply;

“ASC” means Financial Accounting Standards Board Accounting Standards Codification;

“average dayrate” means, when referring to OSVs or MPSVs, average revenues per day, which includes charter hire, crewing services and net brokerage revenues, based on the number of days during the period that the OSVs or MPSVs, as applicable, generated revenues. For purposes of vessel brokerage arrangements, this calculation excludes that portion of revenues that is equal to the cost of in-chartering third-party equipment paid by customers;

"BOEM" means the Bureau of Ocean Energy Management;

"BSEE" means the Bureau of Safety and Environmental Enforcement;

"cabotage laws" means laws pertaining to the privilege of operating vessels in the navigable waters of a nation;

“coastwise trade” means the transportation of merchandise or passengers by water, or by land and water, between points in the United States, either directly or via a foreign port;

“conventional” means, when referring to OSVs, vessels that are at least 30 years old, are generally less than 200’ in length or carry less than 1,500 deadweight tons of cargo when originally built and primarily operate, when active, on the continental shelf;

“deepwater” means offshore areas, generally 1,000’ to 5,000’ in depth;

“deep-well” means a well drilled to a true vertical depth of 15,000’ or greater, regardless of whether the well was drilled in the shallow water of the Outer Continental Shelf or in the deepwater or ultra-deepwater;

“DOI” means U.S. Department of the Interior and all its various sub-agencies, including effective October 1, 2011 the Bureau of Ocean Energy Management (“BOEM”), which handles offshore leasing, resource evaluation, review and administration of oil and gas exploration and development plans, renewable energy development, National Environmental Policy Act analysis and environmental studies, and the Bureau of Safety and Environmental Enforcement (“BSEE”) which is responsible for the safety and enforcement functions of offshore oil and gas operations, including the development and enforcement of safety and environmental regulations, permitting of offshore exploration, development and production activities, inspections, offshore regulatory programs, oil spill response and newly formed training and environmental compliance programs; BOEM and BSEE being successor entities to the Bureau of Ocean Energy Management, Regulation and Enforcement (“BOEMRE”), which effective June 2010 was the successor entity to the Minerals Management Service;

“domestic public company OSV peer group” includes SEACOR Holdings Inc. (NYSE:CKH) and Tidewater Inc. (NYSE:TDW);

“DP-1”, “DP-2” and “DP-3” mean various classifications of dynamic positioning systems on new generation vessels to automatically maintain a vessel’s position and heading through anchor-less station-keeping;

“DWT” means deadweight tons;

“effective dayrate” means the average dayrate multiplied by the average utilization rate;

“EIA” means the U.S. Energy Information Administration;

"EPA" means United States Environmental Protection Agency;

“flotel” means on-vessel accommodations services, such as lodging, meals and office space;

"GAAP" means United States generally accepted accounting principles;

“Greater GoM Operating Region” means the U.S. Gulf of Mexico, the Mexican Gulf of Mexico, the Caribbean and the Northern Slope of South America, including Colombia, Venezuela, Suriname and Guyana, excluding Brazil;

“high-specification” or “high-spec” means, when referring to new generation OSVs, vessels with cargo-carrying capacity of greater than 2,500 DWT (i.e., 240 class OSV notations or higher), and dynamic-positioning systems with a DP-2 classification or higher; and, when referring to jack-up drilling rigs, rigs capable of working in 400-ft. of water depth or greater, with hook-load capacity of 2,000,000 lbs. or greater, with cantilever reach of 70-ft. or greater; and minimum quarters capacity of 150 berths or more and dynamic-positioning systems with a DP-2 classification or higher;

"IHS-CERA" means the division of IHS Inc. focused on providing knowledge and independent analysis on energy markets, geopolitics, industry trends and strategy;

"IHS-Petrodata" means the division of IHS Inc. focused on providing data, information, and market intelligence to the offshore energy industry;

“IRM” means inspection, repair and maintenance, also known as “IMR,” or inspection, maintenance and repair, depending on regional preference;

“Jones Act” means the U.S. cabotage law known as the Merchant Marine Act of 1920, as amended;

“Jones Act-qualified” means, when referring to a vessel, a U.S.-flagged vessel qualified to engage in domestic coastwise trade under the Jones Act;

“long-term contract” means a time charter of one year or longer in duration;

“Macondo” means the well site location in the deepwater GoM where the *Deepwater Horizon* incident occurred as well as such incident itself;

“MPSV” means a multi-purpose support vessel;

“MSRC” means the Marine Spill Response Corporation;

“new generation” means, when referring to OSVs, modern, deepwater-capable vessels subject to the regulations promulgated under the International Convention on Tonnage Measurement of Ships, 1969, which was adopted by the United States and made effective for all U.S.-flagged vessels in 1992 and foreign-flagged equivalent vessels;

“OPA 90” means the Oil Pollution Act of 1990;

“OSV” means an offshore supply vessel, also known as a “PSV,” or platform supply vessel, depending on regional preference;

“PEMEX” means Petroleos Mexicanos;

“Petrobras” means Petroleo Brasileiro S.A.;

