ENERGY SERVICES PUERTO RICO LLC
Form S-4
September 29, 2009
Table of Contents

As filed with the Securities and Exchange Commission on September 29, 2009

Registration No. 333-

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form S-4

REGISTRATION STATEMENT

UNDER THE SECURITIES ACT OF 1933

Hornbeck Offshore Services, Inc.*

(Exact name of registrant as specified in its charter)

Delaware	**72-1375844**	**4400**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification Number)**	**(Primary Standard Industrial Classification Code Number)**

103 Northpark Boulevard, Suite 300

Covington, Louisiana 70433

(985) 727-2000

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

Todd M. Hornbeck

Chairman, President and Chief Executive Officer

103 Northpark Boulevard, Suite 300

Covington, Louisiana 70433

(985) 727-2000

(Name, address, including zip code, and telephone number, including area code, of agent for service)

With Copies to:

R. Clyde Parker, Jr., Esq.

Winstead PC

1100 JPMorgan Chase Tower

600 Travis Street

Houston, Texas 77002

(713) 650-8400

Approximate date of commencement of proposed sale to the public: From time to time after this Registration Statement becomes effective.

If the securities being registered on this Form are to be offered in connection with the formation of a holding company and there is compliance with General Instruction G, please check the following box. ¨

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act of 1933, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

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

Large accelerated filer x	Accelerated filer ¨
Non-accelerated filer (Do not check if a smaller reporting company) ¨	Smaller reporting company ¨

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered	Proposed Maximum Offering Price	Proposed Maximum Aggregate Offering	Amount of Registration Fee(1)(2)

		per Unit(1)	**Price(1)**	
8% Series B Senior Notes due 2017	$250,000,000	100%	$250,000,000	$13,950
Guarantees of 8% Series B Senior Notes due 2017(3)				

(1) Represents the maximum principal amount of 8% Senior Notes due 2017 that may be issued pursuant to the exchange offer described in this registration statement. The registration fee was calculated pursuant to Rule 457(f) at the statutory rate of $55.80 per $1,000,000 of securities registered.
(2) Pursuant to Rule 457(n), no separate registration fee is required with respect to the guarantees of the Series B notes registered hereby.
(3) The notes being registered will be guaranteed by all of our existing and future domestic significant restricted subsidiaries.

The Registrants hereby amend this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrants shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

* Includes existing domestic significant restricted subsidiaries guaranteeing the securities being registered hereby, which are also registrants. Information about these additional registrants appears on the following page.

Table of Contents

TABLE OF SUBSIDIARY GUARANTOR REGISTRANTS

(Exact name of Additional Registrant as Specified in its Charter)(1)	(State or Other Jurisdiction of Incorporation)	(Primary Standard Industrial Classification Code Number)	I.R.S. Employer Identification Number
Hornbeck Offshore Services, LLC	Delaware	4400	72-1375844
Hornbeck Offshore Operators, LLC	Delaware	4400	72-1375844
Hornbeck Offshore Transportation, LLC	Delaware	4400	72-1375844
Hornbeck Offshore Trinidad & Tobago, LLC	Delaware	4400	72-1375844
HOS-IV, LLC	Delaware	4400	72-1375844
Energy Services Puerto Rico, LLC	Delaware	4400	72-1375844

(1) The address for each subsidiary guarantor registrant is 103 Northpark Boulevard, Suite 300, Covington, Louisiana 70433.

Table of Contents

The information in this prospectus is not complete and may be changed. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities, and it is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Subject to Completion. Dated September 29, 2009.

Prospectus

Hornbeck Offshore Services, Inc.

$250,000,000

Offer to Exchange

8.000% Series B Senior Notes due 2017

with Issuance Registered under the Securities Act of 1933

for

8.000% Series A Senior Notes due 2017

Terms of the Exchange Offer:

We are offering to exchange up to $250,000,000 in principal amount of our 8.000% Series B Senior notes due 2017 for our outstanding 8.000% Series A Senior notes due 2017. The issuance of the Series B notes has been registered under the Securities Act of 1933. The Series B notes are tradable without restriction under the federal securities laws and have terms that are substantially identical to the terms of the Series A notes.

We will exchange all Series A notes that you validly tender and do not validly withdraw before the exchange offer expires for an equal principal amount of Series B notes.

The exchange offer expires at 5:00 p.m., New York City time, on , 2009, unless extended. We do not currently intend to extend the exchange offer.

Tenders of Series A notes may be withdrawn at any time before the expiration of the exchange offer.

The exchange of Series B notes for Series A notes should not be a taxable event for U.S. federal income tax purposes.

We will not receive any proceeds from the exchange offer.

Each broker-dealer that receives Series B notes in connection with this exchange offer must acknowledge that it will deliver a prospectus in connection with any resale of such Series B notes. If a broker-dealer acquired Series A notes as a result of market-making or other trading activities, such broker-dealer may use this prospectus, as supplemented or amended, in connection with resales of Series B notes.

The Series B Notes:

Maturity. The Series B notes will mature on September 1, 2017.

Interest Payments. Interest on the Series B notes is payable on March 1 and September 1 of each year, beginning on March 1, 2010, and will accrue from August 17, 2009, the date of issuance of the Series A notes.

Ranking; Guarantees. The Series B notes will be senior unsecured obligations and will rank equally in right of payment with all of our senior debt and senior to any subordinated debt. The Series B notes will initially be guaranteed on a senior unsecured basis by our domestic, significant subsidiaries. The guarantees will rank equally in right of payment with all of the senior debt of our subsidiary guarantors. The Series B notes and guarantees will be effectively subordinated to any secured debt, to the extent of the fair value of the assets securing such debt, and to any indebtedness of our non-guarantor subsidiaries.

Optional Redemption. We may, at our option, redeem all or part of the Series B notes from time to time at the redemption prices and subject to the conditions described in this prospectus.

Change of Control. If we undergo a change of control, we may be required to offer to purchase notes from holders.

Listing. We do not intend to list the Series B notes on any securities exchange or arrange for them to be quoted on any quotation system.

See the Description of the Series B Notes section beginning on page 46 for more information about the Series B notes to be issued in this exchange offer.

See Risk Factors beginning on page 16 for a discussion of certain risks that you should consider before participating in the exchange offer.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

The date of this prospectus is , 2009

TABLE OF CONTENTS

ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement we filed with the Securities and Exchange Commission, or Commission. In making your decision to participate in this exchange offer, you should rely only on the information contained in this prospectus and in the accompanying letter of transmittal. We have not authorized any person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. You should assume the information appearing in this prospectus is accurate as of the date on the front cover of this prospectus only. Our business, financial condition, results of operations and prospects may have changed after that date.

WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and current reports, proxy statements and other information with the Commission under the Securities Exchange Act of 1934, as amended, or Exchange Act. The reports and documents that we file with the Commission are available free of charge at the Commission s website named below, as well as our website at *http://www.hornbeckoffshore.com* under the caption Investors. Information on our website does not constitute part of this prospectus.

We have filed with the Commission a registration statement on Form S-4 under the Securities Act of 1933, as amended, or Securities Act, related to the Series B notes offered by this prospectus. As allowed by Commission rules, this prospectus does not contain all of the information contained in the registration statement. The complete registration statement and the documents filed as exhibits to the registration statement are available to the public over the Internet at the Commission s web site at *http://www.sec.gov*. If you have a question on

Table of Contents

any contract, agreement or other document filed as an exhibit to the registration statement, please see the exhibits for a more complete description of the matter involved. You may also read and copy any document we have filed with or furnished to the Commission at its public reference facilities at 100 F Street, N.E., Washington, D.C. 20549. You may obtain copies of these documents at prescribed rates by writing to the Public Reference Section of the Commission at 100 F Street, N.E., Washington, D.C. 20549. Please call the Commission at 1-800-732-0330 for further information on the operation of the public reference facilities. Our Commission filings are also available on the Commission s web site at *http://www.sec.gov*.

Table of Contents

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

This prospectus incorporates by reference important business and financial information about us that we have not included in or delivered with this prospectus. This means that we are disclosing important information to you by referring you to filings with the Commission under the Exchange Act. The information we incorporate by reference is considered a part of this prospectus, and subsequent information that we file with the Commission will automatically update and supersede this information.

Any statement contained in a document incorporated or considered to be incorporated by reference in this prospectus shall be considered to be modified or superseded for purposes of this prospectus to the extent a statement contained in this prospectus or in any other subsequently filed document that is or is considered to be incorporated by reference in this prospectus modifies or supersedes such statement.

We incorporate by reference the following documents that we have filed with the Commission:

- our Annual Report on Form 10-K for the fiscal year ended December 31, 2008, including information specifically incorporated by reference into our Form 10-K from our Proxy Statement for our Annual Meeting of Stockholders held on May 26, 2009;

- our Quarterly Reports on Form 10-Q for the three months ended March 31, 2009 and June 30, 2009; and

- our Current Reports on Form 8-K filed on February 19, 2009, April 30, 2009, July 30, 2009, August 11, 2009 and August 18, 2009 (excluding the information furnished in Item 2.02 and Item 7.01 thereof, which is not deemed filed and which is not incorporated by reference herein).

Our Current Report on Form 8-K filed on August 11, 2009 includes an updated Management s Discussion and Analysis of Financial Condition and Results of Operations, consolidated financial statements and accompanying notes for the years ended December 31, 2006, 2007 and 2008, which give retrospective effect to the adoption of new accounting rules applicable to our 1.625% convertible senior notes due 2026 effective January 1, 2009.

In addition, we incorporate by reference any future filings we make with the Commission pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act from the date of this prospectus until we have sold all of the notes to which this prospectus relates or the offering is otherwise terminated. We will provide free copies of any of those documents, the indenture or the registration rights agreement, if you write or telephone us at: Hornbeck Offshore Services, Inc., 103 Northpark Boulevard, Suite 300, Covington, Louisiana 70433, (985) 727-2000 (attention James O. Harp, Jr., Executive Vice President and Chief Financial Officer). In order to obtain timely delivery of such documents, holders of outstanding Notes must request this information no later than five business days prior to the expiration date of the exchange offer for the outstanding Series A notes.

