ALPINE GLOBAL PREMIER PROPERTIES FUND
Form N-CSR
January 07, 2014
UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED

MANAGEMENT INVESTMENT COMPANIES

Investment Company Act File number: 811-22016

Alpine Global Premier Properties Fund

(Exact name of registrant as specified in charter)

Alpine Woods Capital Investors, LLC

2500 Westchester Avenue, Suite 215

Purchase, New York, 10577

(Address of principal executive offices)(Zip code)

(Name and Address of Agent for Service)	Copy to:
Samuel A. Lieber Alpine Woods Capital Investors, LLC 2500 Westchester Avenue, Suite 215 Purchase, New York, 10577 (914) 251-0880	Rose DiMartino Willkie Farr & Gallagher, LLP 787 7th Avenue, 40th Floor New York, New York 10019

Registrant's telephone number, including area code: (914) 251-0880

Date of fiscal year end: October 31, 2013

Date of reporting period: November 1, 2012 – October 31, 2013

Item 1. Shareholder Report

Global Premier Properties Fund

October 31,

2013

Annual Report

Alpine Global Premier Properties Fund ("the Fund"), acting in accordance with an exemptive order received from the Securities and Exchange Commission ("SEC") and with approval of its Board of Trustees (the "Board"), has adopted a level distribution policy (the "Policy") with the purpose of distributing over the course of each year, through periodic distributions as nearly equal as practicable and any required special distributions, an amount closely approximating the total taxable income of the Fund during such year and all of the returns of capital paid by portfolio companies to the Fund during such year. In accordance with its Policy, the Fund distributes a fixed amount per common share, currently $0.05, each month to its common shareholders. This amount is subject to change from time to time in the discretion of the Board. Although the level of distributions is independent of Fund performance, the Fund expects such distributions to correlate with its performance over time. Each monthly distribution to shareholders is expected to be at the fixed amount established by the Board, except for extraordinary distributions and potential increases or decreases in the final dividend periods for each year in light of the Fund's performance for the entire calendar year and to enable the Fund to comply with the distribution requirements imposed by the Internal Revenue Code. Over time, the Fund expects that the distribution rate in relation to the Fund's Net Asset Value ("NAV") will approximately equal the Fund's total return on NAV.

The fixed amount of distributions will be reviewed by the Board at regular intervals with consideration of the level of investment income and realized gains. The Board strives to establish a level regular distribution that will meet the Fund's requirement to pay out all taxable income (including amounts representing return of capital paid by portfolio companies) with a minimum of special distributions. The Fund's total return in relation to changes in NAV is presented in the financial highlights table. Shareholders should not draw any conclusions about the Fund's investment performance from the amount of the current distribution or from the terms of the Fund's level distribution policy. The Board may amend or terminate the level distribution policy without prior notice to Fund shareholders.

Shareholders should note that the Fund's Policy is subject to change or termination as a result of many factors. The Fund is subject to risks through ownership of its portfolio company holdings including, but not limited to, declines in the value of real estate held by the portfolio company, risks related to general and local economic conditions, and portfolio company losses. Moreover, an economic downturn could have a material adverse effect on the real estate markets and on real estate companies in which the Fund invests, which in turn could result in the Fund not achieving its investment or distribution objectives thereby jeopardizing the continuance of the Policy. Please refer to the prospectus for a fuller description of the Fund's risks.

TABLE of CONTENTS

Alpine View
October 31, 2013

Dear Investors:

The fiscal year ended October 31, 2013 presented a difficult and complex year for investors across capital markets. However, like 2012, it has produced positive returns as economic and business momentum remain favorable. We are nearly five years past the trough of the global financial crisis which occurred from November, 2008 through early March, 2009. The positive performance of stocks since that time may appear to have moved ahead of the economic recovery in the real economy, however, this must be considered in the context of the extreme trough of valuations after the 2008 financial crisis. Generally, the price of many equities today, as measured against typical parameters such as price to earnings multiples, earnings yield relative to treasury yields, share price to cash flow, discounted cash flows, or EV/EBITDA (enterprise value divided by earnings before interest taxes depreciation and amortization), are typically less expensive than during the 2007 peak. Thus, in the context of a normalized business cycle we believe that the most relevant question becomes where are corporate earnings and overall business activity trending? Given the slow pace of recovery, Alpine believes that we are only in the middle of a protracted economic cycle.

The slow pace of recovery as measured by job creation, business capital expenditures, per capita income growth, new business formation, the pace of car and home sales, as well as retail consumption patterns amongst other components of gross domestic product (GDP), suggests that the tepid economy is far from testing the limits of capacity or productivity. This has contributed to the continued lack of material goods inflation, despite the sustained efforts of the global central bankers to provide inexpensive financial liquidity. The lack of growth is evident from the recent earnings reports of the S&P 500® Index companies, which in many cases reflected positive earnings growth with minimal or even declining top line revenue trends. Companies have wrung productivity gains through technological streamlining, enhanced production processes, cost containment and reducing costs of capital through refinancing or restructuring debt. Increasingly, market participants are concerned that companies may be approaching the limits of such profit margin enhancements. Going forward, we believe the market's focus may turn to macro factors underpinning the prospects for economic growth which, if positive, should stimulate incremental demand for goods and services, boost aggregate revenues, and ultimately drive returns.

The year began with the traditional economic concerns as it became increasingly evident that the more than thirty-year trend of declining interest rates was nearing an end. The tug-of-war between inflation and deflation seemed to be tilting in the direction of the former as 2012 rolled into 2013, but swung abruptly in the second calendar quarter back to worries over U.S. economic slowing due to reduced government spending as sequestration cuts were implemented. Then the Federal Reserve (Fed) upset the capital markets shortly after interest rates hit record lows at the end of April when Fed Chairman Bernanke announced a process through which the economy would be weaned off the current Quantitative Easing (QE) program, the mechanism by which the Federal Reserve is making $85 billion of

monthly purchases of treasury and mortgage backed securities in order to keep interest rates low. The Fed proposed that they would 'taper' down QE from $85 billion to $0 in the coming year contingent on the domestic economy showing signs of recovery. Thus, two new words entered the economists' lexicon this year: 'sequestration' and 'taper'.

Due to the inability of the President and Congress to find common ground between ideology and political opportunism, there has been limited fiscal stimulus deployed towards economic recovery over the past three years. This is in stark contrast to historical precedent where economic stimulus typically extended for two to three years after a recession. Since some lawmakers, investors and economists believed that more stimulus would only inflate the existing debt position, they argued for austerity measures, which precluded more fiscal deficit spending. Sequestration came into play earlier this year as a *force majeure* created by Congress in anticipation of their inability to come to terms with both current and future fiscal responsibilities. Most economists forecasted that the sequestration process, which indiscriminately reduced spending across the U.S. government, would impact the economy by over a half percent of GDP. In effect, Congress chose to impose the burden of deficit reduction now, rather than waiting until a future date, even if the economy might be on a more stable footing then. It is clear that uncertainty surrounding government policy has significantly dampened business investment sentiment.

In the wake of the financial crisis the Fed was left as the only entity which could provide economic stimulus in the form of cheap money. However, low interest rates alone would not been enough to stimulate economic activity because the lending operations of many domestic financial institutions were significantly impaired by the near collapse of 2008. Since the onset of the crisis the Fed has utilized numerous tools in order to repair the credit mechanism in the economy. In 2012, the Fed acknowledged the potential of a deflationary effect from diminished fiscal spending combined with restricted bank lending practices, and launched the current wave of its QE program which targeted the open-ended purchase of mortgage and treasury bonds from the banks at a profit. We believe the program almost certainly has helped to stabilize the U.S. banking system, to raise the value of financial assets, and even to stimulate modest job growth. Unfortunately, the liquidity introduced into global markets through the latest QE measures also introduced distortions into the economy including excess leverage and speculation in some segments of the capital markets. Thus in our opinion, the limitless duration of open-ended easing could not go on indefinitely without causing more problems. The market became both concerned that the taper would undermine the renewed strength of our banking system and feared the unknown potential level where unsupported interest rates might settle (presumably higher). This forced many investors holding positions in interest sensitive investments to sell, hedge or otherwise reduce much of their interest rate exposure. As a result of the sudden unwinding of these positions, prices fell sharply in May and June of this year. Bond yields, foreign sovereign yields and mortgage yields rose precipitously as the market began discounting the potential impact of Fed tapering.

Alpine View
October 31, 2013

The market's knee-jerk reaction to the May taper announcement proved to be premature as the Fed, in fact, did not begin tapering in September as most expected. In fact, since the sell-off in May, the Fed has gone to great lengths to communicate its decision making parameters and to strengthen the credibility of its forward guidance on interest rates. Indeed, in recent comments by prospective Fed Governor Janet Yellen, after the close of our Funds' fiscal year, she emphasized that when tapering does occur it will be done in accordance with improvement in economic data and will be at a very gradual pace. Thus, bonds have rallied somewhat as we enter a new phase in the seemingly never ending dance of the capital markets.

Despite tapering concerns, which have at times had traders responding to changes in sentiment on what often seems to be a daily basis, the overall direction and tone of the markets has been positive. Indeed, the S&P 500® Index, as well as other indices, surpassed the price levels of 2007 in April of this year, establishing new highs through the end of the fiscal year. As we reported in the past, the equity markets continue to climb a 'wall of worry', two steps forward, one step back, looking over a shoulder both to see how far we have advanced as well as whether danger lurks in our shadow. This could be a very positive stance for investment markets, provided that the fundamentals are supportive. In this light, let us return to the story of limited top-line revenue growth as opposed to bottom-line earnings growth.

Without broad economic growth, revenue growth is dependent upon market share gains or an expanding demand for specific goods and services. For most economies to grow there has to be job creation first and foremost, followed by income growth which should be sustained by enhanced productive capacity. As we closely monitor business trends and capital flows it is becoming increasingly apparent that the world's more robust economies, notably the developed economies of North America and Asia, are at the nascent stages of a durable recovery, even if broad growth has yet to be sustained. Specifically, the United States and Japan are showing positive, if not consistent, trends in new orders and capital investment. While such investment is not as broad based as we would like to see across different segments of the economy, automobile sales, new building starts (both commercial and residential), as well as selective capital goods hold the potential for a sustained capital goods cycle.

Outside the United States, the traditional engines of global economic growth appear to be aligning in part due to significant monetary easing utilizing QE type policies in both Japan and Great Britain as well as, to a limited degree, the Eurozone. This is providing scope for these countries domestic banking sectors to heal and for capital markets to begin re-pricing risk more favorably in terms of higher stock prices and increasing money flows moving along the capital stack toward a higher risk/reward profile. Japan is riding the wave of 'Abenomics', pushing both aggressive monetary loosening and increasing fiscal reforms into the economy. If both the business and consumer segments of the economy can be kick started, then markets could continue pricing in a reflation of growth expectations across the economy, which in turn could create a virtuous cycle across other countries given Japan's oversized role in the global

economy. While the overall economic picture in Europe remains difficult due to continued high unemployment and a weak banking system, particularly in Southern Europe, the economies in Germany and Great Britain continue to motor along. Emblematic of this stage of recovery in Europe is Ireland, which was arguably one of the major beneficiaries of the prior period of excess capital in the early part of last decade. Following a period of fiscal austerity and recapitalization of its banking system, there is strong evidence for recovery as property prices rise and investment capital begins to flow into new business formation ultimately leading to job growth.

With respect to the larger emerging markets we can look to continued solid growth out of China, in spite of the fact that China faces challenges of its own in terms of its banking structure and lending channels. Nonetheless, China's current account surpluses and foreign capital reserves provide significant support for them to maintain stability as the economy continues its transformation from a pure low priced exporter towards a higher value added producer with a growing consumer base. We note that a number of trends of internet retail demand are globally led by the Chinese consumer, both in terms of the double-digit growth rate of retail sales to the single day record for sales volume ($5.75 billion of sales were recorded by Alibaba.com on November 11 of this year). We believe that the business cycle in many other emerging markets will remain a bit choppy over the first half of next year, however, to a certain extent, the developing economies have been able to take advantage of the delay in Fed tapering, to implement agendas to address the uncertain growth outlook and the expected rise in bond yields. We expect such adjustments could drive business capital expenditure to offset fading governmental economic support (be it fiscal or monetary) to set the stage for the next phase of global economic activity.

While we believe that as economies begin to pick up steam over the next two to three years there will be greater consumer demand for goods and services which may again lead to an excess rate of expansion in prices as well as activity, none of this appears to be present in traditional measures of inflation. The price of gold fell by 23.11% over the fiscal year, while silver declined by 32.03%. As uncertainties over China's growth trajectory worked through the global economy, resource-based countries saw their currencies decline, notably the Australian Dollar was down 8.87%, Brazilian Real down 9.33%, South African Rand down 10.73% and Indonesian Rupiah down 12.49%. It's worth noting that Japan was able to depreciate what many believed was an overvalued Yen, leading to an 18.9% fall, which corresponded with significant monetary stimulus and Quantitative Easing in an effort to raise equity prices and jumpstart inflation in its economy. Just to emphasize that currency markets are especially sensitive to global flows of capital, it is worth noting that the largest currency declines during the fiscal year occurred in the Syrian Pound and the Iranian Rial, both of which dropped by over 50% as those countries endured the hardships of civil war and economic blockade respectively.

In summary, we believe the current data suggest that establishing a new trend in global inflation, economic activity and capital availability could be a few years away. Interest rates could remain low relative

Alpine View
October 31, 2013

to history, with the prospect for the yield curve tilting higher over time. This implies relatively appealing prospects for equities, assuming valuations remain sensible. At this time current equity valuations appear reasonable, notwithstanding the selective exuberance of the crowd searching for “the next new thing”, be it web retailers, new energy technology or social media related stocks.

In our view other issues that the capital markets would look at favorably include Congress providing a modicum of current fiscal stimulus over the next twelve to twenty-four months via appropriate tax incentives combined with enacting a program to tackle the long term entitlement pressures before they become more corrosive in 2020. In the meantime, the prospect of reasonable earnings growth, moderate top line expansion, rising corporate capex and gradual strengthening of the employment market could lead to a more traditional balance between the corporate sector, government and public expenditures and thereby provide a sustained basis for equity total returns over the next few years.

We appreciate your interest and support.

Sincerely,

Samuel A. Lieber
President

Past performance is not a guarantee of future results.The specific market, sector or investment conditions that contribute to a Fund’s performance may not be replicated in future periods.

Investing involves risk. Principal loss is possible. Please refer to individual fund letters for risks specific to that fund.

This letter and the letter that follows represent the opinions of the Funds’ management and are subject to change, are not guaranteed and should not be considered recommendations to buy or sell any security. The information provided is not intended to be, and is not, a forecast of future events, a guarantee of future results, or investment advice.

Quasar Distributors, LLC provides filing administration for Alpine's closed-end funds. The Funds are not bought or sold through Quasar Distributors; the Alpine closed-end funds are bought and sold through non-affiliated broker/dealers and trade on nationally recognized stock exchanges.

Capex (aka Capitalization Expenditure) are funds used by a company to acquire or upgrade physical assets such as property, industrial buildings or equipment. This type of outlay is made by companies to maintain or increase the scope of their operations.

Cash flow measures the cash generating capability of a company by adding non-cash charges (e.g. depreciation) and interest expense to pretax income.

Earnings Growth is a measure of a company's net income over a specific period, generally one year, is a key indicator for measuring a company's success, and the driving force behind stock price appreciation.

EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) is essentially Net Income with Interest, Taxes, Depreciation, and Amortization added back to it. EBITDA can be used to analyze and compare profitability between companies and industries because it eliminates the effects of financing and accounting decisions. However, this is a non-GAAP measure that allows a greater amount of discretion as to what is (and is not) included in the calculation. This also means that companies often change the items included in their EBITDA calculation from one reporting period to the next.

EV (Enterprise Value) is a measure of a company's value.

Price to Earnings is a valuation ratio of a company's current share price compared to its per-share earnings.

S&P 500® Index is float-adjusted, market capitalization-weighted index of 500 common stocks chosen for market size, liquidity, and industry group representation to represent U.S. equity performance.

An investor cannot invest directly in an index.

This is a closed-end fund and does not continuously offer shares.

Manager Commentary
October 31, 2013

Dear Investor:

We are pleased to present the 2013 annual report for the Alpine Global Premier Properties Fund (AWP). For the twelve month period ended October 31, 2013, the net asset value per share increased from $7.75 to $8.17, which in combination with the dividend distribution of $0.60 per share produced a total return of 14.04%. To maintain the regular monthly distributions of $0.05 per share, approximately 25% per share of the total distribution of $0.60 per share paid during the period was paid through return of capital. This is the result of management's determination during the period to focus its efforts on seeking total returns through capital appreciation. This Fund's results compare with the total return of the Fund's primary benchmark, the FTSE EPRA/NAREIT® Global Real Estate Index, of 12.25% over the 12 month period and the 13.51% return of the Fund's secondary benchmark, the S&P Developed Property Index.

