

HORNBECK OFFSHORE SERVICES INC /LA  
Form DEF 14A  
April 26, 2012

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**SCHEDULE 14A**

**Proxy Statement Pursuant to Section 14(a) of the**

**Securities Exchange Act of 1934**

**(Amendment No. )**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

**Confidential, for Use of the Commission Only** (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

**Hornbeck Offshore Services, Inc.**

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

1) Title of each class of securities to which transaction applies:

2) Aggregate number of securities to which transaction applies:

3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

4) Proposed maximum aggregate value of transaction:

5) Total fee paid:

.. Fee paid previously with preliminary materials.

.. Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

1) Amount Previously Paid:

2) Form, Schedule or Registration Statement No.:

3) Filing Party:

4) Date Filed:



## Hornbeck Offshore Services, Inc.

April 26, 2012

Dear Fellow Stockholder:

You are cordially invited to attend the 2012 Annual Meeting of Stockholders (the Annual Meeting) of Hornbeck Offshore Services, Inc. to be held in the Company's corporate training room located at 103 Northpark Boulevard, Suite 135, in Covington, Louisiana 70433, on Thursday, June 21, 2012 at 9:00 a.m., Central Daylight Savings Time. For those of you who cannot be present at the Annual Meeting, we urge that you participate by indicating your choices on the proxy card provided to you and completing and returning it at your earliest convenience. If you sign and return your proxy card without specifying your choices, it will be understood that you wish to have your shares voted in accordance with our Board of Directors' recommendations.

This booklet includes the Notice of Annual Meeting of Stockholders and the Proxy Statement, which contains details of the business to be conducted at the Annual Meeting. At the Annual Meeting, you will have an opportunity to discuss each item of business described in the Notice of Annual Meeting of Stockholders and Proxy Statement and to ask questions about our operations and the Company.

Our 2011 Annual Report to Stockholders, which includes our Annual Report on Form 10-K for the year ended December 31, 2011, which is not part of the Proxy Statement, provides additional information regarding our financial results for the fiscal year ended December 31, 2011. A copy of our 2011 Annual Report to Stockholders is available at [www.hornbeckoffshore.com](http://www.hornbeckoffshore.com) or may be requested from our Corporate Secretary as described elsewhere in the Proxy Statement.

It is important that your shares are represented at the Annual Meeting, whether or not you are able to attend personally. Accordingly, please complete, sign, date and return the proxy card as promptly as possible in the envelope provided, or submit your proxy by Internet or phone, as described in the proxy card. If you do attend the Annual Meeting, you may withdraw your proxy and vote your shares in person.

On behalf of our Board of Directors, thank you for your cooperation and continued support.

Sincerely,

Todd M. Hornbeck  
*Chairman, President and*

*Chief Executive Officer*

## Hornbeck Offshore Services, Inc.

### Notice of Annual Meeting of Stockholders

April 26, 2012

Notice is hereby given that the 2012 Annual Meeting of Stockholders (the Annual Meeting) of Hornbeck Offshore Services, Inc., a Delaware corporation (the Company), will be held on Thursday, June 21, 2012 at 9:00 a.m., Central Daylight Savings Time, in the Company's corporate training room located at 103 Northpark Boulevard, Suite 135, in Covington, Louisiana 70433, for the following purposes, as more fully described in the accompanying Proxy Statement:

1. to elect three Class II directors to serve on the Company's Board of Directors for terms of three years or until their successors are duly elected and qualified or until the earlier of their death, resignation or removal;
2. to ratify the reappointment of Ernst & Young LLP as the Company's independent registered public accountants and auditors for the fiscal year ending December 31, 2012;
3. to consider a non-binding, advisory vote to approve the compensation of the Company's named executive officers; and
4. to transact such other business as may properly come before the Annual Meeting and any postponement(s) or adjournment(s) thereof.

All stockholders are cordially invited to attend the Annual Meeting in person. However, to ensure that each stockholder's vote is counted at the Annual Meeting, stockholders are requested to complete, sign, date and return the proxy card provided to you as promptly as possible in the envelope provided, or to submit their proxy by Internet or phone, as described in the proxy card previously mailed to you. Stockholders attending the Annual Meeting may vote in person even if they have previously submitted their proxy authorization.

Only stockholders of record as of the close of business on April 23, 2012 are entitled to receive notice of and to vote at the Annual Meeting and any postponement(s) or adjournment(s) thereof. A list of such stockholders shall be open to the examination of any stockholder of record at the Company's offices during normal business hours for a period of ten days prior to the Annual Meeting, and shall also be open for examination at the Annual Meeting and any postponement(s) or adjournment(s) thereof.

By Order of the Board of Directors,

Paul M. Ordogne  
*Corporate Secretary*

Covington, Louisiana

April 26, 2012

**IT IS IMPORTANT THAT YOUR SHARES OF COMMON STOCK BE REPRESENTED AT THE ANNUAL MEETING REGARDLESS OF THE NUMBER OF SHARES YOU HOLD. PLEASE COMPLETE, SIGN AND MAIL THE PROXY CARD IN THE ENVELOPE PROVIDED OR SUBMIT YOUR PROXY AUTHORIZATION BY INTERNET OR PHONE EVEN IF YOU INTEND TO BE PRESENT AT THE ANNUAL MEETING. SUBMITTING YOUR PROXY AUTHORIZATION WILL NOT LIMIT YOUR RIGHT TO VOTE IN PERSON OR TO ATTEND THE ANNUAL MEETING, BUT WILL ENSURE YOUR REPRESENTATION IF YOU CANNOT ATTEND. IF YOU HAVE SHARES OF COMMON STOCK IN MORE THAN ONE NAME, OR IF YOUR SHARES ARE REGISTERED IN MORE THAN ONE WAY, YOU MAY RECEIVE MORE THAN ONE COPY OF THE PROXY MATERIALS. IF SO, SIGN AND RETURN EACH OF THE PROXY CARDS YOU RECEIVE OR SUBMIT YOUR PROXY AUTHORIZATION BY INTERNET OR PHONE SO THAT ALL OF YOUR SHARES MAY BE VOTED. YOU MAY REVOKE YOUR PROXY AUTHORIZATION AT ANY TIME BEFORE ITS USE.**

## **Hornbeck Offshore Services, Inc.**

**103 Northpark Boulevard, Suite 300**

**Covington, Louisiana 70433**

### **PROXY STATEMENT**

**April 26, 2012**

#### **General Information**

*The 2011 Annual Report to Stockholders, including financial statements, will be made available to stockholders together with these proxy materials on or about April 26, 2012.*

This Proxy Statement is furnished in connection with the solicitation of proxies by the Board of Directors (the Board or the Board of Directors ) of Hornbeck Offshore Services, Inc. ( we , our , us , Hornbeck Offshore or the Company ), for the 2012 Annual Meeting of Stockholders to be held on June 21, 2012, and any postponement(s) or adjournment(s) thereof (the Annual Meeting ). This Proxy Statement and the accompanying Notice of Annual Meeting and proxy card are first being made available to stockholders on or about April 26, 2012.

#### **Record Date and Voting Securities**

Stockholders of record as of the close of business on April 23, 2012 (the Record Date ) are entitled to receive notice of and to vote at the Annual Meeting. There were 35,307,581 shares of our common stock issued and outstanding on the Record Date. Each outstanding share of common stock is entitled to one vote upon each matter properly submitted to a vote at the Annual Meeting.

Stockholders that are entitled to vote at the Annual Meeting may do so in person at the Annual Meeting, or by proxy submitted by mail or Internet as described on the notice and access card.

Abstentions and broker non-votes are counted for purposes of determining the presence or absence of a quorum for the transaction of business. Broker non-votes occur when a broker or other nominee does not have discretionary authority to vote the shares with respect to a particular matter and has not received voting instructions from the beneficial owner with respect to that matter.



## Edgar Filing: HORNBECK OFFSHORE SERVICES INC /LA - Form DEF 14A

The vote of a plurality of the shares entitled to vote and represented at a meeting at which a quorum is present is required for the election of directors. Thus, broker non-votes and abstentions will have no effect on the election of directors.

The affirmative vote of a majority of the shares of common stock entitled to vote and represented in person or by proxy at a meeting at which a quorum is present is required to approve the proposal relating to the ratification of the reappointment of independent registered public accountants and auditors. The proposal related to the non-binding approval of executive compensation is advisory only and therefore does not require a particular number of affirmative votes. Although the advisory vote on executive compensation is

non-binding, the compensation committee and Board of Directors value the opinions of our stockholders, and will consider the outcome of the vote when making future compensation decisions for our named executive officers. Shares represented at the Annual Meeting that abstain with respect to the proposals for binding votes will be considered in determining whether the requisite number of affirmative votes are cast on such matter. Accordingly, such abstentions will have the same effect as a vote against the approval of executive compensation and the ratification of the reappointment of independent registered accountants and auditors, as applicable. Broker non-votes will not be treated as shares represented at the Annual Meeting and are not entitled to vote for purposes of such proposals, and therefore will have no effect.

## Quorum

Except as may be otherwise required by law or the Company's Second Restated Certificate of Incorporation ( Certificate of Incorporation ) or Fourth Restated Bylaws ( Bylaws ), the holders of a majority of the Company's shares of common stock entitled to vote and present in person or represented by proxy shall constitute a quorum at a meeting of the stockholders. The persons whom we appoint to act as inspectors of election will determine whether a quorum exists. Shares of the Company's common stock represented by properly executed and returned proxies will be treated as present. Shares of the Company's common stock present or represented at the Annual Meeting that abstain from voting or that are the subject of broker non-votes will be counted as present for purposes of determining a quorum.

## How Your Proxy Will be Voted on Actions to be Taken

The Board of Directors is soliciting a proxy in the enclosed form to provide you with an opportunity to vote on all matters scheduled to come before the Annual Meeting, whether or not you attend in person.

*Granting Your Proxy.* If you properly execute and return a proxy in the enclosed form, your shares of common stock will be voted as you specify. If you make no specifications, your proxy representing our common stock will be voted:

**FOR** each of the proposed director nominees;

**FOR** the ratification of the reappointment of independent registered public accountants and auditors; and

**FOR,** on a non-binding advisory basis, approval of the compensation of the Company's named executive officers.

We expect no matters to be presented for action at the Annual Meeting other than the items described in this Proxy Statement. By signing and returning the proxy or submitting the proxy by Internet or phone, as described in the proxy card, however, you will give to the persons named as proxies therein discretionary voting authority with respect to any other matter that may properly come before the Annual Meeting, and they intend to vote on any such other matter in accordance with their best judgment.

*Revoking Your Proxy.* If you submit a proxy, you may subsequently revoke it or submit a revised proxy at any time before it is voted. You may also attend the Annual Meeting in



person and vote by ballot, which would cancel any proxy that you previously submitted. If you wish to vote in person at the Annual Meeting but hold your stock in street name (that is, in the name of a broker, bank or other institution), then you must have a proxy from the broker, bank or institution in order to vote at the Annual Meeting.

### **Proxy Solicitation**

We will pay all expenses of soliciting proxies for the Annual Meeting. In addition to solicitations by mail, arrangements have been made for brokers and nominees to send proxy materials to their principals, and we will reimburse them for their reasonable expenses. We may have our employees or other representatives (who will receive no additional compensation for their services) solicit proxies by telephone, telecopy, personal interview or other means. We may choose to engage a paid proxy solicitor to solicit proxies for the Annual Meeting, but have not yet done so.