Table of Contents

FORWARD-LOOKING STATEMENTS

This prospectus includes or incorporates by reference certain forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Securities Exchange Act of 1934, or the Exchange Act. 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, estimat expect, forecast, intend, may, might, plan, potential, predict, project, should or will or other comparable words or the nega The accuracy of the Company s assumptions, expectations, beliefs and projections depend 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 prospectus for a variety of reasons, which include:

- the Company s inability to successfully or timely complete its various vessel construction and conversion programs, especially its MPSV program, which involves the construction and integration of highly complex vessels and systems;
- changes in its vessel construction and conversion budgets;
- less than anticipated success in marketing and operating its MPSVs, which are a class of vessels that the Company does not have a long history of owning or operating;
- the inability of the Company s MPSVs to perform the services for which they were designed;
- further weakening of demand for the Company s services;
- inability to effectively curtail operating expenses from stacked vessels;
- the potential for valuation impairment charges;
- the inability to sell or otherwise dispose of non-core assets on acceptable terms;
- unplanned customer suspensions, cancellations, rate reductions or non-renewals of vessel charters or failures to finalize commitments to charter vessels;
- an unfavorable ruling in the adversary proceeding regarding the *HOS Achiever* in the Superior Offshore International, Inc. bankruptcy case;
- industry risks;
- further reductions in capital spending budgets by customers;

further decline in oil and natural gas prices;

increases in operating costs;

the inability to accurately predict vessel utilization levels and dayrates;

less than anticipated subsea infrastructure demand activity in the U.S. Gulf of Mexico and other markets;

- the level of fleet additions by competitors that could result in over-capacity;
- economic and political risks including those that are the result of proposed changes to policies and laws currently being considered in the United States;
- weather related risks;
- the risk of pandemics such as swine flu;
- the inability to attract and retain qualified marine personnel;
- regulatory risks;
- the repeal or administrative weakening of the Jones Act;
- drydocking delays and cost overruns and related risks;
- vessel accidents or pollution incidents resulting in lost revenue or expenses that are unrecoverable from insurance policies or other third parties;
- unexpected litigation and insurance expenses; and
- fluctuations in foreign currency valuations compared to the U.S. dollar and risks associated with expanded foreign operations.

In addition, the Company s future results may be impacted by continued volatility or deterioration in capital markets and the worldwide economic downturn, inflation, deflation, or other adverse economic conditions 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 shipyards and major suppliers to complete orders or the failure by banks to provide expected funding under the Company s credit agreement. 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. Additional factors that you should consider are set forth in detail in the Risk Factors section of this prospectus as well as filings the Company has made and will make with the Commission which, after their filings, can be found on the Company s website *http://www.hornbeckoffshore.com*. When you consider our forward-looking statements, you should keep in mind the risk factors we describe and other cautionary statements we make in this prospectus and in such filings.

Table of Contents

PROSPECTUS SUMMARY

This prospectus summary highlights selected information contained elsewhere or incorporated by reference in this prospectus. We urge you to carefully read all of this prospectus and the documents incorporated by reference, including our consolidated financial statements and accompanying notes, to gain a fuller understanding of our business and the exchange offer and the terms of the notes, as well as some of the other considerations that may be important to you, before deciding whether to participate in the exchange offer. You should pay special attention to the Risk Factors section of this prospectus to determine whether to participate in the exchange offer.

Unless otherwise indicated or the context otherwise requires, in this prospectus, we, us, our, the Company and Hornbeck refer to Hornbeck Offshore Services, Inc. and its consolidated subsidiaries. References in this prospectus to OSVs mean offshore supply vessels; to TTB mean ocean-going tugs and tank barges; to MPSVs mean multi-purpose support vessels; to AHTS mean anchor-handling towing supply; to ROVs mean remotely operated vehicles; to 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; to flotel mean accommodations services, such as lodging, meals and office space; to deepwater mean offshore areas, generally 1,000 to 5,000 in depth; to ultra-deepwater mean offshore areas, generally more than 5,000 in depth; to deep well mean a well drilled to a true vertical depth of 15,000 or greater; to new generation, when referring to OSVs, mean 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; and to conventional, when referring to OSVs, mean vessels that are at least 20 years old, are generally less than 200 in length or carry less than 1,500 dead weight tons of cargo when originally built and primarily operate on the Continental Shelf.

References in this prospectus to Series A notes refers to the 8.000% Series A Senior Notes due 2017 that were issued by us on August 17, 2009; to Series B notes refers to the 8.000% Series B Senior Notes due 2017 offered by us in this prospectus and issuable in the exchange offer; and to notes refers to both the Series A notes and the Series B notes unless stated otherwise herein.

THE COMPANY

Overview

We are a leading provider of marine services to exploration and production, oilfield service, offshore construction and military customers. Since our establishment, we have primarily focused on providing innovative, technologically advanced marine solutions to meet the evolving needs of the deepwater and ultra-deepwater energy industry. During the last five years, we have rapidly expanded our fleet of vessels primarily through new vessel construction programs as well as through acquisitions of existing vessels.

Table of Contents

We operate two business segments in the marine industry. Our Upstream segment, formerly known as our OSV segment, owns and operates one of the youngest and largest fleets of U.S.-flagged, new generation OSVs and MPSVs. Together, these vessels support deepwater and ultra-deepwater exploration, development, production, construction, installation, maintenance, repair and enhanced oil recovery requirements of the oil and natural gas industry, primarily in the U.S. Gulf of Mexico, or GoM, and in select international markets. Our Upstream segment also includes conventional OSVs, work class ROVs and a shore-base facility located in Port Fourchon, Louisiana. On occasion, we provide vessel management services for other vessel owners, such as crewing, daily operational management and maintenance activities. Our Downstream segment, formerly known as our TTB segment, owns and operates a fleet of ocean-going tugs and tank barges that transport petroleum products, primarily in the northeastern United States and the GoM. Although all of our vessels can operate in domestic and international waters, both of our fleets are predominately comprised of vessels that are qualified under Section 27 of the Merchant Marine Act of 1920, also known as the Jones Act, to engage in the U.S. coastwise trade. Foreign owned, built or crewed vessels are restricted in their ability to conduct U.S. coastwise trade and are typically excluded from such trade.

Upstream Segment

OSVs primarily serve exploratory and developmental drilling rigs and production facilities and support offshore and subsea construction, installation, maintenance, repair and decommissioning activities. OSVs differ from other ships primarily due to their cargo carrying flexibility and capacity. In addition to transporting deck cargo, such as pipe or drummed material and equipment, OSVs also transport liquid mud, potable and drilling water, diesel fuel, dry bulk cement and personnel between shore bases and offshore rigs and production facilities. In the mid-1990s, oil and natural gas producers began seeking large hydrocarbon reserves in deeper water depths using new, specialized drilling and production equipment. We recognized that the then-existing fleet of conventional OSVs operating in the GoM was not designed to support these more complex projects or to operate in the challenging environments in which they were conducted. Therefore, in 1997, we conceived of a fleet of new generation OSVs with enhanced capabilities to allow them to more effectively support deepwater drilling and related construction projects. In order to best serve these projects, we designed our new generation vessels with larger liquid mud and dry bulk cement capacities, as well as larger areas of open deck space, which are features essential to deepwater projects that are often distant from shore-based support infrastructure. Deepwater environments also require dynamic positioning, or anchorless station-keeping capability, driven primarily by safety concerns that preclude vessels from physically mooring to deepwater installations. Such DP systems have experienced steady increases in technology over time with the highest DP rating currently being DP-3. The number following the DP notation generally indicates the degree of redundancy built into the vessel s systems and the range of usefulness of the vessel in deepwater construction and subsea operations. Higher numbers represent greater DP capabilities.

Since 1997, we have executed our business plan to serve the deepwater exploration and production requirements of our customers with our diverse fleet of new generation OSVs. We

Table of Contents

own a fleet of 44 new generation OSVs. Our new generation OSV fleet is comprised of a broad array of vessel classes with varying sizes and capabilities. Through a series of newbuild construction programs and multiple acquisitions, we now have a total of ten distinct new generation OSV vessel class designs particularly suited for our customers needs. Our fourth OSV newbuild program consists of vessel construction contracts with three domestic shipyards that will add an additional six 240 ED class OSVs, nine 250 EDF class OSVs and one 290 class OSV, respectively, to our Upstream fleet. Nine of these vessels have already been placed in service. Our newest design, the 250 EDF class, is based on our highly successful 240 ED design modified to lengthen the vessel and expand the propulsion package to achieve faster transit speeds.

MPSVs also support the offshore exploration and production activities of the energy industry. MPSVs are distinguished from OSVs in that they are significantly larger and more specialized vessels that are principally used to support complex deepwater subsea construction, installation, maintenance, repair, decommissioning and other sophisticated operations. These vessels are typically equipped with a variety of lifting and deployment systems, including large capacity cranes, winches or reel systems. For example, MPSVs can serve as a platform for the subsea installation of risers, jumpers and umbilicals. MPSVs also support ROV operations, diving activities, well intervention, including live well intervention, platform decommissioning and other complex construction operations. Generally, MPSVs command higher day rates than OSVs due to their disparate relative size and versatility, as well as higher construction and operating costs.

In May 2005, we conceived of a new breed of MPSV that, in addition to the array of services described above, are also capable of being utilized to transport deck or bulk cargoes with capacities far exceeding that of new generation OSVs. We launched an innovative MPSV program to convert two former U.S.-flagged sulfur carriers into proprietary 370 class DP-2 new generation MPSVs. These MPSVs will have nearly three times the deadweight and liquid mud capacity of one of our 265 class new generation OSVs and more than eight times the liquid mud capacity of one of our 200 class new generation OSVs. In addition, we believe that these MPSVs will be able to assist in large volume deepwater well testing and flow-back operations. In addition, the vessels can be outfitted with a variety of tool kits including large capacity cranes, winches and other apparatus to support offshore construction, subsea well intervention, ROV operations, pipe-hauling and flotel services, among others.

In May 2007, we expanded our MPSV program to include the *HOS Iron Horse*, which is a newbuild MPSV being constructed at IHC Holland s Merwede Shipyard in the Netherlands. The MPSV program was further expanded in January 2008 with the acquisition of the *HOS Achiever*, which was then under construction at IHC Holland s Krimpen Shipyard, also in the Netherlands. The *HOS Iron Horse* and *HOS Achiever* are T-22 class DP-3 new generation MPSVs. A DP-3 notation requires greater vessel and ship systems redundancies. DP-3 systems also include separate vessel compartments with fire-retardant walls for generators, prime movers, switchboards and most other DP components. These T-22 class MPSVs are designed to handle a variety of global offshore energy applications, many of which are not dependent on the exploratory rig count. They are excellent platforms to support subsea-to-surface construction, inspection, repair and maintenance, well intervention, decommissioning projects and flotel services, as well as pipeline and subsea wellhead installations with ROVs, saturation diving systems and flexible umbilical and flexible pipe-laying capabilities.

Downstream Segment

The domestic tank barge industry provides marine transportation of crude oil, petroleum products and petrochemicals by ocean-going tugs and tank barges and is a critical link in the U.S. petroleum distribution chain. The largest tank barge market in the northeastern United States is New York Harbor. Petroleum products are transported in the northeastern United States through a vast network of terminals, tankers and pipelines. Imported petroleum products are primarily delivered to New York Harbor as it has the capacity to receive products in cargo lots of 50,000 tons or more per tanker. By contrast, draft limitations in most New England ports and drawbridge limitations in Boston, Massachusetts and Portland, Maine limit the average cargo-carrying capacity of direct imports into many of the largest New England ports to about 30,000 tons per tanker. As larger petroleum tankers are being built, we believe that direct delivery into New York Harbor will generate increased tank barge demand for lightering services and further shipment to New England, the Hudson River and Long Island.