“public company OSV peer group” means SEACOR Marine Holdings Inc. (NYSE:SMHI), Tidewater Inc. (NYSE:TDW), Solstad Offshore (NO:SOFF), DOF ASA (NO:DOF), Siem Offshore (NO:SIOFF), Groupe Bourbon SA (GBB:FP), Havila Shipping ASA (NO:HAVI) and/or Eidesvik Offshore (NO:EIOF);

“ROV” means a remotely operated vehicle;

“U.S. GoM” means the U.S. Gulf of Mexico;

"USCG" means United States Coast Guard;

“ultra-deepwater” means offshore areas, generally more than 5,000’ in depth; and

“ultra high-specification” or “ultra high-spec” means, when referring to new generation OSVs, vessels with cargo-carrying capacity of greater than 5,000 DWT (i.e., 300 class OSV notations or higher), and dynamic-positioning systems with a DP-2 classification or higher.

Item 6—Exhibits

Exhibit Index

Exhibit Number		Description of Exhibit
3.1	—	Second Restated Certificate of Incorporation of the Company, as amended (incorporated by reference to Exhibit 3.1 to the Company's Form 10-Q for the quarter ended March 31, 2005).
3.2	—	Fourth Restated Bylaws of the Company adopted June 30, 2004 (incorporated by reference to Exhibit 3.3 to the Company's Form 10-Q for the quarter ended June 30, 2004).
3.3	—	Amendment No. 1 to Fourth Restated Bylaws of the Company adopted June 21, 2012 (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed June 27, 2012).
3.4	—	Amended and Restated Certificate of Designation of Series A Junior Participating Preferred Stock filed with the Secretary of State of the State of Delaware on July 2, 2013 (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed July 3, 2013).
4.1	—	Specimen stock certificates for the Company's common stock, $0.01 par value (for U.S. citizens and non-U.S. citizens) (incorporated by reference to Exhibit 4.4 to the Company's Form 8-A/A filed July 3, 2013, Registration No. 001-32108).
4.2	—	Indenture, dated March 16, 2012 among Hornbeck Offshore Services, Inc., as issuer, the guarantors party thereto and Wells Fargo Bank, National Association, as trustee (including form of 5.875% Senior Notes due 2020) (incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K filed March 21, 2012).
4.3	—	Indenture dated as of August 13, 2012 by and among Hornbeck Offshore Services, Inc., the guarantors named therein, and Wells Fargo Bank, National Association, as Trustee (including form of 1.500% Convertible Senior Notes due 2019) (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on August 13, 2012).
4.4	—	Confirmation of Base Call Option Transaction dated as of August 7, 2012 by and between Hornbeck Offshore Services, Inc. and Barclays Bank PLC (incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K filed on August 13, 2012).
4.5	—	Confirmation of Base Call Option Transaction dated as of August 7, 2012 by and between Hornbeck Offshore Services, Inc. and JPMorgan Chase Bank, National Association, London Branch (incorporated by reference to Exhibit 4.3 to the Company's Current Report on Form 8-K filed on August 13, 2012).
4.6	—	Confirmation of Base Call Option Transaction dated as of August 7, 2012 by and between Hornbeck Offshore Services, Inc. and Wells Fargo Bank, National Association (incorporated by reference to Exhibit 4.4 to the Company's Current Report on Form 8-K filed on August 13, 2012).
4.7	—	Confirmation of Additional Base Call Option Transaction dated as of August 8, 2012 by and between Hornbeck Offshore Services, Inc. and Barclays Bank PLC (incorporated by reference to Exhibit 4.5 to the Company's Current Report on Form 8-K filed on August 13, 2012).