The Fund's discount to net asset value (NAV) increased from 5.55% at the end of last fiscal year to 8.6% on October 31, 2013. Over the fiscal year the share price increased from $7.32 to $7.47, which in combination with distributions paid produced a total market price return of 10.40% per share to shareholders. For the three and five year periods ended October 31, 2013, shares of AWP produced annualized total returns of 12.09% and 23.01%, respectively.

Big Picture for Real Estate in 2013/2014

Since real estate asset pricing typically recovers later in the economic cycle, while stocks generally move in anticipation of economic earnings, real estate equities overall tend to perform in a hybrid fashion. As interest rates were falling in the period after the financial crisis, rate-sensitive sectors such as real estate, and particularly REITs which pay much of their income out in the form of dividends, outperformed the broader equity market and saw strong demand consistent with other income-producing assets. However, this year as interest rates have started to move higher, real estate stock returns have been positive but have lagged the broader market indices. While the S&P 500 finally moved above levels achieved in 2007 during this fiscal year, price-only real estate stock indices are generally well below their prior peak levels. Our analysis has led us to believe that real estate stock price indices are approximately 30% below their 2007 peak. Thus, we believe the moderate pace of economic expansion will underpin real estate stock valuations in 2014, as global growth offsets rising interest rate trends.

With weak economic activity suggesting lower levels of demand for goods and services, the construction of new supply of real estate has been limited to specific geographies or subsectors. Thus, the supply and demand balance for many segments of the real estate market is generally supportive, with limited new supply while demand remains flat to modestly higher. We believe that this gap between demand and supply could widen and translate into stable or rising rents and capital values over the next 12 to 24 months. We expect that if rents increase in ensuing years then dividend growth should follow. Such a scenario would provide a landscape in which real estate equities could sustain current price levels or perhaps move higher even as interest rates rise, because their income and dividend growth could potentially offset the impact of higher relative yields and costs. Of course, this is more likely in an environment where rates are rising at a moderate pace, as opposed to when rates are fluctuating rapidly, such as this summer, when talk of the Fed tapering consumed the market.

Assuming that our assessment of the economic recovery is correct, that we are only in the middle of a protracted economic cycle and given that real estate rents and values tend to perform better in the latter stages of the business cycle, then one might expect positive returns from real estate securities over the next few years. By and large, capital values have moved ahead of rents, due to still low interest rates, but if rents grow appreciably, then development returns could become significant for well capitalized property companies. In our view this could drive the next phase of real estate value creation for property stocks. It is Alpine's view that selectivity, by stock, sector and geography will be significantly influenced by our analysis of competitive business models.

2013 Portfolio Overview

Over the course of the fiscal year, the Fund outperformed its primary benchmark. The greatest driver of returns was generated by market sentiment regarding macro-economic prospects. With sentiment focused on the potential for rising interest rates, the current bias of equity markets greatly favors companies which offer prospects for strong growth. For the FTSE EPRA/NAREIT Global benchmark, the greatest contributors to returns were those developed markets whose central banks have pursued significant QE programs including: the U.S., which comprised 41% of the benchmark and grew by 11.42%. Japan's average benchmark weighting was 11.4% and grew by 43.2%. Far behind was the United Kingdom at 4.6% of the index and it returned 27.69%. In sum, 57.9% of the benchmark holdings contributed approximately 9.91% of its 12.25% total return.

The main drivers of performance for the Fund were Japan, where 12.30% (average weight) of the portfolio generated a 64.80% total return, followed by the U.K. where 8.83% (average weight) of the portfolio produced an average total return of 46.66%. The third major contributor was the U.S. where 34.79% (average weight) of the portfolio generated a 7.09% return. In sum, 55.9% of the portfolio contributed approximately 91% of the total return of the Fund in the period. Negatively impacting the performance of the Fund was its average weighting of 14.83% in Brazil which produced a -21.50% total return and negatively affected the Fund's performance. By comparison, the benchmark index has only a 1.89% average weighted position in Brazil which declined by -22.81%. Stock selection underpinned a considerable portion of the Fund's positive performance most notably in Japan and the U.K., also in France and Thailand, Singapore and Sweden. Yet its impact was diminished by weaker aggregate returns in the U.S. and by the negative macro-economic factors in Brazil, which included a -9.3% decline in its currency over the period.

Recognizing the prospects for diverse countries and differing asset types is an important part of what Alpine tries to do in the context

4

of maintaining a globally diversified portfolio. At the end of fiscal 2012, the portfolio had approximately 18% invested in Brazil, which was reduced to 10.1% as of the end of 2013. The position in Japan benefited from this reduction, growing from 8.5% of the portfolio to 12.4% mid-year and 16.7% at year end. We have continued to hedge a portion of our Japanese Yen exposure due to the Bank of Japan's aggressive stimulus policy, which is designed to put significant downward pressure on the Japanese Yen. The U.K. also saw its weighting in the Fund increase from 8.2% last year up to 10.1% as of October 2013. While our U.S. exposure remained relatively stable at approximately 34%, the exposure to Singapore fell from 9.5% to 8.3% as of year-end. Over the course of the year, the Fund sold 29 positions and added 19 new ones, notably selling seven stocks in Brazil and 12 in the U.S., while adding five in Japan, four in the U.K. and four in the U.S., as well as other less significant adjustments in other countries. In response to the Federal Reserve's "taper" talk, the Fund reduced its exposure to U.S. mortgage REITs, particularly shifting out of the names focused on conventional conforming mortgages, while selectively adding to commercial mortgage lenders in the U.S. During the period under review, we also continued to utilize leverage as we pursued attractive dividend opportunities.

Top Ten Largest Holdings

ARA Asset Management continues to be the Fund's largest holding at 4.0% at year end. This Singapore-based real estate asset manager of both public and private portfolios gained 28.57% over the year. The Fund's second largest position is in *Regus PLC*, the world's leading provider of temporary office locations, having risen from ninth position with 2.3% of the portfolio up to second at 3.8% due to its 107.91% total return. *Simon Property Group* is in the third position, down one slot from last year due to its modest 4.45% total return as REIT stocks in the U.S. pulled back a degree in the second half of the year due to the potential impact of a Fed taper on rate-sensitive stocks. *Kenedix Corp* of Japan was the fourth largest position as a result of both performance and additional investments. Kenedix manages both public and private real estate portfolios and thus would be a prime beneficiary of real estate reflation in Tokyo; it gained 305.65% over the year. *Ocwen Financial Corp.* grew over the year into the fifth position with a 2.8% weighting as one of the nation's largest and lowest cost specialized mortgage servicing companies. It has been able to take advantage of large banks selling mortgage servicing rights over the past year, and produced a 45.79% total return. *Colony Financial Corp.* dropped from the fifth position to sixth by generating only an 8.56% total return as the market believes that this commercial mortgage REIT has been slow in realizing the value of their single-family home rental business. *Global Logistics Properties*, the largest developer of industrial properties in China, with significant operations in Japan and Brazil as well, gained 19.93% as it rose from tenth to seventh position in the portfolio. In eighth position, *Mitsubishi Estate Co.*, the largest landlord of prime office properties in downtown Tokyo gained 44.55%. *Starwood Hotel and Resorts*, the owner of Westin, Sheraton and Starwood branded hotels around the world, grew by 45.30% into the number nine slot. This was followed by *Invesco Mortgage Capital*, a mortgage REIT

which fell from the sixth spot last year to tenth this year with a -17.74% total return.

Top Five Positive/Negative Contributors

Six of the top five positive/negative contributors came from the top 10 investments by weight, this included all five of our top contributors, which in aggregate, comprised 11.4% of the portfolio and added 7.14% of total return. The five greatest detractors made up 9.36% and detracted -2.32%.

Regus PLC gained 107.91% (average weight 2.82%), while *Kenedix* (305.65%, average weight 1.26%) and *Hulic* (162.18%, average weight 0.79%) benefited from Japan's economic recovery. *ARA Asset Management* added 28.57% (average weight 4.38%) and *Ocwen* added 45.79% (average weight 2.15%).

Among detractors, the impact of "taper" fears hit the portfolio hardest vis *American Capital Agency* (-23.62%, average weight 2.37%) and *Invesco Mortgage Capital* (-17.74%, average weight 2.36%), while the negative macro trends impacted *BR Properties* (-33.05%, average weight 1.42%), *Multiplan* (-17.48%, average weight 2.43%) and *JHSF* (-40.70%, average weight 0.78%).

Real Estate Cycle

Earlier in this report, we stated that real estate equities had benefited from falling interest rates and by their nature tend to be forward looking incorporating some measure of future growth into current valuations. This raises the question as to what extent do valuations of real estate equities today reflect future prices and valuations three to five years from now. While there is uncertainty with respect to the duration of the business cycle, the rate of inflation, interest rates and prospective supply vs. demand for property, among other factors that could adversely impact the Fund's holdings. However, it might be constructive to develop a context in which to understand the relative prices of real estate equities.

In the year-end 2008 shareholder report we provided a table showing the performance of nine separate indices for select countries and major regions covering historical cyclical performance. We noted when the previous cyclical rally had started how much they gained to their peak in 2007 and then how large a fall there had been through the post-Lehman debacle. We also showed average historic returns for these different indices with both positive and negative ranges during the 1980's and 1990's. Suffice to say that the decline through November of 2008 from the previous peaks was far larger than the average historic cyclical decline. In fact, many indices continued to decline until March of 2009.

Real estate stock cycles are usually a bit like a waltz, two steps forward, then one step back. During the 1980's and 1990's the S&P Developed Property Index (Global Price Only) averaged 87% cyclical increases, followed by 31% average decline. Notably, the prior cycle from 1998 through 2007 showed a gain of 225% and the subsequent 2008/09 financial crisis decline was -74%. Since this cycle began in March, 2009, the index regained 211% to the peak on May 8, 2013,

Manager Commentary
October 31, 2013

before concerns over 'taper'-talk induced retracement through the end of October, 2013. What is relevant is that at the end of the fiscal year, this real estate index had only regained 75% of its prior peak before the great financial crisis of 2008. Other indices are even further behind, notably U.S. Homebuilder (-59%) and Euro Zone Real Estate (-46%). The implication here is that even if there were no inflation in real estate values or rents over the next few years, the potential for real estate equities to catch up with broad stock indices, which have already surpassed 2007 levels, seems plausible. If we are correct that the typical late cycle period of expansion takes hold, there could be additional uplift in real estate prices and activity, and with it the potential for further share price appreciation.

Currently we expect that 2014 could be less volatile than prior years and we hope to see a gradual uptick in global growth towards the latter half of the year. We remain steadfast in our belief that real estate continues to be a store of value that is appreciated for both its income potential and its ability to capture economic growth and inflation in terms of rents and prices.

Sincerely,

Samuel A. Lieber

Joel E.D. Wells

Bruce Ebnother

Portfolio Managers

Past performance is not a guarantee of future results.

Please refer to the Schedule of Portfolio Investments for fund holdings information. Fund holdings and sector allocations are subject to change and should not be considered a recommendation to buy or sell any security.

Current and future holdings are subject to risk.

This letter represents the opinions of the Fund's management and is subject to change, is not guaranteed and should not be considered a recommendation to buy or sell any security.

The information provided is not intended to be, and is not, a forecast of future events, a guarantee of future results, or investment advice. Views expressed may vary from those of the firm as a whole.

Favorable tax treatment of Fund distributions may be adversely affected, changed or repealed by future changes in tax laws. Alpine may not be able to anticipate the level of dividends that companies will pay in any given timeframe.

The Fund's monthly distributions may consist of net investment income, net realized capital gains and / or a return of capital. If a distribution includes anything other than net investment income, the Fund will provide a notice of the best estimate of its distribution sources when distributed, which will be posted on the Funds' website, www.alpinefunds.com. A return of capital distribution does not necessarily reflect the Fund's performance and should not be confused with "yield" or income". Final determination of the federal income tax characteristics of distributions paid during calendar year 2013 will be provided on U.S. Form 1099-DIV, which will be mailed to shareholders. Please consult your tax advisor for further information.

The Fund may invest in equity-linked securities and various other derivative instruments, which can be illiquid and which may disproportionately increase losses, and have a potentially large impact on Fund performance.

Investing involves risk. Principal loss is possible. The Fund is subject to risks, including the following:

Concentration Risk – The Fund's strategy of concentrating in companies in a specific industry means that its performance will be closely tied to the performance of a particular market segment. The Fund's concentration in these companies may present more risks than if it were broadly diversified over numerous industries and sectors of the economy. A downturn in these companies would have a larger impact on the Fund than on a mutual fund that does not concentrate in such companies. At times, the performance of these companies will lag the performance of other industries or the broader market as a whole.

Emerging Market Securities Risk – The risks of foreign investments are heightened when investing in issuers in emerging market countries. Emerging market countries tend to have economic, political and legal systems that are less fully developed and are less stable than those of more developed countries. They are often particularly sensitive to market movements because their market prices tend to reflect speculative expectations. Low trading volumes may result in a lack of liquidity and in extreme price volatility.

Equity Securities Risk – The stock or other security of a company may not perform as well as expected, and may decrease in value, because of factors related to the company (such as poorer than expected earnings or certain management decisions) or to the industry in which the company is engaged (such as a reduction in the demand for products or services in a particular industry).

Foreign Currency Transactions Risk – Foreign securities are often denominated in foreign currencies. As a result, the value of the Fund's shares is affected by changes in exchange rates. The Fund may enter into foreign currency transactions to try to manage this risk. The Fund's ability to use foreign currency transactions successfully depends on a number of factors, including the foreign currency transactions being available at prices that are not too costly, the availability of liquid markets and the ability of the Adviser to accurately predict the direction of changes in currency exchange rates.

Manager Commentary
October 31, 2013

Foreign Securities Risk – The Fund’s investments in securities of foreign issuers or issuers with significant exposure to foreign markets involve additional risk. Foreign countries in which the Fund may invest may have markets that are less liquid, less regulated and more volatile than U.S. markets. The value of the Fund’s investments may decline because of factors affecting the particular issuer as well as foreign markets and issuers generally, such as unfavorable government actions, and political or financial instability. Lack of information may also affect the value of these securities. The risks of foreign investment are heightened when investing in issuers of emerging market countries.

Growth Stock Risk – Growth stocks typically are very sensitive to market movements because their market prices tend to reflect future expectations. When it appears those expectations will not be met, the prices of growth stocks typically fall. Growth stocks as a group may be out of favor and underperform the overall equity market while the market concentrates on undervalued stocks.

Initial Public Offerings and Secondary Offerings Risk – The Fund may invest a portion of its assets in shares of IPOs or secondary offerings of an issuer. IPOs and secondary offerings may have a magnified impact on the performance of a Fund with a small asset base. The impact of IPOs and secondary offerings on a Fund’s performance likely will decrease as the Fund’s asset size increases, which could reduce a Fund’s returns. IPOs and secondary offerings may not be consistently available to the Fund for investing. IPO and secondary offering shares frequently are volatile in price due to the absence of a prior public market, the small number of shares available for trading and limited information about the issuer. Therefore, the Fund may hold IPO and secondary offering shares for a very short period of time. This may increase the turnover of the Fund and may lead to increased expenses for the Fund, such as commissions and transaction costs. In addition, IPO and secondary offering shares can experience an immediate drop in value if the demand for the securities does not continue to support the offering price.

Leverage Risk – The Fund may use leverage to purchase securities. Increases and decreases in the value of the Fund’s portfolio will be magnified when the Fund uses leverage.

Liquidity Risk – Some securities held by the Fund may be difficult to sell, or illiquid, particularly during times of market turmoil. Illiquid securities may also be difficult to value. If the Fund is forced to sell an illiquid asset to meet redemption requests or other cash needs, the Fund may be forced to sell at a loss.

Management Risk – The Adviser’s judgment about the quality, relative yield or value of, or market trends affecting, a particular security or sector, or about interest rates generally, may be incorrect. The Adviser’s security selections and other investment decisions might produce losses or cause the Fund to underperform when compared to other funds with similar investment objectives and strategies.

Market Risk – The price of a security held by the Fund may fall due to changing market, economic or political conditions.

Micro Capitalization Company Risk – Stock prices of micro capitalization companies are significantly more volatile, and more vulnerable to adverse business and economic developments than those of larger companies. Micro capitalization companies often have narrower markets for their goods and/or services and more limited managerial and financial resources than larger, more established companies, including small or medium capitalization companies.