We offer marine transportation, distribution and logistics services primarily in the northeastern United States and the GoM with our Downstream fleet mix of nine active double-hulled tank barges and 11 active ocean-going tugs. We provide our services to major integrated oil companies, independent refineries and oil traders. Generally, a tug and tank barge work together as a tow to transport refined or bunker grade petroleum products. Our tank barges carry petroleum products that are typically characterized as either clean or dirty. Clean products are primarily gasoline, home heating oil, diesel fuel and jet fuel. Dirty products are mainly crude oils, residual crudes and feedstocks, heavy fuel oils and asphalts. Since 2005, we have taken delivery of eight new double-hulled tank barges and eight retrofitted tugs under a series of Downstream newbuild programs. These tank barges added 780,000 barrels of new double-hulled barge capacity and increased our tug brake horsepower to an average of approximately 3,900 per tug, up from an average of approximately 3,100 per tug.

Recent Developments

Series A Notes Offering. On August 17, 2009, we issued $250.0 million in aggregate principal amount of Series A notes in a private placement. The net proceeds from the Series A notes offering were approximately $237.3 million, net of estimated transaction costs. We used $200.0 million of such proceeds to repay debt under our revolving credit facility, which may be reborrowed.

We were formed as a Delaware corporation in 1997. Our principal executive offices are located at 103 Northpark Boulevard, Suite 300, Covington, Louisiana 70433, and our telephone number is (985) 727-2000. Our website address is *http://www.hornbeckoffshore.com*. Information on our website does not constitute part of this prospectus.

Table of Contents

SUMMARY OF THE EXCHANGE OFFER

In connection with the offering of the Series A notes, we entered into an exchange registration rights agreement, or registration rights agreement, with the initial purchasers in the offering in which we agreed to complete an exchange offer within 210 days after the date we issued the Series A notes, offering holders of Series A notes the opportunity to exchange their Series A notes for Series B notes in a registered exchange offer under the Securities Act. Holders of Series A notes should read the discussion under the headings Summary of the Terms of the New Series B Notes beginning on page 9 and Description of the Series B Notes beginning on page 46 for further information regarding the Series B notes and resales of the Series B notes.

Exchange Offer	We are offering to exchange Series B notes for Series A notes. Series A notes may be exchanged only in integral multiples of $1,000. We will exchange Series B Notes for all outstanding Series A notes that are validly tendered and not withdrawn prior to the expiration of the exchange offer.
Expiration Time and Date	The exchange offer will expire at 5:00 p.m., New York City time, on , 2009, unless we decide to extend it. No extension will continue beyond , 2009.
Condition to the Exchange Offer	The exchange offer is subject to customary conditions, which we may waive. A minimum aggregate principal amount of outstanding Series A notes being tendered is not a condition to the exchange offer.
Procedures for Tendering Series A Notes	To participate in the exchange offer, you must follow the procedures established by The Depository Trust Company, or DTC, for tendering the Series A notes. These automated tender offer program procedures require that the exchange agent receive, prior to 5:00 p.m., New York City time, on the expiration date of the exchange offer, a computer generated message known as an agent s message that is transmitted through DTC s automated tender offer program and that DTC confirm that: DTC has received your instructions to exchange your Series A notes, and you agree to be bound by the terms of the letter of transmittal.

Table of Contents

For more information on tendering your Series A notes, please refer to the sections in this prospectus entitled Exchange Offer Terms of the Exchange Offer, and Procedures for Tendering.

Resale of Series B Notes

Except as provided below, we believe that the Series B notes may be offered for resale, resold and otherwise transferred by you without compliance with the registration and prospectus delivery provisions of the Securities Act provided that:

- the Series B notes are being acquired in the ordinary course of business,
- you are not participating, do not intend to participate, and have no arrangement or understanding with any person to participate in the distribution of the Series B notes issued to you in the exchange offer,
- you are not our affiliate, and
- you are not a broker-dealer tendering outstanding Series A notes acquired directly from us for your account.

Our belief is based on interpretations by the staff of the Commission, as set forth in no-action letters issued to third parties that are not related to us. The Commission has not considered this exchange offer in the context of a no-action letter, and we cannot assure you that the Commission would make similar determinations with respect to this exchange offer. If any of these conditions are not satisfied, or if our belief is not accurate, and you transfer any Series B notes issued to you in the exchange offer without delivering a resale prospectus meeting the requirements of the Securities Act or without an exemption from registration of your Series B notes from those requirements, you may incur liability under the Securities Act. We will not assume, nor will we indemnify you against, any such liability. Each broker-dealer that receives Series B notes for its own account in exchange for outstanding Series A notes, where the outstanding notes were acquired by such broker-dealer as a result of market-making or other trading activities, must acknowledge that it will deliver a prospectus in connection with any resale of such Series B notes. See Plan of Distribution.

Table of Contents

Guaranteed Delivery Procedures	None.
Withdrawal of Tenders	You may withdraw your tender of Series A notes at any time prior to 5:00 p.m., New York City time, on the expiration date of the exchange offer, but you must follow the withdrawal procedures described in Exchange Offer Withdrawal of Tenders.
Acceptance and Delivery	If you fulfill all conditions required for proper acceptance of Series A notes, we will accept all Series A notes that you properly tender in the exchange offer on or before 5:00 p.m., New York City time, on the expiration date. We will return to you without expense any Series A note that we do not accept for exchange, or with respect to which all conditions for acceptance have not been met, as promptly as practicable after the expiration date. We will deliver the Series B notes as promptly as practicable after the expiration date and acceptance of the Series A notes for exchange.
Fees and Expenses	We will bear all expenses incident to the exchange offer.
Use of Proceeds	We will not receive any proceeds for the issuance of the Series B notes. We have filed the exchange offer registration statement to meet our obligation under the registration rights agreement.
Failure to Exchange	If you do not exchange your Series A notes in this exchange offer, you will no longer be able to require us to register the Series A notes under the Securities Act, except in limited circumstances provided under the registration rights agreement. In addition, you will not be able to resell, offer to resell or otherwise transfer the Series A notes unless we have registered the Series A notes under the Securities Act, or unless you resell, offer to resell or otherwise transfer them under an exemption from the registration requirements of or in a transaction not subject to the Securities Act.
Tax Considerations	The exchange of Series B notes for Series A notes in the exchange offer should not be a taxable event for U.S. federal income tax purposes. Please see the discussion under Material United Stated Federal Income Tax Consequences for more information regarding the tax consequences to you of the exchange offer.

Table of Contents

Exchange Agent

We have appointed Wells Fargo Bank, National Association as exchange agent for the exchange offer. You should direct questions and requests for assistance, additional copies of this prospectus or the letter of transmittal to the exchange agent addressed as follows:

By Registered or Certified Mail:

WELLS FARGO BANK, N.A.

Corporate Trust Operations

MAC N9303-121

PO Box 1517

Minneapolis, MN 55480

By Regular Mail or Overnight Courier:

WELLS FARGO BANK, N.A.

Corporate Trust Operations

MAC N9303-121

Sixth & Marquette Avenue

Minneapolis, MN 55479

In Person by Hand Only:

WELLS FARGO BANK, N.A.

12th Floor Northstar East Building

Corporate Trust Operations

608 Second Avenue South

Minneapolis, MN 55479

By Facsimile:

(For Eligible Institutions only):

fax. (612) 667-6282

Attn. Bondholder Communications

For Information or Confirmation by

Telephone: (800) 344-5128, Option 0

Attn. Bondholder Communications

Table of Contents

SUMMARY OF THE TERMS OF THE NEW SERIES B NOTES

The Series B notes will be substantially identical to the Series A notes except that the issuance of the Series B notes will be registered under the Securities Act and the Series B notes will not have restrictions on transfer under the Securities Act, registration rights or provisions for payment of additional interest as liquidated damages. The Series B notes will evidence the same debt as the Series A notes, and the same indenture that governs the Series A notes will govern the Series B notes offered by this prospectus.

Securities Offered	$250,000,000 aggregate principal amount of Series B notes.
Maturity	September 1, 2017.
Interest Payment Dates	We will pay interest on the notes semi-annually in arrears on March 1 and September 1 of each year, commencing March 1, 2010. Interest will accrue from August 17, 2009.
Guarantees	All of our domestic, significant subsidiaries will guarantee the Senior B notes on a senior, unsecured basis.
Ranking	The Senior B notes will be senior, unsecured obligations, ranking equally in right of payment with all of our other existing and future senior indebtedness and senior in right of payment to any subordinated indebtedness incurred by us in the future. The indenture governing the notes permits us and our subsidiaries to incur additional indebtedness, subject to certain conditions. The Series B notes and subsidiary guarantees will be effectively subordinated to our secured indebtedness and that of our subsidiary guarantors, including any indebtedness under our $250.0 million revolving credit facility, to the extent of the fair value of our assets and those of our subsidiaries collateralizing such indebtedness, and to any indebtedness of our non-guarantor subsidiaries.
Optional Redemption	We may, at our option, redeem all or a part of the Series B notes at any time on or after September 1, 2013 at the redemption prices described in this prospectus. At any time before September 1, 2013, we may also redeem all or a part of the Series B notes at a redemption price equal to 100% of the principal amount of the Series B notes plus the make whole premium described in this prospectus. In addition, prior to September 1, 2012, we may redeem up to 35% of the aggregate principal amount of the Series B notes with the proceeds of certain equity offerings at the redemption price specified in this prospectus.

Table of Contents

Change of Control	If we experience a change of control, any noteholder may require us to repurchase all or a part of its Series B notes for cash at 101% of the principal amount of such Series B notes.
Certain Covenants	The indenture for the Series B notes contains certain covenants that, among other things, limits our ability and that of certain of our subsidiaries to:

- pay dividends or make other distributions,
- purchase equity interests or redeem subordinated indebtedness early,
- incur additional indebtedness,
- create liens on our assets to secure debt,
- engage in sale-and-leaseback transactions,
- issue or sell capital stock of our subsidiaries,
- sell assets or merge or consolidate with another company, and
- enter into certain transactions with affiliates.

All of these limitations will be subject to a number of important qualifications.

Covenant Termination	Once the Series B notes are rated investment grade by either Moody s or S&P and no default has occurred and is continuing under the indenture governing the Series B notes, we and our subsidiaries will no longer be subject to many of the foregoing covenants. See Description of the Series B Notes Covenant Termination.
No Existing Public Market	The Series B notes will be transferable without restriction under U.S. federal securities laws, but there is currently no public market for the Series B notes. We can provide no assurance that any market for the Series B notes will develop or, if a market does develop, that it will offer any significant opportunity for liquidity.
Governing Law	New York.
Trustee	Wells Fargo Bank, National Association.

Risk Factors

You should read carefully Risk Factors beginning on page 16 of this prospectus for certain considerations relevant to your participation in the exchange offer.

For further information regarding the Series B notes, see Description of the Series B Notes.

