

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 8-K

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

DATE OF REPORT: May 4, 2006  
(Date of earliest event reported)

**Hornbeck Offshore Services, Inc.**

(Exact Name of Registrant as Specified in Its Charter)

**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**001-32108**  
(Commission File Number)

**72-1375844**  
(I.R.S. Employer Identification  
Number)

**103 Northpark Boulevard, Suite 300**  
**Covington, LA**  
(Address of Principal Executive Offices)

**70433**  
(Zip Code)

**(985) 727-2000**  
(Registrant's Telephone Number, Including Area Code)

**N/A**  
(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

**Item 1.01 – Entry into a Material Definitive Agreement**

At our 2006 Annual Meeting or Stockholders held on May 2, 2006, our stockholders approved a Second Amended and Restated Hornbeck Offshore Services, Inc. Incentive Compensation Plan, or the Plan, previously approved by our Board. The Company previously established the Plan to provide awards of options, restricted stock, performance-based restricted stock and other equity interests and incentives to select employees and non-employee directors. The amendment and restatement modifies the terms of the Plan to provide that restricted stock awards and other performance awards will vest on retirement. The amendment and restatement also modifies the list of business criteria in the definition of “performance measure” that may be used for the purposes of establishing a performance goal with respect to an award that complies with Section 162(m) of the Code to include earnings before interest, income taxes, depreciation, amortization and loss on early extinguishment of debt, or EBITDA. Finally, the amendment and restatement conforms the limitation on the maximum amount of compensation payable as an award (other than as an award of a stock option or a stock appreciation right) to any participant so that such maximum is based on shares of common stock of the Company and is not based on cash compensation. As revised, no participant in the Plan may receive total combined awards, of all types, under the Plan during a fiscal year, which in the aggregate cover more than 411,000 shares of common stock of the Company.

For a more complete understanding of its terms and provisions, please see the Plan filed as Exhibit 10.1 to this current report.

**Item 2.02 – Results of Operations and Financial Condition**

The information in this Item 2.02 of this Current Report is being furnished pursuant to Item 2.02 of Form 8-K and according to general instruction B.2. thereunder, the information in this Item 2.02 of this Current Report shall not be deemed “filed” for the purposes of Section 18 of the Securities Exchange Act of 1934 or otherwise subject to the liabilities of that Section. The information in this Item 2.02 of this Current Report shall not be incorporated by reference into any registration statement pursuant to the Securities Act of 1933.

On May 4, 2006, Hornbeck Offshore Services, Inc., a Delaware corporation (the “Company”), announced the results of its operations for the three months ended March 31, 2006. Additional information is included in the Company’s press release dated May 4, 2006, which is attached hereto as Exhibit 99.1.

**Item 9.01 – Financial Statements and Exhibits**

(c) Exhibits.

- 10.1 The Second Amended and Restated Hornbeck Offshore Services, Inc. Incentive Compensation Plan
- 99.1 Press Release, dated May 4, 2006

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Hornbeck Offshore Services, Inc.

Date: May 4, 2006

By: \_\_\_\_\_ /s/ JAMES O. HARP, JR.  
James O. Harp, Jr.  
Executive Vice President and Chief Financial Officer

**EXHIBIT INDEX**

<u>Exhibit No.</u>	<u>Description</u>
10.1	The Second Amended and Restated Hornbeck Offshore Services, Inc. Incentive Compensation Plan
99.1	Press Release, dated May 4, 2006

SECOND AMENDED and RESTATED  
HORNBECK OFFSHORE SERVICES, INC.  
INCENTIVE COMPENSATION PLAN

SECTION 1. PURPOSE OF THIS PLAN

The purposes of the Hornbeck Offshore Services, Inc. Incentive Compensation Plan are to (i) promote the interests of Hornbeck Offshore Services, Inc., a Delaware corporation (the “Company”) and its shareholders by enabling the Company and each of its Subsidiaries (as hereinafter defined) to (A) attract, motivate and retain their respective Employees and non-employee Directors (as hereinafter defined) by offering such Employees and non-employee Directors performance-based stock incentives and other equity interests in the Company and other incentive awards and (B) compensate Consultants (as hereinafter defined) by offering such Consultants performance-based stock incentives and other equity interests in the Company and other incentive awards that recognize the creation of value for the shareholders of the Company and (ii) promote the Company’s long-term growth and success. To achieve these purposes, eligible Persons may receive Stock Options, Stock Appreciation Rights, Restricted Stock, Performance Awards and any other Awards (as such terms are hereinafter defined), or any combination thereof.

SECTION 2. DEFINITIONS

As used in this Plan, the following terms shall have the meanings set forth below unless the context otherwise requires:

2.1. “Award” shall mean the grant of a Stock Option, Stock Appreciation Right, Restricted Stock, Performance Award, or any other grant of incentive compensation pursuant to this Plan.

2.2. “Book Value” shall mean the excess of the value of the assets of an entity over the liabilities of such entity (determined in accordance with United States generally accepted accounting principles, consistently applied).

2.3. “Board” shall mean the Board of Directors of the Company, as the same may be constituted from time to time.

2.4. “Cause” shall mean termination of a Participant’s employment with the Company or a Subsidiary upon the occurrence of one or more of the following events:

(a) The Participant’s failure to substantially perform such Participant’s duties with the Company or any Subsidiary as determined by the Board or the Company;

(b) The Participant’s willful failure or refusal to perform specific directives of the Board or the Company, which directives are consistent with the scope and nature of the Participant’s duties and responsibilities;

(c) The Participant’s conviction of a felony; or

(d) A breach of the Participant's fiduciary duty to the Company or any Subsidiary or willful violation in the course of performing the Participant's duties for the Company or any Subsidiary of any policy, rule, or directive of the Company or any Subsidiary, or of any law, rule or regulation (other than traffic violations or other minor offenses). No act or failure to act on the Participant's part shall be considered willful unless done or omitted to be done in bad faith and without reasonable belief that the action or omission was in the best interest of the Company.

2.5. "*Change in Control*" shall mean, after the Effective Date, (i) the occurrence of an event of a nature that would be required to be reported by the Company in response to Item 1 of a Current Report on Form 8-K (or any successor to such form) promulgated pursuant to the Exchange Act; provided, without limitation, such a Change in Control shall be deemed to have occurred if (a) any Person or Group (other than (A) the Company, (B) a wholly-owned Subsidiary, (C) any Employee benefit plan (including, without limitation, an Employee stock ownership plan) adopted by the Company or any wholly-owned Subsidiary or (D) any trustee or other fiduciary holding securities under any Employee benefit plan adopted by the Company or any Subsidiary), becomes the "beneficial owner" (as defined in Rule 13d-3 (or any successor to such rule) promulgated under the Exchange Act), directly or indirectly, of securities of the Company or any Material Subsidiary representing fifty percent (50%) or more of the combined voting power of the Company's or such Material Subsidiary's then outstanding securities or (b) during any period of twenty-four (24) months, individuals who at the beginning of such period constitute the Board cease for any reason to constitute at least a majority thereof, unless the election by the Board or the nomination for election by the Company's shareholders was approved by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors at the beginning of such twenty-four (24) month period or whose election or nomination for election was previously so approved; (ii) a Corporate Transaction is consummated, other than a Corporate Transaction that would result in substantially all of the holders of voting securities of the Company outstanding immediately prior thereto owning (directly or indirectly and in substantially the same proportions relative to each other) not less than fifty percent (50%) of the combined voting power of the voting securities of the issuing/surviving/resulting entity outstanding immediately after such Corporate Transaction or (iii) an agreement for the sale or other disposition of all or substantially all of the Company's assets (evaluated on a consolidated basis, without regard to whether the sale or disposition is effected via a sale or disposition of assets of the Company, the sale or disposition of the securities of one or more Subsidiaries or the sale or disposition of the assets of one or more Subsidiaries) is consummated.

2.6. "*Code*" shall mean the Internal Revenue Code of 1986, as amended from time to time (or any successor to such legislation).

2.7. "*Committee*" shall mean the Compensation Committee of the Board as such Compensation Committee may be constituted from time to time pursuant to the terms of the Compensation Committee Charter of the Board. Membership on the Committee shall be limited to Directors who (i) meet the independence requirements of the New York Stock Exchange and any other regulatory requirements, (ii) qualify as

“Non-Employee Directors” (as that term is defined in Rule 16b-3 (or any successor to such rule) promulgated under the Exchange Act), and (iii) satisfy the requirements of an “outside director,” for purposes of Section 162(m) of the Code and such Treasury regulations as may be promulgated thereunder. Once appointed by the Board, members of the Committee, shall, except for any period of suspension, hold office until their successors are duly elected and qualified or until their earlier resignation, removal or death. Membership in the Committee shall be subject to the rotation policy set forth in the Company’s corporate governance guidelines. All members of the Committee will serve at the pleasure of the Board. Notwithstanding the foregoing, if the composition of the Committee does not comply with the foregoing provisions of this Subsection, the entire Board shall constitute the Committee until such time as a proper Committee is appointed in accordance with the foregoing provisions of this Subsection.

2.8. “*Common Stock*” shall mean the Common Stock, par value \$.01 per share, of the Company.

2.9. “*Company*” shall have the meaning set forth in Section 1 of this Plan.

2.10. “*Consultant*” shall mean any Person who or which is engaged by the Company or any Subsidiary to render consulting services including, without limitation, any nonvoting advisory director who may be appointed by the Board.

2.11. “*Corporate Transaction*” shall mean any recapitalization (other than a transaction contemplated by Subsection 13(a)), merger, consolidation or conversion involving the Company or any exchange of securities involving the Common Stock (other than a transaction contemplated by Subsection 13(a)).

2.12. “*Designated Beneficiary*” shall mean the beneficiary designated by a Participant, in a manner authorized by the Committee or the Board, to exercise the rights of such Participant in the event of such Participant’s death. In the absence of an effective designation by a Participant, the Designated Beneficiary shall be such Participant’s estate.

2.13. “*Director*” shall mean any member of the Board.

2.14. “*Disability*” shall mean the “disability” of a person as defined in a then effective long-term disability plan maintained by the Company that covers such person, or if such a plan does not exist at any relevant time, “Disability” means the permanent and total disability of a person within the meaning of Section 22(e)(3) of the Code. For purposes of determining the time during which an Incentive Stock Option may be exercised under the terms of an Award Agreement, “Disability” means the permanent and total disability of a person within the meaning of Section 22(e)(3) of the Code. Section 22(e)(3) of the Code provides that an individual is totally and permanently disabled if he is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than twelve (12) months.

2.15. "Effective Date" shall mean November , 1997.

2.16. "Employee" shall mean any person, including an officer of the Company or a Subsidiary, within the meaning of Section 16 of the Exchange Act (whether or not the Company is subject to the Exchange Act), or Director, who is employed, within the meaning of Section 3401 of the Code, by the Company or a Subsidiary. The provision of compensation by the Company or a Subsidiary to a Director solely with respect to such individual rendering services in the capacity of a Director, however, shall not be sufficient to constitute "employment" by the Company or that Subsidiary.

2.17. "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended from time to time (or any successor to such legislation).

2.18. "Fair Market Value" shall mean with respect to the Shares, as of any date, (i) if the Common Stock is listed or admitted to trade on a national securities exchange, the closing price of the Common Stock on the composite tape of the principal national securities exchange on which the Common Stock is so listed or admitted to trade, on such date or, if there is no trading in Shares on such date, then the closing price of the Common Stock as quoted on such composite tape on the next preceding date on which there was trading in such Shares, as published in *The Wall Street Journal* or such other source as the Committee or the Board deems reliable; (ii) if the Common Stock is not listed or admitted to trade on a national securities exchange, then the closing price of the Common Stock as quoted on the National Market System of the NASD; (iii) if the Common Stock is not listed or admitted to trade on a national securities exchange or the National Market System of the NASD, the mean between the bid and asked price for the Common Stock on such date, as furnished by the NASD through NASDAQ or a similar organization if NASDAQ is no longer reporting such information; or (iv) if the Common Stock is not listed or admitted to trade on a national securities exchange or the National Market System of the NASD and if bid and asked prices for the Common Stock are not so furnished by the NASD or a similar organization, the value established by the Board. Fair market value shall be determined without regard to any restriction other than a restriction which, by its terms, will never lapse.

2.19. "Group" shall have the meaning ascribed to such term in Section 13(d) of the Exchange Act.

2.20. "Incentive Stock Option" shall mean a Stock Option granted under the Plan to an Employee that meets the requirements of Section 422 of the Code.

2.21. "Material Subsidiary" shall mean any Subsidiary of which the Book Value or fair market value (whichever is greater) constitutes fifty percent (50%) or more of the Book Value of the Company. The fair market value of a Subsidiary will be determined in good faith by the Board.

2.22. "NASD" shall mean the National Association of Securities Dealers, Inc.

2.23. "Non-Qualified Stock Option" shall mean a Stock Option to purchase Shares awarded pursuant to this Plan that does not qualify as an Incentive Stock Option



(including, without limitation, any option to purchase Shares originally designated as or intended to qualify as an Incentive Stock Option but which does not (for whatever reason) qualify as an Incentive Stock Option).

2.24. "*Optionee*" shall mean any Participant who has been granted and holds a Stock Option awarded pursuant to this Plan.

2.25. "*Participant*" shall mean any Person who has been granted and holds an Award granted pursuant to this Plan.

2.26. "*Performance Award*" shall mean any Award granted pursuant to this Plan of Shares, rights based upon, payable in or otherwise related to Shares (including Restricted Stock) or cash, as the Committee or Board may determine, at the end of a specified Performance Period established by the Committee or Board and may include, without limitation, Performance Shares or Performance Units.