Real Estate Investment Trusts ("REITs") Risk – REITs' share prices may decline because of adverse developments affecting the real estate industry including changes in interest rates. The returns from REITs may trail returns from the overall market. Additionally, there is always a risk that a given REIT will fail to qualify for favorable tax treatment.

Real Estate Securities Risk – Risks associated with investment in securities of companies in the real estate industry include: declines in the value of real estate; risks related to local economic conditions, overbuilding and increased competition; increases in property taxes and operating expenses; changes in zoning laws; casualty or condemnation losses; variations in rental income, neighborhood values or the appeal of properties to tenants; changes in interest rates and changes in general economic and market conditions.

Small and Medium Capitalization Company Risk – Securities of small or medium capitalization companies are more likely to experience sharper swings in market values, less liquid markets, in which it may be more difficult for the Adviser to sell at times and at prices that the Adviser believes appropriate and generally are more volatile than those of larger companies.

Undervalued Stock Risk – The Fund may pursue strategies that may include investing in securities, which, in the opinion of the Adviser, are undervalued. The identification of investment opportunities in undervalued securities is a difficult task and there is no assurance that such opportunities will be successfully recognized or acquired. While investments in undervalued securities offer opportunities for above-average capital appreciation, these investments involve a high degree of financial risk and can result in substantial losses.

The following are definitions of some of the terms used in this report:

Average Weight refers to the average weight of the holding in the portfolio during the reporting period.

Real Estate Investment Trust (REIT) is a security that trades like a stock on the major exchanges and invests in real estate directly, either through properties or mortgages. REITs receive special tax considerations and typically offer investors high yields, as well as a highly liquid method of investing in real estate.

Manager Commentary
October 31, 2013

FTSE EPRA/NAREIT® Global Real Estate Index is an unmanaged index designed to track the performance of publicly traded companies engaged in the real estate business in developed and emerging real estate markets/regions around the world.

S&P Developed Property Index defines and measures the investable universe of publicly traded real estate companies domiciled in developed countries. The companies in the index are engaged in real estate related activities such as property ownership, management, development, rental and investment.

An investor cannot invest directly in an index.

This is a closed-end fund and does not continuously offer shares.

Manager Commentary
October 31, 2013

PERFORMANCE[(1)] *As of October 31, 2013 (unaudited)*

	Ending Value as of 10/31/13	1 Year	3 Years	5 Years	**Since Inception**[(2)]
Alpine Global Premier Properties Fund I NAV[(3)]	$ 8.17	14.04%	8.75 %	22.35%	-2.12%
Alpine Global Premier Properties Fund I Market Price	$ 7.47	10.40%	12.09%	23.01%	-4.17%
FTSE EPRA/NAREIT® Global Index[(4)]		12.25%	8.81 %	15.27%	-0.49%
S&P Developed Property Index		13.51%	10.01%	15.05%	-0.88%
MSCI US REIT Index Gross USD		11.42%	12.26%	15.30%	1.68%

(1) Performance information calculated assuming reinvestment of dividends and distributions including returns of capital, if any.

(2) Commenced operations on April 26, 2007. IPO price of $20 used in calculating performance information for market price.

(3) Performance at NAV includes fees and expenses.

(4) Effective February 28, 2012, the Fund changed the benchmark against which it measures its performance from the S&P Developed Property Index to the FTSE EPRA/NAREIT® Global Index. The Adviser believes the FTSE EPRA/NAREIT® Global Index more accurately reflects the investment strategy of the Fund.

To the extent that the Fund's historical performance resulted from gains derived from participation in Initial Public Offerings ("IPOs") and/or Secondary Offerings, there is no guarantee that these results can be replicated in future periods or that the Fund will be able to participate to the same degree in IPO/Secondary Offerings in the future.

All figures represent past performance and are not a guarantee of future results and investment returns and principal value of the Fund will fluctuate so that shares, when redeemed, may be worth more or less than their original cost. Current performance may be higher or lower than the performance quoted. Call 1(800)617.7616 or visit www.alpinefunds.com for current month-end performance.

The **FTSE EPRA/NAREIT® Global Index** is an unmanaged index designed to track the performance of publicly traded companies engaged in the real estate business in developed and emerging real estate markets/regions around the world.

The **S&P Developed Property Index** defines and measures the investable universe of publicly-traded real estate companies domiciled in developed countries. The companies in the index are engaged in real estate related activities such as property ownership, management, development, rental and investment.

MSCI US REIT Index Gross USD is a free float-adjusted market cap-weighted index that is comprised of the most actively traded equity REITs that are of reasonable size in terms of full and free float adjusted market capitalization.

PORTFOLIO DISTRIBUTIONS* (unaudited)

TOP 10 HOLDINGS* (unaudited)

ARA Asset Management, Ltd.	4.0%	Singapore
Regus PLC	3.8%	United Kingdom
Simon Property Group, Inc.	3.2%	United States
Kenedix, Inc.	2.9%	Japan
Ocwen Financial Corp.	2.8%	United States
Colony Financial, Inc.	2.8%	United States
Global Logistic Properties, Ltd.	2.3%	Singapore
Mitsubishi Estate Co., Ltd.	2.2%	Japan
Starwood Hotels & Resorts Worldwide, Inc.	2.2%	United States
Invesco Mortgage Capital, Inc.	2.2%	United States
Top 10 Holdings	**28.4%**	

TOP 5 COUNTRIES* (unaudited)

United States	34.0%
Japan	16.7%
United Kingdom	10.9%
Brazil	10.2%
Singapore	8.3%

* *Portfolio Distributions percentages are based on total investments. The Top 10 Holdings and Top 5 Countries do not include short-term investments and percentages are based on total net assets. Portfolio holdings and sector distributions are as of 10/31/13 and are subject to change. Portfolio holdings are not recommendations to buy or sell any securities.*

Manager Commentary
October 31, 2013 (Unaudited)

REGIONAL ALLOCATION** *As of October 31, 2013 (unaudited)*

****As a percentage of total investments, excluding any short-term investments.*

NAV AND MARKET PRICE *As of October 31, 2013 (unaudited)*

Report of Independent Registered Public Accounting Firm
October 31, 2013

To the Shareholders and Board of Trustees of
Alpine Global Premier Properties Fund:

We have audited the accompanying statement of assets and liabilities, including the schedule of portfolio investments, of Alpine Global Premier Properties Fund (the "Fund") as of October 31, 2013, and the related statement of operations for the year then ended, the statements of changes in net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. The Fund is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. Our procedures included confirmation of securities owned as of October 31, 2013, by correspondence with the custodian and brokers; where replies were not received from brokers, we performed other auditing procedures. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of Alpine Global Premier Properties Fund as of October 31, 2013, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended, in conformity with accounting principles generally accepted in the United States of America.

Princeton, New Jersey
December 27, 2013

Schedule of Portfolio Investments
October 31, 2013

Shares	Security Description	Value
COMMON STOCKS-101.2%		
Australia-1.3%		
1,000,000	Goodman Group	$4,782,459
2,500,000	Mirvac Group	4,111,403
		8,893,862
Belgium-0.6%		
38,000	Cofinimmo	4,589,844
Brazil-10.1%		
699,789	Aliansce Shopping Centers SA	6,769,229
835,619	BHG SA-Brazil Hospitality Group [(a)]	6,117,379
600,200	BR Malls Participacoes SA	5,813,918
720,892	BR Properties SA	6,114,163
440,310	Cyrela Commercial Properties SA Empreendimentos e Participacoes	3,964,402
1,595,723	Direcional Engenharia SA	9,260,066
1,111,948	Iguatemi Empresa de Shopping Centers SA	12,781,297
1,600,000	JHSF Participacoes SA	3,985,358
562,707	Multiplan Empreendimentos Imobiliarios SA	13,209,875
327,444	Sonae Sierra Brasil SA	3,288,764
		71,304,451
Chile-0.7%		
2,378,557	Parque Arauco SA	4,592,275
China-1.6%		
5,414,000	CapitaRetail China Trust	6,079,963
8,785,760	Franshion Properties China, Ltd.	3,059,661
1,601,373	SOCAM Development, Ltd.	1,906,446
		11,046,070
France-4.1%		
175,526	Accor SA	7,868,145
127,273	Kaufman & Broad SA	3,112,215
190,496	Mercialys SA	4,106,002
358,719	Nexity SA	14,075,758
		29,162,120
Germany-1.4%		
96,284	Deutsche Annington Immobilien SE [(a)]	2,510,007
464,626	DIC Asset AG	5,141,392
534,845	Prime Office REIT AG [(a)]	2,341,222
		9,992,621
Hong Kong-0.5%		
68,970,051	CSI Properties, Ltd.	2,401,898
599,000	Mandarin Oriental International, Ltd.	1,024,290
		3,426,188

Shares	Security Description	Value
India-0.7%		
1,999,368	Hirco PLC [a][b][c]	$306,473
1,000,000	Puravankara Projects, Ltd.	1,256,204
1,695,400	Unitech Corporate Parks PLC [a]	978,625
573,998	Yatra Capital, Ltd. [a]	2,435,454
		4,976,756
Ireland-1.2%		
5,000,000	Green REIT PLC [a]	8,146,496
Japan-16.7%		
135,000	Aeon Mall Co., Ltd.	3,829,096
50,000	Daito Trust Construction Co., Ltd.	5,090,003
600	Daiwa House REIT Investment Corp.	4,588,630
357	Frontier Real Estate Investment Corp.	3,568,911
5,607	GLP J-REIT	5,821,974
692,309	Hulic Co., Ltd.	10,955,281
600	Japan Prime Realty Investment Corp.	1,995,322
750	Kenedix Realty Investment Corp.	3,359,860
3,903,769	Kenedix, Inc. [a]	20,088,550
550,000	Mitsubishi Estate Co., Ltd.	15,644,767
320,000	Mitsui Fudosan Co., Ltd.	10,527,814
600	Nippon Building Fund, Inc.	7,426,014
643	Nippon Prologis REIT, Inc.	6,408,421
160,000	Nomura Real Estate Holdings, Inc.	4,033,764
300,000	Sumitomo Realty & Development Co., Ltd.	14,110,648
		117,449,055
Malaysia-0.5%		
3,571,429	SP Setia BHD	3,474,604
Mexico-2.4%		
4,326,924	Concentradora Fibra Hotelera Mexicana SA de CV	6,728,873
2,142,858	Corp. Inmobiliaria Vesta SAB de CV	4,105,957
3,125,000	TF Administradora Industrial S de RL de CV	6,179,463
		17,014,293
Philippines-2.5%		
5,983,077	Ayala Land, Inc.	4,077,797
31,030,625	SM Prime Holdings, Inc.	13,773,835
		17,851,632
Singapore-8.3%		
19,055,904	ARA Asset Management, Ltd.	28,149,721
4,210,582	Ascott Residence Trust	4,440,398
8,655,400	Banyan Tree Holdings, Ltd.	4,703,264
6,594,924	Global Logistic Properties, Ltd.	16,405,020
2,253,000	Parkway Life REIT	4,407,334
		58,105,737

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

12

Schedule of Portfolio Investments
October 31, 2013

Shares	Security Description	Value
Sweden-2.0%		
499,945	JM AB	$14,273,011
Thailand-2.5%		
8,010,000	Central Pattana PCL	12,352,771
5,748,980	Minor International PCL	5,125,597
		17,478,368
United Kingdom-10.1%		
275,863	Countrywide PLC	2,468,137
290,164	Crest Nicholson Holdings PLC [a]	1,800,512
1,047,946	Foxtons Group PLC [a]	5,355,879
1,069,547	Great Portland Estates PLC	9,826,439
40,175	Hammerson PLC	340,764
4,624,322	Londonmetric Property PLC	9,564,878
3,210,000	LxB Retail Properties PLC [a]	6,227,763
8,205,015	Regus PLC	26,982,781
3,232,069	Songbird Estates PLC [a]	8,291,675
		70,858,828
United States-34.0%		
42,181	AG Mortgage Investment Trust, Inc. [d]	689,238
200,000	Altisource Residential Corp.	5,314,000
300,000	American Capital Mortgage Investment Corp. [d]	5,733,000
850,000	American Homes 4 Rent-Class A [a][e]	13,158,000
28,302	American Homes 4 Rent-Class A [a]	438,115
50,000	AvalonBay Communities, Inc. [d]	6,252,500
221,235	Blackstone Mortgage Trust, Inc.- Class A	5,418,045
1	Brookfield Property Partners LP [a]	19
143,000	Brookfield Residential Properties, Inc. [a]	3,157,440
256,353	CBL & Associates Properties, Inc. [d]	5,078,353
965,507	Colony Financial, Inc. [d]	19,532,207
200,807	Cousins Properties, Inc.	2,275,143
95,748	Digital Realty Trust, Inc. [d]	4,563,350
300,000	DR Horton, Inc. [d]	5,685,000
50,000	Equity Lifestyle Properties, Inc.	1,899,500
210,569	Host Hotels & Resorts, Inc. [d]	3,906,055
1,000,000	Invesco Mortgage Capital, REIT Inc. [d]	15,450,000
225,000	Meritage Homes Corp. [a]	10,212,750
1,882,000	MFA Financial, Inc. [d]	13,945,620
900,000	New Residential Investment Corp. [d]	5,949,000
700,000	Newcastle Investment Corp. [d]	4,018,000
352,375	Ocwen Financial Corp. [a][d]	19,814,046
325,000	Ryland Group, Inc. [d]	13,065,000

Shares	Security Description	Value
145,742	Simon Property Group, Inc. (d)	22,524,426
210,000	Starwood Hotels & Resorts Worldwide, Inc. (d)	15,460,200

Shares	Security Description	Value
United States-Continued		
546,944	Starwood Property Trust, Inc. (d)	$14,050,992
50,000	The Howard Hughes Corp. (a)(d)	5,852,500
996,931	Two Harbors Investment Corp. (d)	9,301,366
63,320	UCP, Inc.-Class A (a)	892,812
274,780	WCI Communities, Inc. (a)	4,957,031
		238,593,708
TOTAL COMMON STOCKS (Cost $564,586,615)		711,229,919
EQUITY-LINKED STRUCTURED NOTES-1.3%		
India-0.5%		
850,000	Phoenix Mills, Ltd.-Merrill Lynch & Co., Inc.	3,235,130
United Kingdom-0.8%		
200,000	Intercontinental Hotels Group (a)	5,826,753
TOTAL EQUITY-LINKED STRUCTURED NOTES (Cost $9,555,121)		9,061,883
RIGHTS-0.0%*		
China-0.0 %		
324,840	CapitaRetail China Trust (a) Expiration: November, 2013 Exercise Price:1.3	24,843
Hong Kong-0.0%		
31,250	New Hotel Rights (a) Expiration: December, 2013 Exercise Price:0.0	0
TOTAL RIGHTS (Cost $0)		24,843
TOTAL INVESTMENTS (Cost $574,141,736)-102.5%		720,316,645
LIABILITIES IN EXCESS OF OTHER ASSETS-(2.5)%		(17,902,253)
TOTAL NET ASSETS 100.0%		$702,414,392

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

Schedule of Portfolio Investments
October 31, 2013

Percentages are stated as a percent of net assets.

* *Less than 0.05% of Net Assets.*
(a) *Non-income producing security.*
(b) *Illiquid security.*
(c) *Security fair valued in accordance with procedures approved by the Board of Trustees. These securities comprised 0.04% of the Fund's net assets.*
(d) *All or a portion of the security has been designated as collateral for the line of credit.*
(e) *Security exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration, normally to qualified institutional buyers. These securities have been determined to be liquid in accordance with procedures adopted by the Fund's Board of Trustees. As of October 31, 2013, securities restricted under Rule 144A had a total value of $13,158,000 which comprised 1.9% of the Fund's net assets.*

Common Abbreviations

AB - Aktiebolag is the Swedish equivalent of a corporation.

AG - Aktiengesellschaft is a German term that refers to a corporation that is limited by shares, i.e., owned by shareholders.

BHD - Malaysian equivalent to incorporated.

PCL - Public Company Limited

PLC - Public Limited Company

REIT - Real Estate Investment Trust

S de RL de CV - Socieded de Responsabilidad Limitada de Capital Variable is the Spanish equivalent to Limited Liability Company.

SA - Generally designates corporations in various countries, mostly those employing the civil law.

SA de CV - Sociedad Anonima de Capital Variable is the Spanish equivalent to Variable Capital Company.

SAB de CV - Sociedad Anonima Bursátil de Capital Variable is the Spanish equivalent to Variable Capital Company.

SE - SE Regulation. A European Company which can operate on a Europe-wide basis and be governed by Community law directly applicable in all Member States.