Exhibit Number		Description of Exhibit
4.8	—	Confirmation of Additional Base Call Option Transaction dated as of August 8, 2012 by and between Hornbeck Offshore Services, Inc. and JPMorgan Chase Bank, National Association, London Branch (incorporated by reference to Exhibit 4.6 to the Company's Current Report on Form 8-K filed on August 13, 2012).
4.9	—	Confirmation of Additional Base Call Option Transaction dated as of August 8, 2012 by and between Hornbeck Offshore Services, Inc. and Wells Fargo Bank, National Association (incorporated by reference to Exhibit 4.7 to the Company's Current Report on Form 8-K filed on August 13, 2012).
4.10	—	Confirmation of Base Warrant dated as of August 7, 2012 by and between Hornbeck Offshore Services, Inc. and Barclays Bank PLC (incorporated by reference to Exhibit 4.8 to the Company's Current Report on Form 8-K filed on August 13, 2012).
4.11	—	Confirmation of Base Warrant dated as of August 7, 2012 by and between Hornbeck Offshore Services, Inc. and JPMorgan Chase Bank, National Association, London Branch (incorporated by reference to Exhibit 4.9 to the Company's Current Report on Form 8-K filed on August 13, 2012).
4.12	—	Confirmation of Base Warrant dated as of August 7, 2012 by and between Hornbeck Offshore Services, Inc. and Wells Fargo Bank, National Association (incorporated by reference to Exhibit 4.10 to the Company's Current Report on Form 8-K filed on August 13, 2012).
4.13	—	Confirmation of Additional Warrants dated as of August 8, 2012 by and between Hornbeck Offshore Services, Inc. and Barclays Bank PLC (incorporated by reference to Exhibit 4.11 to the Company's Current Report on Form 8-K filed on August 13, 2012).
4.14	—	Confirmation of Additional Warrants dated as of August 8, 2012 by and between Hornbeck Offshore Services, Inc. and JPMorgan Chase Bank, National Association, London Branch (incorporated by reference to Exhibit 4.12 to the Company's Current Report on Form 8-K filed on August 13, 2012).
4.15	—	Confirmation of Additional Warrants dated as of August 8, 2012 by and between Hornbeck Offshore Services, Inc. and Wells Fargo Bank, National Association (incorporated by reference to Exhibit 4.13 to the Company's Current Report on Form 8-K filed on August 13, 2012).
4.16	—	Indenture governing the 5.000% Notes, dated March 28, 2013 among Hornbeck Offshore Services, Inc., as issuer, the guarantors party thereto and Wells Fargo Bank, National Association, as trustee (including form of 5.000% Senior Notes due 2021) (incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K filed on March 28, 2013).
4.17	—	Rights Agreement dated as of July 1, 2013 between Hornbeck Offshore Services, Inc. and Computershare Inc., as Rights Agent, which includes as Exhibit A the Amended and Restated Certificate of Designation of Series A Preferred Stock, as Exhibit B the form of Right Certificate and as Exhibit C the form of Summary of Rights to Purchase Shares (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed July 3, 2013).
4.18	—	First Supplemental Indenture, dated October 6, 2015 among Hornbeck Offshore Services, Inc., the guarantors party thereto and Wells Fargo Bank, National Association, as trustee (to the indenture governing the 1.5% Convertible Senior Notes due 2019).
4.19	—	First Supplemental Indenture, dated October 6, 2015 among Hornbeck Offshore Services, Inc., the guarantors party thereto and Wells Fargo Bank, National Association, as trustee (to the indenture governing the 5.875% Senior Notes due 2020).

Exhibit Number		Description of Exhibit
4.20	—	First Supplemental Indenture, dated October 6, 2015 among Hornbeck Offshore Services, Inc., the guarantors party thereto and Wells Fargo Bank, National Association, as trustee (to the indenture governing the 5.000% Senior Notes due 2021).
4.21	—	Form of Call Option Termination Agreement dated as of June 2017 by and between Hornbeck Offshore Services, Inc. and the applicable counterparty.
4.22	—	Form of Warrant Termination Agreement dated as of June 2017 by and between Hornbeck Offshore Services, Inc. and the applicable counterparty.
4.23	—	Second Supplemental Indenture, dated May 17, 2018 among Hornbeck Offshore Services, Inc., the guarantors party thereto and Wells Fargo Bank, National Association, as trustee (to the indenture governing the 1.5% convertible Senior Notes due 2019).
4.24	—	Second Supplemental Indenture, dated May 17, 2018 among Hornbeck Offshore Services, Inc., the guarantors party thereto and Wells Fargo Bank, National Association, as trustee (to the indenture governing the 5.875% Senior Notes due 2020).
4.25	—	Second Supplemental Indenture, dated May 17, 2018 among Hornbeck Offshore Services, Inc., the guarantors party thereto and Wells Fargo Bank, National Association, as trustee (to the indenture governing the 5.000% Senior Notes due 2021).
10.1	—	First Lien Term Loan Agreement dated as of June 15, 2017 by and among the Company, as Parent Borrower, Hornbeck Offshore Services, LLC, as Co-Borrower, Wilmington Trust, National Association, as Administrative Agent, Wilmington Trust, National Association, as Collateral Agent, and the lenders party thereto (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed June 16, 2017).
10.2	—	First Lien Guaranty and Collateral Agreement dated as of June 15, 2017 by and among the Company, as Parent Borrower, Hornbeck Offshore Services, LLC, as Co-Borrower, Wilmington Trust, National Association, as Collateral Agent, and the obligors signatory thereto (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed June 16, 2017).
10.3	—	First Amendment to First Lien Term Loan Agreement dated as of June 15, 2017 by and among the Company, as Parent Borrower, Hornbeck Offshore Services, LLC, as Co-Borrower, Wilmington Trust, National Association, as Administrative Agent, Wilmington Trust, National Association, as Collateral Agent, and the lenders party thereto with accompanying Exhibit A (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed March 29, 2018).
10.4†	—	Hornbeck Offshore Services, Inc. Deferred Compensation Plan dated as of July 10, 2007 (incorporated by reference to Exhibit 10.2 to the Company's Form 10-Q for the period ended June 30, 2007).
10.5†	—	Second Amended and Restated Hornbeck Offshore Services, Inc. Incentive Compensation Plan, dated effective May 2, 2006 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed May 4, 2006).
10.6†	—	Amendment to the Second Amended and Restated Hornbeck Offshore Services, Inc. Incentive Compensation Plan, dated effective May 12, 2008 (incorporated by reference to Exhibit 10.4 to the Company's Form 10-Q for the period ended March 31, 2008).
10.7†	—	Second Amendment to the Second Amended and Restated Hornbeck Offshore Services, Inc. Incentive Compensation Plan, dated effective June 24, 2010 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed June 30, 2010).
10.8†	—	Amended and Restated Senior Employment Agreement dated May 7, 2007 by and between Todd M. Hornbeck and the Company (incorporated by reference to Exhibit 10.1 to the Company's Form 10-Q for the period ended March 31, 2007).