Table of Contents

SUMMARY HISTORICAL CONSOLIDATED FINANCIAL INFORMATION

Our summary historical consolidated financial information as of and for the periods ended December 31, 2004, 2005, 2006, 2007 and 2008 was derived from our audited historical consolidated financial statements prepared in accordance with generally accepted accounting principles, or GAAP. The data should be read in conjunction with and is qualified in its entirety by reference to Management s Discussion and Analysis of Financial Condition and Results of Operations and our historical consolidated financial statements and the notes to those statements. We have updated our Management s Discussion and Analysis of Financial Condition and Results of Operations, consolidated financial statements and accompanying notes for the year ended December 31, 2008 in a Current Report on Form 8-K filed on August 11, 2009, which gives retrospective effect to our adoption of new accounting rules regarding our 1.625% convertible senior notes due 2026 effective January 1, 2009. Our Annual Report on Form 10-K for the fiscal year ended December 31, 2008, our Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2009 and our Current Report on Form 8-K filed on August 11, 2009 are each incorporated by reference into this prospectus. In the opinion of management, the unaudited data includes all adjustments consisting of normal and recurring adjustments necessary for a fair presentation of our financial position and results of operations as of and for these quarterly periods. Operating results for the six months ended June 30, 2009 are not necessarily indicative of the results that may be expected for the year ending December 31, 2009.

(in thousands, except operating data)	Year ended December 31,					Six months ended June 30,	
	2004	2005	2006	2007	2008	2008	2009
Statements of Operations Data:							
Revenues	$ 132,261	$ 182,586	$ 274,551	$ 338,970	$ 432,084	$ 201,993	$ 207,556
Operating expenses	58,520	66,910	95,591	126,876	164,532	83,094	81,450
Depreciation and amortization(1)	23,135	27,270	32,021	35,169	52,002	25,196	59,460
General and administrative expenses	14,759	20,327	28,388	32,857	37,155	17,992	16,438
Gain on sale of assets	65	1,893	1,854	1,859	8,402	2,001	241
Operating income	35,912	69,972	120,405	145,927	186,797	77,712	50,449
Loss on early extinguishment of debt	22,443	1,698					
Interest income	356	3,178	16,074	18,414	1,525	1,227	186
Interest expense	17,698	12,558	18,866	21,299	8,331	4,073	6,998
Other income (expense)(2)	70	87	70	(43)	190	75	(249)
Income (loss) before income taxes	(3,803)	58,981	117,683	142,999	180,181	74,941	43,388
Income tax expense (benefit)	(1,320)	21,538	42,727	51,782	64,379	27,065	16,088
Net income (loss)	$ (2,483)	$ 37,443	$ 74,956	$ 91,217	$ 115,802	$ 47,876	$ 27,300
Balance Sheet Data (at period end):							
Cash and cash equivalents	$ 54,301	$ 271,739	$ 474,261	$ 173,552	$ 20,216	$ 18,656	$ 21,754
Working capital	52,556	290,471	489,261	214,266	66,069	62,625	73,195
Property, plant, and equipment, net	361,219	462,041	532,158	956,558	1,405,340	1,223,472	1,513,339
Total assets	460,571	796,675	1,098,587	1,265,399	1,595,743	1,388,500	1,682,379
Total short-term debt(3)	15,449						
Total long-term debt(4)	225,000	299,449	475,282	484,076	618,519	528,713	683,496
Total stockholders equity	182,904	429,495	502,280	606,147	736,900	662,392	768,401

11

Table of Contents

(in thousands, except operating data)	Year ended December 31, 2004	2005	2006	2007	2008	Six months ended June 30, 2008	2009
Statement of Cash Flows Data:							
Net cash provided by (used in):							
Operating activities	$ 21,405	$ 75,806	$ 131,996	$ 138,550	$ 206,832	$ 99,159	$ 94,747
Investing activities	(61,378)	(120,617)	(87,344)	(442,032)	(487,293)	(295,598)	(154,460)
Financing activities	81,358	262,202	157,797	2,710	127,109	41,587	61,234
Other Financial Data (unaudited):							
EBITDA(5)	$ 36,674	$ 95,631	$ 152,496	$ 181,053	$ 238,989	$ 102,983	$ 109,660
Capital expenditures	61,378	124,964	91,418	447,915	505,105	298,703	155,402
Other Operating Data (unaudited):							
Offshore Supply Vessels:							
Average number of new generation OSVs(6)	22.8	24.6	25.0	29.0	36.4	35.3	41.3
Average new generation OSV fleet capacity (deadweight tons)	51,938	57,658	59,042	67,739	84,892	81,793	100,015
Average new generation vessel capacity (deadweight tons)	2,274	2,341	2,362	2,341	2,329	2,316	2,420
Average new generation utilization rate(7)	87.5%	96.2%	90.3%	93.3%	95.4%	94.4%	88.2%
Effective new generation utilization rate(8)	87.5%	96.2%	90.3%	93.3%	95.4%	94.4%	89.7%
Average new generation OSV dayrate(9)	$ 10,154	$ 13,413	$ 19,380	$ 21,505	$ 22,939	$ 21,613	$ 22,233
Effective dayrate(10)	$ 8,885	$ 12,903	$ 17,500	$ 20,064	$ 21,884	$ 20,403	$ 19,610
Tugs and Tank Barges:							
Consolidated:							
Average number of tank barges(11)	16.0	14.6	17.6	18.5	20.8	20.6	19.9
Average fleet capacity (barrels)(11)	1,156,330	1,072,075	1,488,177	1,579,989	1,732,982	1,720,707	1,624,713
Average barge capacity (barrels)	72,271	71,651	84,267	85,071	83,190	83,272	81,550
Average utilization rate(7)	82.2%	87.1%	92.7%	90.7%	64.8%	73.2%	50.5%
Effective utilization rate(8)	82.2%	87.1%	92.7%	90.7%	78.8%	79.2%	76.1%
Average dayrate(12)	$ 11,620	$ 13,542	$ 18,064	$ 18,089	$ 19,838	$ 20,222	$ 18,295
Effective dayrate(10)	$ 9,552	$ 11,795	$ 16,745	$ 16,407	$ 12,855	$ 14,803	$ 9,239
Double-hulled tank barges:							
Average utilization rate(7)	98.8%	92.6%	97.9%	92.4%	85.0%	92.4%	73.5%
Average dayrate(12)	$ 12,134	$ 17,409	$ 24,539	$ 23,026	$ 21,806	$ 22,134	$ 20,132
Effective dayrate(10)	$ 11,988	$ 16,121	$ 24,024	$ 21,276	$ 18,535	$ 20,452	$ 14,797
Single-hulled tank barges:							
Average utilization rate(7)	81.2%	85.9%	90.0%	89.8%	49.9%	59.4%	31.4%
Effective utilization rate(8)	81.2%	85.9%	90.0%	89.8%	72.3%	68.4%	81.6%
Average dayrate(12)	$ 9,246	$ 9,130	$ 12,010	$ 15,061	$ 17,302	$ 18,044	$ 14,745
Effective dayrate(10)	$ 7,508	$ 7,843	$ 10,809	$ 13,525	$ 8,634	$ 10,718	$ 4,630

(1) During the six months ended June 30, 2009, we recorded a non-cash asset impairment charge of $26.7 million in depreciation and amortization related to ten single-hulled tank barges and six ocean-going tugs and the write-off of remaining goodwill associated with our Downstream segment.

Table of Contents

(2) Represents other operating income and expenses, including equity in income from investments and foreign currency transaction gains or losses.

(3) Represents the remaining balance of approximately $15,500 in aggregate principal amount of our 10.625% senior notes due 2008 that were redeemed on January 14, 2005 and excludes original issue discount associated with our 10.625% senior notes in the amount of $97 as of December 31, 2004.

(4) Excludes original issue discount associated with our 6.125% senior notes in the amount of $551, $503, $453, $398, $426 and $370 as of December 31, 2005, 2006, 2007 and 2008, and as of June 30, 2008 and 2009, respectively. Also, excludes original issue discount associated with our 1.625% convertible senior notes in the amount of $74,215, $65,471, $56,083, $60,861 and $51,134 as of December 31, 2006, 2007, and 2008, and as of June 30, 2008 and 2009, respectively.

(5) See our discussion of EBITDA as a non-GAAP financial measure immediately following these footnotes.

(6) We operated 44 new generation OSVs as of June 30, 2009. For the six months ended June 30, 2009, the average number of new generation OSVs above includes the *HOS Mystique*, *HOS Lode Star, HOS Coral, HOS Black Powder* and *HOS Westwind*, which are five newly constructed OSVs that were placed in service under our fourth OSV newbuild program in January 2009, February 2009, March 2009, June 2009 and June 2009, respectively. At June 30, 2009, five new generation OSVs were stacked. For the six months ended June 30, 2008, the average number of new generation OSVs above includes the *HOS Polestar*, a newly constructed OSV that was placed in service under our fourth newbuild program. We operated 39 new generation OSVs as of December 31, 2008. For the year ended December 31, 2008, the average number of new generation OSVs above includes the *HOS Polestar*, *HOS Shooting Star, and HOS North Star,* three newly constructed 240 ED class OSVs that were placed in service under our fourth OSV newbuild program in May 2008, July 2008, and November 2008, respectively, and the *HOS Resolution,* a 250 EDF class OSV that was also placed in service under our fourth OSV newbuild program in October 2008. Also included are 10 new generation OSVs that were acquired in August 2007. Excluded from this data are 10 conventional OSVs that were also acquired in August 2007, including the *Cape Scott*, which was sold in May 2008, and the *Cape Cod, Cape San Lucas* and *Cape Spencer*, which were sold in August 2008. We consider our six remaining conventional OSVs that are currently stacked to be non-core assets.

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

(8) 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.

(9) Average 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 revenue.

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

(11) We owned 21 tank barges as of June 30, 2009. Effective January 1, 2009, and June 17, 2009, the *Energy 11102* and the *Energy 11101* were excluded from the above table, because they reached their respective OPA 90 phase-out dates and were removed from active service. Currently, all of our remaining single-hulled tank barges are stacked. The averages for the years ended December 31, 2008 and December 31, 2007 include the *Energy 6506, Energy 6507 and Energy 6508*, three double-hulled tank barges delivered under our second TTB newbuild program in August 2007, November 2007, and March 2008, respectively.

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

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 Commission. We define EBITDA as earnings (net income) before interest, income taxes, depreciation and amortization. Our measure of EBITDA may not be comparable to similarly titled measures presented by other companies. Other companies may calculate EBITDA differently than we do, which may limit its usefulness as comparative measure.

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

EBITDA is widely used by investors and other users of our financial statements as a supplemental financial measure that, when viewed with our GAAP results and the accompanying reconciliation, we believe provides additional information that is useful to gain

Table of Contents

an understanding of the factors and trends affecting our ability to service debt, pay deferred taxes and fund drydocking charges and other maintenance capital expenditures. We also believe the disclosure of EBITDA helps investors meaningfully evaluate and compare our cash flow generating capacity from quarter to quarter and year to year.

EBITDA is also a financial metric used by management (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 paid to our executive officers and bonuses paid to 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 following periods.