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

14

Statement of Assets and Liabilities
October 31, 2013

ASSETS				
Investments, at value(1)	$720,316,645			
Foreign currencies, at value(2)	4,873			
Receivable from investment securities sold	33,441,902			
Dividends receivable	611,081			
Unrealized appreciation on forward currency contracts	178,291			
Prepaid expenses and other assets	37,267			
Total Assets	754,590,059			
LIABILITIES				
Loan payable (Note 7)	38,542,333			
Interest on loan payable	2,170			
Payable for investment securities purchased	12,740,389			
Accrued expenses and other liabilities:				
Investment advisory fees	637,542			
Administration fees	12,443			
Other	240,790			
Total Liabilities	52,175,667			
Net Assets	$702,414,392			
NET ASSETS REPRESENTED BY				
Paid-in-capital	$1,809,917,295			
Distributions in excess of net investment income	(27,717,178)			
Accumulated net realized loss from investments and foreign currency transactions	(1,226,129,336)			
Net unrealized appreciation on investments and foreign currency translations	146,343,611			

$	(16,503)	$14,424	$(44,603)	$69,492
Weighted average number of shares of common stock outstanding	36,338	35,832	36,205	35,723
Add: Net effect of dilutive stock options and unvested restricted stock (1)(2)(3)	—	551	—	533
Weighted average number of dilutive shares of common stock outstanding	36,338	36,383	36,205	36,256
Earnings (loss) per common share:				
Basic earnings (loss) per common share	$ (0.45)	$ 0.40	$ (1.23)	$ 1.95
Diluted earnings (loss) per common share	$ (0.45)	$ 0.40	$ (1.23)	$ 1.92

(1) Due to a net loss, the Company excluded from the calculation of loss per share the effect of equity awards representing the rights to acquire 988 and 974 shares of common stock for the three and nine months ended September 30, 2016. For the three and nine months ended September 30, 2015, the Company had 317 and 326 anti-dilutive stock options, respectively. Stock options are anti-dilutive when the exercise price of the

options is greater than the average market price of the common stock for the period or when the results from operations are a net loss.

(2) For the three and nine months ended September 30, 2016 and 2015, the 2019 convertible senior notes were not dilutive, as the average price of the Company’s stock was less than the effective conversion price of such notes. It is the Company's stated intention to redeem the principal amount of its 2019 convertible senior notes in cash and the Company has used the treasury method for determining potential dilution in the diluted earnings per share computation.

(3) Dilutive unvested restricted stock units are expected to fluctuate from quarter to quarter depending on the Company’s performance compared to a predetermined set of performance criteria. See Note 6 to these financial statements for further information regarding certain of the Company’s restricted stock grants.

4. Property, Plant and Equipment

Asset Impairment Assessment

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

During the three months ended June 30, 2016, the Company determined that it observed indicators of impairment related to its vessels. This resulted from the rapid deterioration of its second quarter 2016 operating results, as well as the uncertainty regarding future market conditions and the related impact on the Company's projected operating results. For the purposes of calculating the undiscounted cash flows, the Company groups its vessels into two groups, OSVs and MPSVs, and used a probability-weighted undiscounted cash flow projection to test for recoverability. After reviewing the results of this calculation, the Company determined that each of its asset groups has sufficient projected undiscounted cash flows to recover the remaining book value of the Company's long-lived assets within such group. During the third quarter of 2016, the Company reviewed the assumptions used in preparing the undiscounted cash flow projections and it concluded that such assumptions remain consistent with current market conditions. In addition, the Company has not observed any additional indicators of impairment related to its vessels during the three months ended September 30, 2016.

Vessel Sales

On March 30, 2016, the Company closed on the sale of its last remaining non-core conventional OSV, the Cape Breton, for cash consideration of $420,000. The sale resulted in a pre-tax loss of approximately $45,000 ($31,000 after-tax or $0.00 per diluted share). During the three months ended September 30, 2016, the Company sold vessel-related equipment for cash consideration of $0.1 million. The sale resulted in a pre-tax gain of approximately $81,000 ($53,000 after-tax or $0.00 per diluted share).

On February 27, 2015, the Company closed on the sale of three 250EDF class OSVs, the HOS Arrowhead, the HOS Eagleview and the HOS Westwind, which were previously chartered to the U.S. Navy, for cash consideration of $114.0 million. The sale resulted in a pre-tax gain of approximately $33.1 million ($20.7 million after-tax or $0.57 per diluted share). On August 28, 2015, the Company closed on the sale of the HOS Black Powder for cash consideration of $38.0 million. The sale resulted in a pre-tax gain of approximately $11.0 million ($6.7 million after-tax or $0.19 per diluted share). These vessels are now managed by the Company for the U.S. Navy.

5. Long-Term Debt

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

	September 30, 2016	December 31, 2015
5.875% senior notes due 2020, net of deferred financing costs of $3,255 and $3,944	$ 371,745	$ 371,056
5.000% senior notes due 2021, net of deferred financing costs of $4,353 and $5,080	445,647	444,920
1.500% convertible senior notes due 2019, net of original issue discount of $33,782 and $41,600 and deferred financing costs of $3,326 and $4,095	262,892	254,305
Revolving credit facility due 2020	—	—
	$ 1,080,284	$ 1,070,281

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

	Semi-Annual Cash Interest Payment	Payment Dates
5.875% senior notes due 2020	$ 11,000	April 1 and October 1
5.000% senior notes due 2021	11,300	March 1 and September 1
1.500% convertible senior notes due 2019	2,300	March 1 and September 1

Table of Contents

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

Revolving Credit Facility

On July 29, 2016, the Company amended its existing revolving credit facility. The amended facility provides continued access to a reduced level of standby liquidity for working capital and general corporate purposes, including acquisitions, newbuild and conversion programs and other capital expenditures. The changes to the Company's revolving credit facility were effective July 29, 2016, and commenced with the fiscal quarter ending September 30, 2016. The more significant changes to the facility are noted below:

- reduce the borrowing base from $300.0 million to $200.0 million;
- increase the unused commitment fee to 50 basis points for all pricing levels;
- increase the London Interbank Offered Rate, or LIBOR, spreads on funded borrowings by 25 basis points for all pricing levels;
- increase the minimum collateral-to-loan value ratio from 150% of the borrowing base to 200% of the borrowing base, which resulted in a decrease in the fair value of collateral pledged from $450.0 million to $400.0 million;
- delay the previously scheduled step-down in the total debt-to-capitalization ratio, as defined, from 55% to 50% by six quarters to commence with the fiscal quarter ending September 30, 2018;
- reduce the minimum interest coverage ratio from 3.00x to 1.00x with a step-up to 1.25x for the fiscal quarter ending September 30, 2018 and a step-up to 1.50x for the fiscal quarter ending March 31, 2019;
- allow the Company the option of making a one-time election to suspend the interest coverage ratio for a holiday period of no more than four quarters, ending no later than December 31, 2017, with a single permitted rescission. If the Company elects to exercise the interest coverage holiday, then the borrowing base will be capped at $75.0 million during the holiday and the LIBOR spreads for funded borrowings will be increased by an additional 50 basis points during and after the interest coverage holiday;
- inclusion of an anti-cash hoarding provision that limits the Company's cash balance to no more than $50.0 million at any time during which the revolving credit facility is drawn;
- increase minimum liquidity (cash and credit facility availability) required for prepayment of the Company's 2019 convertible senior notes, 2020 senior notes, and 2021 senior notes from $100.0 million to $150.0 million subject to a maximum senior secured leverage ratio of 2-to-1;
- permit the Company to create one or more Investment Entities, as defined. The Investment Entities would be capitalized (i) by the Company, by transferring certain vessels identified in the First Amendment and (ii) by one or more unaffiliated third parties, by depositing cash, with the cash funding being available for acquisitions;
- amend the definitions of EBITDA and Pro Forma EBITDA to provide that, commencing with the earlier of (a) the first full fiscal quarter after the expiration of the interest coverage holiday and (b) the fiscal quarter ending March 31, 2018, or the Applicable Period, and until the third immediately following fiscal quarter thereafter, EBITDA and Pro Forma EBITDA, as applicable, shall mean, with respect to the Company and its consolidated subsidiaries, (a) for the Applicable Period, EBITDA, or Pro Forma EBITDA, as applicable, for such fiscal quarter multiplied by four, (b) for the Applicable Period and the immediately following fiscal quarter, EBITDA, or Pro Forma EBITDA, as applicable, for such fiscal quarters multiplied by two, and (c) for the Applicable Period and the two immediately following fiscal quarters, EBITDA, or Pro Forma EBITDA, as applicable, for such fiscal quarters multiplied by one and one-third;

- reduce the amount of liens permitted to secure debt (other than the Amended Facility) of any loan party from $50.0 million at any one time to $15.0 million, and to prohibit such liens during the interest coverage holiday;
- condition Restricted Payments, as defined, on pro forma compliance with the interest coverage ratio and the total debt-to-capitalization ratio and compliance with a maximum senior secured leverage ratio of 2-to-1;
- increase the amount of cash or cash equivalents on deposit or unused availability under the Amended Facility or a combination of both from $20.0 million to $100.0 million and require a maximum senior secured leverage ratio of 2-to-1 in order to permit a loan party to merge with another person, acquire or form a new subsidiary, make an investment (other than in an Investment Entity) or acquire any vessel or other capital assets; and
- limit sales or other dispositions of property or subsidiaries owning properties, other than inventory, certain equipment or investments in the Investment Entities, to (i) less than twenty percent (20%) of the consolidated net tangible assets of the Company if at the time of such sale or disposition the senior secured leverage ratio is less than or equal to 2-to-1, or (ii) less than ten percent (10%) of the consolidated net tangible assets of the Company if at the time of such sale or disposition the senior secured leverage ratio is greater than 2-to-1.

As of September 30, 2016, there were no amounts drawn under the Company's $200.0 million revolving credit facility. As of September 30, 2016, the Company was in compliance with all financial covenants required by its revolving credit facility and the full amount of the undrawn borrowing base under the facility was available to the Company for all permissible uses of proceeds, including working capital, if necessary, but subject to the anti-cash hoarding provision described above.

The Company estimates the fair value of its 2020 senior notes, 2021 senior notes and 2019 convertible senior notes by primarily using quoted market prices. The fair value of the Company's revolving credit facility, when there are outstanding balances, approximates its carrying value. Given the observability of the inputs to these estimates, the fair values presented for long-term debt have been assigned a Level 2 of the three-level valuation hierarchy. As of the dates indicated below, the Company had the following face values, carrying values and fair values (in thousands):

	September 30, 2016			December 31, 2015		
	Face Value	Carrying Value	Fair Value	Face Value	Carrying Value	Fair Value
5.875% senior notes due 2020	$375,000	$371,745	$229,688	$375,000	$371,056	$257,813
5.000% senior notes due 2021	450,000	445,647	258,187	450,000	444,920	308,250
1.500% convertible senior notes due 2019	300,000	262,892	170,445	300,000	254,305	170,340
	$1,125,000	$1,080,284	$658,320	$1,125,000	$1,070,281	$736,403

Capitalized Interest

During the three and nine months ended September 30, 2016, the Company capitalized approximately $4.2 million and $14.3 million, respectively, of interest costs related to the construction of vessels. During the three and nine months ended September 30, 2015, the Company capitalized approximately $6.3 million and $18.2 million, respectively, of interest costs related to the construction of vessels.

Table of Contents

HORNBECK OFFSHORE SERVICES, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

6. Incentive Compensation

Stock-Based Incentive Compensation Plan

The Company’s stock-based incentive compensation plan covers a maximum of 4.95 million shares of common stock that allows the Company to grant restricted stock awards, restricted stock unit awards, or collectively restricted stock, stock options, stock appreciation rights and fully-vested common stock to employees and directors. As of September 30, 2016, the Company has granted awards covering 4.4 million shares of common stock under such plan. During the nine months ended September 30, 2016, the Company granted phantom restricted stock units, time-based restricted stock units and fully-vested common stock as noted in the table below.

	Directors	Executive Officers	Certain Managers
Performance-based phantom restricted stock units		X	
Time-based phantom restricted stock units		X	X
Time-based restricted stock units		X	X
Fully-vested common stock	X		

The shares to be received under the performance-based phantom restricted stock units are calculated based on the Company's performance compared to three pre-determined criteria, as defined by the phantom restricted stock agreements governing such awards. The actual number of shares that could be received by the award recipients can range from 0% to 150% of the awards granted depending on the Company's performance. During the nine months ended September 30, 2016, the Company granted 396,369 time-based restricted stock units, 467,272 time-based and 522,402 performance based phantom restricted stock units and 139,133 shares of fully-vested common stock.

The fair value of the Company’s performance-based restricted stock units and phantom restricted stock units, which is the stock price on the date of grant, is applied to the total shares that are expected to fully vest and is amortized over the vesting period, which is generally three years, based on the Company’s internal performance measured against the pre-determined criteria, as applicable. The compensation expense related to time-based restricted stock units and phantom restricted stock units are amortized over a vesting period of up to three years, as applicable, and is determined based on the market price of the Company’s stock on the date of grant applied to the total shares that are expected to fully vest. In addition, all phantom restricted stock units are re-measured quarterly and classified as a liability, due to the settlement of these awards in cash. In addition to the restricted stock units granted in 2016, the Company granted performance-based and time-based restricted stock units and phantom stock units in prior years. During the nine months ended September 30, 2016, the Company issued 389,355 shares, in the aggregate, of stock due to: 1) vestings of restricted stock units, 2) employee purchases under the Company's Employee Stock Purchase Plan and 3) the issuance of fully-vested common stock.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Income before taxes	$2,341	$3,183	$6,557	$7,957
Net income	$1,529	$1,948	$4,275	$4,973
Earnings per common share:				
Basic earnings per common share	$0.04	$0.05	$0.12	$0.14
Diluted earnings per common share	$0.04	$0.05	$0.12	$0.14

7. Commitments and Contingencies

Vessel Construction

In February 2016, the Company announced plans to enhance the marketability of the four remaining 310 class MPSVs. The first two of those MPSVs, which were delivered in the third quarter of 2016, were enhanced by increasing the berthing capacity, expanding the cargo-carrying capabilities and expanding the work area for ROVs. The functionality of the second two MPSVs, which are still under construction, will be increased by adding a 60-foot mid-body plug, installation of an additional crane, increasing the berthing capacity, expanding the cargo-carrying capacities and expanding the work areas for ROVs. These latter two MPSVs have been upgraded to a 400 class designation. The incremental aggregate cost of these four conversions and construction change orders will be approximately $70.0 million.

In August 2016, the Company announced that it had reached an agreement with the shipyard to postpone the delivery of the final two 400 class MPSVs to be delivered under this program to the first and second quarters of 2018 without any additional cost to the Company. In addition, the payment terms for the remainder of the contract were adjusted to shift $43.3 million of construction milestone draws from the remainder of 2016 and 2017 into 2018. The Company's fifth OSV newbuild program consists of four 300 class OSVs, five 310 class OSVs, ten 320 class OSVs, three 310 class MPSVs and two 400 class MPSVs.

As of September 30, 2016, the Company had placed 22 vessels in service under such program. The aggregate cost of the Company's fifth OSV newbuild program, excluding construction period interest, is expected to be approximately $1,335.0 million, of which $6.9 million, $21.8 million, and $43.3 million are expected to be incurred in the remainder of 2016, 2017, and 2018, respectively. From the inception of this program through September 30, 2016, the Company had incurred $1,263.0 million, or 94.6%, of total expected project costs.

Contingencies

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

Vessel charters with Petrobras included limitations regarding fuel consumption. Petrobras has asserted claims against the Company relating to excess fuel consumption in 2010 and 2011. The Company’s exposure for these assessments, net of amounts accrued, is in the range of approximately $0.5 million to $3.0 million. The Company disagrees with a majority of these assessments. During the second quarter of 2015, the Brazilian court ruled in the Company's favor related to these claims. Subsequent to this ruling, Petrobras has filed and been denied multiple appeals. Petrobras has the ability to request a final review of the case by the Supreme Court. While the Company cannot currently estimate the amounts or timing of the resolution of these

Table of Contents

matters, the Company believes that the outcome will not have a material impact on its liquidity or financial position, but the ultimate resolution could have a material impact on its interim or annual results of operations.

During 2013, the Company commenced the process of assigning the in-country vessel management services for its four vessels operating in Brazil from a third-party provider to a wholly-owned subsidiary of the Company. As a result, this assignment has been interpreted by local authorities as a new importation of these vessels resulting in an importation assessment ranging from $0.5 million to $3.5 million. The Company disagrees with this interpretation and related assessment. During the third quarter of 2015, the Brazilian court ruled in the Company's favor related to these claims and this decision has been appealed to another court. As of September 30, 2016, these potential duties have not been assessed or recorded in its financial statements. While the Company cannot estimate the amounts or timing of the resolution of this matter, the Company believes that the outcome will not have a material impact on its liquidity or financial position, but the ultimate resolution could have a material impact on its interim or annual results of operations.