Exhibit Number		Description of Exhibit
10.9†	—	Amended and Restated Employment Agreement dated May 7, 2007 by and between Carl G. Annessa and the Company (incorporated by reference to Exhibit 10.2 to the Company’s Form 10-Q for the period ended March 31, 2007).
10.10†	—	Amended and Restated Employment Agreement dated May 7, 2007 by and between James O. Harp, Jr. and the Company (incorporated by reference to Exhibit 10.3 to the Company’s Form 10-Q for the period ended March 31, 2007).
10.11†	—	Amendment to Amended and Restated Senior Employment Agreement dated effective May 12, 2008 by and between Todd M. Hornbeck and the Company (incorporated by reference to Exhibit 10.1 to the Company’s Form 10-Q for the period ended March 31, 2008).
10.12†	—	Amendment to Amended and Restated Employment Agreement dated effective May 12, 2008 by and between Carl G. Annessa and the Company (incorporated by reference to Exhibit 10.2 to the Company’s Form 10-Q for the period ended March 31, 2008).
10.13†	—	Amendment to Amended and Restated Employment Agreement dated effective May 12, 2008 by and between James O. Harp, Jr. and the Company (incorporated by reference to Exhibit 10.3 to the Company’s Form 10-Q for the period ended March 31, 2008).
10.14†	—	Second Amendment to Amended and Restated Senior Employment Agreement dated effective December 31, 2009 by and between Todd M. Hornbeck and the Company (incorporated by reference to Exhibit 10.12 to the Company’s Form 10-K for the period ended December 31, 2009).
10.15†	—	Second Amendment to Amended and Restated Employment Agreement dated effective December 31, 2009 by and between Carl G. Annessa and the Company (incorporated by reference to Exhibit 10.13 to the Company’s Form 10-K for the period ended December 31, 2009).
10.16†	—	Second Amendment to Amended and Restated Employment Agreement dated effective December 31, 2009 by and between James O. Harp, Jr. and the Company (incorporated by reference to Exhibit 10.14 to the Company’s Form 10-K for the period ended December 31, 2009).
10.17†	—	Employment Agreement dated effective January 1, 2011 by and between Samuel A. Giberga and the Company (incorporated by reference to Exhibit 10.1 to the Company’s Form 10-Q for the period ended June 30, 2011).
10.18†	—	Change in Control Agreement dated effective August 5, 2008 by and between Samuel A. Giberga and the Company (incorporated by reference to Exhibit 10.1 to the Company’s Form 10-Q for the quarter ended June 30, 2008).
10.19†	—	Employment Agreement dated effective January 1, 2013 by and between John S. Cook and the Company (incorporated by reference to Exhibit 10.18 to the Company's Form 10-K for the period ended December 31, 2012).
10.20†	—	Change in Control Agreement dated effective August 5, 2008 by and between John S. Cook and the Company (incorporated by reference to Exhibit 10.2 to the Company’s Form 10-Q for the quarter ended June 30, 2008).
10.21†	—	Amendment to Change in Control Agreement dated effective December 31, 2009 by and between John S. Cook and the Company (incorporated by reference to Exhibit 10.19 to the Company’s Form 10-K for the period ended December 31, 2009).
10.22†	—	Amendment to Change in Control Agreement dated effective December 31, 2009 by and between Samuel A. Giberga and the Company (incorporated by reference to Exhibit 10.18 to the Company’s Form 10-K for the period ended December 31, 2009).
10.23	—	Form of Amended and Restated Indemnification Agreement (incorporated by reference to Exhibit 10.1 to the Company’s Form 10-Q for the quarter ended June 30, 2009).