### **Stockholder Proposals**

If you want us to consider including a proposal in next year's proxy statement, you must deliver it in writing to the Corporate Secretary, Hornbeck Offshore Services, Inc., 103 Northpark Boulevard, Suite 300, Covington, Louisiana 70433 by no later than December 28, 2012.

If you want to present a proposal at the 2013 Annual Meeting of Stockholders in person but do not wish to have it included in our proxy statement, you must submit it in writing to our Corporate Secretary, at the above address, by March 23, 2013 to be considered timely, in accordance with the specific procedural requirements set forth in our Bylaws. If you would like a copy of these procedures, please contact our Corporate Secretary for a copy of our Bylaws.

Pursuant to the rules of the Securities Exchange Act of 1934, as amended, or the Exchange Act, the designated proxies may use discretionary authority to vote with respect to stockholder proposals presented in person at the 2012 Annual Meeting if the stockholder making the proposal has not given the Company timely notice of such proposal.

### **Delivery of One Proxy Statement and Annual Report to a Single Household to Reduce Duplicate Mailings**

Each year in connection with the annual meeting of stockholders, we are required to send to each stockholder of record a notice and access card to the proxy statement and annual report, and to arrange for a proxy statement and annual report to be provided to each beneficial stockholder whose shares are held by or in the name of a broker, bank, trust or other nominee. Because some stockholders hold shares of the Company's common stock in multiple accounts, this process results in duplicate mailings of notice and access cards to stockholders who share the same address. Stockholders may avoid receiving duplicate mailings and save us the cost of producing and mailing duplicate documents as follows:

*Stockholders of Record.* If your shares are registered in your own name and you are interested in consenting to the delivery of a single proxy statement or annual report, you may contact the Company by mail at 103 Northpark Boulevard, Suite 300, Covington, Louisiana 70433, by telephone at (985) 727-2000 or by e-mail at [ir@hornbeckoffshore.com](mailto:ir@hornbeckoffshore.com).



*Beneficial Stockholders.* If your shares are not registered in your own name, your broker, bank, trust or other nominee that holds your shares may have asked you to consent to the delivery of a single proxy statement or annual report if there are other Hornbeck Offshore stockholders who share an address with you. If you currently receive more than one proxy statement or annual report at your household, and would like to receive only one copy of each in the future, you should contact your nominee.

*Right to Request Separate Copies.* If you consent to the delivery of a single proxy statement and annual report but later decide that you would prefer to receive a separate copy of the proxy statement or annual report, as applicable, for each stockholder sharing your address, then please notify us or your nominee, as applicable, and we or they will promptly deliver such additional proxy statements or annual reports. If you wish to receive a separate copy of the proxy statement or annual report for each stockholder sharing your address in the future, you may contact the Company by mail at 103 Northpark Boulevard, Suite 300, Covington, Louisiana, 70433, by telephone at (985) 727-2000 or by e-mail at ir@hornbeckoffshore.com.

### **Proposal No. 1 Election of Directors**

#### **Term of Directors**

Our Certificate of Incorporation and Bylaws provide that the Board of Directors is classified into three classes. These are designated as Class I directors, Class II directors and Class III directors, with members of each class holding office for staggered three-year terms. Vacancies on the Board resulting from death, resignation, disqualification, removal or other causes may be filled by the affirmative vote of a majority of the remaining directors then in office, even if less than a quorum of the Board is present, or by a sole remaining director.

There are currently three Class II directors, whose terms expire at the 2012 Annual Meeting of Stockholders, three Class I directors, whose terms expire at the 2013 Annual Meeting of Stockholders, and three Class III directors, whose terms expire at the 2014 Annual Meeting of Stockholders, or, in all cases, until their successors are duly elected and qualified or until their earlier death, resignation or removal in accordance with the Bylaws.

#### **Director Nominees and Voting**

The Board of Directors has nominated for election as directors the three persons named below. Our Bylaws require that our directors be stockholders of the Company. Each of the nominees for election as Class II directors is currently on the Board and has indicated his or her willingness to serve, if elected, but if any should be unable or unwilling to serve, proxies may be voted for a substitute nominee designated by the Board. If elected at the Annual Meeting, each of the three nominees will serve until the 2015 Annual Meeting of Stockholders (subject to the election and qualification of his or her successor and to his or her earlier death, resignation or removal). See *Nomination Process* below for additional information on the nomination of directors.

If any nominee should be unavailable for election as a result of an unexpected occurrence, the Board's proxies shall vote such shares for the election of such substitute nominee as the Board of Directors may propose. It is not anticipated that any nominee will be unable or unwilling to serve as a director if elected.

The name, age as of April 20, 2012, principal occupation, and other information highlighting the particular experience, qualifications, attributes and skills that support the conclusion of the nominating/corporate governance committee that such nominee for Class II director should serve as a director of the Company are set forth below.

*Larry D. Hornbeck, 73*, has served as a director since August 2001. An executive with over 38 years' experience in the offshore supply vessel business worldwide, Mr. Larry Hornbeck was the sole founder of the original Hornbeck Offshore Services, Inc., a NASDAQ-listed publicly traded offshore service vessel company with over 105 state of the art offshore supply vessels operating worldwide. From its inception in 1981 until its merger with Tidewater Inc. (NYSE:TDW) in March 1996, Mr. Larry Hornbeck served as its Chairman of the Board, President and Chief Executive Officer. Following the merger, Mr. Larry Hornbeck served as a director and a member of the audit committee of Tidewater Inc. from March 1996 until October 2000. From 1969 to 1980, Mr. Larry Hornbeck served as an officer in various capacities, culminating as Chairman, President and Chief Executive Officer of Sealcraft Operators, Inc., a NASDAQ-listed publicly traded offshore service vessel company operating 29 geophysical and special service vessels worldwide. He served on the board of directors and as chairman of the compensation committee of Coastal Towing, an inland marine tug and barge company, from 1992 through 2003. Mr. Larry Hornbeck assisted in orchestrating the founding of the current Company and is the father of Todd M. Hornbeck, our Chairman, President and Chief Executive Officer.

In addition to the leadership roles in which Mr. Larry Hornbeck has served or currently serves, he has extensive involvement in international and domestic marine industry associations. Mr. Larry Hornbeck helped form and served on the boards of several marine industry associations, including the Offshore Marine Service Association ( OMSA ) and the National Ocean Industries Association ( NOIA ). He also served on the board of directors of the American Bureau of Shipping ( ABS ) and the International Support Vessel Owners' Association ( ISOA ). Relationships Mr. Larry Hornbeck formed in these organizations and in his leadership roles in public companies continue to benefit the Company to this day.

Mr. Larry Hornbeck brings to the Board a deep understanding of the operations of a public company in the offshore service vessel industry. With his many years of experience as both Chief Executive Officer and Chairman of the Board of the original Hornbeck Offshore Services, Inc. and of Sealcraft Operators, Inc., Mr. Larry Hornbeck brings not only management expertise, but unique technical knowledge of offshore service vessels and their application, construction and operation. This, combined with his years of experience as one of our directors and his continued active involvement in the Company, make him an invaluable contributor to our Board.

*Steven W. Krablin, 62*, was appointed to our Board of Directors as a Class II Director in August 2005. Mr. Krablin was the President, Chief Executive Officer and Chairman of the Board of T-3 Energy Services Inc. (NASDAQ:TRES), a publicly held company that designs, manufactures, repairs and services products used in the drilling and completion of new oil and gas wells, the workover of existing wells, and the production and transportation of oil and gas, from March 2009 until T-3 was acquired in January 2011. From April 2005 until joining T-3 Energy Services in March 2009, Mr. Krablin was a private investor. From April 2008 until August 2008, Mr. Krablin also served as Executive Vice President and Chief Financial Officer.

of privately-held IDM Group, designers and manufacturers of world class drilling systems for the international energy industry. From January 1996 until April 2005, Mr. Krablin served as the Senior Vice President and Chief Financial Officer of National Oilwell, Inc. (NYSE:NOI), a major manufacturer and distributor of oil and gas drilling equipment and related services for land and offshore drilling rigs. In March 2005, National Oilwell merged with Varco International, Inc. (NYSE:VRC) to become National Oilwell Varco, Inc. (NYSE:NOV). Prior to 1996, Mr. Krablin served as Senior Vice President and Chief Financial Officer of Enterra Corporation until its merger with Weatherford International. From November 2004 to March 2009, Mr. Krablin served as a director of Penn Virginia Corporation (NYSE:PVA), an energy company engaged in the exploration, acquisition, development and production of crude oil and natural gas and in December 2010 rejoined the Penn Virginia board as a director. Since July 2006, Mr. Krablin has served as a director of Chart Industries, Inc. (NASDAQ:GTLS), a global manufacturer of standard and custom-engineered products and systems for cryogenic and heat-transfer applications. Mr. Krablin is a retired certified public accountant.

As an experienced financial and operational leader with a variety of public companies in the energy industry, Mr. Krablin brings a broad understanding of business globally, which is particularly important for our company, as we continue to expand our operations in foreign countries. Mr. Krablin brings management experience, leadership capabilities, financial knowledge and business acumen to our Board. Drawing from that experience, he brings a unique perspective to the Board and the committees on which he serves.

*John T. Rynd, 55*, was appointed to our Board of Directors as a Class II Director in June 2011. Since June 2008, Mr. Rynd has served as the Chief Executive Officer and President, and as a director, of Hercules Offshore, Inc. (NASDAQ:HERO), a publicly traded global provider of offshore contract drilling, liftboat and inland barge services. From July 2007 to June 2008, he served as Executive Vice President and Chief Operating Officer of Hercules Offshore, Inc. From October 2005 to July 2007, he served as Senior Vice President of Hercules Offshore, Inc. and President of Hercules Drilling Company, LLC. Prior to joining Hercules Offshore, Inc., Mr. Rynd worked at Noble Drilling Services Inc., a wholly owned subsidiary of Noble Corporation, a contract drilling company, as Vice President Investor Relations from October 2000 to September 2005 and as Vice President Marketing and Contracts from September 1994 to September 2000. From June 1990 to September 1994, Mr. Rynd worked for Chiles Offshore Corporation, a contract drilling company, in various positions, including as Vice President Marketing.

As an active chief executive officer of a publicly traded drilling and marine services company with a major presence in the GoM, Mr. Rynd has a deep understanding of the unique challenges currently facing our Company and the rest of the offshore energy industry in our core geographic markets. We believe that this unique understanding together with Mr. Rynd's leadership skills will allow him to make meaningful contributions to the Board and the committees on which he serves.

The vote of a plurality of the shares entitled to vote and represented at a meeting at which a quorum is present is required for the election of directors.

**The Board of Directors unanimously recommends that the stockholders vote FOR the election of each of the nominees.**



## **Incumbent Class II Directors**

The name, age as of April 20, 2012, principal occupation, and other information highlighting the particular experience, qualifications, attributes and skills concerning each Class II director are set forth below.

*Bruce W. Hunt, 54*, has served as one of our directors since August 1997 and was appointed lead independent director in May 2005. He has been President of Petrol Marine Corporation since 1988 and President and Director of Petro-Hunt, L.L.C. since 1997, each of which is an energy-related company. Mr. Hunt served as a director of the original Hornbeck Offshore Services, Inc., a NASDAQ-listed publicly traded offshore service vessel company, from November 1992 to March 1996, when it merged with Tidewater Inc. In April 2012 Mr. Hunt was named as a director of ViewPoint Financial Group, Inc. (NASDAQ: VPFG), parent company of ViewPoint Bank, N.A.