During 2012, a customer, ATP Oil and Gas, Inc., initiated a reorganization proceeding under Chapter 11 of the United States Bankruptcy Code, which was subsequently converted to a Chapter 7 case. Pre-petition receivables from ATP are $4.8 million and the Company has recorded $0.9 million in reserves. The Company believes its claim is secured under the Louisiana Oil Well Lien Act. A legal challenge related to the Company's liens has been raised in the bankruptcy proceedings by parties whose interests are affected by the liens. The Company, together with its outside legal counsel, believe its lien position is valid, but the Bankruptcy Court has disagreed. The matter is now being reviewed by the federal district court in Houston, Texas. An unfavorable final judgment would render the Company's position to that of an unsecured creditor in the bankruptcy proceeding. While the Company believes that the net receivables are collectible, it will continue to monitor the proceedings, which may result in actual collections that may materially differ from the current estimate.

8. Other Accrued Liabilities

Other accrued liabilities include the following (in thousands):

	September 30, 2016	December 31, 2015
Accrued lease expense	$ 4,659	$ 4,339
Deferred revenue	1,158	5,734
Current taxes payable	892	3,958
Other	5,541	9,581
Total	$ 12,250	$ 23,612

Table of Contents

9. Condensed Consolidating Financial Statements of Guarantors

The following tables present the condensed consolidating balance sheets as of September 30, 2016 and December 31, 2015, the condensed consolidating statement of operations and the condensed consolidating statement of comprehensive income (loss) for the three and nine months ended September 30, 2016 and the condensed consolidating statement of cash flows for the nine months ended September 30, 2016 for the domestic subsidiaries of the Company that serve as guarantors of the Company's 2019 convertible senior notes, 2020 senior notes and 2021 senior notes and the financial results for the Company's subsidiaries that do not serve as guarantors. The guarantor subsidiaries of the 2019 convertible senior notes, 2020 senior notes and 2021 senior notes are 100% owned by the Company. The guarantees are full and unconditional and joint and several and prior to the fourth quarter of 2015, all of the Company's non-guarantor subsidiaries were minor as defined in the Securities and Exchange Commission regulations. The non-guarantor subsidiaries of such notes include all of the Company's foreign subsidiaries.

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

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

	As of September 30, 2016				
	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating	Consolidated
ASSETS					
Current assets:					
Cash and cash equivalents	$17	$216,126	$9,318	$—	$225,461
Accounts receivable, net of allowance for doubtful accounts of $2,158	—	38,463	9,612	(3,569)	44,506
Other current assets	38	13,503	530	—	14,071
Total current assets	55	268,092	19,460	(3,569)	284,038
Property, plant and equipment, net	—	2,473,049	125,195	—	2,598,244
Deferred charges, net	2,791	17,244	743	—	20,778
Intercompany receivable	1,722,917	200,182	85,683	(2,008,782)	—
Investment in subsidiaries	775,816	8,602	—	(784,418)	—
Other assets	1,743	6,320	2,300	—	10,363
Total assets	$2,503,322	$2,973,489	$233,381	$(2,796,769)	$2,913,423
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current liabilities:					
Accounts payable	$—	$12,737	$5,600	$(5,152)	$13,185
Accrued interest	13,531	—	—	—	13,531
Accrued payroll and benefits	—	7,367	837	—	8,204
Other accrued liabilities	—	10,891	1,503	(144)	12,250
Total current liabilities	13,531	30,995	7,940	(5,296)	47,170
Long-term debt, net of original issue discount of $33,782 and deferred financing costs of $10,934	1,080,284	—	—	—	1,080,284
Deferred tax liabilities, net	—	359,273	—	—	359,273
Intercompany payables	—	1,794,147	221,510	(2,015,657)	—
Other liabilities	—	1,496	—	—	1,496
Total liabilities	1,093,815	2,185,911	229,450	(2,020,953)	1,488,223
Stockholders' equity:					
Preferred stock: $0.01 par value; 5,000 shares authorized; no shares issued and outstanding	—	—	—	—	—
Common stock: $0.01 par value; 100,000 shares authorized; 36,374 shares issued and outstanding	364	—	—	—	364
Additional paid-in capital	751,908	37,978	8,601	(46,580)	751,907
Retained earnings	657,235	749,450	(20,214)	(729,236)	657,235
Accumulated other comprehensive loss	—	150	15,544	—	15,694
Total stockholders' equity	1,409,507	787,578	3,931	(775,816)	1,425,200
Total liabilities and stockholders' equity	$2,503,322	$2,973,489	$233,381	$(2,796,769)	$2,913,423

15

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

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

	As of December 31, 2015				
	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating	Consolidated
ASSETS					
Current assets:					
Cash and cash equivalents	$10	$252,651	$ 7,140	$—	$259,801
Accounts receivable, net of allowance for doubtful accounts of $2,877	—	41,963	54,416	(5,177)	91,202
Other current assets	12	12,955	66	—	13,033
Total current assets	22	307,569	61,622	(5,177)	364,036
Property, plant and equipment, net	—	2,472,367	102,294	—	2,574,661
Deferred charges, net	3,198	56,022	27,362	(51,309)	35,273
Intercompany receivable	1,751,046	186,054	59,413	(1,996,513)	—
Investment in subsidiaries	785,472	8,602	—	(794,074)	—
Other assets	1,743	6,648	2,055	—	10,446
Total assets	$2,541,481	$3,037,262	$ 252,746	$(2,847,073)	$2,984,416
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current liabilities:					
Accounts payable	$—	$34,214	$ 7,519	$(5,991)	$35,742
Accrued interest	14,795	—	—	—	14,795
Accrued payroll and benefits	—	10,944	452	—	11,396
Other accrued liabilities	—	16,989	6,623	—	23,612
Total current liabilities	14,795	62,147	14,594	(5,991)	85,545
Long-term debt, net of original issue discount of $41,600 and deferred financing costs of $13,119	1,070,281	—	—	—	1,070,281
Deferred tax liabilities, net	—	381,619	—	—	381,619
Intercompany payables	6,164	1,801,830	247,615	(2,055,609)	—
Other liabilities	—	808	—	—	808
Total liabilities	1,091,240	2,246,404	262,209	(2,061,600)	1,538,253
Stockholders' equity:					
Preferred stock: $0.01 par value; 5,000 shares authorized; no shares issued and outstanding	—	—	—	—	—
Common stock: $0.01 par value; 100,000 shares authorized; 35,985 shares issued and outstanding	360	—	—	—	360
Additional paid-in capital	748,043	37,978	8,602	(46,582)	748,041
Retained earnings	701,838	752,761	(13,870)	(738,891)	701,838
Accumulated other comprehensive loss	—	119	(4,195)	—	(4,076)
Total stockholders' equity	1,450,241	790,858	(9,463)	(785,473)	1,446,163
Total liabilities and stockholders' equity	$2,541,481	$3,037,262	$ 252,746	$(2,847,073)	$2,984,416

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

Condensed Consolidating Statement of Operations
(In thousands)

	Three Months Ended September 30, 2016				
	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating	Consolidated
Revenues	$—	$ 50,798	$ 1,467	$ (338)	$ 51,927
Costs and expenses:					
Operating expenses	—	26,282	3,414	(321)	29,375
Depreciation	—	22,188	1,279	—	23,467
Amortization	—	4,269	311	—	4,580
General and administrative expenses	36	7,542	1,468	(15)	9,031
	36	60,281	6,472	(336)	66,453
Gain on sale of assets	—	81	—	—	81
Operating loss	(36)	(9,402)	(5,005)	(2)	(14,445)
Other income (expense):					
Interest income	—	259	142	—	401
Interest expense	(12,820)	—	—	—	(12,820)
Equity in earnings (losses) of consolidated subsidiaries	(3,647)	—	—	3,647	—
Other income (expense), net	—	(790)	2,381	1	1,592
	(16,467)	(531)	2,523	3,648	(10,827)
Income (loss) before income taxes	(16,503)	(9,933)	(2,482)	3,646	(25,272)
Income tax benefit	—	(7,279)	(1,490)	—	(8,769)
Net income (loss)	$(16,503)	$ (2,654)	$ (992)	$ 3,646	$ (16,503)

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

	Three Months Ended September 30, 2016				
	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating	Consolidated
Net income (loss)	$(16,503)	$ (2,654)	$ (992)	$ 3,646	$ (16,503)
Other comprehensive income:					
Foreign currency translation loss	—	(3)	(905)	—	(908)
Total comprehensive income (loss)	$(16,503)	$ (2,657)	$ (1,897)	$ 3,646	$ (17,411)

17

Table of Contents

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

Condensed Consolidating Statement of Operations
(In thousands)

	Nine Months Ended September 30, 2016				
	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating	Consolidated
Revenues	$—	$ 171,034	$ 9,386	$ 2,000	$ 182,420
Costs and expenses:					
Operating expenses	—	89,666	12,525	1,943	104,134
Depreciation	—	65,040	3,258	—	68,298
Amortization	—	15,671	1,004	—	16,675
General and administrative expenses	148	26,978	2,901	57	30,084
	148	197,355	19,688	2,000	219,191
Gain on sale of assets	—	36	—	—	36
Operating loss	(148)	(26,285)	(10,302)	—	(36,735)
Other income (expense):					
Interest income	—	732	432	—	1,164
Interest expense	(34,886)	—	(2)	—	(34,888)
Equity in earnings of consolidated subsidiaries	(9,655)	—	—	9,655	—
Other income (expense), net	—	(560)	2,523	85	2,048
	(44,541)	172	2,953	9,740	(31,676)
Income (loss) before income taxes	(44,689)	(26,113)	(7,349)	9,740	(68,411)
Income tax benefit	—	(22,803)	(1,005)	—	(23,808)
Net income (loss)	$(44,689)	$ (3,310)	$ (6,344)	$ 9,740	$ (44,603)

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

	Nine Months Ended September 30, 2016				
	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating	Consolidated
Net income (loss)	$(44,689)	$ (3,310)	$ (6,344)	$ 9,740	$ (44,603)
Other comprehensive income:					
Foreign currency translation gain	—	31	19,739	—	19,770
Total comprehensive income (loss)	$(44,689)	$ (3,279)	$ 13,395	$ 9,740	$ (24,833)

Table of Contents

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

Condensed Consolidating Statement of Cash Flows
(In thousands)

	Nine Months Ended September 30, 2016				
	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating	Consolidated
CASH FLOWS FROM OPERATING ACTIVITIES:					
Net cash provided by operating activities	$377	$54,277	$2,057	$—	$56,711
CASH FLOWS FROM INVESTING ACTIVITIES:					
Costs incurred for OSV newbuild program #5	—	(72,584)	(614)	—	(73,198)
Net proceeds from sale of assets	—	506	—	—	506
Vessel capital expenditures	—	(18,282)	(424)	—	(18,706)
Non-vessel capital expenditures	—	(473)	59	—	(414)
Net cash used in investing activities	—	(90,833)	(979)	—	(91,812)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Deferred financing costs	(1,102)	—	—	—	(1,102)
Net cash proceeds from other shares issued	732	—	—	—	732
Net cash used in financing activities	(370)	—	—	—	(370)
Effects of exchange rate changes on cash	—	31	1,100	—	1,131
Net increase (decrease) in cash and cash equivalents	7	(36,525)	2,178	—	(34,340)
Cash and cash equivalents at beginning of period	10	252,651	7,140	—	259,801
Cash and cash equivalents at end of period	$17	$216,126	$9,318	$—	$225,461
SUPPLEMENTAL DISCLOSURES OF CASH FLOW ACTIVITIES:					
Cash paid for interest	$38,871	$—	$—	$—	$38,871
Cash paid for income taxes	$—	$484	$2,204	$—	$2,688

Table of Contents

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

The following Management's Discussion and Analysis of Financial Condition and Results of Operations should be read together with our unaudited consolidated financial statements and notes to unaudited consolidated financial statements in this Quarterly Report on Form 10-Q and our audited financial statements and notes thereto included in our Annual Report on Form 10-K as of and for the year ended December 31, 2015. This discussion contains forward-looking statements that reflect our current views with respect to future events and financial performance. Our actual results may differ materially from those anticipated in these forward-looking statements. See "Forward Looking Statements" for additional discussion regarding risks associated with forward-looking statements. In this Quarterly Report on Form 10-Q, "company," "we," "us," "our" or like terms refer to Hornbeck Offshore Services, Inc. and its subsidiaries, except as otherwise indicated. Please refer to Item 5—Other Information for a glossary of terms used throughout this Quarterly Report on Form 10-Q.

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

General

During the first nine months of 2016, oil prices averaged $41 per barrel. The drop in oil price, since October 2014, is due to surplus oil, driven in part by a significant rise in U.S. shale oil production, as well as other previously unavailable sources of supply, coupled with Organization of the Petroleum Exporting Countries, or OPEC, suppliers in the Middle East and Russia not reducing their output. In addition, economic weakness in many regions of the world, notably Europe and China, has reduced the previously expected oil consumption growth rate. As a result of lower oil prices, major and independent oil companies with deepwater operations have significantly reduced their capital spending budgets, which are the principal demand drivers for our services. Less spending by our customers combined with a global oversupply of OSVs for current market conditions, including high-spec OSVs in our core markets, have resulted in significant reductions in our dayrates and utilization.

The principal issue facing the industry is the ultimate duration of the current downturn. While we have taken extensive measures to reduce costs, these reductions alone will not be sufficient to mitigate the full impact of revenue loss over an extended period of time. Even in light of the currently reduced level of EBITDA generation, our cash on hand provides a healthy cushion for the foreseeable future. However, we do not believe that our current cash on hand, revolving credit availability and cash generated from operations under current market conditions will be sufficient to repay all three tranches of our $1,125.0 million of face value in funded debt that begins to mature in September 2019. We are proactively considering various ways to address these maturities well in advance and have retained the advisory firm of PricewaterhouseCoopers Corporate Finance, LLC to advise us in this effort.

In the GoM, nine high-spec OSVs have been delivered into the domestic market during 2016, including one of our own. We expect an additional 13 high-spec OSVs to be delivered into domestic service through 2018. We do not anticipate significant growth in the supply of high-spec OSVs beyond the currently anticipated level of 207 of such vessels by the end of 2018. In the market place, we continue to observe operators shortening or canceling rig contracts, which we believe will further reduce demand for vessels. During the third quarter of 2016, there was an average of roughly 38 floating rigs available in the GoM, while an average of 22.6 were working. This average active rig count decreased 4.8 and 14.8 rigs from the sequential and prior-year quarters, respectively. As of November 2, 2016, there were 37 rigs available and 24

Table of Contents

were working. However, five floating rigs have contracts that will expire during the remainder of 2016. We do not know whether the remaining rigs will receive contract renewals for operations in the GoM. We expect two new rigs to arrive in the GoM during the fourth quarter of 2016. Once a rig arrives in the GoM, it can take several months to commence work and, therefore, we do not know the timing of when operations of newly arrived rigs will begin. Given these market conditions, we anticipate our average dayrates and utilization levels will continue to be depressed. However, the GoM is one of the premier deepwater markets in the world and we are committed to supporting our customers in this market. We feel that once the current supply and demand fundamentals return to more normal conditions, our results from operations will improve.

In recognition of these weak market conditions, we stacked 45 OSVs on various dates from October 2014 through September 2016. Post quarter-end, we have stacked an additional new generation OSV to date and we currently plan to stack two more vessels during the fourth quarter of 2016. These 48 stacked vessels represent 71% of our current OSV and MPSV vessel headcount and 54% of our fleetwide total deadweight tonnage. By stacking vessels, we have significantly reduced and expect to continue reducing our cash outlays and lower our risk profile; however, we will also have fewer revenue-producing units in service that can contribute to our results and produce cash flows to cover our fixed costs and commitments. While we may choose to stack additional vessels should market conditions warrant, our current expectation is to retain our current active fleet of 24 vessels in the market and to accept contracts at the best available terms even if such contracts are below our cash break even cost of operations.

In Mexico, while the energy reform continues to progress, questions remain on the timing of the incremental activity expected in the Mexican deepwater GoM given the current oil price environment. PEMEX budget reductions have resulted in contract cancellations and drastically curtailed the number of our vessels operating in Mexico from 2015 levels. In the nine months ended September 30, 2016, six of our Mexican-flagged vessels were stacked. Nevertheless, we consider Mexico to be a long-term market for our services, especially in light of energy reforms expected to be carried out there. Despite current oil prices, 26 companies have been pre-approved as bidders for the first Mexican deepwater lease auction, which is scheduled to occur in December 2016. We continue to explore opportunities to place additional vessels into Mexico to support PEMEX in its ongoing shallow water activity and non-PEMEX customers in support of future shelf and deepwater activity there.