Exhibit Number		Description of Exhibit
10.24†	—	Form of Restricted Stock Unit Agreement for Executive Officers (Time Vesting) (incorporated by reference to Exhibit 10.7 to the Company's Form 10-Q for the quarter ended March 31, 2008).
10.25†	—	Form of Restricted Stock Unit Agreement for Non-Employee Directors (Time Vesting) (incorporated by reference to Exhibit 10.8 to the Company's Form 10-Q for the quarter ended March 31, 2008).
10.26†	—	Form of Restricted Stock Unit Agreement for Executive Officers (Performance Based) (incorporated by reference to Exhibit 10.9 to the Company's Form 10-Q for the quarter ended March 31, 2008).
10.27†	—	Form of Restricted Stock Unit Agreement for Executive Officers (Performance Based) (incorporated by reference to Exhibit 10.1 to the Company's Form 10-Q for the quarter ended March 31, 2009).
10.28†	—	Form of Restricted Stock Unit Agreement for Executive Officers (Time Vesting) (incorporated by reference to Exhibit 10.2 to the Company's Form 10-Q for the quarter ended March 31, 2009).
10.29†	—	Form of Restricted Stock Unit Agreement for Executive Officers (Performance Based) (incorporated by reference to Exhibit 10.1 to the Company's Form 10-Q for the quarter ended March 31, 2010).
10.30	—	Vessel Construction Agreement dated November 14, 2011 by and between Hornbeck Offshore Services, Inc. and VT Halter Marine, Inc. (incorporated by reference to Exhibit 10.41 to the Company's Form 10-K for the period ended December 31, 2011). (portions of this exhibit have been omitted pursuant to a request for confidential treatment filed with the Securities and Exchange Commission).
10.31	—	Consulting Agreement dated February 14, 2012 by and between Hornbeck Offshore Services, Inc. and Larry D. Hornbeck (incorporated by reference to Exhibit 10.43 to the Company's Form 10-K for the period ended December 31, 2011).
10.32	—	Amendment No. 3 to the Second Amended and Restated Hornbeck Offshore Services, Inc. Incentive Compensation Plan (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed June 24, 2013).
10.33	—	Second Amended and Restated Credit Agreement dated as of February 6, 2015 by and among the Company and one of its subsidiaries, Hornbeck Offshore Services, LLC, each of the lenders and guarantors signatory thereto, and Wells Fargo Bank, National Association, as administrative agent for the lenders (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on February 12, 2015).
10.34	—	Second Amended and Restated Guaranty and Collateral Agreement dated as of February 6, 2015 by and among the Company, one of its subsidiaries, Hornbeck Offshore Services, LLC, each of the guarantors signatory thereto, and Wells Fargo Bank, National Association, as administrative agent for the lenders (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on February 12, 2015).
10.35	—	Amended and Restated Indemnification Agreement effective as of May 7, 2015 by and among the Company, Hornbeck Family Ranch, LP, Larry D. Hornbeck and Joan M. Hornbeck (incorporated by reference to Exhibit 10.1 to the Company's Form 10-Q for the quarter ended March 31, 2015).
10.36†	—	Fourth Amendment to the Second Amended and Restated Hornbeck Offshore Services, Inc. Incentive Compensation Plan, effective June 18, 2015 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed June 24, 2015).
10.37†	—	First Amendment to the Hornbeck Offshore Services, Inc. 2005 Employee Stock Purchase Plan, effective June 18, 2015 (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed June 24, 2015).

Exhibit Number		Description of Exhibit
10.38†	—	Form of Amended Appendix A to Employment Agreements for Executive Officers (incorporated by reference to Exhibit 10.1 to the Company's Form 10-Q for the quarter ended March 31, 2016).
10.39	—	First Amendment to Second Amended and Restated Credit Agreement dated as of July 29, 2016 by and among the Company and one of its subsidiaries, Hornbeck Offshore Services, LLC, each of the lenders and guarantors signatory thereto, and Wells Fargo Bank, National Association, as administrative agent for the lenders (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on August 4, 2016).
*10.40†	—	Form of Amended Appendix A to Employment Agreements for Named Executive Officers, effective 2019.
10.41	—	First Lien Term Loan Agreement dated as of June 15, 2017 by and among the Company, as Parent Borrower, Hornbeck Offshore Services, LLC, as Co-Borrower, Wilmington Trust, National Association, as Administrative Agent, Wilmington Trust, National Association, as Collateral Agent, and the lenders party thereto (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed June 16, 2017).
10.42	—	First Lien Guaranty and Collateral Agreement dated as of June 15, 2017 by and among the Company, as Parent Borrower, Hornbeck Offshore Services, LLC, as Co-Borrower, Wilmington Trust, National Association, as Collateral Agent, and the obligors signatory thereto (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed June 16, 2017).
10.43	—	First Amendment to First Lien Term Loan Agreement dated as of June 15, 2017 by and among the Company, as Parent Borrower, Hornbeck Offshore Services, LLC, as Co-Borrower, Wilmington Trust, National Association, as Administrative Agent, Wilmington Trust, National Association, as Collateral Agent, and the lenders party thereto with accompanying Exhibit A (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed March 29, 2018).
10.44	—	Second Lien Term Loan Agreement dated as of February 7, 2019 by and among the Company, as Parent Borrower, Hornbeck Offshore Services, LLC, as Co-Borrower, Wilmington Trust, National Association, as Administrative Agent, Wilmington Trust, National Association, as Collateral Agent, and the lenders party thereto (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed February 8, 2019).
10.45	—	Second Lien Guaranty and Collateral Agreement dated as of February 7, 2019 by and among the Company, as Parent Borrower, Hornbeck Offshore Services, LLC, as Co-Borrower, Wilmington Trust National Association, as Collateral Agent, and the obligors signatory thereto (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed February 8, 2019).
10.46	—	Second Lien Intercreditor Agreement dated as of February 7, 2019 by and among the Company, as Parent Borrower, Hornbeck Offshore Services, LLC, as Co-Borrower, Wilmington Trust, National Association, in various capacities, and the grantors party thereto (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed February 8, 2019).
10.47†	—	Form of Stock Appreciation Rights Award Agreement for Executive Officers (Time Vesting) (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on March 14, 2019).