2.27. "*Performance Goal*" shall mean any goal established by the Committee or its designee that must be satisfied before a Performance Award will be payable to the recipient of the Award. With respect to a Performance Measure selected by the Committee for purposes of complying with Section 162(m) of the Code, "Performance Goal" shall mean the specific target that must be met before a Performance Award subject to Section 162(m) of the Code will be payable to the recipient of the Award.

2.28. "*Performance Measure*" shall mean each of the business criteria the Company may use in establishing a Performance Goal. For purposes of the Plan, Performance Measures are limited to earnings per share; return on assets; return on equity; return on capital; net profit after taxes; net profit before taxes; operating profits; stock price; sales or expenses and earnings before interest, taxes, depreciation, amortization and loss on early extinguishment of debt or "EBITDA."

2.29. "*Performance Period*" shall mean the period established by the Committee at the time any Award is granted or at any time thereafter over which a Performance Goal specified by the Committee with respect to such Award will be measured.

2.30. "*Performance Shares*" shall have the meaning set forth in Subsection 9.1 of this Plan.

2.31. "*Performance Units*" shall have the meaning set forth in Subsection 9.1 of this Plan.

2.32. "*Permitted Modification*" shall be deemed to be any modification of an Award which is made in connection with a Corporate Transaction and which provides (i) in connection with a Stock Option, that subsequent to the consummation of the Corporate Transaction (A) the exercise price of such Stock Option will be proportionately adjusted to reflect the exchange ratio applicable to the particular Corporate Transaction and/or (B) the nature and amount of consideration to be received upon exercise of the Stock Option will be the same (on a per share basis) as was received by Persons who were holders of shares of Common Stock immediately prior to

the consummation of the Corporate Transaction, (ii) in connection with a Stock Appreciation Right, that subsequent to the consummation of the Corporate Transaction (A) the base price of such Stock Appreciation Right will be proportionately adjusted to reflect the exchange ratio applicable to the particular Corporate Transaction and/or (B) the benefits to be received by the holder of such Stock Appreciation Right will be measured based upon the nature and amount of consideration received (on a per share basis) by Persons who were holders of shares of Common Stock immediately prior to the consummation of the Corporate Transaction, and (iii) in connection with a Dividend Equivalent Right, that subsequent to the consummation of the Corporate Transaction the benefits to be received by the holder of such Dividend Equivalent Right will be measured based upon the nature and amount of consideration received (on a per share basis) by Persons who were holders of shares of Common Stock immediately prior to the consummation of the Corporate Transaction.

2.33. "*Person*" shall mean an individual, partnership, limited liability company, corporation, joint stock company, trust, estate, joint venture, association or unincorporated organization or any other form of business organization.

2.34. "*Plan*" shall mean this Hornbeck Offshore Services, Inc. Incentive Compensation Plan as it may be amended from time to time.

2.35. "*Reload Option*" shall mean a Stock Option as defined in Subsection 6.6(b) of this Plan.

2.36. "*Reorganization*" shall mean any stock split, stock dividend, reverse stock split, combination of Shares or any other similar increase or decrease in the number of Shares issued and outstanding.

2.37. "*Restricted Stock*" shall mean any Shares granted pursuant to this Plan that are subject to restrictions or substantial risk of forfeiture.

2.38. "*Retirement*" shall mean, with respect to an Employee of the Company or any Subsidiary, the Employee's retirement from employment with the Company or any of its Subsidiaries, other than discharge for Cause, on or after the date the Employee attains age 60 provided the Employee has ten (10) years of service as of the date the Employee retires from service, or on or after the Employee attains age 65. With respect to a non-employee Director or advisory director, "Retirement" shall mean such non-employee Director's or advisory director's termination of service as a member of or advisory director to the Board, on or after the date such non-employee Director or advisory director completes five (5) years of service as a member of or advisory director to the Board.

2.39. "*Securities Act*" shall mean the Securities Act of 1933, as amended from time to time (or any successor to such legislation).

2.40. "*Shares*" shall mean shares of the Common Stock and any shares of capital stock or other securities hereafter issued or issuable upon, in respect of or in substitution or exchange for shares of Common Stock.

2.41. "Stock Appreciation Right" shall mean the right of the holder thereof to receive property or Shares with a Fair Market Value equal to or cash in an amount equal to the excess of the Fair Market Value of the aggregate number of Shares subject to such Stock Appreciation Right on the date of exercise over the Fair Market Value of the aggregate number of Shares subject to such Stock Appreciation Right on the date of the grant of such Stock Appreciation Right (or such other value as may be specified in the agreement granting such Stock Appreciation Right). A Stock Appreciation Right may be issued on its own or in tandem with a Stock Option and shall be subject to such limitations as the Committee or the Board may impose.

2.42. "Stock Option" shall mean any Incentive Stock Option or Non-Qualified Stock Option.

2.43. "Subsidiary" shall mean a subsidiary corporation of the Company, as defined in Section 424(f) of the Code.

2.44. "Transactional Consideration" shall have the meaning set forth in Subsection 13(b) of this Plan.

### SECTION 3. ADMINISTRATION OF THIS PLAN

3.1. *Committee*. This Plan shall be administered and interpreted by the Committee.

3.2. *Awards*.

(a) Subject to the provisions of this Plan and directions from the Board, the Committee is authorized to:

(i) determine the Persons to whom Awards are to be granted;

(ii) determine the types and combinations of Awards to be granted; the number of Shares to be covered by an Award; the exercise price of an Award; the time or times when an Award shall be granted and may be exercised; the terms, performance criteria or other conditions, vesting periods or any restrictions for an Award; any restrictions on Shares acquired pursuant to the exercise of an Award; and any other terms and conditions of an Award;

(iii) interpret the provisions of this Plan;

(iv) prescribe, amend and rescind rules and regulations relating to this Plan;

(v) determine whether, to what extent and under what circumstances to provide loans from the Company to Participants to exercise Awards granted pursuant to this Plan, and the terms and conditions of such loans; provided, however, that such loans shall not be available to any recipient of an Award who is a Director or executive officer of the Company or any Affiliate if such loan

would be treated as a personal loan prohibited under Section 13(k) of the Exchange Act;

(vi) rely upon Employees of the Company or outside service providers for such clerical and recordkeeping duties as may be necessary in connection with the administration of this Plan;

(vii) accelerate or defer (with the consent of the Participant) the vesting of any rights pursuant to an Award;

(viii) delegate to the Chief Executive Officer and to other senior officers of the Company its duties under this Plan pursuant to such conditions or limitations as the Committee may establish, except that the Committee may not delegate to any person the authority to grant Awards to, or take other action with respect to, Persons who are subject to Section 16 of the Exchange Act; and

(ix) make all other determinations and take all other actions necessary or advisable for the administration of this Plan.

(b) Without limiting the Board's right to amend this Plan pursuant to Section 14, the Board may take all actions authorized by Subsection 3.2(a) of this Plan, including, without limitation, granting such Awards pursuant to this Plan as the Board, to the extent such Award by the Board would not implicate any applicable securities laws, the rules of any exchange upon which the Company's securities are traded, or any other applicable law, may deem necessary or appropriate.

### 3.3. Procedures.

(a) Proceedings by the Board with respect to this Plan will be conducted in accordance with the articles of incorporation and bylaws of the Company.

(b) A majority of the Committee members shall constitute a quorum for action by the Committee. All determinations of the Committee shall be made by not less than a majority of its members.

(c) All questions of interpretation and application of this Plan or pertaining to any question of fact or Award granted hereunder will be decided by the Committee or the Board, whose decision will be final, conclusive and binding upon the Company and each other affected party.

## SECTION 4. SHARES SUBJECT TO PLAN

4.1. *Limitations.* The maximum number of shares of Common Stock that may be delivered pursuant to Awards granted under the Plan is 3,500,000 shares. Awards will not reduce the number of Shares that may be issued pursuant to this Plan if the settlement of the Award will not require the issuance of Shares, as, for example, a Stock Appreciation Right that can be satisfied only by the payment of cash. The

following shares of Common Stock related to Awards will be available for issuance again under the Plan:

- (a) Common Stock related to Awards settled in cash;
- (b) Common Stock related to Awards that expire, are forfeited or cancelled or terminate for any other reason without the issuance of the Common Stock;
- (c) Common Stock equal in number to the shares of Common Stock surrendered in payment of the exercise price of an Option;  
and
- (d) Common Stock tendered or withheld in order to satisfy withholding tax obligations.

Notwithstanding the foregoing, paragraph (c) will only be utilized to add back Shares of Common Stock for the first ten (10) years following shareholder approval of the Plan, and (d) will only be utilized for the first ten (10) years following shareholder approval of the Plan to add back shares of Common Stock withheld from an Award in order to satisfy the withholding tax obligation with respect to Restricted Stock Awards. Shares to be issued may be made available from authorized but unissued Common Stock, Common Stock held by the Company in its treasury, or Common Stock purchased by the Company on the open market or otherwise. During the term of this Plan, the Company will at all times reserve and keep available the number of shares of Common Stock that shall be sufficient to satisfy the requirements of this Plan.

4.2. *Maximum Individual Grants.* No Participant may receive during any fiscal year of the Company Awards covering an aggregate of more than 411,000 shares of Common Stock.

#### SECTION 5. ELIGIBILITY AND GRANT OF AWARDS

5.1. *Eligibility.* Any Employee, non-employee Director whose judgment, initiative, and efforts contributed or may be expected to contribute to the successful performance of the Company, or a Consultant is eligible to participate in the Plan; provided that only Employees shall be eligible to receive Incentive Stock Options. The Committee, upon its own action, may grant, but shall not be required to grant, an Award to any Employee, non-employee Director or Consultant.

A Participant may be granted more than one Award and Awards may be granted by the Committee at any time and from time to time to new Participants, or to then Participants, or to a greater or lesser number of Participants, and may include or exclude previous Participants, as the Committee shall determine. The grant of an Award to a Participant shall not be deemed either to entitle the Participant to, or to disqualify the Participant from, receipt of any other Award under the Plan. Except as required by this Plan, Awards granted at different times need not contain similar provisions. The Committee's determinations under the Plan (including without limitation determinations of which Employees, non-employee Directors, or Consultants, if any, are to receive Awards, the form, amount and timing of such Awards, the terms and provisions of such

Awards and the agreements evidencing same) need not be uniform and may be made by it selectively among Employees, non-employee Directors and Consultants who receive, or are eligible to receive, Awards under the Plan.

5.2. *Grant of Awards.* The grant of an Award shall be authorized by the Committee or the Board and shall be evidenced by an Award agreement setting forth the type of Award or Awards being granted, the total number of Shares subject to the Award(s), the Stock Option price (if applicable), the restriction period (if applicable), the term of the Award, the date of the grant of the Award, and such other terms, provisions, limitations, and, if applicable, Performance Goals, as are approved by the Committee, but not inconsistent with the Plan. The Company shall execute an Award agreement with a Participant after the Committee approves the issuance of an Award. The Plan was originally submitted to and approved by the Company's stockholders in 2003. This amended and rested version of the Plan shall be submitted to the Company's stockholders for approval.

If the Committee establishes a purchase price, if any, for an Award of Restricted Stock, the Participant must accept such Award within a period of 30 days (or such shorter period as the Committee may specify) after the date of the grant of the Award by executing the applicable Award agreement and paying such purchase price.

## SECTION 6. STOCK OPTIONS

6.1. *Grants.* The Committee or the Board may grant Stock Options alone or in addition to other Awards granted pursuant to this Plan to any eligible Person. Each Person so selected shall be offered a Stock Option to purchase the number of Shares determined by the Committee or the Board. The Committee or the Board shall specify whether such Stock Option is an Incentive Stock Option or Non-Qualified Stock Option and any other terms or conditions relating to such Award; provided, however only Employees of the Company or a Subsidiary may be granted Incentive Stock Options. To the extent that any Stock Option designated as an Incentive Stock Option does not qualify as an Incentive Stock Option (whether because of its provisions, the failure of the shareholders of the Company to authorize the issuance of Incentive Stock Options, the time or manner of its exercise or otherwise), such Stock Option or the portion thereof which does not qualify shall be deemed to constitute a Non-Qualified Stock Option. Each Person to be granted a Stock Option shall enter into a written agreement with the Company, in such form as the Committee or the Board may prescribe, setting forth the terms and conditions (including, without limitation, the exercise price and vesting schedule) of the Stock Option. At any time and from time to time, the Optionee and the Committee or the Board may agree to modify an option agreement in such respects as they may deem appropriate, including, without limitation, the conversion of an Incentive Stock Option into a Non-Qualified Stock Option. The Committee or the Board may require that an Optionee meet certain conditions before the Stock Option or a portion thereof may vest or be exercised, as, for example, that the Optionee remain in the employ of the Company or a Subsidiary for a stated period or periods of time.

### 6.2. Incentive Stock Options Limitations.

(a) In no event shall any individual be granted Incentive Stock Options to the extent that the Shares covered by any Incentive Stock Options (and any incentive stock options granted pursuant to any other plans of the Company or its Subsidiaries) that may be exercised for the first time by such individual in any calendar year have an aggregate Fair Market Value in excess of \$100,000. For this purpose, the Fair Market Value of the Shares shall be determined as of the date(s) on which the Incentive Stock Options are granted. It is intended that the limitation on Incentive Stock Options provided in this Subsection 6.2(a) be the maximum limitation on Stock Options which may be considered Incentive Stock Options pursuant to the Code.