Mr. Hunt is an experienced business leader with the skills and attributes necessary to be our lead independent director. As a director of ours for more than 11 years and as a director of the original Hornbeck Offshore Services, Inc., he has gained a deep understanding of our direction and goals and the Board's ability to oversee our success. His experience in the energy industry, including with offshore service vessels, further augments his range of knowledge and insight relevant to our operations. Mr. Hunt also represents the interest of stockholders, particularly through his affiliation with the William Herbert Hunt Trust Estate, which has been one of our largest stockholders since August 1997.

*Kevin O. Meyers, Ph.D., 58*, was appointed to our Board of Directors as a Class II Director in June 2011. Dr. Meyers is a consultant with 31 years of experience in the oil and gas industry. He served as the Senior Vice President, Exploration and Production Americas of ConocoPhillips (NYSE:COP), a publicly traded oil and gas company, from May 2009 until his retirement in December 2010. Before assuming that role, Dr. Meyers had been President of ConocoPhillips Canada from December 2006 until May 2009. From October 2004 to November 2006, he served as President of ConocoPhillips Russian and Caspian Region, based in Moscow, where he was responsible for exploration and production activities in the former Soviet Union and was the lead executive in Russia for the COP LUKOIL strategic alliance. Prior to moving to Russia, Dr. Meyers was President of ConocoPhillips Alaska, a position he had held since Conoco Inc. and Phillips Petroleum Company merged in 2002. Prior to the merger, Dr. Meyers had held a similar position with Phillips Petroleum Company. He held that position following the acquisition by Phillips Petroleum Company of certain Alaskan assets of the Atlantic Richfield Company (ARCO). Dr. Meyers was President of ARCO Alaska from 1998 to 2000 and served in various other positions with ARCO from 1980 through 1998. Dr. Meyers holds a doctorate in chemical engineering from the Massachusetts Institute of Technology and bachelor's degrees in chemistry and mathematics from Capital University in Ohio.

Dr. Meyers brings to the Board significant major oil company executive experience and critical insights into the issues facing the global oil and gas industry from the perspective of our customers. This experience and perspective will allow Dr. Meyers to make significant contributions as a critical member of the Board and the committees on which he serves.

*Bernie W. Stewart, 67*, has served as one of our directors since November 2001 and served as our Chairman of the Board from February 2002 to May 2005. Mr. Stewart was

Senior Vice President, Operations of R&B Falcon Corporation (NYSE:FLC), a contract drilling company, and President of R&B Falcon Drilling U.S., its domestic operating subsidiary, from May 1999 until R&B Falcon Corporation merged with Transocean Sedco Forex Inc. (NYSE:RIG) in January 2001. Between April 1996 and May 1999, he served as Chief Operating Officer of R&B Falcon Holdings, Inc. and as its President from January 1998 until May 1999. From 1993 until joining R&B Falcon Holdings, he was Senior Vice President and Chief Operating Officer of the original Hornbeck Offshore Services, Inc., a NASDAQ-listed publicly traded offshore service vessel company, where he was responsible for overall supervision of the company's operations. From 1986 until 1993, he was President of Western Oceanics, Inc., an offshore drilling contractor. Since leaving R&B Falcon Corporation upon its merger with Transocean Sedco Forex, Mr. Stewart has been an independent business consultant.

Mr. Stewart's more than 15 years of executive experience in the offshore energy industry brings to the Board critical insights into the operational requirements of a public offshore service vessel company. In addition, his experience as our former Chairman and as one of our directors, and as an officer of the original Hornbeck Offshore Services, Inc., give him a deep understanding of our operations and of the important role of the Board.

### **Incumbent Class III Directors**

The name, age as of April 20, 2012, principal occupation, and other information highlighting the particular experience, qualifications, attributes and skills concerning each Class III director are set forth below.

*Todd M. Hornbeck*, 43, has served as our President and as a director since he co-founded the Company in June 1997. Until February 2002, he also served as Chief Operating Officer. In February 2002, Mr. Todd Hornbeck was appointed Chief Executive Officer and in May 2005, he was appointed Chairman of the Board of Directors. Until February 2007, he also served as our Secretary. Mr. Todd Hornbeck worked for the original Hornbeck Offshore Services, Inc., from 1991 to 1996, serving in various positions relating to business strategy and development. Following its merger with Tidewater Inc. (NYSE:TDW) in March 1996, he accepted a position as Marketing Director Gulf of Mexico with Tidewater, where his responsibilities included managing relationships and overall business development in the U.S. Gulf of Mexico region. He remained with Tidewater until our formation. Mr. Todd Hornbeck currently serves as Chairman of the Board of Directors of OMSA, as a director of NOIA, and as Vice-Chairman of ISOA. Mr. Todd Hornbeck is the son of Larry D. Hornbeck, one of our directors.

As our co-founder, Mr. Todd Hornbeck brings his vision and goals for the Company to the Board. Under his leadership, we have expanded from a small private company to a large, global provider of technologically advanced offshore service vessels. Mr. Todd Hornbeck's extensive experience in the offshore service vessel industry, and over fourteen years leading our company, positions him well to serve as our Chairman, President and Chief Executive Officer. See also the section entitled Board Structure, Risk Oversight, Committee Composition and Meetings below.

*Patricia B. Melcher*, 52, has served as one of our directors since October 2002. In November 2009 she became the Chief Executive Officer of EIV Capital Management Co., LLC, which

manages EIV Capital Fund LP, a private equity fund focused on making investments in the energy industry. In September 2009, Ms. Melcher was also named a Manager of EIV Capital GP LLC, the ultimate general partner of EIV Capital Fund LP, and, in November 2009, Ms. Melcher was named a Principal and Key Person of EIV Capital Fund LP. Pursuant to her duties with respect to EIV Capital Fund LP, Ms. Melcher, from time to time, serves in various management or director capacities of certain of EIV Capital Fund LP's portfolio investment companies. Ms. Melcher also currently serves on the Board of Managers for Falco Energy Transportation, LLC, a privately held crude oil gathering and marketing company, a position she has held since December 2009. From November 2004 through August 2009, she co-founded and managed Go Appetit Foods, LLC (formerly Allegretto Ventures, LLC), a privately-owned company that developed and distributed innovative all natural foods and beverages, and was named Chief Executive Officer in February 2006. From 1997 to 2006, Ms. Melcher served as the President of Allegro Capital Management, Inc., a privately-owned investment company focused on private equity investments in, and consulting to, energy-related companies, and served as Interim CEO of Petrocom Energy Ltd., a privately held energy trading firm, from October 2003 to April 2004. From 1989 to 1994, she worked for SCF Partners, L.P., an investment fund sponsor specializing in private equity investments in oilfield service companies, and from 1995 to 1997, she served as a board member and advisory board member of its general partner, L.E. Simmons & Associates, Incorporated. From 1986 to 1989, Ms. Melcher worked for Simmons & Company International, or Simmons, one of the largest investment banks providing services exclusively to the energy industry.

With over 25 years' experience as a private equity investor, consultant and investment banker, Ms. Melcher brings to the Board significant experience in evaluating the financial and operating performance of companies and assessing risks in the energy industry. In addition, Ms. Melcher's past and current experience serving on the boards of for-profit as well as non-profit companies gives her a broad understanding of the financial needs and strategic priorities of companies in diverse industries, including oilfield services. Ms. Melcher's management and investment banking experience make her particularly well-suited to be a member of our Board and a member and chairman of our audit committee.

*Nicholas L. Swyka, Jr., 67*, was appointed to our Board of Directors as a Class III Director in February, 2012. Mr. Swyka has over 30 years of energy related investment banking experience. From September 1999 until his retirement in June 2011, he served as Vice Chairman of Simmons. During this time, Mr. Swyka also served on Simmons' Executive Management, Compensation and Underwriting Committees. From January 1987 until September 1999, he served as Managing Director and Co-Head of Investment Banking for Simmons. During that time, he functioned as senior team leader advising the Boards of Directors of both public and private energy companies on a significant number of transactions, including mergers, acquisitions and divestitures, as well as capital market transactions. Mr. Swyka continues to serve as an Advisory Director to Simmons pursuant to a consulting agreement. Mr. Swyka also currently serves as an Advisory Director to the University of Texas Marine Science Institute and NOIA.

Mr. Swyka brings to our Board significant industry experience, critical insights into the issues facing the global oil and gas industry, a proven track record of providing financial advisory services to the growing energy service sector and a personal knowledge, from having served as our financial advisor, of the history and the accomplishments of our Company since its inception.

## **Board Structure, Risk Oversight, Committee Composition and Meetings**

Our Board of Directors is comprised of nine members, including the Chairman, divided into three classes as described under Term of Directors above. Other than Mr. Todd Hornbeck, who serves as our President, Chief Executive Officer and Chairman, there are no other members of the Company's management that serve on the Board. Seven of the nine Board members are independent as contemplated under Commission and NYSE requirements. We have three committees of the Board—audit, compensation and nominating/corporate governance—that are comprised solely of independent directors, including their chairs. The Board may also establish other committees from time to time as necessary to facilitate the management of the business and affairs of the Company and to comply with the corporate governance rules of the NYSE. The Company has a lead independent director who chairs and oversees the executive sessions of the non-management directors (generally meeting at least quarterly) and independent directors (meeting at least annually). Of the eight non-management members of the Board, six have served as executive officers of public companies (two of whom are currently serving or have served in the combined positions of chairman and chief executive officer). All of our non-management directors, including the seven independent directors, have significant experience with Board processes, and specifically their role and responsibilities in oversight on behalf of the Company's stockholders. For additional information regarding our directors' backgrounds, see Term of Directors above. The existence and leadership of our lead independent director, the committee chairs and the committee members, all being independent directors, and the seven to two independent majority of the Board provides for substantial independent oversight of the Company.

In May 2005, the Board unanimously elected Mr. Todd Hornbeck as Chairman of the Board of Directors. Mr. Todd Hornbeck was the principal catalyst and visionary behind the creation of the Company as primarily a new generation offshore service vessel business and has been instrumental in the growth and development of the Company. He has served the Company as President since its founding in June 1997 and as Chief Executive Officer since February 2002. As President and Chief Executive Officer, Mr. Todd Hornbeck is responsible for the operation of the Company and the execution of the Company's strategy. Over the years, he has demonstrated excellent executive management skills and has led this Company from a greenfield start up to its present status as a publicly-held, NYSE-listed Company with 51 new generation OSVs, four MPSVs, nine ocean-going tugs (as well as six ocean-going tugs that are stacked and marketed for sale) and nine ocean-going tank barges with a net book value of \$1.6 billion as of December 31, 2011. The Company has also recently announced a program for the construction of 16 additional newbuild OSVs. Given the growth of the Company, and the importance of the performance of the Company and the execution of corporate strategy in the Board's considerations and duties, the Board believes that Mr. Todd Hornbeck is the person best qualified to serve as the Chairman of the Board. Additionally, it is the view of our Board that having Mr. Todd Hornbeck serve in the combined positions of President, Chief Executive Officer and Chairman of the Board is in the best interests of the Company and its stockholders. It signals to our employees, suppliers, customers and the investment community that a single person is responsible for providing direction in the management of the Company's operations and growth initiatives. Such a single leader helps avoid the potential for duplication of efforts, for confusing or conflicting senses of direction or for personality conflicts. Moreover, the structure of our Board and committees, the level of independence represented on each, the experience of our directors and our lead independent

director balance and complement the combined offices of Chairman, President and Chief Executive Officer. The Board maintains the authority to modify this structure if and when the Board believes such modification would be in the best interests of the Company and its stockholders.