Exhibit Number		Description of Exhibit
10.48	—	Incremental First Lien Term Loan Joinder Agreement No. 1A dated March 1, 2019, by and among the Company, as Parent Borrower, Hornbeck Offshore Services, LLC, as Co-Borrower, Wilmington Trust, National Association, as Administrative Agent, and the Lenders party thereto (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on March 6, 2019).
10.49	—	Incremental First Lien Term Loan Joinder Agreement No. 1B dated March 1, 2019, by and among the Company, as Parent Borrower, Hornbeck Offshore Services, LLC, as Co-Borrower, Wilmington Trust, National Association, as Administrative Agent, and the Lenders party thereto (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on March 6, 2019).
10.50	—	Incremental First Lien Term Loan Joinder Agreement No. 1C dated March 1, 2019, by and among the Company, as Parent Borrower, Hornbeck Offshore Services, LLC, as Co-Borrower, Wilmington Trust, National Association, as Administrative Agent, and the Lenders party thereto (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed on March 6, 2019).
10.51	—	Incremental Second Lien Term Loan Amendment No. 1 dated March 5, 2019, by and among the Company, as Parent Borrower, Hornbeck Offshore Services, LLC, as Co-Borrower, Wilmington Trust, National Association, as Administrative Agent, and the Lenders party thereto (incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K filed on March 6, 2019).
*31.1	—	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
*31.2	—	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
*32.1	—	Certification of the Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
*32.2	—	Certification of the Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
	—	
*101	—	Interactive Data File

* Filed herewith.

† Compensatory plan or arrangement under which executive officers or directors of the Company may participate.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Quarterly Report on Form 10-Q to be signed on its behalf by the undersigned thereunto duly authorized.

Hornbeck Offshore Services, Inc.

Date: May 10, 2019

/s/ JAMES O. HARP, JR.

James O. Harp, Jr.

Executive Vice President and Chief Financial Officer

Exhibit 10.40

APPENDIX A
2019 Bonus Amounts

1. *Definitions*. Any term used in this Appendix A that is not otherwise defined in this Appendix A but is defined in the Agreement shall have the meaning set forth in the Agreement.

"***Additional Incentive Bonus***" means the payment referred to in Section 4.

"***Annual Bonus***" means the payment referred to in Section 2(b)(iv).

"***Company***" means Parent and its subsidiaries (including the Employer).

"***Good Leaver***" means Employee if his employment with Employer is terminated (i) by Employer for a reason other than good cause, (ii) [by Employee pursuant to Section 8(d)(i)(1), (2), or (3) of the Agreement // Section (3)(a), (b), or (c) of that certain Change in Control Agreement entered into between Employer and Employee, dated [ ]] or (iii) due to Employee's death or permanent disability (as defined in the Agreement).

"***Measurement Period***" means each calendar quarter during the period commencing on January 1, 2019 through December 31, 2019 and the annual period for the year ending on December 31, 2019.

"***Performance Goals***" means the Performance Metrics established by the Compensation Committee of the Board of Directors that will consist of (i) Quarterly Threshold Performance Goals, (ii) Quarterly Target Performance Goals and (iii) Cumulative Maximum Annual Performance Goals. For purposes of payments described in Section 2(b), "Performance Goals" will consist of (i) Cumulative Threshold Performance Goals through the end of the applicable quarterly Measurement Period; (ii) Cumulative Target Performance Goals through the end of the applicable quarterly Measurement Period; and (iii) Cumulative Maximum Annual Performance Goals through the end of the annual Measurement Period.

"***Performance Metric***" means the specific performance criteria used in determining Performance Goals for the Measurement Periods specified in Section 3 of this Appendix A; provided that each Performance Metric shall be adjusted on a pro forma basis (i) to take into account any acquisitions or dispositions consummated during the applicable Measurement Period and (ii) to take into account material changes in the Company's business plan that have been approved by the Board of Directors.

"***Quarterly Bonus***" shall mean any bonus payment payable to Employee under Sections 2(a) and 2(b) of this Appendix A for the applicable Measurement Period.

"***Revenue***" means the total amount of the Company's consolidated vessel and non-vessel gross revenue calculated in accordance with GAAP.

"***Safety***" means the Company's total recordable incident rate ("TRIR") calculated in accordance with the Company's prevailing methodology for such safety benchmark metric.

"***Target Bonus***" means Employee's target incentive for each quarterly Measurement Period, which is equal to one-fourth (1/4) of the Employee's current base salary as expressed in Appendix B and "***Target Bonuses***" means the Employee's target incentive for (i) the aggregate number of applicable Measurement Periods or (ii) for the annual Measurement Period.