(b) In no event shall any individual be granted an Incentive Stock Option after the expiration of ten (10) years from the date this Plan is adopted or is approved by the shareholders of the Company (if shareholder approval is required by Section 422 of the Code).

(c) To the extent shareholder approval of this Plan is required by Section 422 of the Code, no individual shall be granted an Incentive Stock Option unless this Plan is approved by the shareholders of the Company within twelve (12) months before or after the date this Plan is initially adopted. In the event this Plan is amended to increase the number of Shares subject to issuance upon the exercise of Incentive Stock Options or to change the class of Employees eligible to receive Incentive Stock Options, no individual shall be granted an Incentive Stock Option unless such amendment is approved by the shareholders of the Company within twelve (12) months before or after such amendment.

(d) No Incentive Stock Option shall be granted to any Employee owning more than ten percent (10%) of the total combined voting power of the Company or any Subsidiary unless the term of such Incentive Stock Option is equal to or less than five (5) years measured from the date on which such Incentive Stock Option is granted.

6.3. *Option Exercise Price.* The option exercise price of a Stock Option shall not be less than one hundred percent (100%) of the Fair Market Value of the Shares subject to such Stock Option on the date of the grant of the Stock Option. Notwithstanding anything herein to the contrary, in no event shall any Employee owning more than ten percent (10%) of the total combined voting power of the Company or any Subsidiary be granted an Incentive Stock Option unless the option exercise price of such Incentive Stock Option shall be at least one hundred ten percent (110%) of the Fair Market Value of the Shares subject to such Incentive Stock Option on the date of the grant of such Incentive Stock Option.

6.4. *Option Term.* The term of a Stock Option shall be for such period of time from the date of its grant as may be determined by the Committee or the Board; provided, however, that no Incentive Stock Option shall be exercisable later than ten (10) years from the date of its grant.

6.5. *Time of Exercise.* No Stock Option may be exercised unless it is exercised prior to the expiration of its stated term and, in connection with options granted to Employees of the Company or its Subsidiaries, at the time of such exercise, the

Optionee is, and has been continuously since the date of grant of such Stock Option, employed by the Company or a Subsidiary, except that:

(a) A Stock Option may, to the extent vested as of the date the Optionee ceases to be an Employee of the Company or a Subsidiary, be exercised during the three month period immediately following the date the Optionee ceases (for any reason other than death, Disability or termination for Cause) to be an Employee of the Company or a Subsidiary (or within such other period as may be specified in the applicable option agreement), provided that, if the Stock Option has been designated as an Incentive Stock Option and the option agreement provides for a longer exercise period, the exercise of such Stock Option after such three-month period shall be treated as the exercise of a Non-Qualified Stock Option;

(b) If the Optionee dies while in the employ of the Company or a Subsidiary, or within three months after the Optionee ceases (for a reason other than termination for Cause) to be such an Employee (or within such other period as may be specified in the applicable option agreement), a Stock Option may, to the extent vested as of the date of the Optionee's death, be exercised by the Optionee's Designated Beneficiary during the one year period immediately following the date of the Optionee's death (or within such other period as may be specified in the applicable option agreement);

(c) If the Optionee ceases to be an Employee of the Company or a Subsidiary by reason of the Optionee's Disability, a Stock Option, to the extent vested as of the date the Optionee ceases to be an Employee of the Company or a Subsidiary, may be exercised by the Optionee or the Optionee's legal guardian during the one year period immediately following such date (or within such other period as may be specified in the applicable option agreement); provided that, if the Stock Option has been designated as an Incentive Stock Option and the option agreement provides for a longer exercise period, the exercise of such Stock Option after such one-year period shall be treated as the exercise of a Non-Qualified Stock Option; and

(d) If the Optionee's employment is terminated for Cause, all Stock Options held by such Optionee shall simultaneously terminate and will no longer be exercisable.

Nothing contained in this Subsection 6.5 will be deemed to extend the term of a Stock Option or to revive any Stock Option which has previously lapsed or been cancelled, terminated or surrendered. Stock Options granted under this Plan to Consultants or non-employee Directors will contain such terms and conditions with respect to the death or disability of a Consultant or non-employee Director or termination of a Consultant's or non-employee Director's relationship with the Company as the Committee or the Board deems necessary or appropriate. Such terms and conditions will be set forth in the option agreements evidencing the grant of such Stock Options.

#### 6.6. Vesting of Stock Options.

(a) Each Stock Option granted pursuant to this Plan may only be exercised to the extent that the Optionee is vested in such Stock Option. Each Stock Option shall vest



separately in accordance with the option vesting schedule determined by the Committee or the Board, which will be incorporated in the option agreement entered into between the Company and such Optionee. The option vesting schedule may be accelerated if, in the discretion of the Committee or the Board, the acceleration of the option vesting schedule would be in the best interests the Company.

(b) In the event of the dissolution or liquidation of the Company, each Stock Option granted pursuant to this Plan shall terminate as of a date to be fixed by the Committee or Board; provided, however, that not less than thirty (30) days' written notice of the date so fixed shall be given to each Optionee. During such period all Stock Options which have not previously been terminated, exercised or surrendered will (subject to the provisions of Subsections 6.4 and 6.5) fully vest and become exercisable, notwithstanding the vesting schedule set forth in the option agreement evidencing the grant of such Stock Option. Upon the date fixed by the Committee or the Board, any unexercised Stock Options shall terminate and be of no further effect.

(c) Upon the occurrence of a Change in Control, all Stock Options and any associated Stock Appreciation Rights shall become fully vested and immediately exercisable.

(d) Unless otherwise provided in a specific Award agreement, in the event of the Retirement of an Employee or a non-employee Director or advisory director, all Stock Options and any associated Stock Appreciation Rights granted pursuant to this Plan shall upon such Retirement become fully vested and immediately exercisable according to the terms of the respective agreement evidencing such Stock Option and/or Stock Appreciation Right.

#### 6.7. Manner of Exercise of Stock Options.

(a) Except as otherwise provided in this Plan, Stock Options may be exercised as to Shares only in amounts and at intervals of time specified in the written option agreement between the Company and the Optionee. Each exercise of a Stock Option, or any part thereof, will, unless otherwise provided in a specific Award agreement, be pursuant to the administrative procedures established by the Company or its authorized designee. Payment for the Shares to be purchased upon exercise of a Stock Option may be made in cash (by check) or in one or more of the following methods as may be stated in the Award Agreement (at the Date of Grant with respect to any Stock Option granted as an Incentive Stock Option), approved by the Company and where permitted by law: (i) if a public market for the Common Stock exists, in a cashless exercise through a "same day sale" arrangement between the Optionee and a broker-dealer that is a member of the NASD (an "NASD Dealer") whereby the Optionee elects to exercise the Stock Option and to sell a portion of the shares of Common Stock so purchased to pay for the exercise price and whereby the NASD Dealer commits upon receipt of such shares of Common Stock from the Company in order to complete the Optionee's trade, to forward the exercise price, received by the NASD Dealer as a result of the trade executed on the same-day as the receipt of the Shares from the Company, directly to the Company; (ii) if a public market for that class of Common Stock exists, through a "margin" commitment

from the Optionee and an NASD Dealer whereby the Optionee elects to exercise the Stock Option and to pledge the shares of Common Stock so purchased to the NASD Dealer in a margin account as security for a loan from the NASD Dealer in the amount of the exercise price, and whereby the NASD Dealer commits upon receipt of such shares of Common Stock to forward the exercise price directly to the Company; (iii) by surrender for cancellation of shares of Common Stock which either (A) have been owned by the Optionee for any applicable holding period and have been "paid for" within the meaning of Rule 144 promulgated under the Securities Act, or (B) were obtained by the Optionee in the public market at the Fair Market Value per share at the time of exercise (provided that such surrender does not result in an accounting charge for the Company); (iv) where approved by the Committee at the time of exercise, pursuant to Section 3.2(v) of the Plan, by delivery of the Optionee's promissory note with such recourse, interest, security, redemption and other provisions as the Committee may require, provided that the par value of each of the shares of Common Stock to be purchased is paid for in cash; or (v) in any other form of valid consideration that is acceptable to the Committee in its sole discretion. No shares of Common Stock may be issued until arrangements for the full payment of the purchase price therefor has been made. The payment options provided in Section 6.7(a)(i), (ii), or (iv) above shall not be available to any Optionee who is a Director or executive officer of the Company or any Affiliate if such payment option would be treated as a personal loan prohibited under Section 13(k) of the Exchange Act.

(b) If an Optionee delivers Shares (including Shares of Restricted Stock) already owned by the Optionee in full or partial payment of the exercise price for any Stock Option, or if the Optionee elects to have the Company retain that number of Shares out of the Shares being acquired through the exercise of the Stock Option having a Fair Market Value equal to the exercise price of the Stock Option being exercised, the Committee or the Board may, in its sole discretion, authorize the grant of a new Stock Option (a "Reload Option") for that number of Shares equal to the number of already owned Shares surrendered (including Shares of Restricted Stock) or newly acquired Shares being retained by the Company in payment of the option exercise price of the underlying Stock Option being exercised. The grant of a Reload Option will become effective upon the exercise of the underlying Stock Option. The option exercise price of the Reload Option shall be the Fair Market Value of a Share on the effective date of the grant of the Reload Option. Each Reload Option shall be exercisable no later than the time when the underlying stock option being exercised could be last exercised. The Committee or the Board may also specify additional terms, conditions and restrictions for the Reload Option and the Shares to be acquired upon the exercise thereof.

(c) An Optionee shall not have any of the rights of a shareholder of the Company with respect to the Shares subject to a Stock Option except to the extent that such Stock Option is exercised and one or more certificates representing such Shares shall have been delivered to the Optionee.

## SECTION 7. STOCK APPRECIATION RIGHTS

7.1. *Grants.* The Committee or the Board may grant to any eligible Consultant, non-employee Director or Employee of the Company or a Subsidiary a

stand-alone Stock Appreciation Right or a Stock Appreciation Right issued in tandem with a Stock Option. Stock Appreciation Rights shall be subject to such terms and conditions as the Committee or the Board shall impose. The grant of the Stock Appreciation Right may provide that the holder will be paid for the value of the Stock Appreciation Right either in cash or in Shares, or a combination thereof, at the sole discretion of the Committee or the Board. In the event of the exercise of a Stock Appreciation Right payable in Shares, the holder of the Stock Appreciation Right shall receive that number of whole Shares having an aggregate Fair Market Value on the date of exercise equal to the value obtained by multiplying (i) either (a) in the case of a Stock Appreciation Right issued in tandem with a Stock Option, the difference between the Fair Market Value of a Share on the date of exercise over the exercise price per share of the related Stock Option, or (b) in the case of a stand-alone Stock Appreciation Right, the difference between the Fair Market Value of a Share on the date of exercise over the Fair Market Value of a Share on the date of the grant of the Stock Appreciation Right by (ii) the number of Shares with respect to which the Stock Appreciation Right is exercised. However, notwithstanding the foregoing, the Committee or the Board, in its sole discretion, may place a ceiling on the amount payable upon exercise of a Stock Appreciation Right, but any such limitation shall be specified at the time that the Stock Appreciation Right is granted.

7.2. *Exercisability.* A Stock Appreciation Right granted in tandem with an Incentive Stock Option (i) may be exercised at, and only at, the times and to the extent the related Incentive Stock Option is exercisable, (ii) will expire upon the termination or expiration of the related Incentive Stock Option, (iii) may not result in a Participant realizing more than 100% of the difference between the exercise price of the related Incentive Stock Option and the Fair Market Value of the Shares subject to the related Incentive Stock Option at the time the Stock Appreciation Right is exercised, and (iv) may be exercised at, and only at, such times as the Fair Market Value of the Shares subject to the related Incentive Stock Option exceeds the exercise price of the related Incentive Stock Option. A Stock Appreciation Right granted in tandem with a Non-Qualified Stock Option will be exercisable as provided by the Committee or the Board and will have such other terms and conditions as the Committee or the Board may determine. A Stock Appreciation Right may be transferred at, and only at, the times and to the extent the related Stock Option is transferable. If a Stock Appreciation Right is granted in tandem with a Stock Option, there shall be surrendered and cancelled from the related Stock Option at the time of exercise of the Stock Appreciation Right, in lieu of exercise pursuant to the related Stock Option, that number of Shares as shall equal the number of Shares as to which the tandem Stock Appreciation Right shall have been exercised.

7.3. *Certain Limitations on Non-Tandem Stock Appreciation Rights.* A stand-alone Stock Appreciation Right will be exercisable as provided by the Committee or the Board and will have such other terms and conditions as the Committee or the Board may determine. A stand-alone Stock Appreciation Right is subject to acceleration of vesting or immediate termination in certain circumstances in the same manner as Stock Options pursuant to Subsections 6.5 and 6.6 of this Plan.

7.4. *Limited Stock Appreciation Rights.* The Committee and the Board may grant Stock Appreciation Rights which will become exercisable only upon the occurrence of a Change in Control or such other event as the Committee or the Board may designate at the time of grant or thereafter. Such a Stock Appreciation Right may be issued either as a stand-alone Stock Appreciation Right or in tandem with a Stock Option.