In addition to his leadership skills, the Company has benefited and continues to benefit from Mr. Todd Hornbeck's experience with the original Hornbeck Offshore Services, Inc., a NASDAQ-listed company founded by his father, Mr. Larry Hornbeck, in 1981. The current Company carries the Hornbeck family name, uses the same horsehead logo and trademarks as the prior company and is able to benefit from long-standing working relationships with customers, vendors and Wall Street analysts, many of whom also had relationships with Todd and Larry Hornbeck at the prior public company. Unlike other companies that are led by non-founding managers, the Company benefits to a substantial extent from the history, entrepreneurial spirit, industry expertise and leadership of its founder.

The Company's leadership structure contributes to the manner in which the Board oversees risk by providing a high level of experience and independence to the process of risk oversight. The Board's oversight of risk is centered principally on risks associated with the Company's strategic plans, growth initiatives and financial results as well as risks attendant to the legal and regulatory environment in which the Company operates both domestically and abroad. The Board performs this oversight role by receiving and discussing reports each quarter from executive management, including major risks confronting the Company. A specific report concerning legal compliance is given each quarter in which the Board is advised of the approach to managing any known material legal risks being faced by the Company. While operational risk management is overseen by executive management, the Board also receives periodic reports, including discussions of the management of operating risks and the strategies employed by the Company in order to mitigate those risks, such as the placement of insurance and contracting strategies. The audit committee enhances the Board's oversight of risk management by regularly assessing the overall corporate tone for quality financial reporting and ethical behavior. Each quarter the audit committee discusses with executive management, the internal auditors and the independent auditor the adequacy and effectiveness of the Company's accounting and financial controls and, where appropriate, the Company's policies and procedures that impact business risks and certain of the Company's compliance programs. The Company's compensation policies and practices are described in the Compensation Discussion and Analysis section beginning on page 21 below. Such policies and practices do not create risks that are reasonably likely to have a material adverse effect on the Company.

The Board has determined that Ms. Patricia B. Melcher and Messrs. Bruce W. Hunt, Kevin O. Meyers, John T. Rynd, Steven W. Krablin, Bernie W. Stewart and Nicholas L. Swyka, Jr. are independent for purposes of Section 303A of the New York Stock Exchange ( NYSE ) Listed Company Manual. The Board based its determinations of independence primarily on a review of the responses our directors provided to questions regarding employment and compensation history, affiliations and family and other relationships. No material relationships between the Company and any independent directors were discerned.

During 2011, our Board of Directors held six meetings and took action by unanimous written consent five times. All of the directors attended at least 75% of the aggregate number

of meetings of the Board of Directors and of each committee of the Board on which they served. All directors are expected to attend Annual Meetings, and all of our directors attended our last Annual Meeting of Stockholders.

At a regularly scheduled Board meeting on February 15, 2011, Mr. David A. Trice, then a director of the Company, submitted his resignation as a director of the Company effective at the conclusion of such Board meeting. Mr. Trice was then serving as one of four members of the audit committee and as Chair of the compensation committee. At the time of his resignation and throughout 2010, Mr. Trice was an independent director as contemplated under Commission and NYSE requirements. The Board considered the business transactions that occurred between the Company and Mr. Trice's former employer, Newfield Exploration Company, as described below under Certain Relationship with Related Persons.

The Company has established Corporate Governance Guidelines, which may be found on the Governance page of the Company's website, [www.hornbeckoffshore.com](http://www.hornbeckoffshore.com). The Corporate Governance Guidelines include the definition of independence used by the Company to determine whether its directors and nominees for directors are independent, which are the same qualifications prescribed under the NYSE Listing Standards. Pursuant to the Company's Corporate Governance Guidelines, our non-management directors are required to meet in separate sessions without management on a regularly scheduled basis four times a year. Generally, these meetings occur as an executive session without the management director in attendance in conjunction with regularly scheduled meetings of the Board throughout the year. If the non-management directors include directors that are not independent directors (as determined by our Board), the independent directors are required to meet in at least one separate session annually that includes only the independent directors. Because the Chairman of the Board is also a member of management, the non-management directors' and independent directors' separate sessions are presided over by the Lead Independent Director or in his absence by an independent director elected by a majority of the independent directors.

#### **Committees of the Board of Directors**

##### *Audit Committee*

The Board of Directors has established an audit committee currently comprised of Ms. Melcher and Messrs. Hunt, Krablin and Stewart, with Ms. Melcher as Chair. The audit committee operates under a written charter adopted by the Board of Directors. The Board has determined that each director currently serving on the audit committee is independent for purposes of Section 10A(m)(3) of the Exchange Act, and Section 303A.07 of the New York Stock Exchange, or NYSE, Listed Company Manual and satisfies the financial literacy requirements of the NYSE. The Board has also determined that each of Ms. Melcher and Mr. Krablin qualifies as an audit committee financial expert as defined in Item 407(d)(5)(ii) of Regulation S-K of the Exchange Act. Ms. Melcher and Mr. Krablin are financially literate and have accounting or related financial management expertise, as described in their biographical information under Director Nominees and Voting above. The audit committee met five times during 2011 and took action by unanimous written consent once in 2011.

In addition to certain duties prescribed by applicable law, the audit committee is charged, under its written charter, to select and engage the independent public accountants to audit

our annual financial statements, subject to stockholder ratification. The audit committee also establishes the scope of, and oversees the annual audit and approves any other services provided by public accounting firms. Furthermore, the audit committee provides assistance to the Board in fulfilling its oversight responsibility to the stockholders, potential stockholders, the investment community and others relating to the integrity of our financial statements, our compliance with legal and regulatory requirements, the independent auditor's qualifications and independence, the performance of our internal audit function and independent auditor, and oversees our system of disclosure controls and procedures and system of internal controls regarding finance, accounting, legal compliance and ethics that management and the Board have established. In doing so, it is the responsibility of the audit committee to maintain free and open communication between the audit committee and our independent auditors, the internal auditing function and management of the company. See [Audit Committee Report](#) below for further information on the functions of the audit committee.

#### *Compensation Committee*

The Board of Directors has established a compensation committee currently comprised of Messrs. Krablin, Meyers, Rynd and Stewart, with Mr. Stewart as Chair. The compensation committee operates under a written charter adopted by the Board of Directors. In addition to certain duties prescribed by applicable law, the compensation committee is charged, under its written charter, to address all forms of compensation of the Company's executive officers and directors. The compensation committee approves and monitors annual executive and director compensation over the course of each year and as part of the Company's annual budget process. The compensation committee has sole authority to retain compensation consultants and may not form or delegate authority to subcommittees without Board approval. See [Compensation Discussion and Analysis](#) below for additional information on the Company's procedures for consideration and determination of executive and director compensation.

Our Board has determined that each member of the compensation committee meets the independence requirements of the NYSE. The compensation committee met five times during 2011 and took action by unanimous written consent once in 2011.

#### *Nominating/Corporate Governance Committee*

Our Board of Directors has also established a nominating/corporate governance committee, currently comprised of Messrs. Hunt, Krablin, Stewart and Swyka, with Mr. Hunt as Chair. In addition to certain duties prescribed by NYSE listing requirements, the committee is charged, under its written charter, to develop, review and recommend to the Board a set of corporate governance principles for the Company, and to identify, review and recommend to the Board possible candidates for Board membership.

Our Board has determined that each member of the nominating/corporate governance committee meets the independence requirements of the NYSE. The nominating/corporate governance committee met three times during 2011 and took action by unanimous written consent twice in 2011.

#### *Availability of Certain Committee Charters and Other Information*

The charters for our audit, compensation and nominating/corporate governance committees, as well as our Corporate Governance Guidelines, Procedures for





Communication with Directors, Employee Code of Business Conduct and Ethics (which applies to all employees, and includes special provisions applicable to our Chief Executive Officer and our principal Financial and Accounting Officer), and Code of Business Conduct and Ethics for Members of the Board of Directors, can all be found, free of charge, on the Governance page of the Company's website, [www.hornbeckoffshore.com](http://www.hornbeckoffshore.com). We intend to disclose any changes to or waivers from the Employee Code of Business Conduct and Ethics that would otherwise be required to be disclosed under Item 5.05 of Form 8-K on our website. We will also provide printed copies of these materials to any stockholder or other interested person upon request to Hornbeck Offshore Services, Inc., Attn: Samuel A. Giberga, General Counsel, 103 Northpark Boulevard, Suite 300, Covington, Louisiana 70433. The information on our website is not, and shall not be deemed to be, a part of this report or incorporated into any other filings we make with the Securities and Exchange Commission, or the Commission.

We also make available on our website, free of charge, access to our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and any amendments to those reports, as well as other documents that we file with or furnish to the Commission pursuant to Sections 13(a) or 15(d) of the Exchange Act, as soon as reasonably practicable after such documents are filed with, or furnished to, the Commission.

### **Nomination Process**

It is our Board of Directors' responsibility to nominate members for election to the Board and for filling vacancies on the Board that may occur between annual meetings of stockholders. The nominating/corporate governance committee assists the Board by identifying and reviewing potential candidates for Board membership consistent with criteria approved by the Board. The nominating/corporate governance committee also annually recommends qualified candidates (which may include existing directors) for approval by the Board of a slate of nominees to be proposed for election to the Board at the annual meeting of stockholders. Having considered the qualifications of these individuals, in February 2012, the nominating/corporate governance committee approved the Class III director candidates, and recommended to the Board of Directors the reelection of the three candidates nominated above.

As provided in the Company's Bylaws, the Board is authorized to nominate and elect a new director when a vacancy occurs between annual meetings of stockholders. In the event of a vacancy on the Board between annual meetings of the Company's stockholders, the Board may request that the nominating/corporate governance committee identify, review and recommend qualified candidates for Board membership for Board consideration to fill such vacancies, if the Board determines that such vacancies will be filled. The Company's Bylaws allow for up to nine directors. At present, the Company has nine directors. The Board is permitted by the Bylaws to create a new directorship upon the affirmative vote of 66 2/3% of the directors then in office and to fill existing or newly created directorship slots by a majority vote of the directors then in office. Three new directors, Mr. Rynd, Dr. Meyers and Mr. Swyka were approved by the Board during the last twelve months.

When formulating its recommendations for potential Board nominees, the nominating/corporate governance committee seeks and considers advice and recommendations from management, other members of the Board and may seek or consider advice and

recommendations from consultants, outside counsel, accountants, or other advisors as the nominating/corporate governance committee or the Board may deem appropriate.

Board membership criteria, which are disclosed in the Company's Corporate Governance Guidelines on the Governance page of the Company's website, *www.hornbeckoffshore.com*, are determined by the Board, with input from the nominating/corporate governance committee. The Board is responsible for periodically determining the appropriate skills, perspectives, experiences, and characteristics required of Board candidates, taking into account the Company's needs and current make-up of the Board. This assessment should include appropriate knowledge, experience, and skills in areas deemed critical to understanding the Company and its business; personal characteristics, such as integrity and judgment; and the candidate's commitments to the boards of other companies. While the Board does not have a formal policy with respect to diversity of potential Board nominees, the nominating/corporate governance committee considers the impact a potential Board nominee would have in terms of increasing the diversity of the Board with respect to professional experience, background, viewpoints, skills and areas of expertise. The resulting diversity of the Board allows each member of the Board an opportunity to provide specific input to Board decisions in his or her respective area of expertise. Each Board member is expected to ensure that other existing and planned future commitments do not materially interfere with the member's service as a director and that he or she devotes the time necessary to discharge his or her duties as a director. The Board believes the qualification guidelines included as Exhibit A to the Company's Corporate Governance Guidelines are currently appropriate, but it may change these guidelines as the Company's and Board's needs warrant.