	Year ended December 31,					Six months ended June 30,	
(in thousands)	**2004**	**2005**	**2006**	**2007**	**2008**	**2008**	**2009**
Components of EBITDA:							
Net income (loss)	$ (2,483)	$ 37,443	$ 74,956	$ 91,217	$ 115,802	$ 47,876	$ 27,300
Interest, net:							
Debt obligations	17,698	12,558	18,866	21,299	8,331	4,073	6,998
Interest income	(356)	(3,178)	(16,074)	(18,414)	(1,525)	(1,227)	(186)
Total interest, net	17,342	9,380	2,792	2,885	6,806	2,846	6,812
Income tax expense (benefit)	(1,320)	21,538	42,727	51,782	64,379	27,065	16,088
Depreciation	17,408	19,954	24,070	22,950	33,498	15,752	46,319
Amortization	5,727	7,316	7,951	12,219	18,504	9,444	13,141
EBITDA	$ 36,674	$ 95,631	$ 152,496	$ 181,053	$ 238,989	$ 102,983	$ 109,660

Table of Contents

The following table reconciles EBITDA to cash flows provided by operating activities for the following periods.

	Year ended December 31,					Six months ended June 30,	
(in thousands)	2004	2005	2006	2007	2008	2008	2009
EBITDA Reconciliation to GAAP:							
EBITDA	$ 36,674	$ 95,631	$ 152,496	$ 181,053	$ 238,989	$ 102,983	$ 109,660
Cash paid for deferred drydocking charges	(8,530)	(6,827)	(12,881)	(19,812)	(19,773)	(9,410)	(12,633)
Cash paid for interest	(24,023)	(17,888)	(18,537)	(22,644)	(24,981)	(11,507)	(12,451)
Cash paid for taxes			(1,398)	(4,799)	(6,119)	(3,437)	(13,741)
Changes in working capital	(4,960)	5,139	8,797	(986)	15,406	16,467	19,923
Stock-based compensation			5,196	7,390	10,815	5,605	4,676
Loss on early extinguishment of debt	22,443	1,698					
Changes in other, net	(199)	(1,947)	(1,677)	(1,652)	(7,505)	(1,542)	(687)
Cash flows provided by operating activities	$ 21,405	$ 75,806	$ 131,996	$ 138,550	$ 206,832	$ 99,159	$ 94,747

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, 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

RISK FACTORS

The following information describes certain significant risks and uncertainties inherent in our business. Some of these risks are described below and in the documents incorporated by reference in this prospectus, including our Annual Report on Form 10-K for the year ended December 31, 2008 and in our other public filings, and you should take these risks into account in evaluating us or any investment decision involving us or in deciding whether to participate in the exchange offer. This section does not describe all risks applicable to us, our industry or our business, and it is intended only as a summary of certain material risks. You should carefully consider such risks and uncertainties, together with the other information contained herein and in the documents incorporated herein by reference. If any of such risks and uncertainties actually occurs, our business, financial condition or operating results could be harmed substantially and could differ materially from the plans, projections and other forward-looking statements included elsewhere herein or in the documents incorporated herein by reference.

Risks Relating to Our Business

Demand for our OSV services substantially depends on the level of activity in offshore oil and gas exploration, development and production.

The level of offshore oil and gas exploration, development and production activity has historically been volatile and is likely to continue to be so in the future. The level of activity is subject to large fluctuations in response to relatively minor changes in a variety of factors that are beyond our control, including:

- changes in capital spending budgets by our customers:
- unavailability of drilling rigs in the GoM, our principal operating area;
- prevailing oil and natural gas prices and expectations about future prices and price volatility;
- the cost of offshore exploration for, and production and transportation of, oil and natural gas;
- worldwide demand for oil and natural gas;
- consolidation of oil and gas and oil service companies operating offshore;
- availability and rate of discovery of new oil and natural gas reserves in offshore areas;
- local and international political and economic conditions and policies;
- technological advances affecting energy production and consumption;

weather conditions;

environmental and other regulation affecting our customers and their other service providers; and

the ability of oil and gas companies to generate or otherwise obtain funds for exploration and production.

Table of Contents

We expect levels of oil and gas exploration, development and production activity to continue to be volatile and affect the demand for our Upstream services.

A continuation of the recent downturn in oil and natural gas prices is likely to cause a substantial further decline in expenditures for exploration, development and production activity, which would likely result in a corresponding decline in the demand for OSVs and MPSVs and thus decrease the utilization and dayrates of our OSVs and MPSVs. Such decreases could have a material adverse effect on our financial condition and results of operations. Moreover, increases in oil and natural gas prices and higher levels of expenditure by oil and gas companies for exploration, development and production may not necessarily result in increased demand for our OSVs and MPSVs and could adversely affect utilization of our tugs and tank barges.

Increases in the supply of vessels could decrease dayrates and utilization.

In addition to our own vessel building programs, certain of our competitors have vessels under construction or have announced plans to construct new vessels to be deployed in domestic and foreign locations. A remobilization to the GoM oilfield of U.S.-flagged vessels currently operating in other regions or in non-oilfield applications would result in an increase in vessel capacity in our primary market. Additionally, construction of double-hulled, ocean-going tank barges in sufficient size and number to exceed the replacement of the single-hulled tank barges that have been or still need to be retired under OPA 90 would create an increase in ocean-going tank barge capacity. Further, a repeal, suspension or significant negative modification of the Jones Act, or the administrative erosion of its benefits, permitting vessels that are either foreign-flagged, foreign-built, foreign-owned, foreign-controlled or foreign-operated to engage in the U.S. coastwise trade, would also result in an increase in capacity. Any increase in the supply of OSVs, whether through new construction, refurbishment or conversion of vessels from other uses, remobilization or changes in law or its application, could not only increase competition for charters and lower utilization and dayrates, which would adversely affect our revenues and profitability, but could also worsen the impact of any downturn in oil and natural gas prices on our results of operations and financial condition. Similarly, any increase in the supply of ocean-going tank barges, could not only increase competition for charters and lower utilization and dayrates, which could negatively affect our revenues and profitability, but could also worsen the impact of any reduction in domestic consumption of refined petroleum products or crude oil on our results of operations and financial condition. Because some services provided by MPSVs are not protected by the Jones Act, foreign competitors may bring MPSVs to the GoM or build additional MPSVs that we will compete with domestically or internationally.

Intense competition in our industry could reduce our profitability and market share.

Contracts for our vessels are generally awarded on an intensely competitive basis. Some of our competitors, including diversified multinational companies in the Upstream segment, have substantially greater financial resources and larger operating staffs than we do. They may be better able to compete in making vessels available more quickly and efficiently, meeting the customer s schedule and withstanding the effect of declines in dayrates and utilization rates. They may also be better able to weather a downturn in the oil and gas industry. As a result, we could lose customers and market share to these

Table of Contents

competitors. Some of our competitors may also be willing to accept lower dayrates in order to maintain utilization, which can have a negative impact upon dayrates and utilization in both of our market segments.

The failure to successfully complete construction or conversion of our vessels or repairs, maintenance and routine drydockings on schedule and on budget and to utilize such vessels and the other vessels in our fleet at profitable levels could adversely affect our financial condition and results of operations.

We have seven new generation OSVs and one MPSV currently under construction and one coastwise sulfur tanker currently undergoing conversion into an MPSV. We may plan to construct other such vessels as market conditions warrant. We also routinely engage shipyards to drydock our vessels for regulatory compliance and to provide repair and maintenance. Our construction projects and drydockings are subject to the risks of delay and cost overruns inherent in any large construction project, including shortages of equipment, lack of shipyard availability, unforeseen engineering problems, work stoppages, weather interference, unanticipated cost increases, inability to obtain necessary certifications and approvals and shortages of materials or skilled labor. Significant delays could have a material adverse effect on anticipated contract commitments or anticipated revenues with respect to vessels under construction, conversion or for drydockings. Further, significant cost overruns or delays for vessels under construction, conversion or retrofit not adequately protected by liquidated damages provisions, in general could adversely affect our financial condition and results of operations. Moreover, customer demand for vessels currently under construction or conversion may not be as strong as we have anticipated, and our inability to obtain contracts on anticipated terms or at all may have a material adverse effect on our revenues and profitability. In addition, our Upstream vessels are sometimes chartered or hired to provide services to a specified drilling rig or project. A delay in the availability of the drilling rig or other project delays may have an adverse impact on our utilization of the contracted vessel and thus on our financial condition and results of operations.

We have grown, and may continue to grow, through acquisitions that give rise to risks and challenges that could adversely affect our future financial results.

We regularly consider possible acquisitions of single vessels, vessel fleets and businesses that complement our existing operations to enable us to grow our business. Acquisitions can involve a number of special risks and challenges, including:

- diversion of management time and attention from our existing business and other business opportunities;
- delays in closing or the inability to close an acquisition for any reason, including third party consents or approvals;
- any unanticipated negative impact on us of disclosed or undisclosed matters relating to any vessels or operations acquired;
- loss or termination of employees, including costs associated with the termination or replacement of those employees;
- assumption of debt or other liabilities of the acquired business, including litigation related to the acquired business;

- the incurrence of additional acquisition-related debt as well as increased expenses and working capital requirements;
- dilution of stock ownership of existing stockholders;
- increased costs and efforts in connection with compliance with Section 404 of the Sarbanes-Oxley Act; and
- substantial accounting charges for restructuring and related expenses, impairment of goodwill, amortization of intangible assets, and stock-based compensation expense.

Even if we consummate an acquisition, the process of integrating acquired operations into our own may result in unforeseen operating difficulties and costs and may require significant management attention and financial resources. In addition, integrating acquired businesses may impact the effectiveness of our internal control over financial reporting. Any of the foregoing, and other factors, could harm our ability to achieve anticipated levels of utilization and profitability from acquired vessels or businesses or to realize other anticipated benefits of acquisitions.

We can give no assurance that we will be able to identify desirable acquisition candidates or that we will be successful in entering into definitive agreements or closing such acquisitions on satisfactory terms. An inability to acquire additional vessels or businesses may limit our growth potential.

Revenues from our Downstream business could be further adversely affected by a decline in demand for domestic refined petroleum products and crude oil or a change in existing methods of delivery in response to insufficient availability of Downstream services and other conditions.

A reduction in domestic consumption of refined petroleum products or crude oil has recently adversely affected the revenues of our Downstream business and could worsen. Further worsening could affect our financial condition and results of operation. Weather conditions also affect demand for our Downstream services. For example, a mild winter may reduce demand for heating oil in the northeastern United States.

Moreover, alternative methods of delivery of refined petroleum products or crude oil may develop as a result of insufficient availability of Downstream services, the cost of compliance with homeland security, environmental regulations or increased liabilities connected with the transportation of refined petroleum products and crude oil. For example, long-haul transportation of refined petroleum products and crude oil is generally less costly by pipeline than by tank barge. While there are significant impediments to building new pipelines, such as high capital costs and environmental concerns, entities may propose new pipeline construction to meet demand for petroleum products. To the extent new pipeline segments are built or existing pipelines converted to carry petroleum products, such activity could have an adverse effect on our ability to compete in particular markets.

The early termination of contracts on our vessels could have an adverse effect on our operations.