## SECTION 8. RESTRICTED STOCK

8.1. *Grants.* The Committee or the Board may grant Awards of Restricted Stock to any Consultant, non-employee Director or Employee of the Company or a Subsidiary for such minimum consideration, if any, as may be required by applicable law or such greater consideration as may be determined by the Committee or the Board, in its sole discretion. The terms and conditions of the Restricted Stock shall be specified by the Award agreement. The Committee or the Board, in its sole discretion, may specify any particular rights which the Participant to whom a grant of Restricted Stock is made shall have in the Restricted Stock during the restriction period and the forfeiture restrictions applicable to the particular Award, the vesting schedule (which may be based on service, satisfaction of one or more Performance Goals or other factors) and rights to acceleration of vesting (including, without limitation, whether non-vested Shares are forfeited or vested upon termination of employment) or the lapsing of the forfeiture restrictions. Further, the Committee or the Board may grant Performance Awards consisting of Restricted Stock by conditioning the grant, or vesting or such other factors, such as the release, expiration or lapse of the forfeiture restrictions upon any such Award (including the acceleration of any such conditions or terms) of such Restricted Stock upon the attainment of one or more specified goals, including, as necessary to comply with the requirements of Section 162(m) of the Code, Performance Goals, or such other factors as the Committee or the Board may determine. The Committee or the Board shall also determine when the forfeiture restrictions shall lapse or expire and the conditions, if any, pursuant to which the Restricted Stock will be forfeited or sold back to the Company. Each Award of Restricted Stock may have different forfeiture restrictions and conditions. Unless otherwise set forth in the Award agreement, Restricted Stock may not be sold, pledged, encumbered or otherwise disposed of by the recipient until the forfeiture restrictions specified in the Award lapse. Awards of Restricted Stock are subject to acceleration of vesting, termination of the forfeiture restrictions and termination in the same manner as Stock Options pursuant to Subsections 6.5 and 6.6 of this Plan.

8.2. *Awards and Certificates.* Evidence of the Award of Restricted Stock issued hereunder may be accomplished in such manner as the Company, or their authorized representative shall deem appropriate including, without limitation, electronic registration, book-entry registration or issuance of a stock certificate or certificates in the name of the Participant or in the name of such other party or parties as the Company and its authorized representative deem appropriate. In the event any stock certificate is issued in respect of Shares of Restricted Stock, such certificate shall bear an appropriate legend with respect to the restrictions applicable to such Award. The Company may retain, at its option, the physical custody of any stock certificate

representing any awards of Restricted Stock during the restriction period or require that the certificates evidencing Restricted Stock be placed in escrow or trust, along with a stock power endorsed in blank, until all restrictions are removed or expire. In the event the Award of Restricted Stock is documented or recorded electronically, the Company and its authorized representatives shall ensure that the Participant is prohibited from selling, assigning, pledging, exchanging, hypothecating or otherwise transferring the Restricted Stock while such Shares are unvested or still subject to the forfeiture restrictions.

## SECTION 9. PERFORMANCE AWARDS

9.1. *Grants.* A Performance Award may consist of either or both, as the Committee or the Board may determine, of (i) the right to receive Shares or Restricted Stock, or any combination thereof as the Committee or the Board may determine ("Performance Shares"), or (ii) the right to receive a fixed dollar amount payable in Shares, Restricted Stock, cash or any combination thereof, as the Committee or the Board may determine ("Performance Units"). The Committee or the Board may grant Performance Awards to any eligible Consultant, non-employee Director or Employee of the Company or a Subsidiary, for such minimum consideration, if any, as may be required by applicable law or such greater consideration as may be determined by the Committee or the Board, in its sole discretion. The terms and conditions of Performance Awards shall be specified at the time of the grant and may include provisions establishing the performance period, the performance criteria to be achieved during a performance period, the criteria used to determine vesting or the lapsing of applicable forfeiture restrictions (including the acceleration thereof), whether Performance Awards are forfeited or vest upon termination of employment during a performance period and the maximum or minimum settlement values. Each Performance Award shall have its own terms and conditions, which shall be determined in the sole discretion of the Committee or the Board. If the Committee or the Board determines, in its sole discretion, that the established performance measures or objectives are no longer suitable because of a change in the Company's business, operations, corporate structure or for other reasons that the Committee or the Board deems satisfactory, the Committee or the Board may modify the performance measures or objectives and/or the performance period. Awards of Performance Shares and/or Performance Units are subject to acceleration of vesting, termination of restrictions and termination in the same manner as Stock Options pursuant to Subsections 6.5 and 6.6 of this Plan.

9.2. *Terms and Conditions.* Performance Awards may be valued by reference to the Fair Market Value of a Share or according to any other formula or method deemed appropriate by the Committee or the Board, in its sole discretion, including, but not limited to, achievement of specific financial, production, sales, cost or earnings performance objectives that the Committee or the Board believes to be relevant or the Company's performance or the performance of the Common Stock measured against the performance of the market, the Company's industry segment or its direct competitors. Performance Awards may also be conditioned upon the applicable Participant remaining in the employ of the Company or one of its Subsidiaries for a

specified period. Performance Awards may be paid in cash, Shares (including Restricted Stock) or other consideration, or any combination thereof. Performance Awards may be payable in a single payment or in installments and may be payable at a specified date or dates or upon attaining the performance objective or objectives, all at the sole discretion of the Committee or the Board. The extent to which any applicable performance objective has been achieved shall be conclusively determined by the Committee or the Board in its sole discretion.

#### SECTION 10. OTHER AWARDS

The Committee or the Board may grant to any eligible Consultant, non-employee Director or Employee of the Company or a Subsidiary other forms of Awards based upon, payable in or otherwise related to, in whole or in part, Shares, if the Committee or the Board, in its sole discretion, determines that such other form of Award is consistent with the purposes of this Plan. The terms and conditions of such other form of Award shall be specified in a written agreement which sets forth the terms and conditions of such Award, including, but not limited to, the price, if any, and the vesting schedule, if any, of such Award. Such Awards may be granted for such minimum consideration, if any, as may be required by applicable law or for such other greater consideration as may be determined by the Committee or the Board, in its sole discretion.

#### SECTION 11. COMPLIANCE WITH SECURITIES AND OTHER LAWS

As a condition to the issuance or transfer of any Award or any security issuable in connection with such Award, the Company may require an opinion of counsel, satisfactory to the Company, to the effect that (i) such issuance and/or transfer will not be in violation of the Securities Act or any other applicable securities laws and (ii) such issuance and/or transfer will not be in violation of the rules and regulations of any securities exchange or automated quotation system on which the Common Stock is listed or admitted to trading. Further, the Company may refrain from issuing, delivering or transferring any Award or any security issuable in connection with such Award until the Committee or the Board has determined that such issuance, delivery or transfer will not violate such securities laws or rules and regulations and that the recipient has tendered to the Company any federal, state or local tax owed as a result of such issuance, delivery or transfer, when the Company has a legal liability to satisfy such tax. The Company shall not be liable for damages due to delay in the issuance, delivery or transfer of any Award or any security issuable in connection with such Award or any agreement, instrument or certificate evidencing such Award or security for any reason whatsoever, including, but not limited to, a delay caused by the listing requirements of any securities exchange or automated quotation system or any registration requirements under the Securities Act, the Exchange Act, or under any other state or federal law, rule or regulation. The Company is under no obligation to take any action or incur any expense to register or qualify the issuance, delivery or transfer of any Award or any security issuable in connection with such Award under applicable securities laws or to perfect any exemption from such registration or qualification or to list any security on any securities exchange or automated quotation system. Furthermore, the Company will have no liability to any person for refusing to issue, deliver or transfer any Award or any security issuable in

connection with such Award if such refusal is based upon the foregoing provisions of this Section 11. As a condition to any issuance, delivery or transfer of any Award or any security issuable in connection with such Award, the Company may place legends on any agreement, instrument or certificate evidencing such Award or security, issue stop transfer orders with respect thereto and require such agreements or undertakings as the Company may deem necessary or advisable to assure compliance with applicable laws or regulations, including, if the Company or its counsel deems it appropriate, representations from the recipient of such Award or security to the effect that such recipient is acquiring such Award or security solely for investment and not with a view to distribution and that no distribution of the Award or the security will be made unless registered pursuant to applicable federal and state securities laws, or in the opinion of counsel to the Company, such registration is unnecessary.

## SECTION 12. ADJUSTMENTS UPON THE OCCURRENCE OF A REORGANIZATION OR CORPORATE TRANSACTION

(a) In the event of a Reorganization, the number of Shares subject to this Plan and to each outstanding Award, and the exercise price of each Award which is based upon Shares, shall (to the extent deemed appropriate by the Committee or the Board) be proportionately adjusted (as determined by the Committee or the Board in its sole discretion) to account for any increase or decrease in the number of issued and outstanding Shares of the Company resulting from such Reorganization.

(b) If a Corporate Transaction is consummated and immediately following the consummation of such Corporate Transaction the Persons who were holders of shares of Common Stock immediately prior to the consummation of such Corporate Transaction do not receive any securities or other property (hereinafter collectively referred to as "Transactional Consideration") as a result of such Corporate Transaction and substantially all of such Persons continue to hold the shares of Common Stock held by them immediately prior to the consummation of such Corporate Transaction (in substantially the same proportions relative to each other), the Awards will remain outstanding and will (subject to the provisions of Subsections 6.1, 6.6(c), 7.1, 7.3, 8.1 and 9.1) continue in full force and effect in accordance with its terms (without any modification) following the consummation of the Corporate Transaction.

(c) If a Corporate Transaction is consummated and immediately following the consummation of such Corporate Transaction the Persons who were holders of shares of Common Stock immediately prior to the consummation of such Corporate Transaction do receive Transactional Consideration as a result of such Corporate Transaction or substantially all of such Persons do not continue to hold the shares of Common Stock held by them immediately prior to the consummation of such Corporate Transaction (in substantially the same proportions relative to each other), the terms and conditions of the Awards will be modified as follows:

(i) If the documentation pursuant to which a Corporate Transaction will be consummated provides for the assumption or substitution by the entity issuing Transactional Consideration to the Persons who were the holders of shares

of Common Stock immediately prior to the consummation of such Corporate Transaction of the Awards granted pursuant to this Plan without any modification or amendment (other than Permitted Modifications and the modifications contemplated by Subsections 6.1, 6.6(c), 7.1, 7.3, 8.1 and 9.1 of this Plan), each such Award will remain outstanding and will continue in full force and effect in accordance with its terms following the consummation of such Corporate Transaction (subject to such Permitted Modifications and the provisions of Subsections 6.1, 6.6(c), 7.1, 7.3, 8.1 and 9.1).

(d) If the documentation pursuant to which a Corporate Transaction will be consummated does not provide for the assumption or substitution by the entity issuing Transactional Consideration to the Persons who were the holders of shares of Common Stock immediately prior to the consummation of such Corporate Transaction of the Awards granted pursuant to this Plan without any modification or amendment (other than Permitted Modifications), all vesting restrictions (performance-based or otherwise) applicable to Awards which will not be so assumed will, to the extent (i) not otherwise provided for in an Award agreement, or (ii) it will not affect the deductibility of any compensation related to such Award, accelerate and the holders of such Awards may (subject to the expiration of the term of such Awards) exercise/receive the benefits of such Awards without regard to such vesting restrictions during the ten (10) day period immediately preceding the consummation of such Corporate Transaction. For purposes of the immediately preceding sentence, all Performance Goals will be deemed to have been satisfied in full. The Company will provide each Participant holding Awards which will not be so assumed or substituted with reasonable notice of the termination of such vesting restrictions and the impending termination of such Awards. Upon the consummation of such a Corporate Transaction, all unexercised Awards which are not to be so assumed will automatically terminate and cease to be outstanding.

Nothing contained in this Section 12 will be deemed to extend the term of an Award or to revive any Award which has previously lapsed or been cancelled, terminated or surrendered.

#### SECTION 13. AMENDMENT OR TERMINATION OF THIS PLAN

13.1. *Amendment of This Plan.* Notwithstanding anything contained in this Plan to the contrary, all provisions of this Plan (including, without limitation, the maximum number of Shares that may be issued with respect to Awards to be granted pursuant to this Plan) may at any time or from time to time be modified or amended by the Board; provided, however, that no Award at any time outstanding pursuant to this Plan may be modified, impaired or cancelled adversely to the holder of the Award without the consent of such holder.

13.2. *Termination of This Plan.* The Board may suspend or terminate this Plan at any time, and such suspension or termination may be retroactive or prospective. Termination of this Plan shall not impair or affect any Award previously granted hereunder and the rights of the holder of the Award shall remain in effect until the



Award has been exercised in its entirety or has expired or otherwise has been terminated by the terms of such Award.

#### SECTION 14. AMENDMENTS AND ADJUSTMENTS TO AWARDS

The Committee or the Board may amend, modify or terminate any outstanding Award with the Participant's consent at any time prior to payment or exercise in any manner not inconsistent with the terms of this Plan, including, without limitation, (i) to change the date or dates as of which and/or the terms and conditions pursuant to which (A) a Stock Option becomes exercisable or (B) a Performance Award is deemed earned, (ii) to amend the terms of any outstanding Award to provide an exercise price per share which is higher or lower than the then current exercise price per share of such outstanding Award or (iii) to cancel an Award and grant a new Award in substitution therefor under such different terms and conditions as the Committee or the Board determines in its sole discretion to be appropriate including, but not limited to, having an exercise price per share which may be higher or lower than the exercise price per share of the cancelled Award. The Committee or the Board may also make adjustments in the terms and conditions of, and the criteria included in agreements evidencing Awards in recognition of unusual or nonrecurring events (including, without limitation, the events described in Section 12 hereof) affecting the Company, or the financial statements of the Company or any Affiliate, or of changes in applicable laws, regulations or accounting principles, whenever the Committee or the Board determines that such adjustments are appropriate to prevent reduction or enlargement of the benefits or potential benefits intended to be made available pursuant to this Plan. Any provision of this Plan or any agreement regarding an Award to the contrary notwithstanding, the Committee or the Board may cause any Award granted to be cancelled in consideration of a cash payment or alternative Award made to the holder of such cancelled Award equal in value to the Fair Market Value of such cancelled Award. The determinations of value pursuant to this Section 14 shall be made by the Committee or the Board in its sole discretion.