### **Nominations for Directors**

The nominating/corporate governance committee will consider candidates for director nominees that are recommended by stockholders of the Company in the same manner as Board recommended nominees, in accordance with the procedures set forth in the Bylaws. Any such nominations should be submitted to the Board of Directors, care of the Corporate Secretary, Hornbeck Offshore Services, Inc., 103 Northpark Boulevard, Suite 300, Covington, Louisiana 70433 and accompany it with the following information:

appropriate biographical information, a statement as to the qualifications of the nominee and any other information relating to such nominee that is required to be disclosed pursuant to Regulation 14A under the Exchange Act (including such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected); and

the name(s) and address(es) of the stockholder(s) making the nomination and the number of shares of the Company's common stock that are owned beneficially and of record by such stockholder(s).

The written recommendation should be submitted within the time frame described under the caption "Stockholder Proposals" above.

### **Communications with the Board of Directors**

The Board of Directors, of which a majority are independent, has unanimously approved a process for stockholders, or other interested persons, to communicate with the Board of

Directors. This process is located on the Governance page of the Company's website, [www.hornbeckoffshore.com](http://www.hornbeckoffshore.com). The relevant document is titled "Procedures for Communication with Directors."

In addition, stockholders, or other interested persons, wishing to communicate with our Board of Directors for Anonymous Complaints about Accounting, Internal Accounting Control and Auditing Issues may call the Company's toll-free Governance Hotline at 1-800-506-6374 as more particularly described on the Hotline page of the Company's website, [www.hornbeckoffshore.com](http://www.hornbeckoffshore.com). Our audit committee monitors these calls. All calls are documented, and those reports that are deemed to be substantive will be passed on to the Board. Stockholders, or other interested persons, calling the hotline should provide a sufficiently detailed description of the nature of the matter that the person wishes to communicate with the Board, as well as a name, telephone number, email address, or other contact information so that the Company can either respond to the communication or obtain additional information about the matter. More information regarding this hotline and reporting procedures is available on the Corporate Governance section of our website, [www.hornbeckoffshore.com](http://www.hornbeckoffshore.com).

## **Proposal No. 2 Selection and Ratification of the Independent Registered Public**

### **Accountants and Auditors**

Our audit committee and Board of Directors seek stockholder ratification of the reappointment of Ernst & Young LLP to act as the independent registered public accountants and auditors of our consolidated financial statements for the 2012 fiscal year. If the stockholders do not ratify the appointment of Ernst & Young, the audit committee will reconsider this appointment. Representatives of Ernst & Young are expected to be present at the Annual Meeting to respond to appropriate questions, and those representatives will also have an opportunity to make a statement if they desire to do so.

The affirmative vote of a majority of the shares of common stock entitled to vote and represented in person or by proxy at a meeting at which a quorum is present is required to ratify the selection of the independent auditors.

**The Board of Directors unanimously recommends that the stockholders vote FOR the ratification of the reappointment of Ernst & Young LLP as the Company's independent registered public accountants and auditors for fiscal year 2012.**

### **Independent Auditors and Fees**

Ernst & Young LLP, certified public accountants, began serving as the Company's independent auditors in 2002. The audit committee approved the reappointment of Ernst & Young LLP as independent registered public accountants and auditors for the 2012 fiscal year, subject to ratification by the stockholders.

The following table presents fees for professional audit services rendered by Ernst & Young for the audit of the Company's annual financial statements for the years ended December 31, 2011 and 2010, and fees billed for other services rendered by Ernst & Young during those periods.

	<b>Year Ended December 31,</b>	
	<b>2011</b>	<b>2010</b>
Audit fees (1)	\$ 541,626	\$ 320,035
Audit related fees (2)	10,000	10,000
Tax fees (3)	222,660	192,238
 Total	 \$ 774,286	 \$ 522,273

- (1) Audit fees: Consists of fees billed for professional services rendered for the audit of the Company's consolidated financial statements, for the review of the interim condensed consolidated financial statements included in quarterly reports, services that are normally provided by Ernst & Young in connection with statutory and regulatory filings or engagements and attest services, except those not required by statute or regulation. Audit fees for 2011 included \$134,895 related to our 2011 equity offering.
- (2) Audit related fees: Consists of fees billed for assurance and related services that are reasonably related to the performance of the audit or review of the Company's consolidated financial statements and are not reported under Audit Fees. These services include accounting consultations in connection with acquisitions, attest services that are not required by statute or regulation, and consultations concerning financial accounting and reporting standards.
- (3) Tax fees: Consists of tax compliance and preparation and other tax services. Tax compliance and preparation consists of fees billed for professional services related to federal, state and international tax compliance, assistance with tax audits and appeals, assistance related to the impact of mergers and acquisitions, and tax return preparation. Other tax services consist of fees billed for other miscellaneous tax consulting and planning.

#### **Policy on Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of Independent Auditors.**

The audit committee is responsible for appointing, setting compensation, and overseeing the work of the independent auditors. The audit committee's policy is to pre-approve all audit and permissible non-audit services provided by the independent auditors. Requests for approval are generally submitted at a meeting of the audit committee. The audit committee may delegate pre-approval authority to a committee member, provided that any decisions made by such member shall be presented to the full committee at its next scheduled meeting.

#### **Proposal No. 3 Advisory Vote on Executive Compensation**

In accordance with the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, or the Dodd-Frank Act, Section 14A of the Exchange Act and the preference for annual non-binding advisory votes on executive compensation expressed by our shareholders at the 2011 Annual Meeting, the Company is providing its stockholders the opportunity to cast a non-binding advisory vote on the compensation of our named executive officers. This vote is commonly referred to as a "Say-on-Pay" vote.

As more fully described in the Compensation Discussion and Analysis section of this Proxy Statement beginning on page 21, the Company's compensation programs are structured to align the interests of our executive officers with the interests of stockholders. As a result, our compensation programs are designed to attract, reward and retain key executives who are critical to the Company's long-term success. Under these programs, a significant portion of each executive officer's compensation opportunities are generally based on the achievement of specific annual and long-term corporate goals that enhance

stockholder value. As noted under the Compensation Discussion and Analysis section of this Proxy, due to uncertainty created by the regulatory de facto moratorium, cash consideration in excess of base salary was left to the sole discretion of the compensation committee for 2011.

The compensation committee reviews the compensation programs for executive officers to ensure that they achieve the desired goals of aligning the Company's executive compensation structure with stockholders' interests and competitive market practices. We have traditionally established a target based on earnings before interest, taxes, depreciation and amortization, or EBITDA, adjusted by loss on early extinguishment of debt, stock-based compensation expense and interest income (as applicable), or adjusted EBITDA, against which annual cash incentive compensation is paid. As discussed under the Compensation Discussion and Analysis section of this Proxy, in 2012, the Company revised this approach, adding two new non-discretionary performance measures based on Upstream operating margin and safety. The compensation committee uses a variety of vehicles and vesting periods to deliver long-term incentive awards to executive officers. For example, in 2011, time-vest and performance-based restricted stock units as well as time-vest stock options were granted to executive officers. Both internal measures and measures of Company performance relative to peers have been used as a basis on which to award long-term compensation to executive officers.

The Company is seeking your approval, on an advisory basis, of the compensation of our named executive officers as described in this Proxy Statement, including the Compensation Discussion and Analysis.

This Say-on-Pay vote is advisory; therefore it will not be binding on the Company, our Board of Directors or the compensation committee. However, the compensation committee and Board of Directors value constructive dialogue on executive compensation and other governance topics with our stockholders and encourage all stockholders to vote their shares on this matter. The compensation committee and Board of Directors considered the affirmative results of last year's Say-on-Pay vote when evaluating executive compensation programs in 2012 and will consider the outcome of this year's vote when evaluating future executive compensation programs.

**The Board of Directors unanimously recommends that the stockholders vote FOR the approval of the compensation for the Company's named executive officers as set forth in the Compensation Discussion and Analysis, the Summary Compensation Table and the related compensation tables and narrative in this Proxy Statement.**

---

**EXECUTIVE OFFICERS**

The names, ages as of April 20, 2012, position and other information concerning our executive officers are set forth below.

<b>Name</b>	<b>Age</b>	<b>Position</b>
Todd M. Hornbeck	43	Chairman, President and Chief Executive Officer (CEO)
Carl G. Annessa	55	Executive Vice President and Chief Operating Officer (COO)
James O. Harp, Jr.	51	Executive Vice President and Chief Financial Officer (CFO)
Samuel A. Giberga	50	Executive Vice President, General Counsel and Chief Compliance Officer (CCO)
John S. Cook	43	Senior Vice President and Chief Information Officer (CIO)
Kimberly S. Patterson	55	Senior Vice President and Chief Human Resources Officer (CHRO)

*Todd M. Hornbeck* has served as our President and as a director since he co-founded the Company in June 1997. Until February 2002, he also served as Chief Operating Officer. In February 2002, he was appointed Chief Executive Officer. In May 2005, he was appointed Chairman of the Board. Until February 2007, he also served as our Secretary. Please refer to Director Nominees and Voting above for additional information with respect to Mr. Todd Hornbeck's background and experience.

*Carl G. Annessa* was appointed Executive Vice President in February 2005. Prior to that time, Mr. Annessa served as our Vice President of Operations beginning in September 1997. In February 2002, he was appointed Vice President and Chief Operating Officer. Mr. Annessa is responsible for operational oversight and design and implementation of our vessel construction programs. Prior to joining us, he was employed for 17 years by Tidewater Inc. (NYSE:TDW) in various technical and operational management positions, including management of large fleets of offshore supply vessels in the Arabian Gulf, Caribbean and West African markets, and was responsible for the design of several of Tidewater's vessels. Mr. Annessa was employed for two years by Avondale Shipyards, Inc. as a naval architect before joining Tidewater. Mr. Annessa received a degree in naval architecture and mechanical engineering from the University of Michigan in 1979.

*James O. Harp, Jr.* was appointed Executive Vice President in February 2005. Prior to that time, Mr. Harp served as our Vice President and Chief Financial Officer beginning in January 2001. Before joining us, Mr. Harp served as Vice President in the Energy Group of RBC Dominion Securities Corporation, an investment banking firm, from August 1999 to January 2001, and as Vice President in the Energy Group of Jefferies & Company, Inc., an investment banking firm, from June 1997 to August 1999. During his investment banking career, Mr. Harp worked extensively with marine-related oil service companies, including as our investment banker in connection with our private placement of common stock in November 2000. From July 1982 to June 1997, he held roles of increasing responsibility in the tax section of Arthur Andersen LLP, ultimately serving as a Tax Principal, and had a significant concentration of international clients in the oil service and maritime industries. Since April 1992, he has also served as Treasurer and Director of SEISCO, Inc., a privately held seismic brokerage company that he co-founded. Mr. Harp is an inactive certified public accountant in Louisiana.

*Samuel A. Giberga* was appointed Executive Vice President in June 2011. Prior to that time, Mr. Giberga served as our Senior Vice President beginning in February 2005.

Mr. Giberga has also served as our General Counsel since January 2004 and our Chief Compliance Officer since June 2011. Prior to joining us, Mr. Giberga was engaged in the private practice of law for fourteen years. Mr. Giberga was a partner in the New Orleans based law firm of Corro, Fishman, Haygood, Phelps, Walmsley & Casteix from February 2000 to December 2003 and served as a partner at Rice, Fowler, Kingsmill, Vance & Flint, LLP from March 1996 to February 2000. During his legal career, Mr. Giberga has worked extensively with marine and energy service companies in a variety of contexts with a significant concentration in general business, international and intellectual property matters. He was also a co-founder of Maritime Claims Americas, L.L.C., which operates a network of correspondent offices for marine protection and indemnity associations throughout Latin America. From June 2005 through February 2007, Mr. Giberga served as a director of the American Steamship Owners Mutual Protection and Indemnity Association Inc. (the American Club), a mutual protection and indemnity association in which the Company's principal operating subsidiaries were then entered as members. Mr. Giberga also served as an adjunct professor in intellectual property law matters at Loyola University Law School in New Orleans.