In Brazil, Petrobras has moved towards an "all Brazilian flag" vessel fleet, which has limited opportunities in Brazil for foreign-flagged vessels, except where highly specialized services are required. In January 2016, we placed one of our newbuild HOSMAX 310 class OSVs into Brazilian registry and have imported the vessel into Brazil. In October 2016, Brazil enacted new legislation that will allow international oil companies to participate as an operator of pre-salt offshore developments, reversing a policy that reserved these properties to Petrobras exclusively. By doing so, the Brazilian government has created the possibility that foreign operators might spur additional activity that has been dampened by low oil prices and Petrobras' difficulties.

Table of Contents

Our Vessels

All of our current vessels are qualified under the Jones Act to engage in U.S. coastwise trade, except for eight foreign-flagged new generation OSVs, one foreign-flagged well-stimulation vessel and two foreign-flagged MPSVs. As of September 30, 2016, our 17 active new generation OSVs, eight MPSVs and four managed OSVs were operating in domestic and international areas as noted in the following table:

Operating Areas	
Domestic	
GoM	18
Other U.S. coastlines (1)	6
	24
Foreign	
Brazil	1
Mexico	1
Middle East	1
Other Latin America	2
	5
Total Vessels (2)	29

(1) Includes two owned vessels and four managed vessels supporting the military.

(2) Excluded from this table are 45 new generation OSVs that were stacked as of September 30, 2016.

Critical Accounting Estimates

This Management's Discussion and Analysis of Financial Condition and Results of Operations discusses our unaudited consolidated financial statements included in this Quarterly Report on Form 10-Q. In many cases, the accounting treatment of a particular transaction is specifically dictated by U.S. GAAP. In other circumstances, we are required to make estimates, judgments and assumptions that we believe are reasonable based on available information. We base our estimates and judgments on historical experience and various other factors that we believe are reasonable based upon the information available. Actual results may differ from these estimates under different assumptions and conditions. Our significant accounting policies and estimates are discussed in Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations and in Note 2 to our consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2015.

During the three months ended June 30, 2016, we identified indicators of impairment relating to our vessels. As required by current accounting guidance, we calculated the probability-weighted undiscounted cash flows for each of our asset groups over their respective remaining useful lives. The total of the probability-weighted undiscounted cash flows was greater than the net book values of our asset groups and, therefore, we concluded that we did not have an impairment to our long-lived assets as of June 30, 2016. See Note 4 to our consolidated financial statements included herein for further discussion. We have not observed any additional indicators of impairment related to our vessels subsequent to June 30, 2016. We will continue to closely monitor market conditions and potential impairment indicators as long as this market downturn persists.

Results of Operations

The tables below set forth the average dayrates, utilization rates and effective dayrates for our new generation OSVs and the average number and size of vessels owned during the periods indicated. These vessels generate a substantial portion of our revenues and operating profit. Excluded from the OSV information below are the results of operations for our MPSVs, our shore-base facility and vessel management services, including the four vessels managed for the U.S. Navy. The Company does not provide average or

Table of Contents

effective dayrates for its MPSVs. MPSV dayrates are impacted by highly variable customer-required cost-of-sales associated with ancillary equipment and services, such as ROVs, accommodation units and cranes, which are typically recovered through higher dayrates charged to the customer. Due to the fact that each of our MPSVs have a workload capacity and significantly higher income-generating potential than each of the Company's new generation OSVs, the utilization and dayrate levels of our MPSVs can have a very large impact on our results of operations. For this reason, our consolidated operating results, on a period-to-period basis, are disproportionately impacted by the level of dayrates and utilization achieved by our eight MPSVs.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Offshore Supply Vessels:				
Average number of new generation OSVs (1)	62.0	59.6	61.9	60.1
Average number of active new generation OSVs (2)	17.9	41.5	22.0	45.0
Average new generation OSV fleet capacity (DWT)	221,629	205,734	220,885	205,467
Average new generation OSV capacity (DWT)	3,575	3,451	3,570	3,419
Average new generation OSV utilization rate (3)	22.0 %	50.3 %	27.0 %	57.1 %
Effective new generation OSV utilization rate (4)	76.3 %	72.2 %	76.0 %	76.2 %
Average new generation OSV dayrate (5)	$25,639	$25,699	$25,488	$26,885
Effective dayrate (6)	$5,641	$12,927	$6,882	$15,351

(1) We owned 62 new generation OSVs as of September 30, 2016. Excluded from this data are eight MPSVs owned and operated by the Company as well as four vessels managed for the U.S. Navy. During the first nine months of 2016, we placed in service two 310 class OSVs, the HOS Briarwood and the HOS Brass Ring.

(2) In response to weak market conditions, we elected to stack 45 new generation OSVs on various dates from October 2014 through September 2016. Active new generation OSVs represent vessels that are immediately available for service during each respective period.

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

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

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

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

Non-GAAP Financial Measures

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

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

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

Table of Contents

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

The following table provides the detailed components of EBITDA as we define that term for the three and nine months ended September 30, 2016 and 2015, respectively (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Components of EBITDA:				
Net income (loss)	$(16,503)	$14,424	$(44,603)	$69,492
Interest, net				
Debt obligations	12,820	9,712	34,888	29,895
Interest income	(401)	(381)	(1,164)	(988)
Total interest, net	12,419	9,331	33,724	28,907
Income tax expense (benefit)	(8,769)	9,148	(23,808)	41,679
Depreciation	23,467	20,958	68,298	61,114
Amortization	4,580	6,392	16,675	20,192
EBITDA	$15,194	$60,253	$50,286	$221,384

The following table reconciles EBITDA to cash flows provided by operating activities for the three and nine months ended September 30, 2016 and 2015, respectively (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
EBITDA Reconciliation to GAAP:				
EBITDA	$15,194	$60,253	$50,286	$221,384
Cash paid for deferred drydocking charges	(897)	(5,725)	(3,214)	(12,034)
Cash paid for interest	(13,784)	(13,879)	(38,871)	(39,151)
Cash paid for taxes	(446)	(1,447)	(2,688)	(3,331)
Changes in working capital	13,711	18,115	45,396	54,400
Stock-based compensation expense	2,341	3,183	6,557	7,957
Gain on sale of assets	(81)	(11,004)	(36)	(44,060)
Changes in other, net	(1,573)	223	(719)	(697)
Net cash flows provided by operating activities	$14,465	$49,719	$56,711	$184,468

In addition, we also make certain adjustments, as applicable, to EBITDA for loss on early extinguishment of debt, stock-based compensation expense and interest income to compute ratios historically used in certain financial covenants of our revolving credit facility with various lenders. We believe that these ratios are a material component of certain financial covenants in such credit facility and failure to comply with the financial covenants could result in the acceleration of indebtedness or the imposition of restrictions on our financial flexibility.

Table of Contents

The following table provides certain detailed adjustments to EBITDA, as defined in our revolving credit facility, for the three and nine months ended September 30, 2016 and 2015, respectively (in thousands):

Adjustments to EBITDA for Computation of Financial Ratios Used in Debt Covenants

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Stock-based compensation expense	$2,341	$3,183	$6,557	$7,957
Interest income	401	381	1,164	988

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

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

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

Table of Contents

Summarized financial information for the three months ended September 30, 2016 and 2015, respectively, is shown below in the following table (in thousands, except percentage changes):

	Three Months Ended September 30,		Increase (Decrease)	
	2016	2015	$ Change	% Change
Revenues:				
Vessel revenues				
Domestic	$34,978	$72,734	$(37,756)	(51.9)%
Foreign	8,692	35,574	(26,882)	(75.6)%
	43,670	108,308	(64,638)	(59.7)%
Non-vessel revenues	8,257	7,973	284	3.6 %
	51,927	116,281	(64,354)	(55.3)%
Operating expenses	29,375	54,938	(25,563)	(46.5)%
Depreciation and amortization	28,047	27,350	697	2.5 %
General and administrative expenses	9,031	12,188	(3,157)	(25.9)%
	66,453	94,476	(28,023)	(29.7)%
Gain on sale of assets	81	11,004	(10,923)	(99.3)%
Operating income (loss)	(14,445)	32,809	(47,254)	>(100.0) %
Interest expense	12,820	9,712	3,108	32.0 %
Interest income	401	381	20	5.2 %
Income tax expense (benefit)	(8,769)	9,148	(17,917)	>(100.0) %
Net income (loss)	$(16,503)	$14,424	$(30,927)	>(100.0) %

Three Months Ended September 30, 2016 Compared to Three Months Ended September 30, 2015

Revenues. Revenues for the three months ended September 30, 2016 decreased by $64.4 million, or 55.3%, to $51.9 million compared to the same period in 2015. Our weighted-average active operating fleet for the three months ended September 30, 2016 and 2015 was 25 and 48 vessels, respectively.

Vessel revenues decreased $64.6 million, or 59.7%, to $43.7 million for the three months ended September 30, 2016 compared to $108.3 million for the same period in 2015. The decrease in vessel revenues was primarily due to soft market conditions worldwide, which led to our decision to stack 28 incremental OSVs on various dates since June 2015. For the three months ended September 30, 2016, we had an average of 44.1 vessels stacked compared to 18.1 vessels stacked in the prior-year quarter. The decrease in vessel revenues was partially offset by $3.0 million in revenues earned from the full or partial-period contribution of five vessels that were placed in service since June 2015 under our fifth OSV newbuild program. Average new generation OSV dayrates were $25,639 for the third quarter of 2016 compared to $25,699 for the same period in 2015. Our new generation OSV utilization was 22.0% for the third quarter of 2016 compared to 50.3% for the same period in 2015. This decrease in utilization is primarily due to soft market conditions for high-spec OSVs operating in the GoM and the incremental vessels that were stacked. Our new generation OSVs were stacked for an aggregate of 4,060 days during the third quarter of 2016. Excluding stacked vessel days, our new generation OSV effective utilization was 76.3% and 72.2% for the same periods, respectively.

Domestic vessel revenues decreased $37.8 million from the year-ago quarter primarily due to lower dayrates earned by vessels operating in our fleet during the three months ended September 30, 2016 and the stacking of additional vessels since June 2015. Foreign vessel revenues decreased $26.9 million primarily due to an average of 12 OSVs and one MPSV that have relocated to the GoM or have been removed from service on various dates since June 2015. Foreign vessel revenues for the third quarter of 2016 comprised 19.9% of our total revenues compared to 32.8% for the year-ago period.

Table of Contents

Non-vessel revenues increased $0.3 million, or 3.6%, to $8.3 million for the three months ended September 30, 2016 compared to $8.0 million for the same period in 2015. This increase is due to incremental revenues associated with management services provided to an additional third-party vessel during the three months ended September 30, 2016. Such additional revenues were partially offset by lower activity at our shorebase facility.

Operating Expenses. Operating expenses were $29.4 million, a decrease of $25.6 million, or 46.5%, for the three months ended September 30, 2016 compared to $54.9 million for the same period in 2015. Operating expenses decreased primarily due to vessels that we removed from our active fleet count through our stacking strategy since June 2015, which resulted in a substantial reduction in mariner headcount, mariner pay cuts and reductions in other operating expenses. This decrease was partially offset by $3.7 million of operating costs related to the full or partial-period contribution from newbuilds added to our fleet since June 2015. Aggregate cash operating expenses for our vessels are projected to be in the approximate annual range of $133.0 million to $138.0 million for the year ending December 31, 2016. Such cash operating expense estimate is exclusive of any additional repositioning expenses we may incur in connection with the potential relocation of more of our vessels into international markets or back to the GoM, and any customer-required cost-of-sales related to future contract fixtures that are typically recovered through higher dayrates.

Depreciation and Amortization. Depreciation and amortization expense of $28.0 million was $0.7 million, or 2.5%, higher for the three months ended September 30, 2016 compared to the same period in 2015. Depreciation increased by $2.5 million primarily due to the addition of five vessels that were placed in service under our fifth OSV newbuild program since June 2015. The depreciation increase was partially offset by a decrease in amortization expense of $1.8 million, which was mainly driven lower by postponed recertifications for certain of our stacked OSVs. Depreciation expense is expected to increase from current levels as the vessels under our current newbuild program are placed in service. Amortization expense is expected to decrease as the result of the deferral of regulatory recertification activities for vessels that have been stacked.

General and Administrative Expense. G&A expense of $9.0 million, or 17.4% of revenues, was $3.2 million lower during the three months ended September 30, 2016 compared to the same period in 2015. The decrease in G&A expense was primarily attributable to lower shoreside compensation expense and to a lesser extent a decrease in bad debt reserves. Shoreside compensation expense was lower due to workforce reductions that were implemented in late 2015 and during the first nine months of 2016, as well as lower long-term and short-term incentive compensation expense.

Gain on Sale of Assets. During the three months ended September 30, 2016, we sold vessel-related equipment for cash consideration of $0.1 million. The sale resulted in a pre-tax gain of approximately $81,000 ($53,000 after-tax or $0.00 per diluted share). During the three months ended September 30, 2015, we completed the sale of one 250EDF class OSV, the HOS Black Powder, to the U.S. Navy for cash consideration of $38.0 million. The sale resulted in a pre-tax gain of approximately $11.0 million ($6.7 million after-tax or $0.19 per diluted share).

Operating Income (Loss). Operating income decreased by $47.3 million, or 144.0%, from income of $32.8 million to a loss of $(14.4) million during the three months ended September 30, 2016 compared to the same period in 2015 for the reasons discussed above. Operating loss as a percentage of revenues was (27.8%) for the three months ended September 30, 2016 compared to an operating income margin of 28.2% for the same period in 2015.

Interest Expense. Interest expense of $12.8 million increased $3.1 million during the three months ended September 30, 2016 compared to the same period in 2015, primarily due to capitalizing a lower percentage of interest compared to the prior-year period driven by a lower average construction work-in-progress balance under our nearly completed newbuild program. We recorded $4.2 million of capitalized construction period interest, or roughly 24.7% of our total interest costs, for the third quarter of 2016 compared to $6.3 million, or roughly 39.4% of our total interest costs, for the year-ago period.

Interest Income. Interest income was $0.4 million during each of the three months ended September 30, 2016 and 2015. Our average cash balance decreased to $230.1 million for the three months ended September 30, 2016 compared to $289.0 million for the same period in 2015. The average interest rate earned

Table of Contents

on our invested cash balances was 0.7% and 0.5% during the three months ended September 30, 2016 and 2015, respectively. The decrease in average cash balance was primarily due to outflow associated with our fifth OSV newbuild program and lower revenues earned by active vessels operating in our fleet during 2016 compared to the prior year period.

Income Tax Expense (Benefit). Our effective tax rate was (34.7)% and 38.8% for the three months ended September 30, 2016 and 2015, respectively. Our income tax expense primarily consisted of deferred taxes. Our income tax rate differs from the federal statutory rate primarily due to expected state tax liabilities and items not deductible for federal income tax purposes. We expect our tax rate for fiscal 2016 to be a benefit between (40)% and (45)%, due to a favorable election to be included in our 2015 tax return when filed, but will revert to our historical rate of approximately 35% for fiscal 2017.

Net Income (Loss). Operating performance decreased by $30.9 million for a reported net loss of $(16.5) million for the three months ended September 30, 2016 compared to net income of $14.4 million for the same period during 2015. Excluding the gain on sale of assets, net income would have been $7.7 million for the three months ended September 30, 2015. This year-over-year decrease in net income for the third quarter of 2016 was primarily driven by lower revenues due to soft market conditions discussed above and the reduction of active vessels in our operating fleet.

Table of Contents

Summarized financial information for the nine months ended September 30, 2016 and 2015, respectively, is shown below in the following table (in thousands, except percentage changes):

	Nine Months Ended September 30,		Increase (Decrease)	
	2016	2015	$ Change	% Change
Revenues:				
Vessel revenues				
Domestic	$127,102	$246,694	$(119,592)	(48.5)%
Foreign	30,068	119,914	(89,846)	(74.9)%
	157,170	366,608	(209,438)	(57.1)%
Non-vessel revenues	25,250	20,743	4,507	21.7%
	182,420	387,351	(204,931)	(52.9)%
Operating expenses	104,134	173,900	(69,766)	(40.1)%
Depreciation and amortization	84,973	81,306	3,667	4.5%
General and administrative expenses	30,084	37,143	(7,059)	(19.0)%
	219,191	292,349	(73,158)	(25.0)%
Gain (loss) on sale of assets	36	44,060	(44,024)	(99.9)%
Operating income (loss)	(36,735)	139,062	(175,797)	>(100.0)%
Interest expense	34,888	29,895	4,993	16.7%
Interest income	1,164	988	176	17.8%
Income tax expense (benefit)	(23,808)	41,679	(65,487)	>(100.0)%
Net income (loss)	$(44,603)	$69,492	$(114,095)	>(100.0)%

Nine Months Ended September 30, 2016 Compared to Nine Months Ended September 30, 2015

Revenues. Revenues for the nine months ended September 30, 2016 decreased by $204.9 million, or 52.9%, to $182.4 million compared to the same period in 2015. Our weighted-average active operating fleet for the nine months ended September 30, 2016 and 2015 was 28 and 51 vessels, respectively.