#### SECTION 15. GENERAL PROVISIONS

15.1. *No Limit on Other Compensation Arrangements.* Nothing contained in this Plan shall prevent the Company from adopting or continuing in effect other compensation arrangements, and such arrangements may be either generally applicable or applicable only in specific cases.

15.2. *No Right to Employment or Continuation of Relationship.* Nothing in this Plan or in any Award, nor the grant of any Award, shall confer upon or be construed as giving any Participant any right to remain in the employ of the Company or a Subsidiary or to continue as a Consultant or non-employee Director. Further, the Company or a Subsidiary may at any time dismiss a Participant from employment or terminate the relationship of any Consultant or non-employee Director with the Company or any Subsidiary, free from any liability or any claim pursuant to this Plan, unless otherwise expressly provided in this Plan or in any agreement evidencing an Award made under this Plan. No Consultant, non-employee Director or Employee of the Company or any Subsidiary shall have any claim to be granted any Award, and

there is no obligation for uniformity of treatment of any Consultant, non-employee Director or Employee of the Company or any Subsidiary or of any Participants.

15.3. *GOVERNING LAW.* THE VALIDITY, CONSTRUCTION AND EFFECT OF THIS PLAN AND ANY RULES AND REGULATIONS RELATING TO THIS PLAN SHALL BE DETERMINED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS, WITHOUT GIVING EFFECT TO THE CONFLICT OF LAWS PRINCIPLES THEREOF.

15.4. *Severability.* If any provision of this Plan or any Award is or becomes or is deemed to be invalid, illegal or unenforceable in any jurisdiction or as to any individual or Award, or would disqualify this Plan or any Award under any law deemed applicable by the Committee or the Board, such provision shall be construed or deemed amended to conform to applicable law, or if it cannot be construed or deemed amended without, in the sole determination of the Committee or the Board, materially altering the intent of this Plan or the Award, such provision shall be stricken as to such jurisdiction, individual or Award and the remainder of this Plan and any such Award shall remain in full force and effect.

15.5. *No Fractional Shares.* No fractional Shares shall be issued or delivered pursuant to this Plan or any Award, and the Committee or the Board shall determine, in its sole discretion, whether cash, other securities or other property shall be paid or transferred in lieu of any fractional Shares or whether such fractional Shares or any rights thereto shall be cancelled, terminated or otherwise eliminated.

15.6. *Headings.* Headings are given to the Sections and Subsections of this Plan solely as a convenience to facilitate reference. Such headings shall not be deemed in any way material or relevant to the construction or interpretation of this Plan or any provision thereof.

15.7. *Effective Date.* The provisions of this Plan that relate to the grant of Incentive Stock Options shall be effective as of the date of the approval of this Plan by the shareholders of the Company. All other provisions of this Plan shall be effective as of the Effective Date.

15.8. *Code Section 83(b) Elections.* The Company, its Subsidiaries and Affiliated Entities have no responsibility for a Participant's election, attempt to elect or failure to elect to include the value of an Award subject to Section 83 in the Participant's gross income for the year of grant pursuant to Section 83(b) of the Code. Any Participant who makes an election pursuant to Section 83(b) will promptly provide the Committee with a copy of the election form.

15.9. *Code Section 162(m).* It is the intent of the Company that the Plan comply in all respects with Section 162(m) of the Code and that any ambiguities or inconsistencies in construction of the Plan be interpreted to give effect to such intention. If the Committee intends for a Performance Award or the Award of Restricted Stock Award to be granted and administered in a manner designed to

preserve the deductibility of the resulting compensation in accordance with Section 162(m) of the Code, then the Performance Measure selected, the Performance Goal (in terms of an objective formula or standard pursuant to which a third party with knowledge of the relevant performance results could calculate the amount to be paid), the maximum number of Shares that may be awarded, within the limit described in Section 4.2 hereof, and the Performance Period applicable to such Award shall be established in writing by the Committee no later than the earlier of (i) 90 days after the commencement of the relevant Performance Period and (ii) the date as of which 25% of the Performance Period has elapsed. At the time a Performance Goal is established, its outcome must be substantially uncertain. The Committee's discretion to modify or waive the Performance Goal related to the vesting of the Award may be restricted in order to comply with Section 162(m) of the Code.

15.10. *Code Section 409A.* It is the intent of the Company that no Award under the Plan be subject to Section 409A of the Code. The Committee shall design and administer the Awards under the Plan so that they are not subject to Section 409A of the Code.

15.11. *Compliance With Other Laws and Regulations.* Notwithstanding anything contained herein to the contrary, the Company shall not be required to sell or issue shares of Common Stock under any Award if the issuance thereof would constitute a violation by the Participant or the Company of any provisions of any law or regulation of any governmental authority or any national securities exchange or inter-dealer quotation system or other forum in which shares of Common Stock are quoted or traded (including without limitation Section 16 of the 1934 Act and Section 162(m) of the Code); and, as a condition of any sale or issuance of Shares under an Award, the Committee may require such agreements or undertakings, if any, as the Committee may deem necessary or advisable to assure compliance with any such law or regulation. The Plan, the grant and exercise of an Award hereunder, and the obligation of the Company to sell and deliver Shares, shall be subject to all applicable federal and state laws, rules and regulations and to such approvals by any government or regulatory agency as may be required.

15.12. Tax Requirements.

(a) Whenever Shares are to be issued under an Award of Restricted Stock or a Performance Award, or pursuant to the exercise of a Stock Option or Stock Appreciation Right, or other Award or cash is to be paid pursuant to the terms of the Plan, under circumstances in which the Company, or its designee, believes that any federal, state or local tax withholding may be imposed, the Company or Subsidiary, as the case may be, shall have the right to require the Participant to remit to the Company or Subsidiary, as the case may be, an amount sufficient to satisfy the minimum federal, state and local tax withholding requirements prior to the electronic transfer of ownership, the delivery of any certificate for Shares, if applicable, or any proceeds; provided, however, that in the case of a Participant who receives an Award of Restricted Stock or a Performance Award under the Plan which remains subject to forfeiture restrictions or is not fully vested, the Participant shall remit such amount on the first business day following the Tax Date. The

"Tax Date" for purposes of this Section 15.12 shall be the date on which the amount of tax to be withheld is determined. If a Participant makes a disposition of Common Stock acquired upon the exercise of an Incentive Stock Option within either two years after the Stock Option was granted or one year after its exercise by the Participant, the Participant shall promptly notify the Company and the Company shall have the right to require the Participant to pay to the Company an amount sufficient to satisfy federal, state and local tax withholding requirements.

(b) A Participant who is obligated to pay the Company an amount required to be withheld under applicable tax withholding requirements may pay such amount (i) in cash; (ii) in the discretion of the Committee, or its designee, through the delivery to the Company of previously-owned Shares having an aggregate Fair Market Value on the Tax Date equal to the tax obligation provided that the previously owned Shares delivered in satisfaction of the withholding obligations must have been held by the Participant for at least six (6) months; (iii) in the discretion of the Company, or its designee, through the Company's withholding Shares otherwise issuable to the Participant having a Fair Market Value on the Tax Date equal to the amount of tax required to be withheld, or (iv) in the discretion of the Committee, or its designee, through a combination of the procedures set forth in subsections (i), (ii) and (iii) of this Section 15.12(b).

#### 15.13. *Transferability of Awards.*

(a) Other than pursuant to a valid qualified domestic relations order as defined in Section 414(p) of the Code or Title I of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), as provided in paragraph (b) of this Section 15.13, below, Incentive Stock Options may not be transferred or assigned other than by will or the laws of descent and distribution and may be exercised during the lifetime of the Participant only by the Participant or the Participant's legally authorized representative, and each Award agreement in respect of an Incentive Stock Option shall so provide. The designation by a Participant of a Beneficiary will not constitute a transfer of the Stock Option. The Committee may waive or modify any limitation contained in the preceding sentences of this Section 15.13 that is not required for compliance with Section 422 of the Code. The Committee may, in its discretion, authorize all or a portion of a Non-Qualified Stock Option or SAR to be granted to a Participant to be on terms which permit transfer by such Participant to (i) the spouse, children or grandchildren of the Participant ("Immediate Family Members"), (ii) a trust or trusts for the exclusive benefit of such Immediate Family Members, or (iii) a partnership in which such Immediate Family Members are the only partners, (iv) an entity exempt from federal income tax pursuant to Section 501(c)(3) of the Code or any successor provision, or (v) a split interest trust or pooled income fund described in Section 2522(c)(2) of the Code or any successor provision, provided that (w) there shall be no consideration for any such transfer, (x) the Award Agreement pursuant to which such Non-Qualified Stock Option or SAR is granted must be approved by the Committee and must expressly provided for transferability in a manner consistent with this Section 15.13, (y) no such transfer shall be permitted if the Common Stock issuable under such transferred Stock Option would not be eligible to be registered on Form S-8 promulgated under the Securities Act, and (z) subsequent transfers of transferred Non-Qualified Stock Options or Stock Appreciation Rights shall

be prohibited except those by will or the laws of descent and distribution or pursuant to a qualified domestic relations order as defined in the Code or Title I of the Employee Retirement Income Security Act of 1974, as amended. Following transfer, any such Non-Qualified Stock Option and SAR shall continue to be subject to the same terms and conditions as were applicable immediately prior to transfer, provided that for purposes of Section 6.7 or Section 7, as applicable, and Articles 12, 13, 14, and 15 hereof the term "Participant" shall be deemed to include the transferee. The events of a termination of service shall continue to be applied with respect to the original Participant, following which the Non-Qualified Stock Options and Stock Appreciation Rights shall be exercisable by the transferee only to the extent and for the periods specified in the original Award agreement and applicable to the Participant. The Committee and the Company shall have no obligation to inform any transferee of a Non-Qualified Stock Option or SAR of any expiration, termination, lapse or acceleration of such Option. The Company shall have no obligation to register with any federal or state securities commission or agency any Common Stock issuable or issued under a Non-Qualified Stock Option or SAR that has been transferred by a Participant under this Section 15.13.

(b) Notwithstanding the foregoing, Options and such other Awards as the Committee may determine may be transferred pursuant to a valid qualified domestic relations order as defined in Section 414(p) of the Code or Title I of ERISA pursuant to which a court has determined, in connection with a divorce proceeding, that a spouse or former spouse of a Participant has an interest in the Participant's Award under the Plan. Any Incentive Stock Option transferred pursuant to this Section 15.13 shall cease to be an Incentive Stock Option on the date of such transfer and shall be treated for all purposes as a Non-Qualified Stock Option in the hands of the transferee. Following any such transfer each Award transferred shall continue to be subject to the same terms and conditions of the Plan and the Award agreement applicable to the Award immediately prior to transfer, provided that for all purposes under the Plan the term "Participant" shall be deemed to include the transferee. The effect a termination of Service shall have on the exercisability of an Award with respect to the original Participant shall continue to apply to a transferee after a transfer pursuant to this Section 15.13, so that the Award transferred shall be exercisable by the transferee only to the extent and for the periods specified in the Plan, unless different periods are otherwise provided in a Participant's original Award agreement. The Committee and the Company shall have no obligation to inform any transferee of an Award of any expiration, termination, lapse or acceleration of such Award. The Company shall have no obligation to register with any federal or state securities commission or agency any Stock issuable or issued under an Award that has been transferred pursuant to this Section 15.13.

15.14. *Rights of Participants.* Except as hereinbefore expressly provided in this Plan, any Person to whom an Award is granted shall have no rights by reason of any subdivision or consolidation of stock of any class or the payment of any stock dividend or any other increase or decrease in the number of shares of stock of any class or by reason of any dissolution, liquidation, reorganization, merger or consolidation or spinoff of assets or stock of another corporation, and any issue by the Company of shares of stock of any class or securities convertible into shares of stock of any class

shall not affect, and no adjustment by reason thereof shall be made with respect to, the number or exercise price of Shares subject to an Award.

15.15. *No Limitation Upon the Rights of the Company.* The grant of an Award pursuant to this Plan shall not affect in any way the right or power of the Company to make adjustments, reclassifications, or changes of its capital or business structure; to merge, convert or consolidate; to dissolve or liquidate; or sell or transfer all or any part of its business or assets.

15.16. *Date of Grant of an Award.* Except as noted in this Section 15.16, the granting of an Award shall take place only upon the execution and delivery by the Company and the Participant of a written agreement and neither any other action taken by the Committee or the Board nor anything contained in this Plan or in any resolution adopted or to be adopted by the Committee, the Board or the shareholders of the Company shall constitute the granting of an Award pursuant to this Plan. Solely, for purposes of determining the Fair Market Value of the Shares subject to an Award, such Award will be deemed to have been granted as of the date specified by the Committee or the Board notwithstanding any delay which may elapse in executing and delivering the applicable agreement.