*John S. Cook* was appointed Senior Vice President in May 2008. Mr. Cook was designated an executive officer and appointed a Vice President in February 2006. Mr. Cook has also served as our Chief Information Officer since May 2002. Before joining us, Mr. Cook held roles of increasing responsibility in the business consulting section of Arthur Andersen LLP from January 1992 to May 2002, ultimately serving as a Senior Manager. During his consulting career, Mr. Cook assisted numerous marine and energy service companies in various business process and information technology initiatives, including strategic planning and enterprise software implementations. Mr. Cook is a certified public accountant in Louisiana and is a member of the American Institute of Certified Public Accountants and the Society of Louisiana Certified Public Accountants and is a Certified Information Systems Auditor.

*Kimberly S. Patterson* was appointed Senior Vice President and designated an executive officer in May 2009. Ms. Patterson was hired as Vice President and Chief Human Resources Officer in July 2008. Prior to joining us, Ms. Patterson provided management consulting services in the areas of strategic planning, diversity, succession, M&A and coaching. From 2001 through 2007, Ms. Patterson was Senior Vice President Human Resources at BE&K, an engineering and construction company. From 1994 to 2000, Ms. Patterson held positions of increasing responsibility, including Vice President Human Resources, with Sony Electronics Inc. From 1990 to 1993, Ms. Patterson was employed by AB Electrolux, Stockholm, at its North American headquarters as Vice President Benefits and Compensation. Ms. Patterson began her career in the steel industry with National Steel in 1978 and progressed to National's holding company, National Intergroup, with human resources responsibilities for FoxMeyer, National Aluminum, Genix, Ben Franklin and other affiliates. Throughout her career, Ms. Patterson has served and led non-profit organizations including Catalyst, the United Way, INROADS and the Hoover City Schools Foundation. Ms. Patterson holds a J.D. from Duquesne University and is admitted to the practice of law in Ohio and Pennsylvania. She received her bachelor's degree from Carnegie Mellon University, where she received a degree in psychology and industrial administration.

## EXECUTIVE COMPENSATION

### Compensation Discussion and Analysis

#### *Philosophies and objectives of the Company's executive compensation program*

The Company's executive compensation programs reflect its entrepreneurial culture and philosophy that executives, including our named executive officers, 1) are hired to devise and execute strategies that create long-term stockholder value consistent with the Company's mission statement; and 2) are appropriately rewarded for doing so. The objectives of our executive compensation programs are 1) to attract and retain executives that possess abilities essential to the Company's long-term competitiveness and success; 2) to support a performance-oriented environment; and 3) to create a culture of ownership allowing executives to share meaningfully with stockholders in the long-term enhancement of stockholder value.

The Company's compensation program for executive officers rewards the following attributes:

*Financial Performance.* The Company rewards decision-making that achieves operating results that increase stockholder value over the long-term and compare favorably to the operating results of our peers.

*Excellence.* The Company expects its executive officers to discharge their duties with excellence and professionalism. The Company expects a high level of enthusiasm, diligence, analytical rigor, business acumen and attention to detail.

*Leadership.* Executives of the Company are expected to demonstrate leadership.

*Teamwork.* Executives are evaluated as members of a team, not merely as individuals.

*Loyalty.* We promote a culture of ownership throughout the Company and reward employees, including our named executive officers, who remain dedicated to the Company over the long-term with equity ownership opportunities.

*Prudent Operating Practices.* The Company expects executive decision-making that promotes safe, effective and prudent work practices.

#### *The elements of compensation used by the Company*

The Company's executive compensation program is comprised of the following elements:

Base Salary



## Edgar Filing: HORNBECK OFFSHORE SERVICES INC /LA - Form DEF 14A

Cash Incentive Compensation and, when appropriate, Cash Bonuses

Equity Incentive Compensation

Benefits and Certain Perquisites

*Generally.* The compensation committee considers Company information, historical compensation information about each executive officer and data derived from market sources, including data regarding peer companies, as points of reference for the

appropriate mix of compensation elements. Historically, total annual cash compensation, which consists of base salary, cash incentive compensation and bonuses, has been targeted above the median of the Industry Peer Group (as defined below) while equity incentive compensation has been targeted at or above the seventy-fifth percentile of the Industry Peer Group. Total direct compensation, which includes both total annual cash compensation and equity incentive compensation, but excludes other compensation, has been targeted historically between the sixtieth and seventy-fifth percentiles for our named executive officers. At the outset of 2011, the Company was confronted with significant uncertainty caused by the then on-going de facto regulatory drilling moratorium in the U.S. Gulf of Mexico, or GoM, which impacted the ability of the Company to establish meaningful incentive cash compensation targets for the executive management team that would be consistent with historical targets. In February 2011, the compensation committee, in consultation with management, determined that for 2011, cash compensation above base salaries would consist solely of cash bonuses to be determined at the discretion of the Compensation Committee at the conclusion of the year depending upon the Company's financial condition and management's performance during this period of uncertainty. As discussed below, in February 2012, the compensation committee determined that it was appropriate to award cash bonuses to each of the named executive officers to recognize their performance during the de facto moratorium while recognizing the fact that the Company sustained a moratorium induced net loss for the year. Consequently, in 2011 total direct compensation of our named executive officers was below the historic targets.

A discussion concerning how we conduct comparisons with other companies, including our use of compensation consultants and our Industry Peer Group, is provided in the sections entitled "How and when we have used a compensation consultant" and "How and why we benchmark executive compensation against our peers" on pages 30 through 32 below.

*Base Salary.* The Company pays base salary to executive officers in order to compensate them for day-to-day services rendered to the Company over the course of each year. Salaries for executive officers are reviewed annually by the compensation committee. In determining individual salaries, the compensation committee considers the scope of the executive's job responsibilities, unique skill sets and experience, individual contributions, market conditions, current compensation as compared to peer and competitor companies, including the Industry Peer Group, and the Company's annual financial budget. In addition, the compensation committee considers the overall performance of the Company and the recommendations of the Chief Executive Officer, as they concern the compensation of the other executive officers. After three consecutive years without salary increases for our executive officers, the compensation committee awarded base salary increases in 2012 for all of our executive officers to the salary levels set forth below effective January 1, 2012:

<b>Executive</b>	<b>Title</b>	<b>2011 Base Salary</b>	<b>2012 Base Salary</b>
Todd M. Hornbeck	Chairman, President & CEO	\$ 575,000	\$ 601,000
Carl G. Annessa	Executive Vice President & COO	\$ 350,000	\$ 364,000
James O. Harp, Jr.	Executive Vice President & CFO	\$ 350,000	\$ 364,000
Samuel A. Giberga.	Executive Vice President, General Counsel & CCO	\$ 275,000	\$ 286,000
John S. Cook.	Senior Vice President & CIO	\$ 250,000	\$ 259,000
Kimberly S. Patterson	Senior Vice President & CHRO	\$ 225,000	\$ 233,000

*Cash Incentive Compensation and Bonuses.* The Company utilizes cash incentive compensation in order to incentivize the achievement of specific results each year and to encourage short-term performance. Other than the percentage of base salary that can be achieved as set forth in the table below, the program for awarding annual cash incentive compensation, as described in the discussion of the employment agreements of Messrs. Hornbeck, Annessa, Harp and Giberga, is identical for all of our executive officers. For the years 2008 through 2010, employment agreements contained an adjusted EBITDA target established by the compensation committee as well as a discretionary component, determined by the compensation committee.

Following the Deepwater Horizon disaster, the federal government imposed a moratorium on offshore drilling in the GoM. Due to the moratorium and the subsequent de facto regulatory moratorium that had a dramatic impact on drilling activities in the GoM, management and the Board of Directors concluded that a budget and related EBITDA target could not be realistically implemented for 2011. Until greater certainty regarding the regulatory restraints on the return to drilling in the GoM could be achieved, it was determined by the compensation committee and management that such an exercise would be unproductive. The compensation committee and management concluded that for 2011 the cash compensation in excess of base salary would be determined solely at the discretion of the compensation committee. In February 2012, the compensation committee determined to award each of the executive officers a discretionary cash bonus for 2011 equal to 50% of such officer's base salary for Messrs. Todd Hornbeck, Annessa and Harp and 37.5% for Messrs. Giberga and Cook and Ms. Patterson. In exercising this discretion, the compensation committee considered the Company's overall performance in 2011 in light of the significant obstacles presented by the regulatory environment in the aftermath of the Deepwater Horizon incident. The compensation committee also took into account the Company's execution of post-Deepwater Horizon operations both in the GoM and its expansion of international operations as well as cost cuts achieved during 2011 that enabled the Company to avoid more significant operating margin erosion. The cash bonuses awarded for 2011 resulted in the named executive officers not achieving historical total cash compensation targets that had been considered appropriate for them by the compensation committee in prior years. The lower than historically targeted compensation was not driven by performance concerns of the named executive officers, but rather, because the Company sustained a net loss for the year, despite significant accomplishments by the named executive officers during the year. Notwithstanding what the compensation committee considered to be a high level of performance, it was determined that, consistent with the Company's overall philosophy of compensation that links company performance and pay, it was appropriate to not award cash bonuses that would have been at levels that have been historically targeted.

Following a review by the compensation committee of prior approaches to incentive compensation, for 2012, the Company's approach to awarding cash incentive compensation was revised from the practice used in recent years. The compensation committee adopted this new approach to more closely align cash incentive compensation with business drivers that are under greater control by management and provide diversity in performance measures rather than the prior singular focus on EBITDA. After considering alternative performance metrics and the recommendation of the committee's compensation consultant, it was determined to award cash incentive compensation based on four components: (i) the Company achieving an adjusted EBITDA target, (ii) the Company achieving an operating

margin for the Upstream segment equal to or greater than the average operating margin achieved by the Company's Public Company OSV Peer Group (as discussed below), (iii) the Company maintaining a total recordable incident rate for the Upstream segment lower than or equal to the average of the latest available annual industry benchmarks set forth by the International Association of Drilling Contractors (for U.S. waters), or IADC, and the Offshore Marine Service Association, or OMSA, and (iv) the discretion of the compensation committee. Under this methodology, the adjusted EBITDA component represents 37.5% of the aggregate potential cash incentive compensation, the Upstream operating margin component and the Upstream safety component each represents 18.75% of the aggregate potential cash incentive compensation and the discretionary component represents 25% of aggregate potential cash incentive compensation, each such percentage being referred to herein as an Applicable Percentage. Further, under this methodology, for the adjusted EBITDA and Upstream operating margin components, achievement of 75% of a component target earns a bonus of 50% of base salary multiplied by the Applicable Percentage, achievement of 100% of a component target earns a bonus of 100% of base salary multiplied by the Applicable Percentage, and achievement of 125% of a component target earns a bonus of 200% of base salary multiplied by the Applicable Percentage, with bonuses interpolated on a straight-line basis for target results between 75% and 100%, or 100% and 125%, as applicable. For the safety component, achievement of 125% of a component target earns a bonus of 50% of base salary multiplied by the Applicable Percentage, achievement of 100% of a component target earns a bonus of 100% of base salary multiplied by the Applicable Percentage, and achievement of 75% of a component target earns a bonus of 200% of base salary multiplied by the Applicable Percentage, with bonuses interpolated on a straight-line basis for target results between 125% and 100%, or 100% and 75%, as applicable. The executive officer employment agreements were amended effective January 1, 2012 to reflect this new approach. Our Public Company OSV Peer Group consists of SEACOR Holdings Inc. (NYSE:CKH), GulfMark Offshore, Inc. (NYSE:GLF), Tidewater Inc. (NYSE:TDW), Farstad Shipping (NO:FAR), Solstad Offshore (NO:SOFF), Deep Sea Supply (NO:DESSC), DOF ASA (NO:DOF), Siem Offshore (NO:SIOFF), Groupe Bourbon SA (GBB:FP), Havila Shipping ASA (NO:HAVI), Eidesvik Offshore (NO:EIOF) and Ezra Holdings Ltd (SI:EZRA).