Some of the long-term contracts for our vessels and all contracts with governmental entities contain early termination options in favor of the customer; however, some have early termination remedies or other provisions designed to discourage the customers from

exercising such options. We cannot assure that our customers would not choose to exercise their termination rights in spite of such remedies or the threat of litigation with us. Until replacement of such business with other customers, any termination could temporarily disrupt our business or otherwise adversely affect our financial condition and results of operations. We might not be able to replace such business on economically equivalent terms.

We are subject to complex laws and regulations, including environmental regulations, that can adversely affect the cost, manner or feasibility of doing business.

Increasingly stringent federal, state, local and foreign laws and regulations governing worker health and safety and the manning, construction and operation of vessels significantly affect our operations. Many aspects of the marine industry are subject to extensive governmental regulation by the United States Coast Guard, the National Transportation Safety Board and the United States Customs Service, and their foreign equivalents, and to regulation by private industry organizations such as the American Bureau of Shipping. The Coast Guard and the National Transportation Safety Board set safety standards and are authorized to investigate vessel accidents and recommend improved safety standards, while the Customs Service is authorized to inspect vessels at will. Our operations are also subject to federal, state, local and international laws and regulations that control the discharge of pollutants into the environment or otherwise relate to environmental protection. Compliance with such laws, regulations and standards may require installation of costly equipment, increased manning, or operational changes. While we endeavor to comply with all applicable laws, we might not and our failure to comply with applicable laws and regulations may result in administrative and civil penalties, criminal sanctions, imposition of remedial obligations or the suspension or termination of our operations. Some environmental laws impose strict liability for remediation of spills and releases of oil and hazardous substances, which could subject us to liability without regard to whether we were negligent or at fault. These laws and regulations may expose us to liability for the conduct of, or conditions caused by, others, including charterers. Moreover, these laws and regulations are subject to change, which could result in more comprehensive and stringent requirements that substantially increase our operational and compliance costs that we may not be able to pass along to our customers. Any changes in laws, regulations or standards that would impose additional requirements or restrictions could adversely affect our financial condition and results of operations.

We are also subject to the Merchant Marine Act of 1936, which provides that, upon proclamation by the President of a national emergency or a threat to the security of the national defense, the Secretary of Transportation may requisition or purchase any vessel or other watercraft owned by United States citizens (which includes United States corporations), including vessels under construction in the United States. If one of our OSVs, MPSVs, tugs or tank barges were purchased or requisitioned by the federal government under this law, we would be entitled to be paid the fair market value of the vessel in the case of a purchase or, in the case of a requisition, the fair market value of charter hire. However, if one of our tugs is requisitioned or purchased and its associated tank barge is left idle, we would not be entitled to receive any compensation for the lost revenues resulting from the idled barge. We would also not be entitled to be compensated for any consequential damages we suffer as a result of the requisition or purchase of any of our OSVs, MPSVs, tugs or tank barges. The purchase or the requisition for an extended period of time of one or more of our vessels could adversely affect our results of operations and financial condition.

Finally, we are subject to the Merchant Marine Act of 1920, commonly referred to as the Jones Act, which requires that vessels engaged in coastwise trade to carry cargo between U.S. ports be documented under the laws of the United States and be controlled by U.S. citizens. To ensure that we are determined to be a U.S. citizen as defined under these laws, our certificate of incorporation contains certain restrictions on the ownership of our capital stock by non-U.S. citizens and establishes certain mechanisms to maintain compliance with these laws. If we are determined at any time not to be in compliance with these citizenship requirements, our vessels would become ineligible to engage in the coastwise trade in U.S. domestic waters, and our business and operating results would be adversely affected. The Jones Act s provisions restricting coastwise trade to vessels controlled by U.S. citizens have recently been circumvented by foreign interests that seek to engage in trade reserved for vessels controlled by U.S. citizens and otherwise qualifying for coastwise trade. Legal challenges against such actions are difficult, costly to pursue and are of uncertain outcome. To the extent such efforts are successful and foreign competition is permitted, such competition could have a material adverse effect on domestic companies in the offshore service vessel industry and on our financial condition and results of operations. In addition, in the interest of national defense, the Secretary of Homeland Security is authorized to suspend the coastwise trading restrictions imposed by the Jones Act on vessels not controlled by U.S. citizens. Such a waiver was issued following Hurricane Katrina and was in effect on a temporary basis for tank vessels that carried petroleum products. A more limited waiver continues in existence for vessels that carry petroleum cargoes from the Strategic Petroleum Reserve.

Our business involves many operating risks that may disrupt our business or otherwise result in substantial losses, and insurance may be unavailable or inadequate to protect us against these risks.

Our vessels are subject to operating risks such as:

- catastrophic marine disaster;
- adverse weather and sea conditions;
- mechanical failure;
- collisions or allisions;
- oil and hazardous substance spills;
- navigation errors;
- acts of God; and
- war and terrorism.

The occurrence of any of these events may result in damage to or loss of our vessels and their tow or cargo or other property and injury to passengers and personnel. If any of these events were to occur, we could be exposed to liability for resulting damages and possible penalties, that pursuant to typical marine indemnity policies, we must pay and then seek reimbursement from our insurer. Affected vessels may also be removed from service and thus be unavailable for income-generating activity. While we believe our insurance coverage is at adequate levels and insures us against risks that are customary in the industry, we may be unable to renew such coverage in the future at commercially reasonable rates.

Table of Contents

Moreover, existing or future coverage may not be sufficient to cover claims that may arise. Finally, we do not maintain insurance for loss of income resulting from a marine casualty.

Our expansion of operations into international markets and shipyard activities in foreign shipyards subjects us to risks inherent in conducting business internationally.

Over the past several years we have derived an increasing portion of our revenues from foreign sources. In addition, certain of our newbuild construction, shipyard repair and procurement activities are being conducted with foreign vendors. We therefore face risks inherent in conducting business internationally, such as legal and governmental regulatory requirements, potential vessel seizure or nationalization of assets, import-export quotas or other trade barriers, difficulties in collecting accounts receivable and longer collection periods, political and economic instability, kidnapping of or assault on personnel, piracy, adverse tax consequences, difficulties and costs of staffing international operations, currency exchange rate fluctuations and language and cultural differences. All of these risks are beyond our control and difficult to insure against. We cannot predict the nature and the likelihood of any such events. If such an event should occur, however, it could have a material adverse effect on our financial condition and results of operations.

Future results of operations depend on the long-term financial stability of our customers.

Many of the contracts we enter into for our vessels are full utilization contracts with initial terms ranging from one to five years. We enter into these long-term contracts with our customers based on a credit assessment at the time of execution. Our financial condition in any period may therefore depend on the long-term stability and creditworthiness of our customers. We can provide no assurance that our customers will fulfill their obligations under our long-term contracts and the insolvency or other failure of a customer to fulfill its obligations under such contract could adversely affect our financial condition and results of operations.

We may be unable to attract and retain qualified, skilled employees necessary to operate our business.

Our success depends in large part on our ability to attract and retain highly skilled and qualified personnel. Our inability to hire, train and retain a sufficient number of qualified employees could impair our ability to manage, maintain and grow our business.

In crewing our vessels, we require skilled employees who can perform physically demanding work. As a result of the volatility of the oil and gas industry and the demanding nature of the work, potential vessel employees may choose to pursue employment in fields that offer a more desirable work environment at wage rates that are competitive with ours. With a reduced pool of workers, it is possible that we will have to raise wage rates to attract workers and to retain our current employees. If we are not able to increase our service rates to our customers to compensate for wage-rate increases, our financial condition and results of operations may be adversely affected. If we are unable to recruit qualified personnel we may not be able to operate our vessels at full utilization, which would adversely affect our results of operations.

Table of Contents

Our employees are covered by federal laws that may subject us to job-related claims in addition to those provided by state laws.

Some of our employees are covered by provisions of the Jones Act, the Death on the High Seas Act and general maritime law. These laws preempt state workers compensation laws and permit these employees and their representatives to pursue actions against employers for job-related incidents in federal courts based on tort theories. Because we are not generally protected by the damage limits imposed by state workers compensation statutes for these types of claims, we may have greater exposure for any claims made by these employees.

Our success depends on key members of our management, the loss of whom could disrupt our business operations.

We depend to a large extent on the efforts and continued employment of our executive officers and key management personnel. We do not maintain key-man insurance. The loss of services of one or more of our executive officers or key management personnel could have a negative impact on our financial condition and results of operations.

Restrictions contained in the indenture governing our 6.125% senior notes due 2014, the agreement governing our revolving credit facility and the indenture governing the Series B notes may limit our ability to obtain additional financing and to pursue other business opportunities.

Covenants contained in the indenture governing our 6.125% senior notes due 2014, the agreement governing our revolving credit facility and the indenture governing the Series B notes require us to meet certain financial tests, which may limit or otherwise restrict:

- our flexibility in operating, planning for, and reacting to changes, in our business;
- our ability to dispose of assets, withstand current or future economic or industry downturns and compete with others in our industry for strategic opportunities; and
- our ability to obtain additional financing for working capital, capital expenditures, including our newbuild programs, acquisitions, general corporate and other purposes.

We have high levels of fixed costs that will be incurred regardless of our level of business activity.

Our business has high fixed costs. Downtime or low productivity due to reduced demand, weather interruptions or other causes can have a significant negative effect on our operating results and financial condition.

If we are required to retire our existing single-hulled tank barges earlier than anticipated due to either regulatory or other requirements, it could adversely affect our business.

OPA 90 requires that all newly-built tank vessels used in the transportation of petroleum products be built with double hulls and provides for a phase-out period for existing single-hulled vessels. Modifying or replacing existing vessels to provide for double hulls will be required for all tank barges and tankers in the industry by the year 2015. Under current law, certain of our vessels may continue to operate without double hulls through 2014. However, if there are changes in the law that accelerate the time frame for retirement of such vessels, or if customer policies or preferences that mandate the use of double-hulled vessels become more prevalent, absent our implementation of a more aggressive replacement or newbuild program, such changes in law or in customer mandates could adversely affect our results of operations and financial condition. Currently, all of our single-hulled tank barges are stacked.

Our revenues and operating results may vary significantly from quarter to quarter due to a number of factors such as volatility in our vessel dayrates, changes in utilization, vessel incidents and other unforeseen matters. Many of these factors that may cause our actual financial results to vary from our publicly disclosed earnings guidance and forecasts are outside of our control.

Our actual financial results might vary from those anticipated by us or by securities analysts and investors, and these variations could be material. From time to time we publicly provide earnings or other forms of guidance, which reflect our projections about future dayrates, utilization, operating costs and capital structure, among other factors. These numerous assumptions may be impacted by factors that are beyond our control and might not turn out to be correct. Although we believe that the assumptions underlying our projections are reasonable, actual results could be materially different.

We are susceptible to unexpected increases in operating expenses such as materials and supplies, crew wages, maintenance and repairs, and insurance costs.

Many of our operating costs are unpredictable and vary based on events beyond our control. Our gross margins will vary based on fluctuations in our operating costs. If our costs increase or we encounter unforeseen costs, we may not be able to recover such costs from our customers, which could adversely affect our financial position, results of operations and cash flows.