**HORNBECK OFFSHORE SERVICES, INC.**  
*Service with Energy*

**NEWS RELEASE**  
**(06-010)**

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*For Immediate Release*

Ken Dennard, Managing Partner  
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**HORNBECK OFFSHORE ANNOUNCES**  
**FIRST QUARTER 2006 RESULTS**

***Q1 2006 diluted EPS was \$0.54 per share including FAS 123R stock-based compensation expense***  
***Q1 2006 diluted EPS was \$0.57 per share excluding FAS 123R stock-based compensation expense***  
***Upwardly revising guidance for 2006 and 2007***

**May 4, 2006 — Covington, Louisiana** — Hornbeck Offshore Services, Inc. (NYSE:HOS) announced today its results for the first quarter ended March 31, 2006. Following are highlights for the first quarter and the Company's future outlook:

- *Comparable Q1 2006 diluted EPS was double Q1 2005*
- *Q1 2006 net income of \$14.9 million, nearly triple Q1 2005*
- *Current TTB operating margin remains above 25%, up substantially from mid-teens historically*
- *Current fleet average OSV dayrates at \$19,000 with leading-edge spot rates above \$30,000*
- *Contract terms agreed to for MPSV conversion program with mid- to late-2007 delivery dates*
- *Agreed to acquire up to four ocean-going tugs for retrofit under TTB newbuild program #2*
- *Phase 2 of OSV newbuild program #4 expanded from four to nine 240 ED/EDF class vessels*

First quarter revenues increased 61.2% to \$61.1 million compared to \$37.9 million for the first quarter of 2005. Operating income was \$24.5 million, or 40.2% of revenues, for the first quarter of 2006 compared to \$12.5 million, or 33.0% of revenues, for the prior-year quarter. These results were driven by record dayrates in the U.S. Gulf of Mexico (GoM) for the Company's offshore supply vessel (OSV) fleet and a 60.6% increase in the average barrel-carrying capacity of the Hornbeck Offshore tug and tank barge (TTB) fleet. Operating income, as reported, includes a \$1.2 million charge for stock-based compensation expense related to the impact of FAS 123R, which became effective January 1, 2006. Excluding this charge, operating income was \$25.7 million, or 42.1% of revenues, for the first quarter of 2006.

EBITDA for the first quarter of 2006 was \$32.0 million, which was a 73.0% increase over the first quarter 2005 EBITDA of \$18.5 million and exceeded the high-end of the Company's first quarter 2006 guidance range of \$28.0 million to \$30.0 million. Excluding the impact of FAS

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123R, adjusted EBITDA for the first quarter of 2006 was \$33.2 million. For additional information regarding EBITDA as non-GAAP financial measures, please see more discussion on this subject later in this release.

Net income for the first quarter of 2006 was \$14.9 million, or \$0.54 per diluted share, compared to \$5.2 million, or \$0.25 per diluted share in the year-ago quarter. Diluted EPS for the first quarter of 2006 was more than double the diluted EPS for first quarter of 2005, despite having an additional 6.4 million diluted shares outstanding in the first quarter of 2006. Included in net income for the first quarter of 2006 was approximately \$3.1 million (\$2.0 million after-tax, or \$0.07 per diluted share) of interest income, up from \$0.1 million in the first quarter of 2005. The increase in interest income was due to a substantially higher cash position resulting from proceeds raised during the Company's October 2005 debt and equity offerings and higher interest rates. Excluding the impact of FAS 123R, adjusted net income for the first quarter of 2006 was \$15.7 million, or \$0.57 per diluted share.

The Company's net income for the first quarter of 2005 included a \$1.7 million (\$1.1 million after tax, or \$0.05 per share) loss on early extinguishment of debt related to the January 2005 redemption of non-tendered 10.625% senior notes that were still outstanding as of December 31, 2004. Excluding this \$0.05 per share charge, net income for the first quarter of 2005 was \$6.3 million, or \$0.30 per diluted share.

Todd M. Hornbeck, the Company's Chairman, President and CEO, stated, "Our first quarter results reflect the continued expansion of dayrates in our OSV segment to historically high levels. We believe that demand for new generation vessels, driven by the increased offshore activity in the Gulf of Mexico, especially in deepwater regions, support a robust dayrate environment lasting through at least 2007. In addition, the combination of switching from contracts of affreightment (COAs) to time charters and the diversification of new double-hulled tank barges into upstream services, such as deepwater well-testing, has helped drive the substantial improvement in our operating margins in the TTB segment."

Mr. Hornbeck continued, "Over the past eight years, our proprietary vessels have brought new technology and capabilities to the oilfield. We have recently experienced demand for these vessels beyond traditional applications and are just beginning to tap the potential of the numerous service offerings that our equipment can provide outside of the oilfield. Our current expansion programs will provide the capacity necessary to service these markets and continue to enhance our design features."



**OSV Segment.** Revenues from the OSV segment were \$38.5 million for the first quarter of 2006, an increase of 61.8% from \$23.8 million for the same period in 2005. This increase in revenues is the result of record dayrates in the GoM, the increase in demand for the Company's OSVs in non-oilfield related services, such as military applications, and the full-quarter contribution of two anchor-handling towing supply (AHTS) vessels that were acquired during the first quarter of 2005. The average OSV dayrate for the first quarter of 2006 improved 57.0%, or \$6,598 per day, to \$18,175 compared to \$11,577 for the same period in 2005. The Company's OSV utilization rate was 90%, in-line with prior guidance, for the three months ended March 31, 2006, compared to 94.5% for the same period of 2005. The decrease in utilization from the prior-year quarter resulted from several vessels being out-of-service for unscheduled drydockings and in preparation for the commencement of long-term contracts. Despite this reduction in utilization, the Company's effective, or utilization-adjusted, dayrate for the OSV segment increased 49.5% from the prior-year quarter.

**TTB Segment.** Revenues from the TTB segment for the first quarter of 2006 were up 60.4% over the same period in 2005 to \$22.6 million. Average TTB dayrates rose to \$14,771 compared to \$13,192 during the same period of 2005. These increases in revenues and average dayrates were primarily related to the full-quarter contribution of all five new double-hulled tank barges that were delivered on various dates in 2005. Utilization in the TTB segment for the first quarter of 2006 was 93.7% compared to 85.5% in the prior-year quarter. This increase in utilization was primarily the result of a change in contract mix from COAs to time charters and a change in fleet mix from smaller, single-hulled barges to larger, double-hulled barges. Operating income increased by \$3.9 million, or 177%, to \$6.1 million for the first quarter of 2006, and operating margins increased to 26.9% this quarter from 16.0% for the first quarter of 2005.

**General and Administrative (G&A).** G&A expenses for the first quarter of 2006 were up \$3.0 million over the same period in 2005 to \$6.8 million, driven primarily by the recent adoption of FAS 123R, which requires the expensing of stock-based compensation. Variable incentive compensation and other personnel costs also contributed to the increase in G&A over the prior-year quarter. Despite these additional expenses, the Company's G&A margin of 11% of revenues was in-line with its industry peers and its prior guidance for this expense category.

#### **Future Outlook**

Based on the key assumptions outlined below and in the attached data tables, the following statements reflect management's current expectations regarding future earnings. These statements are forward-looking and actual results may differ materially. Other than as

expressly stated, these statements do not include the potential impact of any future capital transactions, such as vessel acquisitions, business combinations, divestitures, financings and unannounced newbuild programs that may be commenced after the date of this news release.

#### *Earnings Outlook*

**Adoption of FAS 123R.** Pursuant to the change in accounting for stock-based compensation required by FAS 123R, effective January 1, 2006, the Company expects to record incremental compensation expense of \$1.2 million, \$5.1 million and \$8.6 million for the second quarter of 2006 and full calendar years 2006 and 2007, respectively. To be consistent with the Company's prior earnings guidance and management's understanding of what is typically excluded from current analyst estimates; all of the following forward guidance figures mentioned in this *Earnings Outlook* are adjusted to exclude stock-based compensation expense under FAS 123R.

**Second Quarter 2006 Guidance.** The Company expects adjusted EBITDA for the second quarter of 2006 to range between \$37.0 million and \$39.0 million. Please refer to the attached data table for a definition and reconciliation of forward EBITDA guidance to its most directly comparable GAAP financial measure. The Company expects adjusted diluted earnings per share, or EPS, for the second quarter of 2006 to range between \$0.63 and \$0.68.

**Calendar 2006 Guidance.** In response to current market conditions, Hornbeck Offshore is raising its calendar 2006 adjusted EBITDA and adjusted EPS guidance. The Company now expects adjusted EBITDA for the full calendar year 2006 to range between \$145.0 million and \$150.0 million, an increase of \$15 million. Adjusted EPS for calendar 2006 is now expected to range between \$2.49 and \$2.60.

**Calendar 2007 Guidance.** Hornbeck Offshore has also raised its calendar 2007 guidance. The Company now expects adjusted EBITDA for the full calendar year 2007 to range between \$160.0 million and \$170.0 million, an increase of \$13.1 million. Adjusted EPS for calendar 2007 is now expected to range between \$2.70 and \$2.92.

**Key Assumptions.** The above guidance reflects management's belief that current favorable OSV and TTB market conditions will continue throughout the remainder of 2006 and all of calendar 2007. Fleetwide average OSV dayrates are expected to be above \$19,000 and fleetwide average OSV utilization is expected to average in the mid-90% range for the 2006 and 2007 guidance periods. Fleetwide average TTB dayrates are expected to remain above \$15,000 and fleetwide average TTB utilization is expected to average in the low-90% range for the 2006 and 2007 guidance periods.

The incremental contribution from the TTB newbuild capacity that was added during 2005 is expected to result in adjusted EBITDA from the TTB segment for 2006 of approximately 30% of the mid-point of the company-wide guidance range of \$145.0 million to \$150.0 million for 2006. In 2007, the Company expects a partial-year contribution from both vessels in its MPSV conversion program, and has not included any contribution from the OSVs to be constructed under its recently expanded OSV Newbuild Program #4 in its 2007 guidance. Guidance for 2007 also assumes a partial contribution from the Company's TTB Newbuild Program #2, which is expected to result in adjusted EBITDA from the TTB segment of approximately 28% of the mid-point of the company-wide 2007 guidance range of \$160.0 million to \$170.0 million.

The Company expects year-over-year increases of its daily operating expenses per vessel between 15% and 20% for 2006 and approximately 10% in 2007, commensurate with prevailing oilfield service industry trends. These cost increases have primarily resulted from significantly higher crew wages due to labor shortages and increased demand for qualified mariners. G&A is assumed to remain at approximately 10% to 12% of revenues for both 2006 and 2007. However, the above guidance assumes that revenue improvements will allow the Company to maintain or improve operating and net income margins for each of the next two years.

#### *Capital Expenditures Outlook*

**Update on Maintenance Capital Expenditures.** The Company expects maintenance capital expenditures for the second quarter of 2006 to be approximately \$5.8 million and maintenance capital expenditures for the full calendar years 2006 and 2007 to be approximately \$19.3 million and \$18.0 million, respectively. Please refer to the attached data table for a summary, by period, of historical and projected data for each of the following three major categories of maintenance capital expenditures: (i) deferred drydocking charges; (ii) other vessel capital improvements; (iii) non-vessel related capital improvements.

**Update on MPSV Conversion Program.** In May 2005, Hornbeck Offshore announced a conversion program to retrofit two coastwise sulfur tankers into U.S.-flagged, new generation 370-foot multi-purpose supply vessels (MPSVs). The Company has now reached contract terms for the completion of the retrofit and conversion of these vessels at an East Coast location. The total project cost to acquire and convert the two vessels has increased from an initial estimate of \$65.0 million to \$110.0 million in the aggregate. This increase is due to design enhancements requested by customers and higher than originally anticipated labor and material costs that are prevailing at U.S. shipyards, particularly since hurricanes Katrina and Rita. Since the inception

of this program, the Company has incurred approximately \$13.4 million, with \$1.5 million spent during the first quarter of 2006. Anticipated delivery of the two converted vessels is projected to be in mid-2007 and late-2007, respectively.

Mr. Hornbeck added, "While our capital investment in our two MPSVs is expected to increase about 70%, we anticipate that the vessels' improved functional capabilities will support much higher dayrates and better utilization than was first projected. This should allow us to achieve, or even exceed, our targeted return on invested capital parameters, despite the increased cost to bring these unique vessels to market."

**Update on OSV Newbuild Program #4.** In September 2005, Hornbeck Offshore announced its fourth new vessel construction program for its OSV business segment, which was to be comprised of an innovative high-end proprietary class of vessel that would add approximately 20,000 deadweight tons of capacity at an aggregate cost of \$170.0 million (Phase 1). However, in February 2006, the Company decided to defer contracting these vessels until more favorable shipyard conditions materialize. While in-house design and engineering of this proprietary new class of vessels continues in earnest, the Company has removed any contribution from these vessels from its earnings guidance pending further notice.

In conjunction with the deferral of Phase 1, the Company also announced, in February 2006, a second phase of its OSV newbuild program #4 that would add up to six 240 EDF class vessels to its proprietary OSV fleet, representing an incremental 17,000 deadweight tons of capacity at an aggregate cost of \$120.0 million (Phase 2). Today, the Company announced that it has further expanded the scope of this newbuild program from six vessels to a total of nine proprietary OSVs, bringing the aggregate capacity of Phase 2 of this program to approximately 26,000 deadweight tons. These nine vessels will be comprised of a mix of proprietary 240 ED and 240 EDF class OSVs with projected delivery dates ranging from early 2008 through early 2009. The Company has now contracted for the construction of seven of the nine vessels and has an option with respect to the remaining two newbuilds. Based on such contracts and current estimates, the total cost of the nine new OSVs to be constructed under Phase 2 of this program is now expected to be approximately \$185.0 million in the aggregate.