A discussion concerning our use of adjusted EBITDA, Upstream operating margin and Upstream total recordable incident rate in connection with compensation-related matters is described in the section entitled "How and why we use our performance measures to determine whether cash compensation has been earned" on pages 33 and 34 below. The compensation committee also reviews the recommended cash incentive compensation potential of each executive officer not subject to an employment agreement, and may revise, upward or downward, the threshold, target and maximum percentages of base salary that can be awarded to each of them as compensation under the first three components.

Based upon the recommendation of the compensation committee's consultant which conducted a review of prevailing industry executive compensation practices, it was determined to modify the threshold level of performance necessary to qualify for incentive compensation from 80% to 75% and to increase the percentage awarded at threshold from 20% to 50%. Mr. Giberga was promoted during 2011 to Executive Vice President and also assumed the additional role of Chief Compliance Officer. In recognition of his increased responsibilities, the compensation committee approved the entry into an employment agreement with him which, among other things, increased his cash incentive pay eligibility to

be commensurate with the other executive vice presidents commencing in 2012. The table below demonstrates the eligibility of each executive officer under the EBITDA and Upstream operating margin components of the approach adopted for 2012 to determine cash incentive compensation:

Executive	Title	Minimum Cash Incentive Compensation @ 75% of Plan (% of Base Salary)	Target Cash Incentive Compensation @ 100% of Plan (% of Base Salary)	Maximum Cash Incentive Compensation @ 125% of Plan (% of Base Salary)
Todd M. Hornbeck	Chairman, President & CEO	50.00%	100.00%	200.00%
Carl G. Annessa	Executive Vice President & COO	50.00%	100.00%	200.00%
James O. Harp, Jr.	Executive Vice President & CFO	50.00%	100.00%	200.00%
Samuel A. Giberga.	Executive Vice President, General Counsel & CCO	50.00%	100.00%	200.00%
John S. Cook.	Senior Vice President & CIO	50.00%	75.00%	131.26%
Kimberly S. Patterson.	Senior Vice President & CHRO	50.00%	75.00%	131.26%

Similarly, the table below demonstrates the eligibility of each executive officer under the Upstream safety component of the approach adopted for 2012 to determine cash incentive compensation:

Executive	Title	Minimum Cash Incentive Compensation @ 125% of Plan (% of Base Salary)	Target Cash Incentive Compensation @ 100% of Plan (% of Base Salary)	Maximum Cash Incentive Compensation @ 75% of Plan (% of Base Salary)
Todd M. Hornbeck	Chairman, President & CEO	50.00%	100.00%	200.00%
Carl G. Annessa	Executive Vice President & COO	50.00%	100.00%	200.00%
James O. Harp, Jr.	Executive Vice President & CFO	50.00%	100.00%	200.00%
Samuel A. Giberga	Executive Vice President, General Counsel & CCO	50.00%	100.00%	200.00%
John S. Cook.	Senior Vice President & CIO	50.00%	75.00%	131.26%
Kimberly S. Patterson	Senior Vice President & CHRO	50.00%	75.00%	131.26%

In extraordinary circumstances, such as the Company's initial public offering of common stock in 2004 and the Sea Mar acquisition in 2007, the compensation committee can, and has, awarded accomplishment-specific bonuses to the executive officers that exceed the incentive cash compensation derived under the formulaic approach. Further, as noted above, for 2011, given the significant uncertainty confronting the Company at the outset of 2011, all cash compensation above base salary was awarded as a bonus at the sole discretion of the compensation committee.

*Equity Incentive Compensation.* The Company believes that the interests of stockholders are best served when a meaningful portion of executive and management compensation is tied to equity ownership. Pursuant to the Company's incentive compensation plan, the compensation committee is authorized to grant stock options, stock appreciation rights, phantom stock unit awards, restricted stock awards, restricted stock unit awards and other equity-based awards. The Company uses a combination of stock options, restricted stock unit awards and phantom stock unit awards as a means to incentivize long-term employment and performance and to align individual compensation with the objective of building long-term stockholder value. The Company uses equity incentive compensation, with vesting based on time, performance or both, as a means of encouraging a culture of ownership among employees, including our named executive officers. The compensation committee believes



that by using equity forms of incentive compensation, the interests of the Company's stockholders and the Company's management employees remain aligned over the long-term. The compensation committee exercises discretion in determining the number and type of equity awards to be given to our executive officers as long-term incentive compensation. In exercising its discretion, the compensation committee considers a number of factors, including individual responsibilities, competitive market data, stock price performance, and individual and Company performance. Subject to the express provisions of the incentive compensation plan and direction from the Board, the compensation committee is authorized, among other things, (i) to select the executives to whom equity awards will be granted; (ii) to determine the type, size, terms and conditions of equity awards including vesting provisions and whether such equity awards will be time or performance-based; and (iii) to establish the terms for treatment of equity awards upon a termination of employment.

The compensation committee's practice has been to award restricted stock unit awards based on a price equal to the NYSE's closing price of the Company's common stock on the effective date of the grant. Such grants, including those made in February 2012, are typically made to executive officers at the February meetings of the Board and the compensation committee each year, which usually precede the public announcement of the Company's fourth quarter earnings for the prior year by a few days. For awards made in the 2011 grant process, the compensation committee awarded grants with a value equal to the pre-determined long-term incentive award targets for the executive officers. The grant date of such awards was February 23, 2011, several days following the public announcement of the Company's fourth quarter earnings for 2010.

For awards made in the 2011 and 2012 grant processes, the compensation committee considered compensation studies conducted by our compensation consultant retained in late 2010, relative to our Industry Peer Group. Pearl Meyer & Partners, or PMP, recommended that we use a combination of performance-based and time-based restricted stock units as well as, for grants in 2011, stock options to deliver equity awards to executive officers.

Performance-based restricted stock unit awards given to executive officers in February 2009 are dependent on 1) such officer's service for three years following the grant and 2) whether or not the Company achieved any one of the following performance criteria during the performance period: (a) achieve construction work in progress ( CWIP ) adjusted return on invested capital ( Adjusted ROIC ) of at least 8% for the three consecutive fiscal-year periods ended December 31, 2011; (b) achieve return on equity ( ROE ) of at least 10% for the three consecutive fiscal-year periods ended December 31, 2011; (c) achieve Upstream segment operating profit margin of at least 25% for the three consecutive fiscal-year periods ended December 31, 2011; or (d) achieve 20% growth in EBITDA for our Upstream segment, as reported for the fiscal year ended December 31, 2008, for any consecutive four-quarter period ending during the three-year performance period.

Based on achieving the threshold performance goal listed above, our executive officers had the potential to earn equity incentive compensation approximately equal to the seventy-fifth percentile of the Industry Peer Group determined during the 2009 compensation benchmarking process. The Company achieved its goal of attaining an Upstream segment operating profit margin of at least 25% for the three consecutive fiscal-year periods ended December 31, 2011, and, as a result, 100% of the 2009 performance-based restricted stock unit awards vested in full. Including the vesting of these awards, actual equity incentive

compensation and total direct compensation for the 2009 compensation period fell below the fiftieth percentile for our executive officers taken as a group.

Performance-based restricted stock unit awards given to executive officers in February 2010 may vest from 0% to 100% of the target number of shares, on the third, fourth or fifth anniversary of the Grant Date, based on the achievement of pre-defined performance criteria discussed below and utilizing a three-year rolling average. Fifty percent (50%) of the performance-based units will vest based on the achievement of a three-year rolling average of CWIP Adjusted ROIC for our Upstream segment in accordance with a pre-established series of economic value-added (EVA) spreads of 200 to 600 basis points (bps) with two additional years to achieve such three-year average(s). Fifty percent (50%) will vest based on the achievement of a three-year rolling average Upstream operating margin in accordance with a pre-defined schedule of operating margin tiers, with two additional years to achieve such three-year average(s).

Performance-based restricted stock unit awards granted to executive officers in February 2011 are dependent on 1) such officer's service for three, four or five years from the date of grant and 2) the Company achieving relative stock price performance objectives on the third, fourth or fifth anniversary of the Grant Date. This award may vest from 0% to 200% of the target number of shares, based on the achievement of pre-defined performance criteria that ranks the relative Total Shareholder Return (TSR) with the Qualified Peer Group as defined in the grant agreement.

In addition to the performance-based restricted stock unit awards discussed above, in February of each of 2009, 2010 and 2011, the executive officers were granted time-based restricted stock units. These grants are reflected in both the 2011 Summary Compensation Table and the 2011 Outstanding Equity Awards at Fiscal Year End Table below.

Performance-based restricted stock unit awards granted to executive officers in February 2012 may vest from 0% to 100% of the target number of shares, on the third, fourth or fifth anniversary of the Grant Date, based on the achievement of pre-defined performance criteria discussed below and utilizing a three-year rolling average. One-third (1/3) of the performance-based units will vest based on the achievement of a target comprised of a three-year average of CWIP Adjusted ROIC (as defined above) for our Upstream segment equal to or greater than the three-year average of the Company's weighted-average-cost-of-capital (WACC). Vesting will begin for this performance criterion upon the achievement of a threshold CWIP Adjusted ROIC equal to 75% of the lesser of (i) the three-year average of the Company's WACC or (ii) the three-year average return on invested capital of Tidewater Inc. and GulfMark Offshore, Inc., with the specific amount of vesting interpolated on a straight-line basis between the threshold and the target. One-third (1/3) will vest based on the achievement of a target comprised of an operating margin for the Upstream segment equal to or greater than the three-year average operating margin achieved by the Company's Public Company OSV Peer Group. Vesting will begin for this performance criterion upon the achievement of a threshold of 75% of the target, with the specific amount of vesting interpolated on a straight-line basis between the threshold and the target. One-third (1/3) will vest based on the achievement of a target comprised of an Upstream segment total recordable incident rate equal to or less than the three-year average of comparable industry benchmarks set forth by IADC and OMSA. Vesting will begin for this performance criterion upon the achievement of a threshold of 125% of the target, with the specific amount of vesting interpolated on a straight-line basis between the threshold and the target. Management will have two additional years to achieve such three-year averages.