Vessel revenues decreased $209.4 million, or 57.1%, to $157.2 million for the nine months ended September 30, 2016 compared to $366.6 million for the same period in 2015. The decrease in vessel revenues primarily resulted from soft market conditions in the GoM, which led to our decision to stack 40 additional OSVs on various dates from December 2014 through September 30, 2016. For the nine months ended September 30, 2016, we had an average of 39.9 vessels stacked compared to 15.1 vessels stacked in the prior-year period. This decrease in vessel revenues was partially offset by $13.3 million in revenues earned from the full or partial-period contribution of eight vessels that were placed in service under our fifth OSV newbuild program since December 2014. Average new generation OSV dayrates were $25,488 for the first nine months of 2016 compared to $26,885 for the same period in 2015, a decrease of $1,397, or 5.2%. Our new generation OSV utilization was 27.0% for the first nine months of 2016 compared to 57.1% for the same period in 2015. This decrease in utilization is primarily due to soft market conditions for high-spec OSVs operating in the GoM and the incremental vessels that were stacked during the current-year period. Our new generation OSVs incurred 147 days of aggregate downtime for regulatory drydockings and were stacked for an aggregate of 10,939 days during the first nine months of 2016. Excluding stacked vessel days, our new generation OSV effective utilization was 76.0% and 76.2% during the nine months ended September 30, 2016 and 2015, respectively. Domestic vessel revenues decreased $119.6 million from the year-ago period primarily due to lower dayrates earned by vessels operating in our fleet during the nine months ended September 30, 2016 and the stacking of vessels since December 2014. Foreign vessel revenues decreased $89.8 million primarily due to an average of 12 OSVs and one MPSV that have relocated to the GoM from foreign regions or have been stacked on various dates since December 2014. Foreign vessel revenues for the first nine months of 2016 comprised 19.1% of our total vessel revenues compared to 32.7% for the year-ago period.

Table of Contents

Non-vessel revenues increased $4.5 million, 21.7%, to $25.3 million for the nine months ended September 30, 2016 compared to $20.7 million for the same period in 2015. The increase in non-vessel revenues is primarily due to incremental revenues associated with management services provided to one additional third-party vessel during 2016 compared to the year-ago period.

Operating Expenses. Operating expenses were $104.1 million, a decrease of $69.8 million, or 40.1%, for the nine months ended September 30, 2016 compared to $173.9 million for the same period in 2015. Operating expenses were primarily driven lower by vessels that were removed from our active fleet count since December 2014, which resulted in a substantial reduction in mariner headcount coupled with reductions to mariner pay. This decrease was partially offset by $9.9 million of operating costs related to the full or partial-period contribution from vessels added to our fleet since December 2014.

Depreciation and Amortization. Depreciation and amortization expense of $85.0 million was $3.7 million, or 4.5%, higher for the nine months ended September 30, 2016 compared to the same period in 2015. Depreciation increased by $7.2 million primarily due to the contribution of eight vessels that were placed in service on various dates since December 2014. The depreciation increase was partially offset by a decrease in amortization expense of $3.5 million, which was mainly driven by postponed recertifications for certain of our stacked OSVs. Depreciation expense is expected to continue to increase from current levels as the vessels under our current newbuild program are placed in service. Amortization expense is expected to decrease as the result of the deferral of regulatory recertification activities for vessels that have been stacked.

General and Administrative Expense. G&A expense of $30.1 million, or 16.5% of revenues, was $7.1 million lower during the nine months ended September 30, 2016 compared to the same period in 2015. The decrease in G&A expense was primarily due to lower short-term and long-term shoreside compensation expense. Shoreside compensation expense was lower due to workforce reductions that were implemented in late 2015 and during the first nine months of 2016, as well as lower short-term incentive compensation expense. These favorable variances were partially offset by a $0.9 million increase in bad debt reserves.

Gain (Loss) on Sale of Assets. During the first nine months of 2016, we sold our last remaining non-core conventional OSV, the Cape Breton, and certain vessel-related equipment for an aggregate cash consideration of $0.5 million. These sales resulted in a pre-tax gain of approximately $36,000 ($23,000 after-tax or $0.00 per diluted share). During the first nine months of 2015, we completed the sale of four 250EDF class OSVs previously chartered to the U.S. Navy for cash consideration of $152.0 million. The sale resulted in a pre-tax gain of approximately $44.1 million ($27.6 million after-tax or $0.76 per diluted share).

Operating Income (Loss). Operating income decreased by $175.8 million, or 126.4%, to a loss of $(36.7) million during the nine months ended September 30, 2016 compared to the same period in 2015 for the reasons discussed above. Operating loss as a percentage of revenues was (20.1%) for the nine months ended September 30, 2016 compared to an operating income margin of 35.9% for the same period in 2015. Excluding the 2015 gain on sale of assets, our operating income for the first nine months of 2015 would have been $95.0 million, or 24.5% of revenues.

Interest Expense. Interest expense of $34.9 million increased $5.0 million during the nine months ended September 30, 2016 compared to the same period in 2015, primarily due to capitalizing a lower percentage of interest compared to the prior-year period driven by a lower average construction work-in-progress balance under our newbuild program in 2016. During the nine months ended September 30, 2016, we recorded $14.3 million of capitalized construction period interest, or roughly 29.1% of our total interest costs, compared to having capitalized $18.2 million, or roughly 37.8% of our total interest costs, for the year-ago period.

Interest Income. Interest income was $1.2 million during the nine months ended September 30, 2016, which was $0.2 million higher compared to the same period in 2015. Our average cash balance decreased to $242.7 million for the nine months ended September 30, 2016 compared to $266.0 million for the same period in 2015. The average interest rate earned on our invested cash balances was 0.6% and 0.5% during the nine months ended September 30, 2016 and 2015, respectively. The decrease in average cash balance was primarily due to outflow associated with our fifth OSV newbuild program and lower revenues earned by active vessels operating in our fleet during 2016 compared to the prior-year period.

Table of Contents

Income Tax Expense (Benefit). Our effective tax rate was (34.8)% and 37.5% for the nine months ended September 30, 2016 and 2015, respectively. Our income tax expense primarily consisted of deferred taxes. Our income tax rate differs from the federal statutory rate primarily due to expected state tax liabilities and items not deductible for federal income tax purposes. We expect our tax rate for fiscal 2016 to be a benefit between (40)% and (45)%, due to a favorable election to be included in our 2015 tax return when filed, but will revert to our historical rate of approximately 35% for fiscal 2017.

Net Income (Loss). Operating performance decreased by $114.1 million for a reported net loss of $(44.6) million for the nine months ended September 30, 2016 compared to net income of $69.5 million for the same period during 2015. Excluding the gain on sale of assets, net income would have been $41.9 million for the nine months ended September 30, 2015. This decrease in net income for the nine months ended September 30, 2016 was primarily driven by lower revenues due to soft market conditions discussed above and the reduction of active vessels in our operating fleet.

Liquidity and Capital Resources

Our capital requirements have historically been financed with cash flows from operations, proceeds from issuances of our debt and common equity securities, borrowings under our credit facilities and cash received from the sale of assets. We require capital to fund on-going operations, remaining obligations under our expanded fifth OSV newbuild program, vessel recertifications, discretionary capital expenditures and debt service and may require capital to fund potential future vessel construction, retrofit or conversion projects, acquisitions, stock repurchases or the retirement of debt. The nature of our capital requirements and the types of our financing sources are not expected to change significantly for the remainder of 2016 and into 2017.

We have reviewed all of our debt agreements, including our recently amended revolving credit facility, as well as our liquidity position and projected future cash needs. Despite volatility in commodity markets, we remain confident in the short- and long-term viability of our business model. To date, our liquidity has been impacted by such volatility through lower than normal cash flow from operations. However, we project that, even with the current depressed operating levels, cash generated from operations together with cash on hand should be sufficient to fund our operations and commitments at least through the end of 2017, the end of our current guidance period, without drawing on our revolving credit facility. We also believe that we will be able to fund all of the deferred maintenance capital expenditures that will be required upon reactivation of our stacked vessels when market conditions improve with existing sources of liquidity. We have three tranches of funded unsecured debt outstanding that mature in fiscal years 2019, 2020 and 2021, respectively. We remain fully cognizant of the challenges currently facing the offshore oil and gas industry and are proactively taking steps to protect the business enterprise. Accordingly, we have engaged the advisory firm of PricewaterhouseCoopers Corporate Finance, LLC to begin the process of independently reviewing our capital structure and assessing our strategic options.

As of September 30, 2016, we had total cash and cash equivalents of $225.5 million. On July 29, 2016, we amended our existing revolving credit facility and as of November 9, 2016 we remain in compliance with all covenants under such facility. The amended facility provides continued access to a reduced level of standby liquidity for working capital and general corporate purposes, including acquisitions, newbuild and conversion programs and other capital expenditures. The borrowing base of the amended credit facility was reduced from $300.0 million to $200.0 million. Among other things, the amended revolving credit facility limits our cash balance to $50 million at any time the facility is drawn, increases the minimum liquidity (cash and revolver availability) level required for prepayment of our 2019 convertible senior notes, 2020 senior notes, and 2021 senior notes from $100 million to $150 million, and increases the minimum liquidity level required to permit a merger, formation or acquisition of a subsidiary or an investment (other than certain permitted investments) from $20 million to $100 million. The amended facility also increases the unused commitment fee to 50 basis points for all pricing levels and the LIBOR spreads for funded borrowings to a new range of L+225 to L+325. The minimum collateral-to-loan value ratio under the amended facility was restored to its prior level of 200% of the borrowing base, which had been reduced to 150% of the borrowing base when the facility was amended and extended in February 2015. Accordingly, the number of vessels pledged as collateral was increased from 10 OSVs valued in excess of $450 million to 12 OSVs valued in excess of $400 million. None of our remaining assets have been granted as security. The amended credit facility reduces the minimum interest coverage

Table of Contents

ratio from 3.00x to 1.00x with step-ups to 1.25x in the third quarter of 2018 and 1.50x in the first quarter of 2019 and delays the step-down in the total debt-to-capitalization ratio from 55% to 50% by six quarters to the third quarter of 2018. We have the option of making a one-time election to suspend the interest coverage ratio for a holiday period of no more than four quarters, ending no later than the fourth quarter of 2017, with a single permitted rescission. If the Company elects to exercise the interest coverage holiday, then the borrowing base will be capped at $75 million during the period of the holiday and the LIBOR spreads for funded borrowings will be increased by an additional 50 basis points during and after the holiday. For additional information with respect to other changes to our revolving credit facility, please refer to Note 5 of our consolidated financial statements included herein and the First Amendment to Second Amended and Restated Credit Agreement referenced as an exhibit to this Form 10-Q. The full undrawn amount of such facility is available for all uses of proceeds, including working capital, if necessary, except during an interest coverage ratio holiday, when the borrowing base will be capped at $75 million, and subject to the anti-cash hoarding provision discussed above. If we were not able to maintain compliance with certain covenants of our currently undrawn revolving credit facility, the proceeds of such facility would not be available to us.

On October 28, 2014, our Board of Directors authorized us to repurchase up to $150 million in shares of our common stock from time to time, $25 million of which was used to buy-back 891,396 shares during the fourth quarter of 2014. There were no such repurchases during the nine months ended September 30, 2016. In addition to the foregoing, we may, subject to market conditions and our other strategic options, from time to time amend, extinguish or repurchase our outstanding debt securities or exchange them for other debt or equity securities or loans. While we have an authorized share repurchase program, we currently intend, subject to market conditions, to prioritize our cash usage appropriate to the current market cycle, our longer term commitments and our strategic objectives.

Although in current market conditions, we were still able to generate positive cash flows from operating activities in the third quarter of 2016, events beyond our control, such as sustained low prices for oil and natural gas, a further significant decline in such commodity prices, renewed regulatory-driven delays in the issuance of drilling plans and permits in the GoM, declines in expenditures for exploration, development and production activity, any extended reduction in domestic consumption of refined petroleum products and other reasons discussed under the "Forward Looking Statements" on page ii and the Risk Factors stated in Item 1A of our Annual Report on Form 10-K, may affect our financial condition, results of operations or cash flows in the future. Should the need for additional financing arise, we may not be able to access the capital markets on attractive terms at that time or otherwise obtain sufficient capital to meet our maturing debt obligations or finance growth opportunities that may arise. We will continue to closely monitor our liquidity position, as well as the state of the global capital and credit markets.

Cash Flows

Operating Activities. We rely primarily on cash flows from operations to provide working capital for current and future operations. Cash flows from operating activities were $56.7 million for the nine months ended September 30, 2016 and $184.5 million for the same period in 2015. Operating cash flows for the first nine months of 2016 were unfavorably affected by soft market conditions for our vessels operating worldwide which led to a decline in our weighted average active operating fleet from 51 to 28 vessels.

Investing Activities. Net cash used in investing activities was $91.8 million for the nine months ended September 30, 2016 compared to $63.7 million for the same period in 2015. Cash used during the first nine months of 2016 consisted of construction costs incurred for our fifth OSV newbuild program. Cash used during the first nine months of 2015 consisted of construction costs incurred for our fifth OSV newbuild program partially offset by proceeds from the sale of four 250EDF class OSVs to the U.S. Navy.

Financing Activities. Net cash used in financing activities was $0.4 million for the nine months ended September 30, 2016 compared to $0.1 million net cash used in financing activities for the same period in 2015. Net cash used in financing activities for the nine months ended September 30, 2016 and the nine months

Table of Contents

ended September 30, 2015 primarily resulted from deferred financing costs related to the amendments of our existing revolving credit facility offset by net proceeds from common shares issued pursuant to our employee stock-based incentive compensation plans.

Contractual Obligations

Debt

As of September 30, 2016, the Company had the following outstanding long-term debt (in thousands, except effective interest rate):

	Total Debt	Effective Interest Rate	Semi-Annual Cash Interest Payment	Payment Dates
5.875% senior notes due 2020, net of deferred financing costs of $3,255 (1)	$371,745	6.08 %	$ 11,000	April 1 and October 1
5.000% senior notes due 2021, net of deferred financing costs of $4,353 (1)	445,647	5.21 %	11,300	March 1 and September 1
1.500% convertible senior notes due 2019, net of original issue discount of $33,782 and deferred financing costs of $3,326	262,892	6.23 %	2,300	March 1 and September 1
	$1,080,284			

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

On July 29, 2016, we amended our existing revolving credit facility. The amended revolving credit facility remains undrawn as of November 9, 2016. With the revolving credit facility, we have the option of borrowing at a variable rate of interest equal to (i) LIBOR plus a margin of 2.25% to 3.25% or (ii) the greatest of the Prime Rate, the Federal Funds Effective Rate plus 1/2 of 1% or LIBOR, plus 1.0%; plus in each case an applicable margin. The applicable margin for each base rate is determined by a pricing grid, which is based on a total debt-to-capitalization ratio, as defined in the credit agreement governing the revolving credit facility, as amended. Unused commitment fees are payable quarterly at the annual rate of 50.0 basis points of the unused portion of the borrowing base of the new revolving credit facility, based on the defined total debt-to-capitalization ratio. For additional information with respect to our amended revolving credit facility, our 2020 senior notes, our 2021 senior notes and our 2019 convertible senior notes, please refer to Note 5 of our consolidated financial statements included herein.

The credit agreement governing the revolving credit facility and the indentures governing our 2020 and 2021 senior notes impose certain operating and financial restrictions on us. Such restrictions affect, and in many cases limit or prohibit, among other things, our ability to incur additional indebtedness, make capital expenditures, redeem equity, create liens, sell assets and pay dividends or make other restricted payments. For the nine months ended September 30, 2016, we were in compliance with all of our debt covenants. If we do not maintain compliance with certain covenants of our currently undrawn revolving credit facility, the proceeds of such facility will not be available to us. However, the recent amendment added greater flexibility under applicable covenants, subject to the anti-cash hoarding provision that limits our cash balance to no more than $50 million at any time the facility is drawn and has a balance outstanding and the reduced borrowing base during the period of any interest coverage holiday. We continuously review our debt covenants and report to our lenders our compliance with financial ratios on a quarterly basis. We also consider such covenants in evaluating transactions that will have an effect on our financial ratios.