**Update on TTB Newbuild Program #2.** In September 2005, the Company announced a second new vessel construction program for its TTB segment. This newbuild program is expected to add approximately 400,000 barrels of total barrel-carrying capacity of double-hulled barges and the related "power" units to the TTB fleet at a cost of approximately \$105.0 million in the aggregate. As previously reported, three 60,000-barrel double-hulled barges, totaling

180,000 barrels of capacity, are under construction at a Gulf Coast shipyard. The Company has also recently agreed to acquire up to four 3,000 horsepower ocean-going tugs, pending due diligence. Once the acquisition and retrofit of these tugs is completed, the cost of this component of the overall project budget is expected to range from \$20.0 million to \$24.0 million. The precise number and specifications of the remaining 220,000 barrels of barge capacity and any additional tugs to be constructed or retrofitted under this program will be finalized as certain internal milestones are completed, including the negotiation of shipyard contracts. All of the vessels to be constructed or retrofitted under the TTB Newbuild Program #2 have projected delivery dates starting in early 2007 and ending in mid-2008.

Please refer to the attached data tables for a summary, by period, of historical and projected data for each of the pending growth initiatives outlined above. All of the above capital costs and delivery date estimates for pending growth initiatives are based on the latest available information and are subject to change. The Company plans to refine these estimates as soon as the remaining shipyard contracts are executed. All of the figures set forth above represent expected cash outlays and do not include the allocation of construction period interest.

#### **Conference Call**

The Company will hold a conference call to discuss its first quarter 2006 financial results and recent developments at 10:00 a.m. Eastern (9:00 a.m. Central) today, May 4, 2006. To participate in the call, dial (303) 262-2137 and ask for the Hornbeck Offshore call at least 10 minutes prior to the start time, or access it live over the Internet by logging onto the web at <http://www.hornbeckoffshore.com>, on the "IR Home" page of the "Investors" section of the Company's website. To listen to the live call on the web, please visit the website at least fifteen minutes early to register, download and install any necessary audio software.

An archived version of the web cast will be available shortly after the call for a period of 60 days on the "IR Home" page under the "Investors" section of the Company's website. Additionally, a telephonic replay will be available through May 11, 2006, and may be accessed by calling (303) 590-3000 and using the pass code 11058711.

#### **Attached Data Tables**

The Company has posted an electronic version of the following four pages of data tables, which are downloadable in Excel™ format, on the "IR Home" page of the "Investors" section of the Hornbeck Offshore website for the convenience of analysts and investors.

Hornbeck Offshore Services, Inc. is a leading provider of technologically advanced, new generation offshore supply vessels primarily in the U.S. Gulf of Mexico and select international markets, and is a leading transporter of petroleum products through its fleet of ocean-going tugs and tank barges primarily in the northeastern U.S. and in Puerto Rico. Hornbeck Offshore currently owns and operates a fleet of 60 vessels primarily serving the energy industry.

#### **Forward-Looking Statements and Regulation G Reconciliation**

*This press release contains forward-looking statements in which Hornbeck Offshore 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 and projections about future events. Accuracy of the assumptions, expectations and projections depend on events that change over time and are thus susceptible to change based on actual experience and new developments. Although the Company believes that the assumptions, expectations and projections reflected in these forward-looking statements are reasonable based on the information known to the Company today, the Company can give no assurance that the assumptions, expectations and projections will prove to be correct. The Company cautions readers that it undertakes no obligation to update or publicly release any revisions to the forward-looking statements in this press release hereafter to reflect the occurrence of any events or circumstances or any changes in its assumptions, expectations and projections, except to the extent required by applicable law. Additionally, important factors that might cause future results to differ from these assumptions, expectations and projections include industry risks, oil and natural gas prices, economic and political risks, weather related risks, regulatory risks, and other factors described in the Company's most recent Annual Report on Form 10-K and other filings filed with the Securities and Exchange Commission. This press release also contains the non-GAAP financial measure of earnings (net income) before interest, income taxes, depreciation, amortization and loss on early extinguishment of debt, or EBITDA. Reconciliations of this financial measure to the most directly comparable GAAP financial measure are provided in this press release. Management's opinion regarding the usefulness of such measure to investors and a description of the ways in which management uses such measure can be found in the Company's most recent Annual Report on Form 10-K as filed with the Securities and Exchange Commission.*

**Hornbeck Offshore Services, Inc. and Subsidiaries**  
**Unaudited Consolidated Statements of Operations**  
(in thousands, except Other Operating and Per Share Data)

**Statement of Operations (unaudited):**

	Three Months Ended		
	March 31, 2006	December 31, 2005	March 31, 2005
Revenues	\$ 61,056	\$ 57,137	\$ 37,904
Operating expenses	22,179	18,866	15,588
Depreciation and amortization	7,489	7,283	5,999
General and administrative expenses	6,840	6,041	3,820
<b>Total operating expenses</b>	<b>36,508</b>	<b>32,190</b>	<b>25,407</b>
Operating income	24,548	24,947	12,497
Interest expense	(4,353)	(4,008)	(2,585)
Interest income	3,112	2,783	124
Loss on early extinguishment of debt	—	—	(1,698)
Other income (expense), net <sup>1</sup>	10	(25)	31
<b>Income before income taxes</b>	<b>23,317</b>	<b>23,697</b>	<b>8,369</b>
Income tax expense	8,466	8,614	3,131
<b>Net income</b>	<b>\$ 14,851</b>	<b>\$ 15,083</b>	<b>\$ 5,238</b>
<b>Basic earnings per share of common stock</b>	<b>\$ 0.55</b>	<b>\$ 0.56</b>	<b>\$ 0.25</b>
<b>Diluted earnings per share of common stock</b>	<b>\$ 0.54</b>	<b>\$ 0.55</b>	<b>\$ 0.25</b>
Weighted average basic shares outstanding <sup>2</sup>	27,159	26,794	20,827
Weighted average diluted shares outstanding <sup>2</sup>	27,652	27,261	21,251

**Other Operating Data (unaudited):**

	Three Months Ended		
	March 31, 2006	December 31, 2005	March 31, 2005
<b>Offshore Supply Vessels:</b>			
Average number	25.0	25.0	24.0
Average fleet capacity (deadweight)	59,042	59,042	55,720
Average vessel capacity (deadweight)	2,362	2,362	2,392
Average utilization rate <sup>3</sup>	90.0%	94.8%	94.5%
Average dayrate <sup>4</sup>	\$ 18,175	\$ 15,903	\$ 11,577
Effective dayrate <sup>5</sup>	\$ 16,358	\$ 15,076	\$ 10,940
<b>Tugs and Tank Barges:</b>			
Average number of tank barges <sup>6</sup>	18.0	16.1	13.3
Average fleet capacity (barrels) <sup>6</sup>	1,482,540	1,257,090	923,002
Average barge size (barrels)	82,363	75,381	65,929
Average utilization rate <sup>3</sup>	93.7%	92.9%	85.5%
Average dayrate <sup>7</sup>	\$ 14,771	\$ 15,098	\$ 13,192
Effective dayrate <sup>5</sup>	\$ 13,840	\$ 14,026	\$ 11,279

**Balance Sheet Data (unaudited):**

	As of March 31, 2006	As of December 31, 2005
Cash and cash equivalents	\$ 287,417	\$ 271,739
Working capital	304,604	290,471
Property, plant and equipment, net	468,848	462,041
Total assets	826,162	796,675
Total long-term debt	299,459	299,449
Stockholders' equity	445,928	429,495

**Cash Flow Data (unaudited):**

	Three Months Ended	
	March 31, 2006	March 31, 2005
Cash provided by operating activities	\$ 27,901	\$ 16,341
Cash used in investing activities	(12,349)	(46,430)
Cash provided by (used in) financing activities	118	(6,126)





**Hornbeck Offshore Services, Inc. and Subsidiaries**  
**Unaudited Other Financial Data**  
(in thousands, except Financial Ratios)

**Other Financial Data (unaudited):**

	Three Months Ended		
	March 31, 2006	December 31, 2005	March 31, 2005
<b>Offshore Supply Vessels:</b>			
Revenues	\$38,500	\$ 35,680	\$23,844
Operating income	\$18,482	\$ 18,704	\$10,248
Operating margin	48.0%	52.4%	43.0%
<b>Components of EBITDA <sup>8</sup></b>			
Net income	\$11,352	\$ 11,462	\$ 4,179
Interest expense, net	666	686	1,949
Income tax expense	6,472	6,539	2,498
Depreciation	3,417	3,358	3,048
Amortization	656	737	460
Loss on early extinguishment of debt	—	—	1,658
<b>EBITDA <sup>8</sup></b>	<b>\$22,563</b>	<b>\$ 22,782</b>	<b>\$13,792</b>
<b>EBITDA <sup>8</sup> Reconciliation to GAAP:</b>			
EBITDA <sup>8</sup>	\$22,563	\$ 22,782	\$13,792
Cash paid for deferred drydocking charges	(740)	(590)	(843)
Cash paid for interest	(33)	(6,438)	(629)
Changes in working capital	(2,497)	1,386	(2,058)
Stock-based compensation expense	619	—	—
Changes in other, net	55	(43)	(12)
<b>Net cash provided by operating activities</b>	<b>\$19,967</b>	<b>\$ 17,097</b>	<b>\$10,250</b>
<b>Tugs and Tank Barges:</b>			
Revenues	\$22,556	\$ 21,457	\$14,060
Operating income	\$ 6,066	\$ 6,243	\$ 2,249
Operating margin	26.9%	29.1%	16.0%
<b>Components of EBITDA <sup>8</sup></b>			
Net income	\$ 3,499	\$ 3,621	\$ 1,059
Interest expense, net	575	539	512
Income tax expense	1,994	2,075	633
Depreciation	2,392	2,040	1,365
Amortization	1,024	1,148	1,126
Loss on early extinguishment of debt	—	—	40
<b>EBITDA <sup>8</sup></b>	<b>\$ 9,484</b>	<b>\$ 9,423</b>	<b>\$ 4,735</b>
<b>EBITDA <sup>8</sup> Reconciliation to GAAP:</b>			
EBITDA <sup>8</sup>	\$ 9,484	\$ 9,423	\$ 4,735
Cash paid for deferred drydocking charges	(142)	(1,339)	(1,139)
Cash paid for interest	(17)	(3,032)	(147)
Changes in working capital	(2,056)	1,509	2,691
Stock-based compensation expense	619	—	—
Changes in other, net	46	(74)	(49)
<b>Net cash provided by operating activities</b>	<b>\$ 7,934</b>	<b>\$ 6,487</b>	<b>\$ 6,091</b>
<b>Consolidated:</b>			
Revenues	\$61,056	\$ 57,137	\$37,904
Operating income	\$24,548	\$ 24,947	\$12,497
Operating margin	40.2%	43.7%	33.0%
<b>Components of EBITDA <sup>8</sup></b>			
Net income	\$14,851	\$ 15,083	\$ 5,238
Interest expense, net	1,241	1,225	2,461
Income tax expense	8,466	8,614	3,131
Depreciation	5,809	5,398	4,413
Amortization	1,680	1,885	1,586
Loss on early extinguishment of debt	—	—	1,698
<b>EBITDA <sup>8</sup></b>	<b>\$32,047</b>	<b>\$ 32,205</b>	<b>\$18,527</b>
<b>EBITDA <sup>8</sup> Reconciliation to GAAP:</b>			
EBITDA <sup>8</sup>	\$32,047	\$ 32,205	\$18,527

Cash paid for deferred drydocking charges	(882)	(1,929)	(1,982)
Cash paid for interest	(50)	(9,470)	(776)
Changes in working capital	(4,553)	2,895	633
Stock-based compensation expense	1,238	—	—
Changes in other, net	101	(117)	(61)
	<u>          </u>	<u>          </u>	<u>          </u>
Net cash provided by operating activities	\$27,901	\$ 23,584	\$16,341
	<u>          </u>	<u>          </u>	<u>          </u>

**Hornbeck Offshore Services, Inc. and Subsidiaries**  
**Unaudited Other Financial Data**  
(in millions, except Per Share Data and Tax Rates)

**Forward Earnings Guidance and Projected EBITDA Reconciliation: (Unaudited)**

**2006 Guidance**

	Second Quarter 2006		Full-Year 2006 Updated Estimate		Full-Year 2006 Prior Estimate	
	Low	High	Low	High	Low	High
<b>Components of Projected EBITDA <sup>8</sup></b>						
EBITDA, as adjusted <sup>8</sup>	\$ 37.0	\$ 39.0	\$ 145.0	\$ 150.0	\$129.5	\$134.5
Less: stock-based compensation expense	1.2	1.2	5.1	5.1	4.5	4.5
EBITDA <sup>8</sup>	\$ 35.8	\$ 37.8	\$ 139.9	\$ 144.9	\$125.0	\$130.0
Depreciation	6.3	6.3	24.7	24.7	24.6	24.6
Amortization	2.0	2.0	8.0	8.0	7.9	7.9
Interest expense, net	1.1	1.1	2.9	2.9	5.8	5.8
Income tax expense	9.6	10.4	38.1	39.9	31.6	33.5
Income tax rate	36.5%	36.5%	36.5%	36.5%	36.5%	36.5%
Net income	\$ 16.8	\$ 18.0	\$ 66.2	\$ 69.4	\$ 55.1	\$ 58.2
Weighted average diluted shares outstanding	27.8	27.8	27.9	27.9	27.7	27.7
Earnings per diluted share	\$ 0.60	\$ 0.65	\$ 2.37	\$ 2.49	\$ 1.99	\$ 2.10
Adjustments included above:						
Stock-based compensation expense, net of tax	\$ 0.8	\$ 0.8	\$ 3.2	\$ 3.2	\$ 2.9	\$ 2.9
Net income, as adjusted	\$ 17.5	\$ 18.8	\$ 69.5	\$ 72.6	\$ 58.0	\$ 61.1
Earnings per diluted share, as adjusted	\$ 0.63	\$ 0.68	\$ 2.49	\$ 2.60	\$ 2.09	\$ 2.21
<b>Projected EBITDA <sup>8</sup> Reconciliation to GAAP:</b>						
EBITDA <sup>8</sup>	\$ 35.8	\$ 37.8	\$ 139.9	\$ 144.9	\$125.0	\$130.0
Cash paid for deferred drydocking charges	(3.7)	(3.7)	(11.2)	(11.2)	(10.9)	(10.9)
Cash paid for interest	(9.3)	(9.3)	(18.5)	(18.5)	(18.5)	(18.5)
Changes in working capital <sup>9</sup>	8.3	7.2	12.2	11.4	9.7	9.0
Stock-based compensation expense	1.2	1.2	5.1	5.1	4.5	4.5
Changes in other, net <sup>9</sup>	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)
Cash flows provided by operating activities	\$ 32.1	\$ 33.0	\$ 127.3	\$ 131.5	\$109.6	\$113.9