2. *Terms of 2019 Quarterly Bonuses and Annual Bonus*.

a. Single Quarter Measurement. Subject to the provisions of this Appendix A, Employee shall earn a Quarterly Bonus as of the end of each quarterly Measurement Period, depending upon the extent to which the Performance Goals have been achieved for such Measurement Period, standing alone, as set forth in Section 3, below.

b. Cumulative Measurement. In addition to being measured on a quarterly basis, standing alone, each Performance Metric shall be measured cumulatively on a year-to-date basis for each of the second, third and fourth quarterly Measurement Periods and for the entire year through the end of the annual Measurement Period (each a "***Cumulative Performance Measurement***"), as set forth below:

(i) Second Quarter. To the extent the Company's Cumulative Performance Measurement for the year-to-date period ending on the last day of the second quarterly Measurement Period, June 30, 2019, equals or exceeds the Cumulative Target Performance Goals for such year-to-date period, an additional Quarterly Bonus will be paid in an amount by which the cumulative aggregate amount payable for such year-to-date period exceeds the aggregate Quarterly Bonus amounts previously paid during such year-to-date period plus the amount payable to Employee under Section 2(a), above, for the second quarterly Measurement Period.

(ii) Third Quarter. To the extent the Company's Cumulative Performance Measurement for the year-to-date period ending on the last day of the third quarterly Measurement Period, September 30, 2019, equals or exceeds the Cumulative Target Performance Goals for such year-to-date period, an additional Quarterly Bonus will be paid in an amount by which the cumulative aggregate amount payable for such year-to-date period exceeds the aggregate Quarterly Bonus amounts previously paid during such year-to-date period plus the amount payable to Employee under Section 2(a), above, for the third quarterly Measurement Period.

(iii) Fourth Quarter. To the extent the Company's Cumulative Performance Measurement for the year-to-date period ending on the last day of the fourth quarterly Measurement Period, December 31, 2019, equals or exceeds the Cumulative Target Performance Goals for such year-to-date period, an additional Quarterly Bonus will be paid in an amount by which the cumulative aggregate amount payable for such year-to-date period exceeds the aggregate Quarterly Bonus amounts previously paid during such year-to-date period plus the amount payable to Employee under Section 2(a), above, for the fourth quarterly Measurement Period.

(iv) Annual. To the extent the Company's Cumulative Performance Measurement for the annual Measurement Period ending December 31, 2019 equals or exceeds the Cumulative Maximum Annual Performance Goals for the full year, an Annual Bonus will be paid in an amount by which the cumulative aggregate amount payable for such annual Measurement Period exceeds the aggregate Quarterly Bonus amounts previously paid under Sections 2(a) and 2(b) during the year and the amounts payable to Employee under Sections 2(a) and 2(b)(iii), above, for the fourth quarterly Measurement Period.

In no event shall the payments for the quarterly Measurement Periods exceed the Target vesting level. Only the calculation under this Section 2(b)(iv) for the full year ending the last day of the annual Measurement Period may take into account the Cumulative Maximum Annual Performance Goals for purposes of achieving the maximum vesting level of payment. The foregoing calculations shall in no event result in any obligation for Employee to repay any Quarterly Bonus previously received by Employee.

c. Performance Goals. Appendix B sets forth the relevant Performance Goals for each Measurement Period and Section 3 sets forth the percentage of Employee's Quarterly Bonus and Annual Bonus amounts payable upon the achievement of the applicable Performance Goals. The amount of Employee's Quarterly Bonus and Annual Bonus for Employee shall be based on the (i) Employee's Target Bonus and (ii) the level of achievement of the applicable Performance Metrics for a particular Measurement Period. Except as otherwise provided in Section 2(b) or as otherwise may be provided by the Compensation Committee of the Board of Directors, in its sole discretion, no Quarterly Bonus shall be payable for a Performance Metric unless the Quarterly Threshold Performance Goals for such Performance Metric are exceeded.

d. Continued Employment. Except as set forth below, (i) to earn a Quarterly Bonus for any Measurement Period or Annual Bonus at the end of the annual Measurement Period, Employee must remain employed by the Employer through the end of the applicable Measurement Period and (ii) Employee shall forfeit the right to any Quarterly Bonus for a Quarterly Measurement Period or Annual Bonus if his employment with the Employer terminates for any reason prior to the end of the applicable Measurement Period. Notwithstanding the foregoing, if Employee becomes a Good Leaver during a Measurement Period, he shall be entitled to a pro rata portion (based on the percentage of the quarterly or annual Measurement Period, as applicable, that Employee was employed by the Employer) of any Quarterly Bonus or Annual Bonus, as applicable, that would otherwise have been earned for such Measurement Period.

e. Performance Approval. Promptly after the end of each Measurement Period and as soon as quarterly financials are estimable, the Compensation Committee of the Board of Directors shall approve the degree to which the applicable Performance Goals have been achieved and the amount of Quarterly Bonus or Annual Bonus, as applicable, payable to Employee hereunder. Any Quarterly Bonus or Annual Bonus, as applicable, required to be paid under this Appendix A shall be paid in a one-time cash lump-sum payment by the Employer as soon as possible after the end of the applicable Measurement Period but in any event not more than 45 days after the end of such Measurement Period.

3. *Performance Metrics*. This Section 3 sets forth the percentage of Employee's Target Bonus that will be earned based on the achievement of the Performance Goals set forth on Appendix B.