Capital Expenditures and Related Commitments

The following table sets forth the amounts incurred for our fifth OSV newbuild program, before construction period interest, during the nine months ended September 30, 2016 and since such program's inception, as well as the estimated total project costs for such program (in millions):

	Nine Months Ended September 30, 2016	Incurred Since Inception	Estimated Program Totals (1)	Projected Delivery Dates (1)
Growth Capital Expenditures:				
OSV newbuild program #5 (2)	$ 61.4	$ 1,263.0	$ 1,335.0	2Q2013-2Q2018

(1) Estimated Program Totals and Projected Delivery Dates are based on internal estimates and are subject to change due to delays and possible cost overruns inherent in any large construction project, including, without limitation, shortages of equipment, lack of shipyard availability, unforeseen engineering problems, work stoppages, weather interference, unanticipated cost increases, the inability to obtain necessary certifications and approvals and shortages of materials, component equipment or skilled labor. All of the above historical and budgeted capital expenditure project amounts for our newbuild program represent estimated cash outlays and do not include any allocation of capitalized construction period interest. Projected delivery dates correspond to the first and last vessels that are contracted with shipyards for construction and delivery under our currently active program, respectively.

(2) Our fifth OSV newbuild program consists of vessel construction contracts with three domestic shipyards to build four 300 class OSVs, five 310 class OSVs, ten 320 class OSVs, three 310 class MPSVs and two 400 class MPSVs. As of November 2, 2016, we had placed 22 vessels in service under such program. The remaining two vessels under this 24-vessel domestic newbuild program are currently expected to be placed in service during 2018.

The following table summarizes the costs incurred, prior to the allocation of construction period interest, for the purposes set forth below, for the nine months ended September 30, 2016 and 2015, respectively, and a forecast for the fiscal year ending December 31, 2016 (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,		Year Ended December 31,
	2016 Actual	2015 Actual	2016 Actual	2015 Actual	2016 Forecast
Maintenance and Other Capital Expenditures:					
Maintenance Capital Expenditures					
Deferred drydocking charges (1)	$0.9	$ 5.7	$3.2	$ 12.0	$ 4.3
Other vessel capital improvements (2)	(0.4)	3.1	5.3	7.1	6.5
	0.5	8.8	8.5	19.1	10.8
Other Capital Expenditures					
Commercial-related vessel improvements (3)	2.6	8.1	13.5	40.3	16.5
Miscellaneous non-vessel additions (4)	0.1	1.3	0.4	15.9	0.5
	2.7	9.4	13.9	56.2	17.0
Total	$3.2	$ 18.2	$22.4	$ 75.3	$ 27.8

(1) Deferred drydocking charges for 2016 include the projected recertification costs for four OSVs and one MPSV.

(2) Other vessel capital improvements include costs for discretionary vessel enhancements, which are typically incurred during a planned drydocking event to meet customer specifications.

(3) Commercial-related vessel improvements include items such as cranes, ROVs, helidecks, living quarters and other specialized vessel equipment, which costs are typically included in and offset, in whole or in part, by higher dayrates charged to customers.

(4) Non-vessel capital expenditures are primarily related to information technology and shoreside support initiatives.

Table of Contents

Forward Looking Statements

This Quarterly Report on Form 10-Q contains “forward-looking statements,” as contemplated by the Private Securities Litigation Reform Act of 1995, in which the Company discusses factors it believes may affect its performance in the future. Forward-looking statements are all statements other than historical facts, such as statements regarding assumptions, expectations, beliefs and projections about future events or conditions. You can generally identify forward-looking statements by the appearance in such a statement of words like “anticipate,” “believe,” “continue,” “could,” “estimate,” “expect,” “forecast,” “intend,” “may,” “might,” “plan,” “potential,” “predict,” “project,” “remain,” “should,” “will, comparable words or the negative of such words. The accuracy of the Company’s assumptions, expectations, beliefs and projections depends on events or conditions that change over time and are thus susceptible to change based on actual experience, new developments and known and unknown risks. The Company gives no assurance that the forward-looking statements will prove to be correct and does not undertake any duty to update them. The Company’s actual future results might differ from the forward-looking statements made in this Quarterly Report on Form 10-Q for a variety of reasons, including sustained or further declines in oil and natural gas prices; continued weakness in demand for the Company’s services through and beyond the maturity of any of the Company's long-term debt; unplanned customer suspensions, cancellations, rate reductions or non-renewals of vessel charters, vessel management contracts, or failures to finalize commitments to charter or manage vessels; sustained or further reductions in capital spending budgets by customers; the inability to accurately predict vessel utilization levels and dayrates; fewer than anticipated deepwater and ultra-deepwater drilling units operating in the GoM or other regions where the Company operates; the effect of inconsistency by the United States government in the pace of issuing drilling permits and plan approvals in the GoM or other drilling regions; the Company’s inability to successfully complete the remainder of its current vessel newbuild program on-time and on-budget, which involves the construction and integration of highly complex vessels and systems; the inability to successfully market the vessels that the Company owns, is constructing or might acquire; the government's cancellation or non-renewal of the management, operations and maintenance contracts for vessels; an oil spill or other significant event in the United States or another offshore drilling region that could have a broad impact on deepwater and other offshore energy exploration and production activities, such as the suspension of activities or significant regulatory responses; the imposition of laws or regulations that result in reduced exploration and production activities or that increase the Company’s operating costs or operating requirements; environmental litigation that impacts customer plans or projects; disputes with customers; bureaucratic, administrative or operating barriers that delay vessels in foreign markets from going on-hire or result in contractual penalties or deductions imposed by foreign customers; industry risks; the impact stemming from the reduction of Petrobras' announced plans for or administrative barriers to exploration and production activities in Brazil; recent disruption in Mexican offshore activities; age or other restrictions imposed on our vessels by customers; unanticipated difficulty in effectively competing in or operating in international markets; less than anticipated subsea infrastructure and field development demand in the GoM and other markets affecting our MPSVs; sustained vessel over capacity in the markets in which the Company competes; economic and geopolitical risks; weather-related risks; upon a return to improved operating conditions, the shortage of or the inability to attract and retain qualified personnel, when needed, including vessel personnel for active vessels or vessels the Company may reactivate or acquire; any success in unionizing the Company's U.S. fleet personnel; regulatory risks; the repeal or administrative weakening of the Jones Act or changes in the interpretation of the Jones Act related to the U.S. citizenship qualification; drydocking delays and cost overruns and related risks; vessel accidents, pollution incidents or other events resulting in lost revenue, fines, penalties or other expenses that are unrecoverable from insurance policies or other third parties; unexpected litigation and insurance expenses; or fluctuations in foreign currency valuations compared to the U.S. dollar and risks associated with expanded foreign operations, such as non-compliance with or the unanticipated effect of tax laws, customs laws, immigration laws, or other legislation that result in higher than anticipated tax rates or other costs; the inability to repatriate foreign-sourced earnings and profits; or the inability of the Company to refinance or otherwise retire funded debt obligations that come due in 2019, 2020 and 2021. In addition, the Company’s future results may be impacted by adverse economic conditions, such as inflation, deflation, or lack of liquidity in the capital markets, that may negatively affect it or parties with whom it does business resulting in their non-payment or inability to perform obligations owed to the Company, such as the failure of customers to fulfill their contractual obligations or the failure by individual banks to provide funding under the Company’s credit agreement, if required. Further, the Company can give no assurance regarding when and to what extent it will effect share repurchases. Should one or more of the foregoing risks or uncertainties materialize in a way that negatively impacts the Company, or should the Company’s underlying assumptions prove incorrect, the Company’s actual results may vary materially from those anticipated in its forward-looking statements, and its business, financial condition and results of operations could be materially and adversely affected and, if sufficiently severe, could result in noncompliance with certain covenants of the Company's recently amended and currently undrawn revolving credit facility. Additional factors that you should consider are set forth in detail in the “Risk Factors” section of the Company's most recent Annual Report on Form 10-K as well as other filings the Company has made and will make with the Securities and Exchange Commission which, after their filing, can be found on the Company’s website, www.hornbeckoffshore.com.

Item 3—Quantitative and Qualitative Disclosures About Market Risk

There have been no material changes to the market risk disclosures set forth in Item 7A in our Annual Report on Form 10-K for the year ended December 31, 2015.

Item 4—Controls and Procedures

Disclosure Controls and Procedures

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

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the quarter ended September 30, 2016 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Table of Contents

PART II—OTHER INFORMATION

Item 1—Legal Proceedings

In December 2000, LEEVAC Marine Inc. (a predecessor entity to our current subsidiary Hornbeck Offshore Transportation, LLC, or HOT) was one of several companies that formed a limited liability company, SSIC Remediation, LLC, or SSIC, which conducted interim phase environmental remedial activities at the SBA Shipyards site in Jennings, Louisiana pursuant to a December 9, 2002 Order and Agreement with the EPA. In 2015, the EPA notified SSIC's counsel of its renewed interest in the site and on September 9, 2016 published a final rule (effective October 11, 2016) adding the site to the General Superfund section of the CERCLA National Priorities List. In November 2016, HOT and six other parties voluntarily entered into an Administrative Settlement Agreement and Order on Consent to conduct a Remedial Investigation/Feasibility Study, or RIFS, in connection with the site. HOT has accrued a liability of $100,000 to cover expenses anticipated to be incurred with respect to conducting the RIFS. Under the Agreement, HOT's percentage of liability for the RIFS cost and subsequent cleanup efforts with other members of the group is 4%. The Company has not made a judgment concerning the ultimate cost of clean up should it be required.

Item 1A—Risk Factors

There were no changes to the risk factors previously disclosed in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2015.

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

None.

Item 3—Defaults Upon Senior Securities

None.

Item 4—Mine Safety Disclosures

None.

Table of Contents

Item 5—Other Information

Glossary of Terms Currently Used in Our SEC Filings

"2019 convertible senior notes" means the Company's 1.500% convertible senior notes due 2019;
"2020 senior notes" means the Company's 5.875% senior notes due 2020;
"2021 senior notes" means the Company's 5.000% senior notes due 2021;
“AHTS” means anchor-handling towing supply;
“ASC” means Financial Accounting Standards Board Accounting Standards Codification;
“average dayrate” means, when referring to OSVs or MPSVs, average revenue per day, which includes charter hire, crewing services and net brokerage revenues, based on the number of days during the period that the OSVs or MPSVs, as applicable, generated revenue. For purposes of vessel brokerage arrangements, this calculation excludes that portion of revenue that is equal to the cost of in-chartering third-party equipment paid by customers;
"BOEM" means the Bureau of Ocean Energy Management;
"BSEE" means the Bureau of Safety and Environmental Enforcement;
“cabotage laws” means laws pertaining to the privilege of operating vessels in the navigable waters of a nation;
“coastwise trade” means the transportation of merchandise or passengers by water, or by land and water, between points in the United States, either directly or via a foreign port;
"continental shelf" or "shelf" means offshore areas, generally less than 1,000' in depth;
“conventional” means, when referring to OSVs, vessels that are at least 30 years old, are generally less than 200’ in length or carry less than 1,500 deadweight tons of cargo when originally built and primarily operate, when active, on the continental shelf;
“deepwater” means offshore areas, generally 1,000’ to 5,000’ in depth;
“Deepwater Horizon incident” means the subsea blowout and resulting oil spill at the Macondo well site in the GoM in April 2010 and subsequent sinking of the Deepwater Horizon drilling rig;
“deep-well” means a well drilled to a true vertical depth of 15,000’ or greater, regardless of whether the well was drilled in the shallow water of the Outer Continental Shelf or in the deepwater or ultra-deepwater;
“DOI” means U.S. Department of the Interior and all its various sub-agencies, including effective October 1, 2011 the Bureau of Ocean Energy Management (“BOEM”), which handles offshore leasing, resource evaluation, review and administration of oil and gas exploration and development plans, renewable energy development, National Environmental Policy Act analysis and environmental studies, and the Bureau of Safety and Environmental Enforcement (“BSEE”), which is responsible for the safety and enforcement functions of offshore oil and gas operations, including the development and enforcement of safety and environmental regulations, permitting of offshore exploration, development and production activities, inspections, offshore regulatory programs, oil spill response and newly formed training and environmental compliance programs; BOEM and BSEE being successor entities to the Bureau of Ocean Energy Management, Regulation and Enforcement (“BOEMRE”), which effective June 2010 was the successor entity to the Minerals Management Service;
“domestic public company OSV peer group” includes Gulfmark Offshore, Inc. (NYSE:GLF), SEACOR Holdings Inc. (NYSE:CKH) and Tidewater Inc. (NYSE:TDW);
“DP-1”, “DP-2” and “DP-3” mean various classifications of dynamic positioning systems on new generation vessels to automatically maintain a vessel’s position and heading through anchor-less station-keeping;
“DWT” means deadweight tons;
“effective dayrate” means the average dayrate multiplied by the average utilization rate;
“EIA” means the U.S. Energy Information Administration;
"EPA" means United States Environmental Protection Agency;

Table of Contents

“flotel” means on-vessel accommodations services, such as lodging, meals and office space;
“GAAP” means United States generally accepted accounting principles;
“GoM” means the U.S. Gulf of Mexico;
"high-specification" or “high-spec” means, when referring to new generation OSVs, vessels with cargo-carrying capacity of greater than 2,500 DWT (i.e., 240 class OSV notations or higher), and dynamic-positioning systems with a DP-2 classification or higher; and, when referring to jack-up drilling rigs, rigs capable of working in 400-ft. of water depth or greater, with hook-load capacity of 2,000,000 lbs. or greater, with cantilever reach of 70-ft. or greater; and minimum quarters capacity of 150 berths or more and dynamic-positioning systems with a DP-2 classification or higher;
“IHS-CERA” means the division of IHS Inc. focused on providing knowledge and independent analysis on energy markets, geopolitics, industry trends and strategy;
“IHS-Petrodata” means the division of IHS Inc. focused on providing data, information, and market intelligence to the offshore energy industry;
“IRM” means inspection, repair and maintenance, also known as “IMR,” or inspection, maintenance and repair, depending on regional preference;
“Jones Act” means the U.S. cabotage laws known as the Merchant Marine Act of 1920, as amended;
“Jones Act-qualified” means, when referring to a vessel, a U.S.-flagged vessel qualified to engage in domestic coastwise trade under the Jones Act;
“long-term contract” means a time charter of one year or longer in duration at inception;
“Macondo” means the well site location in the deepwater GoM where the Deepwater Horizon incident occurred as well as such incident itself;
“MPSV” means a multi-purpose support vessel;
“MSRC” means the Marine Spill Response Corporation;
“new generation” means, when referring to OSVs, modern, deepwater-capable vessels subject to the regulations promulgated under the International Convention on Tonnage Measurement of Ships, 1969, which was adopted by the United States and made effective for all U.S.-flagged vessels in 1992 and foreign-flagged equivalent vessels;
“OSV” means an offshore supply vessel, also known as a “PSV,” or platform supply vessel, depending on regional preference;
“PEMEX” means Petroleos Mexicanos;
“Petrobras” means Petroleo Brasileiro S.A.;
"phantom restricted stock units" means cash-settled restricted stock unit awards;
“public company OSV peer group” means 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/or Ezra Holdings Ltd (SI:EZRA);
“ROV” means a remotely operated vehicle; and
“ultra-deepwater” means offshore areas, generally more than 5,000’ in depth.

Table of Contents

Item 6—Exhibits

Exhibit Index

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

Table of Contents

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

Convertible Senior Notes due 2019).

Table of Contents

Exhibit Number	Description of Exhibit
4.19	— First Supplemental Indenture, dated October 6, 2015 among Hornbeck Offshore Services, Inc., the guarantors party thereto and Wells Fargo Bank, National Association, as trustee (to the indenture governing the 5.875% Senior Notes due 2020).
4.20	— First Supplemental Indenture, dated October 6, 2015 among Hornbeck Offshore Services, Inc., the guarantors party thereto and Wells Fargo Bank, National Association, as trustee (to the indenture governing the 5.000% Senior Notes due 2021).
10.1	— First Amendment to Second Amended and Restated Credit Agreement dated as of July 29, 2016 by and among the Company and one of its subsidiaries, Hornbeck Offshore Services, LLC, each of the lenders and guarantors signatory thereto, and Wells Fargo Bank, National Association, as administrative agent for the lenders (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on August 4, 2016).
*31.1	— Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
*31.2	— Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
*32.1	— Certification of the Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
*32.2	— Certification of the Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
*101	— Interactive Data File

* Filed herewith.

Table of Contents

SIGNATURE

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

	Hornbeck Offshore Services, Inc.
Date: November 9, 2016	/s/ JAMES O. HARP, JR.
	James O. Harp, Jr.
	Executive Vice President and Chief Financial Officer

43