We may not have the ability to raise the funds necessary to settle conversion of our 1.625% convertible senior notes or to purchase such notes upon a fundamental change or on other purchase dates as defined in the indenture governing such notes, and our future debt may contain limitations on our ability to pay cash upon conversion or repurchase of shares.

Upon conversion of our 1.625% convertible senior notes, we may pay a settlement amount in cash and shares of our common stock, if any, based upon a 25 trading-day observation period. In addition, on November 15, 2013, November 15, 2016 and November 15, 2021, holders of the 1.625% convertible senior notes may require us to purchase their notes for cash. We cannot assure you that we will have sufficient financial resources, or would be able to arrange financing, to pay the settlement amount in cash, or the purchase price or fundamental change purchase price for the 1.625% convertible senior notes tendered by the holders in cash. Further, our ability to pay the settlement amount in cash, or the purchase price or fundamental change purchase price for the 1.625% convertible senior notes in cash may be subject to limitations in our revolving credit facility or any other indebtedness we may have in the future. If the holders of the 1.625% convertible senior notes convert such notes or require us to repurchase them, we may seek the consent of our lenders or attempt to refinance the debt, but there can be no assurance that we will be able to obtain consent or complete a refinancing. Failure by us to pay the settlement amount upon conversion or purchase the notes when required will result in an event of default with respect to the notes, which may also result in the acceleration of our other indebtedness, which we would not be able to satisfy.

We may be adversely affected by uncertainty in the global financial markets and economy.

Our future results may be impacted by continued volatility or further deterioration in the debt and equity capital markets. Inflation, deflation, or other adverse economic conditions may negatively affect us or parties with whom we do business resulting in their non-payment or inability to perform obligations owed to us, such as the failure of customers to honor their commitments, the failure of shipyards and major suppliers to complete orders or the failure by banks to provide expected funding under our revolving credit agreement. Additionally, credit market conditions may slow our collection efforts as customers experience increased difficulty in obtaining requisite financing, potentially leading to lost revenue and higher than normal accounts receivable. This could result in greater expense associated with collection efforts and increased bad debt expense.

The cost of raising money in the debt and equity capital markets has increased substantially during the current financial crisis while the availability of funds from those markets has diminished significantly. The current global economic downturn may adversely impact our ability to issue additional debt and equity in the future on acceptable terms. Also, the cost of obtaining money from the credit markets has increased as many lenders and institutional investors have increased interest rates, enacted tighter lending standards, refused to refinance existing debt upon maturity or on terms similar to expiring debt. As a result, interest rates may rise in the future, which could increase the cost of borrowing under our revolving credit agreement. In addition, we may be unable to obtain adequate funding under our revolving credit agreement if our lending counterparties are unwilling or unable to meet their funding obligations. Finally, if we require additional sources of short-term liquidity for any reason including without limitation the factors stated above, our existing lenders may be unable or unwilling to extend credit to us. Due to these factors, we cannot be certain that additional funding will be available if needed and to the extent required, on acceptable terms.

We may be unable to collect amounts owed to us by our customers.

We typically grant our customers credit on a short-term basis. Related credit risks are inherent as we do not typically collateralize receivables due from customers. We provide estimates for uncollectible accounts based primarily on our judgment using historical losses, current economic conditions and individual evaluations of each customer as evidence supporting the receivables valuations stated on our financial statements. However, our receivables valuation estimates may not be accurate and receivables due from customers reflected in our financial statements may not be collectible.

We may not prevail in collecting our receivable due from the Superior Offshore bankruptcy case.

As of June 30, 2009, we had net receivables due to us from Superior Offshore of approximately $9.1 million, which excludes cash proceeds already received by us under a letter of credit provided by Superior Offshore. These receivables largely represent three months of time charter invoices covering January 2009 through March 2009, as well as other charter-related invoices for the *HOS Achiever*. We filed an amended proof of claim in the Bankruptcy Court to assert our rights to payment of these receivables from Superior Offshore s Chapter 11 bankruptcy estate. We believe that a substantial portion of these amounts are collectible based on Superior Offshore s remaining cash and asset position described in Superior Offshore s Bankruptcy Disclosure Statement and Plan of Reorganization. In late May 2009, Superior Offshore commenced an adversary proceeding against us in the Bankruptcy Court to set aside the *HOS Achiever* charter, recover amounts paid to us under a letter of credit and objecting to our amended proof of claim. We have filed responsive pleadings vigorously contesting the claims in the adversary proceeding. Due to potential future unfavorable decisions that could be issued by the Bankruptcy Court, all of which are beyond our control, we cannot provide assurance that all amounts currently recorded as receivables due from Superior Offshore will ultimately be collected. For a discussion of this legal proceeding see Part II Other Information Item 1 Legal Proceedings in our Quarterly Report on Form 10-Q for the quarter ended June 30, 2009 incorporated herein by reference.

Risks Relating to the Exchange Offer and the Series B Notes

If you do not properly tender your Series A notes, you will continue to hold securities issued in a transaction that was not registered under the Securities Act and thus will be subject to significant restrictions on transfer.

We will only issue Series B notes in exchange for Series A notes that you timely and properly tender. Therefore, you should timely tender the Series A notes and carefully follow the instructions for tendering such Series A notes. Neither we nor the exchange agent is required to tell you of any defects or irregularities with respect to your tender of Series A notes.

If you do not exchange your Series A notes for Series B notes pursuant to the exchange offer, the Series A notes you hold will continue to be subject to the existing transfer restrictions under the Securities Act. In general, you may not offer or sell the Series A notes except under an exemption from, or in a transaction not subject to, the Securities Act and applicable state securities laws. We do not plan to register the Series A notes under the Securities Act unless our registration rights agreement with the initial purchasers of the Series A notes requires us to do so. Further, if you continue to hold any Series A notes after the exchange offer is consummated, you may have difficulty selling them because there will be fewer Series A notes outstanding.

If an active trading market does not develop for the Series B notes, you may be unable to sell the Series B notes or to sell the Series B notes at a price satisfactory to you.

The Series B notes will be new securities for which there currently is no established trading market. Although we are registering the issuance of the Series B notes under the Securities Act, we do not intend to apply for listing of the Series B notes on any securities exchange or for quotation of the Series B notes in any automated dealer quotation system. In addition, although we believe that the initial purchasers of the Series A notes intend to make a market in the Series B notes after the exchange offer, the initial purchasers may stop making

Table of Contents

a market at any time. Finally, if a large number of holders of Series A notes do not tender Series A notes or tender Series A notes improperly, the limited number of Series B notes that would be issued and outstanding after we consummate the exchange offer could adversely affect the development of a market for the Series B notes.

Your right to receive payments on the Series B notes will be effectively junior to our future indebtedness to the extent it is secured by our assets or is owed by our non-guarantor subsidiaries.

The Series B notes will effectively rank behind any secured indebtedness we may incur, to the extent of the value of the assets that secure such indebtedness, including current and future borrowings under our $250.0 million revolving credit facility. As a result, upon any distribution to our creditors or the creditors of our guarantor subsidiaries in a bankruptcy, liquidation or reorganization or similar proceeding relating to us, our guarantor subsidiaries or our respective property, the holders of our secured debt will be entitled to be paid in cash, to the extent of the value of the collateral securing such debt, before any payment may be made with respect to the Series B notes.

In the event of a bankruptcy, liquidation or reorganization or similar proceeding relating to us, our subsidiaries or our respective properties, holders of the Series B notes will participate with our trade creditors and all other holders of our senior unsecured indebtedness in the assets remaining. In any of these cases, we may not have sufficient funds to pay all of our creditors, and holders of the Series B notes may receive less, ratably, than the holders of secured debt.

In addition, the Series B notes will effectively rank behind any debt of our non-guarantor subsidiaries, unless they guarantee our debt or debt of our guarantor subsidiaries.

We and our subsidiaries are not fully prohibited from incurring substantially more debt, and such debt will be effectively senior to the Series B notes to the extent it is secured by our assets.

We have a five-year $250.0 million secured revolving credit facility with zero drawn as of September 28, 2009. We have outstanding $300.0 million of 6.125% senior notes governed by an indenture dated November 23, 2004, or the 2004 Indenture, and $250.0 million of 1.625% convertible senior notes governed by an indenture dated November 13, 2006. Under the terms of the credit agreement governing the revolving credit facility, the 2004 Indenture and the indenture governing the Series B notes, we and our subsidiaries may incur substantial additional indebtedness (including secured indebtedness) in the future. All or substantially all of our future borrowings under our revolving credit facility will be effectively senior to the Series B notes to the extent of the assets securing any such borrowings. If we add new debt to our and our subsidiaries current debt levels, the related risks that we and they now face could intensify.

We are a holding company and will rely on our subsidiaries for funds necessary to meet our financial obligations, including the Series B notes.

We conduct all of our activities through our subsidiaries. We will depend on those subsidiaries for dividends and other payments to generate the funds necessary to meet our

Table of Contents

financial obligations, including the payment of principal and interest on the Series B notes. The ability of our subsidiaries to make payments to us may be restricted by, among other things, their credit facilities and applicable state corporation or similar statutes and other laws and regulations. Currently, there are no significant restrictions on our ability or the ability of any guarantor subsidiary to obtain funds from its subsidiaries by such means as a dividend or loan, except for certain restrictions contained in our revolving credit facility restricting the payment of dividends by our two principal subsidiaries.

We cannot assure you that the earnings from, or other available assets of, our subsidiaries will be sufficient to enable us to pay principal or interest on the Series B notes when due.

Although the occurrence of specific change of control events affecting us will permit you to require us to repurchase your Series B notes, we may not be able to repurchase your Series B notes.

If a Change of Control (as defined in the indenture governing the Series B notes) occurs, we will be required to offer to purchase your Series B notes at 101% of their principal amount plus accrued and unpaid interest. Our revolving credit facility contains default provisions relating to the acceleration of indebtedness upon a change of control. If a purchase offer obligation arises under the indenture governing the Series B notes, a similar obligation would likely arise with respect to our outstanding 6.125% senior notes due 2014 and 1.625% convertible senior notes due 2026. If a Change of Control offer were required under the indenture governing the Series B notes, we may not have sufficient funds to pay the purchase price of all debt, including your Series B notes, that we are required to purchase or repay.

In a recent decision, the Chancery Court of Delaware raised the possibility that a change of control put right occurring as a result of a failure to have continuing directors comprising a majority of a board of directors may be unenforceable on public policy grounds.

A court may avoid or subordinate a guarantee of the Series B notes by our subsidiaries to the extent the guarantee is determined to be a fraudulent conveyance.