Performance Metrics and Goals

Payable if Quarterly Threshold Performance Metric Achieved:	0% of the Applicable Portion of Employee's Target Bonus
Payable if Quarterly Target Performance Metric Achieved:	100% of the Applicable Portion of Employee's Target Bonus
Payable if Cumulative Quarterly Target Performance Metric Achieved Year-to-Date Through End of Applicable Quarterly Measurement Period:*	100% of Applicable Portion of Employee's aggregate Target Bonuses through the end of the applicable quarterly Measurement Period
Payable if Threshold Annual Performance Metric Achieved:	0% of the Applicable Portion of Employee's aggregate Target Bonuses through the end of the annual Measurement Period
Payable if Target Annual Performance Metric Achieved:*	100% of the Applicable Portion of Employee's aggregate Target Bonuses through the end of the annual Measurement Period
Payable if Maximum Annual Performance Metric Achieved:*	200% of the Applicable Portion of Employee's aggregate Target Bonuses through the end of the annual Measurement Period
Applicable Portion Payable if Achievement is Between Performance Metrics:*	Calculated on the basis of straight-line interpolation

* Reduced by amounts previously paid or payable for current and previous Measurement Periods. See Section 2(b) for description of cumulative calculations.

The following is a summary description of the Quarterly Threshold, Target and Maximum Cumulative Performance Metrics for informational purposes only, and is qualified entirely by reference to Appendix B, which sets forth the applicable Performance Metrics and Goals.

Performance Criteria	Threshold Performance Metric (0%)	Target Performance Metric (100%)	Maximum Performance Metric (200%)
Safety (50% of Target Bonus) ….	TRIR less than the best average annual TRIR of all four annual safety benchmarks for any year falling within the most recent three years compiled by IADC, OMSA, ISOA and IMCA	TRIR less than the best individual annual TRIR of any one of the four annual safety benchmarks for any year falling within the most recent three years compiled by IADC, OMSA, ISOA or IMCA	TRIR at least 10% better than the average of the Parent's three best annual TRIRs achieved in the last ten years
Revenue (50% of Target Bonus)…	Revenue equal to the greater of 80% of First Call's consensus analyst (i) quarterly and (ii) cumulative year-to-date revenue estimates for fiscal 2019 as of February 22, 2019.	Revenue equal to the greater of 100% of First Call's consensus analyst (i) quarterly and (ii) cumulative year-to-date revenue estimates for fiscal 2019 as of February 22, 2019.	Revenue equal to the greater of 100% of the Company's (i) quarterly and (ii) cumulative year-to-date revenue budget for fiscal 2019 (rounded up to cover maximum payout potential) as of February 11, 2019.

4. *Additional Incentive Bonus*. In addition to the Quarterly Bonuses and Annual Bonus described above, the Employer shall have paid Employee a one-time cash lump-sum payment in the amount of one hundred percent (100%) of the Employee's base salary as expressed in Appendix B (the "Additional Incentive Bonus") on or before March 15, 2019. Employee agrees that in the event Employee's employment is terminated prior to March 15, 2020 (the "Completion Date"), Employee will be required to repay to Employer within ten (10) days of such termination one hundred percent (100%) of the After-Tax Value of the Additional Incentive Bonus (as defined below); provided that if Employee is terminated as a result of being a Good Leaver before the Completion Date, Employee will not be required to repay any portion of the Additional Incentive Bonus. For purposes of this Section 4, "After-Tax Value of the Additional Incentive Bonus" means the aggregate amount of the 2019 Additional Incentive Bonus net of any taxes withheld by Employer in respect of the Additional Incentive Bonus.

ACKNOWLEDGED AND AGREED TO:

EMPLOYER
HORNBECK OFFSHORE OPERATORS, LLC

By: ______________________________

Name: ______________________________

EMPLOYEE

By: ______________________________

Name: ______________________________

ACKNOWLEDGED AND AGREED TO FOR

PURPOSES OF GUARANTEEING THE FINANCIAL

OBLIGATIONS OF EMPLOYER TO EMPLOYEE:

HORNBECK OFFSHORE SERVICES, INC.

By: ______________________________

Name: ______________________________

Title: ______________________________

EXHIBIT 31.1

CERTIFICATION

I, Todd M. Hornbeck, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Hornbeck Offshore Services, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation;
   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 10, 2019

/s/ Todd M. Hornbeck

Todd M. Hornbeck
Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 31.2

CERTIFICATION

I, James O. Harp, Jr., certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Hornbeck Offshore Services, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation;
   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 10, 2019

/s/ James O. Harp, Jr

James O. Harp, Jr.

Executive Vice President and

Chief Financial Officer

(Principal Financial Officer)

EXHIBIT 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Hornbeck Offshore Services, Inc., a Delaware corporation (the “Company”), on Form 10-Q for the quarter ended March 31, 2019, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Todd M. Hornbeck, Chairman, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. Information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 10, 2019

/s/ Todd M. Hornbeck

Todd M. Hornbeck

Chairman, President and Chief Executive Officer

EXHIBIT 32.2

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF
THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Hornbeck Offshore Services, Inc., a Delaware corporation (the "Company"), on Form 10-Q for the quarter ended March 31, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, James O. Harp, Jr., Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. Information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 10, 2019

/s/ James O. Harp, Jr.

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