**2007 Guidance**

			Full-Year 2007 Updated Estimate		Full-Year 2007 Prior Estimate	
			Low	High	Low	High
<b>Components of Projected EBITDA <sup>8</sup></b>						
EBITDA, as adjusted <sup>8</sup>			\$ 160.0	\$ 170.0	\$146.9	\$156.9
Less: stock-based compensation expense			8.6	8.6	6.9	6.9
EBITDA <sup>8</sup>			\$ 151.4	\$ 161.4	\$140.0	\$150.0
Depreciation			29.0	29.0	29.7	29.7
Amortization			9.8	9.8	9.6	9.6
Interest expense, net			1.4	1.4	4.3	4.3
Income tax expense			40.6	44.2	35.2	38.8
Income tax rate			36.5%	36.5%	36.5%	36.5%
Net income			\$ 70.6	\$ 77.0	\$ 61.2	\$ 67.6
Weighted average diluted shares outstanding			28.2	28.2	27.8	27.8
Earnings per diluted share			\$ 2.50	\$ 2.73	\$ 2.20	\$ 2.43
Adjustments included above:						
Stock-based compensation expense, net of tax			\$ 5.5	\$ 5.5	\$ 4.4	\$ 4.4
Net income, as adjusted			\$ 76.1	\$ 82.4	\$ 65.6	\$ 72.0
Earnings per diluted share, as adjusted			\$ 2.70	\$ 2.92	\$ 2.36	\$ 2.59
<b>Projected EBITDA <sup>8</sup> Reconciliation to GAAP:</b>						
EBITDA <sup>8</sup>			\$ 151.4	\$ 161.4	\$140.0	\$150.0
Cash paid for deferred drydocking charges			(9.2)	(9.2)	(9.2)	(9.2)
Cash paid for interest			(18.3)	(18.3)	(18.3)	(18.3)
Changes in working capital <sup>9</sup>			16.3	15.6	15.0	14.2
Stock-based compensation expense			8.6	8.6	6.9	6.9
Changes in other, net <sup>9</sup>			(0.2)	(0.2)	(0.2)	(0.2)
Cash flows provided by operating activities			\$ 148.6	\$ 157.9	\$134.2	\$143.4

**Pro Forma 2006E Run-Rate Guidance (Post-Newbuild)**

	Pre-Newbuild 2006E	OSV Expansion <sup>10</sup>	TTB Expansion <sup>11</sup>	Pro Forma Run-Rate <sup>12</sup>
<b>Components of Projected EBITDA <sup>8</sup></b>				
EBITDA, as adjusted <sup>8</sup>	\$ 147.5	\$ 72.5	\$ 21.8	\$ 241.8

Less: stock-based compensation expense	5.1	—	—	5.1
EBITDA <sup>8</sup>	\$ 142.4	\$ 72.5	\$ 21.8	\$ 236.7
Depreciation	24.7	11.8	4.2	40.7
Amortization	8.0	1.1	1.0	10.1
Interest expense, net <sup>13</sup>	6.8	4.2	1.5	12.5
Income tax expense <sup>14</sup>	37.6	20.2	5.5	63.3
Net Income	\$ 65.3	\$ 35.2	\$ 9.6	\$ 110.1
Weighted average diluted shares outstanding	27.9			27.9
Earnings per diluted share	\$ 2.34			\$ 3.95
Adjustments included above:				
Stock-based compensation expense, net of tax	\$ 3.2			\$ 3.2
Net income, as adjusted	\$ 68.5			\$ 113.3
Earnings per diluted share, as adjusted	\$ 2.46			\$ 4.06
<b>Projected EBITDA <sup>8</sup> Reconciliation to GAAP:</b>				
EBITDA <sup>8</sup>	\$ 142.4	\$ 72.5	\$ 21.8	\$ 236.7
Cash paid for deferred drydocking charges	(11.2)	—	—	(11.2)
Cash paid for interest	(18.5)	—	—	(18.5)
Changes in working capital <sup>9</sup>	9.8	(10.3)	(3.2)	(3.7)
Stock-based compensation expense	5.1	—	—	5.1
Changes in other, net <sup>9</sup>	(0.2)	—	—	(0.2)
Cash flows provided by operating activities	\$ 127.4	\$ 62.2	\$ 18.6	\$ 208.2

**Hornbeck Offshore Services, Inc. and Subsidiaries**  
**Unaudited Other Financial Data**  
(in millions, except Historical Data)

**Capital Expenditures Data (unaudited) 15:**

**Historical Data (in thousands):**

	Three Months Ended		
	March 31, 2006	December 31, 2005	March 31, 2005
<b>Maintenance Capital Expenditures:</b>			
Deferred drydocking charges	\$ 882	\$ 1,929	\$ 1,984
Other vessel capital improvements, net	1,130	(56)	1,066
Non-vessel related capital improvements	1,335	5,433	781
	<u>\$ 3,347</u>	<u>\$ 7,306</u>	<u>\$ 3,831</u>

**Growth Capital Expenditures:**

<i>Completed:</i>			
TTB newbuild program #1	\$ 3,861	\$ 7,924	\$19,548
<i>Active:</i>			
AHTS acquisition and retrofit costs	1,830	1,306	25,052
MPSV conversion program	1,457	4,090	—
TTB newbuild program #2	—	3,690	—
OSV newbuild program #4	2,240	5,062	—
	<u>\$ 9,388</u>	<u>\$ 22,072</u>	<u>\$44,600</u>

**Forecasted Data:**

	1Q2006A	2Q2006E	3Q2006E	4Q2006E	2006E	2007E
<b>Maintenance Capital Expenditures:</b>						
Deferred drydocking charges	\$ 0.9	\$ 3.7	\$ 2.7	\$ 3.9	\$ 11.2	\$ 9.2
Other vessel capital improvements	1.1	1.2	1.6	0.5	4.4	3.3
Non-vessel related capital improvements	1.3	0.9	0.8	0.7	3.7	5.5
	<u>\$ 3.3</u>	<u>\$ 5.8</u>	<u>\$ 5.1</u>	<u>\$ 5.1</u>	<u>\$ 19.3</u>	<u>\$ 18.0</u>

**Growth Capital Expenditures:**

<i>Active:</i>						
MPSV conversion program	\$ 1.5	\$ 8.1	\$ 20.2	\$ 24.2	\$ 54.0	\$ 44.1
TTB newbuild program #2	—	19.9	20.4	19.3	59.6	18.6
OSV newbuild program #4	2.2	4.6	—	1.2	8.0	86.0
	<u>\$ 3.7</u>	<u>\$ 32.6</u>	<u>\$ 40.6</u>	<u>\$ 44.7</u>	<u>\$ 121.6</u>	<u>\$148.7</u>

**Full Construction Cycle Data:**

	Pre-2006	2006	2007	2008	2009 and thereafter	Total
<b>Growth Capital Expenditures:</b>						
<i>Active:</i>						
MPSV conversion program	\$ 11.9	\$ 54.0	\$ 44.1	\$ —	\$ —	\$110.0
TTB newbuild program #2	3.7	59.6	18.6	23.1	—	105.0
OSV newbuild program #4	—	8.0	86.0	91.0	—	185.0
<i>Pending:</i>						
OSV newbuild program #4	—	—	—	100.0	70.0	170.0
	<u>\$ 15.6</u>	<u>\$ 121.6</u>	<u>\$ 148.7</u>	<u>\$ 214.1</u>	<u>\$ 70.0</u>	<u>\$570.0</u>

1 Represents other income and expenses, including gains or losses on the sale or other disposition of assets, gains or losses related to foreign  
currency exchange and minority interests in income or loss from unconsolidated entities.

2 On October 6, 2005, the Company issued 6,100 shares of common stock, which resulted in 27,151 basic shares outstanding on the close of  
business on December 31, 2005. For the three months ended March 31, 2006 and 2005 and December 31, 2005, stock options representing  
rights to acquire 3, 312 and 23 shares, respectively, of common stock were excluded from the calculation of diluted earnings per share  
because the effect was anti-dilutive. Stock options are anti-dilutive when the results from operations are a net loss or when the exercise price  
of the options is greater than the average market price of the common stock for the period.

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

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

5 Effective dayrate represents the average dayrate multiplied by the utilization rate for the respective period.

6 The averages for the quarter ended March 31, 2006 include a full-quarter contribution of all five double-hulled tank barge newbuilds delivered  
on various dates in 2005.

7 Average dayrates represent average revenue per day, including time charters, brokerage revenue, revenues generated on a per-barrel-  
transported basis, demurrage, shipdocking and fuel surcharge revenue, based on the number of days during the period that the tank barges  
generated revenue. For purposes of brokerage arrangements, this calculation excludes that portion of revenue that is equal to the cost paid  
by customers of in-chartering third party equipment.

#### 8 **Non-GAAP Financial Measure**

The Company will disclose and discuss EBITDA as a non-GAAP financial measure in its public releases, including quarterly earnings  
releases, investor conference calls and other filings with the SEC. The Company defines EBITDA as earnings (net income) before interest,  
income taxes, depreciation, amortization and losses on early extinguishment of debt. This measure of EBITDA may not be comparable to  
similarly titled measures presented by other companies. Other companies may calculate EBITDA differently than Hornbeck Offshore, which  
may limit its usefulness as a comparative measure.

The Company views EBITDA primarily as a liquidity measure and, as such, believes that the GAAP financial measure most directly  
comparable to it 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 the Company's financial statements as a supplemental financial measure that, when  
viewed with GAAP results and the accompanying reconciliations, the Company believes it provides additional information that is useful to  
gain an understanding of the factors and trends affecting its ability to service debt, pay deferred taxes and fund drydocking charges and other  
maintenance capital expenditures. The Company also believes the disclosure of EBITDA helps investors meaningfully evaluate and compare  
its cash flow generating capacity from quarter to quarter and year to year.

EBITDA is also one of the financial metrics used by management (i) as a supplemental internal measure for planning and forecasting overall  
expectations and for evaluating actual results against such expectations; (ii) as a significant criteria for annual incentive cash bonuses paid to  
the Company's executive officers and other shore-based employees; (iii) to compare to the EBITDA of other companies when evaluating  
potential acquisitions; and (iv) to assess the Company's ability to service existing fixed charges, incur additional indebtedness and execute  
its growth strategy.

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 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 vessels,
- EBITDA does not reflect the deferred income taxes that will eventually have to be paid once the Company is no longer in an overall tax net operating loss carryforward position, and
- EBITDA does not reflect changes in the Company's 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 GAAP results.

EBITDA, as adjusted, excludes the impact of stock-based compensation expense required under the recently adopted FAS 123R.

- <sup>9</sup> Projected cash flows provided by operating activities are based, in part, on estimated future "changes in working capital" and "changes in other, net," that are susceptible to significant variances due to the timing at quarter-end of cash inflows and outflows, most of which are beyond the Company's ability to control. However, any future variances in those two line items from the above forward looking reconciliations should result in an equal and opposite adjustment to actual cash flows provided by operating activities.
- <sup>10</sup> Includes a full-year contribution of operating results from new vessels planned for the MPSV conversion program and Phase 2 of OSV Newbuild Program #4.
- <sup>11</sup> Includes a full-year contribution of operating results from new vessels planned for TTB Newbuild Program #2.
- <sup>12</sup> "Pro Forma 2006E Run-Rate" scenario illustrates the estimated incremental operating results from all of the vessels that are currently planned or under construction under the MPSV conversion program, TTB Newbuild Program #2, and Phase 2 of OSV Newbuild Program #4, assuming all of those vessels were placed in service as of January 1, 2006 and were working at current market dayrates commensurate with their relative size and service capabilities at full practical utilization of 95.0% assuming a normalized drydocking schedule. All other key assumptions related to the Company's current operating fleet, including vessel dayrates, utilization, cash operating expenses and SG&A, are consistent with the Company's latest 2006E guidance.
- <sup>13</sup> Interest expense, net assumes \$19.2 of interest expense offset by \$6.8 of interest income on a projected post construction cash balance of \$150.0.
- <sup>14</sup> The Company's effective tax rate is approximately 36.5%.
- <sup>15</sup> The capital expenditure amounts included in this table are cash outlays before the allocation of construction period interest, if applicable.