In February 2012, the executive officers were also granted time-based restricted stock units. The time-based restricted stock awards vest in three equal tranches on the first, second and third anniversary dates of the grant. Further, in February 2012, the executive officers were granted one-time phantom stock unit awards that provide for a cash payment based on the then-current stock price per share on the date of vesting times the number of phantom units covered by the award. The phantom stock unit awards were issued in recognition of significant achievements accomplished during 2011, including the management and expansion of operations during the de facto moratorium, the initiation of our \$720 million OSV newbuild program #5, as well as a successful public equity offering and two amendments of our revolving credit facility to ensure sufficient liquidity, together with anticipated cash flows from operations, to finance the newbuild program. The phantom stock unit awards are intended not only to reward management but also to incentivize management to see the newbuild program through to a successful completion. These phantom stock unit awards are subject to a three-year cliff vesting schedule. As with the time-based and performance-based restricted stock units, the value of each phantom unit is based on one share of common stock. The table below describes the awards issued in February 2012:

<b>Executive</b>	<b>Time-Based RSUs</b>	<b>Performance-Based RSUs</b>	<b>Phantom Units</b>
Todd M. Hornbeck	51,305	21,988	41,000
Carl G. Annessa	22,442	9,618	18,000
James O. Harp, Jr.	22,442	9,618	18,000
Samuel A. Giberga.	17,633	7,557	11,000
John S. Cook.	9,827	4,211	10,000
Kimberly S. Patterson	8,840	3,789	2,000

*Benefits and Perquisites.* The Company provides the executive officers and other employees with perquisites and other personal benefits as part of providing a competitive executive compensation program and for employee retention. The following table generally identifies the Company's benefit plans and identifies those employees who may be eligible to participate. The executive officers participate in the following benefit plans in the same manner that our employees do, except where noted as below:

<b>Benefit Plan</b>	<b>Executive Officers</b>	<b>Certain Managers</b>	<b>Full-time Employees</b>	<b>Notes</b>
Medical Insurance	X	X	X	(1)
Dental Insurance	X	X	X	(1)
Vision Insurance	X	X	X	(1)
Employee Assistance Plan	X	X	X	
Life and Disability Insurance	X	X	X	(2)
Flexible Spending Accounts	X	X	X	
Employee Stock Purchase Plan	X	X	X	
401(k) Plan	X	X	X	

- (1) In 2011, Messrs. Todd Hornbeck, Carl Annessa, James Harp, Samuel Giberga, John Cook and Ms. Kimberly Patterson had a supplemental medical insurance policy that pays all out-of-pocket medical, dental and vision expenses.
- (2) The executive officers and certain other officers have company-paid basic life and accidental death and dismemberment insurance of 1.5 times their salary, up to \$300,000. All other employees have company-paid basic life and accidental death and dismemberment insurance of 1.5 times their salary, up to \$100,000. In addition, the Chief Executive Officer and each of the Company's Vice Presidents are eligible to receive disability benefits as long as they are disabled from performing their own occupation. For all other employees, they are entitled to disability benefits up to 36 months if they are disabled from performing their own occupation, and after 36 months they must be unable to work in any occupation.

The Company believes it should provide limited perquisites for executive officers. As a result, the Company has historically given nominal perquisites. The following table generally illustrates the perquisites we do and do not provide and identifies those employees who may be eligible to receive them:

Type of Perquisite	Executive Officers	Certain Managers	Certain Full Time Employees
Company Vehicle	X(1)	Not offered	Not offered
Vehicle Allowance	Not offered	X	X
Supplemental Medical Insurance	X	Not offered	Not offered
Country Club Memberships	Not offered	Not offered	Not offered
Dwellings for Personal Use	Not offered	Not offered	Not offered
Security Services	Not offered	Not offered	Not offered
Supplemental Executive Retirement Program (SERP)	Not offered	Not offered	Not offered
Deferred Compensation Plan	X(2)	Not offered	Not offered

- (1) Only applicable to Messrs. Todd Hornbeck, Carl Annessa, James Harp and Samuel Giberga.
- (2) A Deferred Compensation Plan was adopted by the Board of Directors during 2007. However, no matching provision has been authorized under the plan and no executive has availed him or herself of plan participation.

*How the elements of compensation fit into our overall compensation objectives*

Consistent with the Company's compensation philosophy and objectives discussed above, the compensation committee believes that its use of the three primary components of compensation described above provides competitive salaries, allows opportunities for significant cash incentive compensation to encourage short-term performance and establishes significant long-term equity incentive opportunities aligned with stockholder interests.

*The role of the Compensation Committee*

Our compensation committee is comprised solely of directors who (i) meet the independence requirements of Section 303A of the New York Stock Exchange, or NYSE, Listed Company Manual, the provisions of Section 952 of the Dodd-Frank Act, and any other regulatory requirements, (ii) qualify as "Non-Employee Directors" under Rule 16b-3 of the Exchange Act, and (iii) satisfy the requirements of an "outside director" for purposes of Section 162(m) of the Internal Revenue Code of 1986, as amended, or the Code. The compensation committee is responsible for 1) establishing and administering an overall compensation program for our executive officers and approving all compensation for executive officers; 2) establishing and administering the Company's policies governing annual cash compensation and equity incentive awards for employees other than executive officers and 3) administering the Company's incentive compensation and certain employee benefit plans. The compensation committee meets several times each year to analyze and discuss the Company's compensation plans, proposals and other compensation-related issues. It also engages in several informal sessions with and without executive management. These sessions usually coincide with the Company's annual budget process. At the regular meeting of the compensation committee in February of each year, the compensation committee determines and approves the award, if any, of prior year cash incentive compensation. In addition, at its February meeting, the compensation committee determines the current year's

annual compensation for our executive officers, including the establishment of base salaries, determination of any potential cash incentive compensation targets (except in 2011 as discussed above) and participation levels of each named executive officer and approval of long-term incentive compensation awards. When appropriate, the compensation committee recommends to the full Board of Directors compensation or benefit policies or plans or amendments to existing policies or plans and amendments to employment agreements with executive officers. The Chief Executive Officer reviews the performance of the other executive officers and recommends to the compensation committee the base salary, cash incentive compensation, equity incentive compensation and other benefits for such officers. The compensation committee considers the Chief Executive Officer's recommendations when establishing the base salary, cash incentive compensation, equity incentive compensation and other benefits for the other executive officers.

The compensation committee analyzes tally sheets that are prepared by management. The purpose of these tally sheets is to compile in one place, segregated by compensation elements, the amount of actual compensation that each of our executive officers was paid in the prior year and the potential compensation proposed to be paid in the current year. The tally sheets help ensure that there is a correlation between the Company's compensation philosophy and objectives and the actual compensation of our executives. These tally sheets reflect all compensation and related commitments for executive officers, including base salary, annual performance-based cash incentives, cash bonuses, if applicable, outstanding and proposed stock options, restricted stock awards and restricted stock unit awards, benefits and perquisites. The tally sheets also may include the amounts that our executive officers would receive in the event of a termination in their employment or change in control of the Company. The tally sheets are intended to provide the compensation committee with a comprehensive single point of reference for all of the compensation earned by or proposed for our executives. The tally sheets are provided with benchmarking data for comparable executives in our Industry Peer Group and Direct Peer Group. For more information about the companies contained in our Industry Peer Group and Direct Peer Group, please see the section entitled, *How and why we benchmark executive compensation against our peers* on pages 31 and 32 below.

#### *How and when we have used a compensation consultant*

The compensation committee has the authority to directly engage independent consultants. Generally, consultants have provided advice on compensation strategy and program design. Consultants have also been used to compare the Company's compensation programs with those of other companies.

In late 2010, the compensation committee evaluated several independent consultants and engaged PMP to provide advice on the compensation strategy and program design as well as to review and recommend an updated peer group in 2011. The Company paid PMP approximately \$248,000 for executive compensation planning services provided during 2010 and 2011. During 2011, PMP was not paid or engaged for the performance of any non-executive compensation services.

The compensation committee may choose to retain outside compensation consultants, such as PMP, to review compensation issues again in the future.

*How and why we benchmark executive compensation against our peers*

We compete with other companies for executive talent. In doing so, we consider prevailing executive compensation trends in order to establish whether our compensation is appropriate, competitive and in-line with our overall executive compensation philosophy and objectives. The compensation committee considers competitive market data including compensation levels and other information derived from: 1) public filings of publicly traded energy service companies (including publicly traded marine service companies, some of which are direct competitors) identified by compensation consultants or the compensation committee as having sufficiently similar operating characteristics with the Company so as to provide a source of meaningful comparison, or our Industry Peer Group; 2) public filings of publicly traded marine service companies that are our direct competitors, or our Direct Peer Group; and 3) published survey information for the energy industry as well as the broader commercial industry, when appropriate. Our competitive market is not comprised strictly of vessel owners because the competition we face for executive talent is not limited to marine companies and we believe that the number of such companies represents too small of a sample size for a reasonable comparison. Generally, the compensation committee considers how the compensation of our executives compares with the individual elements of, as well as the total direct compensation of, the named executive officers of the groups described above. The compensation committee has historically considered the median compensation levels determined at the fiftieth, sixtieth and seventy-fifth percentiles of the groups described above among the factors it uses when establishing executive compensation. As data from certain members of our Industry Peer Group loses comparability or becomes unavailable as a result of acquisitions or other transactions, they will be removed from the list. The companies included in the Industry Peer Group used to benchmark 2011 executive compensation consisted of the following:

**Industry Peer Group Used in 2011 to Benchmark Executive Compensation (1)**

Gulfmark Offshore Inc. (GLF)  
 Tidewater Inc. (TDW)  
 Seacor Holdings Inc. (CKH)  
 Superior Energy Services Inc. (SPN)  
 Global Industries LTD (GLBL)  
 Oceaneering International, Inc. (OII)  
 Diamond Offshore Drilling, Inc. (DO)  
 Ensco plc (ESV)  
 Atwood Oceanics Inc. (ATW) (2)  
 Helix Energy Solutions Group, Inc. (HLX) (2)  
 Tesco Corp. (TESO) (2)  
 Bristow Group Inc. (BRS) (2)

- (1) The following companies were removed from the Industry Peer Group used to benchmark 2010 executive compensation as a result of the updating performed by PMP in late 2010.
- Noble Energy Inc. (NBL)
  - Transocean Ltd (RIG)
- (2) Atwood Oceanics Inc. (ATW), Helix Energy Solutions Group, Inc. (HLX), Tesco Corp. (TESO) and Bristow Group Inc. (BRS) were added to the Industry Peer Group as a result of the updating performed by PMP in late 2010.

When establishing executive compensation to be paid in 2011 and 2012, the compensation committee considered competitive market data of our Direct Peer Group, in

addition to our Industry Peer Group, as updated by PMP in late 2010. The companies included in the Direct Peer Group used to benchmark 2011 and 2012 executive compensation consisted of the following:

**Direct Peer Group Used to Benchmark Executive Compensation**

Gulfmark Offshore Inc. (GLF)

Tidewater Inc. (TDW)

Seacor Holdings Inc. (CKH)

Following their selection as executive compensation consultants, PMP proposed a new peer group for 2011 against which to compare our executive and director pay. In late 2011, at the request of the compensation committee, PMP reevaluated the peer group, with the purpose of identifying and selecting a peer group with size and scope parameters more closely aligned with the Company's revenues and operations. The new 12-company peer group, or PMP 12 Peer Group, incorporates many of the companies from our prior peer groups and, at the same time, replaces certain companies with others that more closely reflect the Company's operations, revenue and size. The companies included in the PMP 12 Peer Group used to benchmark 2012 executive compensation consisted of the following:

**PMP 12 Peer Group Used in 2012 to Benchmark Executive Compensation (1)**

Gulfmark Offshore Inc. (GLF)

Tidewater Inc. (TDW)

Seacor Holdings Inc. (CKH)

Superior Energy Services Inc. (SPN)

Oceaneering International, Inc. (OII)

Atwood Oceanics Inc. (ATW)

Helix Energy Solutions Group, Inc. (HLX)

Bristow Group Inc. (BRS)

Hercules Offshore Inc. (HERO) (2)

Kirby Corp. (KEX) (2)