Our obligations under the Series B notes will be guaranteed on a general unsecured basis by our domestic, significant subsidiaries. Various fraudulent conveyance laws have been enacted for the protection of creditors and may be used by a court to subordinate or avoid any guarantee issued by one or more of our subsidiaries. It is also possible that under certain circumstances a court could hold that the direct obligations of a subsidiary would be superior to the obligations under its guarantee of the Series B notes. Generally, if a court determines that

- any of our subsidiaries guaranteed our obligations with the intent of hindering, delaying or otherwise defrauding a creditor or did not receive fair consideration or a reasonably equivalent value for issuing the guarantee; and

- the subsidiary was insolvent or engaged or about to engage in activity that could render it insolvent

the court may avoid or subordinate the guarantee in favor of the subsidiary s other obligations. A subsidiary may be considered insolvent if the sum of its debts is greater than its assets, at a fair valuation, or the present fair salable value of its assets is less than the

28

amount required to pay the probable liability on its aggregate existing debts and liabilities as they become absolute and matured. We can give no assurance regarding the standards a court would use to determine whether a subsidiary was solvent at the relevant time or whether a guarantee would be otherwise avoided or subordinated. In rendering opinions in connection with the notes, our counsel will not express any opinion as to the effect of federal or state fraudulent transfer and conveyance laws on the enforceability of a subsidiary guarantee. If a subsidiary guarantee is avoided as a fraudulent conveyance or held unenforceable for any other reason, a holder of Series B notes would not have any claim against such subsidiary, but would be a creditor solely of the Company and the remaining guarantor subsidiaries.

Many of the covenants contained in the indenture governing the Series B notes will terminate if the Series B notes are rated investment grade by either Standard & Poor s or Moody s and no default has occurred and is continuing.

Many of the covenants in the indenture governing the Series B notes will terminate if the Series B notes are rated investment grade by either Standard & Poor s or Moody s and no default has occurred and is continuing. These covenants will not be restored if the Series B notes are later rated below investment grade. These covenants restrict, among other things, our ability to pay dividends on our common stock, incur debt and enter into certain other transactions. Termination of these covenants would allow us to engage in certain transactions that would not be permitted while these covenants were in force. See Description of the Series B Notes Covenant Termination.

A trading market for the Series B notes may not develop.

The Series B notes are a new issue of securities. There is no active public trading market for the notes. We do not intend to apply for listing of the notes on a securities exchange. Even after consummation of the exchange offer, we cannot assure you that an active trading market will develop for the Series B notes or that the Series B notes offered in the exchange offer will trade as one class with the Series A notes. In addition, the liquidity of the trading market in the Series B notes and the market prices quoted for the Series B notes may be adversely affected by changes in the overall market for high yield securities and by changes in our financial performance or prospects, or in the prospects for companies in our industry generally. As a consequence, an active trading market may not develop for your Series B notes, you may not be able to sell your Series B notes, or, even if you can sell your Series B notes, you may not be able to sell them at an acceptable price.

You generally will be required to accrue income before you receive cash attributable to original issue discount on the notes. Additionally, in the event we enter into bankruptcy, you may not have a claim for all or a portion of any unamortized amount of the original discount on the notes.

The Series A notes were issued with original issue discount or, OID, for U.S. federal income tax purposes. Accordingly, if you are an individual or entity subject to U.S. federal income taxation, you generally are required to accrue interest in the form of OID on a current basis in respect of the Series B notes, include such accrued interest in income and pay tax accordingly, even before you receive cash attributable to that income and regardless of your method of accounting for U.S. federal income tax purposes. Additionally, a bankruptcy court may not allow a claim for all or a portion of any unamortized amount of the OID on the notes.

Table of Contents

EXCHANGE OFFER

Purpose and Effect of the Exchange Offer

In connection with the issuance of the Series A notes, we entered into a registration rights agreement. Under the registration rights agreement, we agreed to:

- file within 90 days after the issuance of the Series A notes a registration statement with the Commission with respect to a registered offer to exchange each Series A note for a Series B note having terms substantially identical to the Series A notes;
- use our reasonable best efforts to cause the exchange offer registration statement to be declared effective by the Commission under the Securities Act within 180 days after the issuance of the Series A notes;
- upon effectiveness of the exchange offer registration statement, commence the exchange offer and use reasonable best efforts to issue, not later than 30 days after such registration statement is declared effective, the Series B notes in exchange for all Series A notes validly tendered and not validly withdrawn during the exchange offer; and
- keep the exchange offer open for not less than 20 business days.

We have fulfilled the agreements described in the first two of the preceding bullet points and are offering eligible holders of the Series A notes the opportunity to exchange their Series A notes for Series B notes registered under the Securities Act. Holders are eligible, if they are not prohibited by any law or policy of the Commission, from participating in this exchange offer and if they make various representations to us. The Series B notes will be substantially identical to the Series A notes, except that the Series B notes will not contain terms with respect to transfer restrictions under the Securities Act, registration rights or payment of additional interest as liquidated damages.

We have agreed in certain circumstances to file and use our reasonable best efforts to cause the Commission to declare effective a shelf registration statement to cover resales of outstanding Series A notes by holders thereof who satisfy certain conditions relating to the provision of information in connection with the shelf registration statement. We are required to file the shelf registration statement if:

- prior to the consummation of the exchange offer, existing Commission interpretations are changed such that the Series B notes would not be freely transferable without restriction under the Securities Act;
- the exchange offer is not completed within 210 days following the issuance of the Series A notes; or
- the exchange offer is not available to any holder.

If obligated to file the shelf registration statement, we will use reasonable best efforts to file the shelf registration statement with the Commission on or prior to 30 days after such filing obligation arises, to cause the shelf registration statement to be declared effective by the Commission on or prior to 120 days after such shelf registration statement is filed and to keep the shelf registration statement effective for up to two years.

Table of Contents

We have also agreed, with certain exceptions, to pay additional interest to holders of the applicable notes upon the occurrence of any of the following events:

if we fail to file an exchange offer or shelf registration statement with the Commission on or prior to the date specified for such filing;

if a required exchange or shelf registration statement is not declared effective on or prior to the date specified for such effectiveness;

if the exchange offer is not consummated within 30 days after the initial effective date of the exchange offer registration statement; or

if the exchange offer or shelf registration statement is declared effective but thereafter is withdrawn by us or becomes subject to a stop order of the Commission suspending its effectiveness without being succeeded immediately by another effective registration statement.

Each of the events described above is a registration default and we must pay, as liquidated damages, additional interest from the occurrence of a registration default until all then existing registration defaults have been cured.

The rate of additional interest will be 0.25% per annum for the first 90-day period immediately following the occurrence of a registration default, and such rate will increase by an additional 0.25% per annum with respect to each subsequent 90-day period until all registration defaults have been cured, up to a maximum additional interest rate of 1.0% per annum. We are required to pay such additional interest on regular interest payment dates in the same manner as other interest is paid on the outstanding notes. Such additional interest will be in addition to any other interest payable from time to time with respect to the outstanding notes.

Upon the effectiveness of this registration statement, the consummation of the exchange offer, the effectiveness of a shelf registration statement or the effectiveness of a succeeding registration statement as required under the registration rights agreement, as the case may be, the accrual of additional interest will cease.

To exchange your Series A notes for transferable Series B notes in the exchange offer, you will be required to make the following representations:

you will acquire any Series B notes in the ordinary course of your business;

you have no arrangement or understanding with any person or entity to participate in the distribution of the Series B notes;

you are not engaged in and do not intend to engage in the distribution of the Series B notes;

if you are a broker-dealer that will receive Series B notes for your own account in exchange for Series A notes, you acquired those notes as a result of market-making activities or other trading activities and you will deliver a prospectus, as required by law, in connection with any resale of such Series B notes; and

you are not our affiliate, as defined in Rule 405 of the Securities Act.

In addition, if your outstanding Series A notes are included in a shelf registration statement, we may require you to provide information about yourself and your intended method of distribution to be used in connection with the shelf registration statement as may be required to comply with the Securities Act. A holder who sells Series A notes under the shelf registration statement generally will be required to be named as a selling security holder in the related prospectus and to deliver a prospectus to purchasers. Such a holder will also be subject to the civil liability provisions under the Securities Act in connection with such sales and will be bound by the provisions of the registration rights agreement that are applicable to such a holder, including indemnification obligations.

The description of the registration rights agreement contained in this section is a summary only. For more information, you should review the provisions of the registration rights agreement that we filed with the Commission as an exhibit to the registration statement of which this prospectus is a part.

Resale of Series B Notes

Based on no-action letters issued by the staff of the Commission to third parties, we believe that Series B notes may be offered for resale, resold and otherwise transferred by you without further compliance with the registration and prospectus delivery provisions of the Securities Act if:

- you are not our affiliate within the meaning of Rule 405 under the Securities Act;
- you acquire such Series B notes in the ordinary course of your business; and
- you do not intend to participate in a distribution of the Series B notes.

Because, however, we have not obtained a no-action letter in connection with the exchange offer for the Series B notes, we cannot assure you that the Commission would make a similar determination with respect to this exchange offer.

If you tender your Series A notes in the exchange offer with the intention of participating in any manner in a distribution of the Series B notes, you

- cannot rely on such interpretations by the Commission staff; and
- must comply with the registration and prospectus delivery requirements of the Securities Act in connection with a secondary resale transaction.

Unless an exemption from registration is otherwise available, any distribution of Series B notes should be covered by an effective registration statement under the Securities Act. This registration statement should contain the selling security holder s information required by Item 507 of Regulation S-K under the Securities Act. This prospectus may be used for an offer to resell, resale or other retransfer of Series B notes only as specifically described in this prospectus. Only broker-dealers that acquired the Series A notes as a result of market-making activities or other trading activities may participate in the exchange offer. Each broker-dealer that receives Series B notes for its own account in exchange for

Series A notes, where such Series A notes were acquired by such broker-dealer as a result of market-making activities or other trading activities, must acknowledge by way of the letter of transmittal that it

32

Table of Contents

will deliver a prospectus in connection with any resale of the Series B notes. Please read the section captioned Plan of Distribution for more details regarding the transfer of Series B notes.

Terms of the Exchange Offer

Subject to the terms and conditions described in this prospectus and in the letter of transmittal, we will accept for exchange any Series A notes properly tendered and not withdrawn before 5:00 p.m., New York City time, on the expiration date. We will issue Series B notes in principal amount equal to the principal amount of Series A notes surrendered under the exchange offer. Series A notes may be tendered only for Series B notes and only in integral multiples of $1,000. The exchange offer is not otherwise conditioned upon any minimum aggregate principal amount of Series A notes being tendered for exchange.

As of the date of this prospectus, $250.0 million in aggregate principal amount of the Series A notes are outstanding. This prospectus and the letter of transmittal are being sent to all registered holders of Series A notes. There will be no fixed record date for determining registered holders of Series A notes entitled to participate in the exchange offer.

We intend to conduct the exchange offer in accordance with the provisions of the registration rights agreement, the applicable requirements of the Securities Act and the Exchange Act and the rules and regulations of the Commission. Series A notes that you do not tender for exchange in the exchange offer will remain outstanding and continue to accrue interest. These Series A notes will be entitled to the rights and benefits such holders have under the indenture relating to the notes and certain provisions of the registration rights agreement.

We will be deemed to have accepted for exchange properly tendered Series A notes when we have given oral or written notice of the acceptance to the exchange agent and complied with the applicable provisions of the registration rights agreement. The exchange agent will act as agent for the tendering holders for the purposes of receiving the Series B notes from us.

If you tender Series A notes in the exchange offer, you will not be required to pay brokerage commissions or fees or, subject to the letter of transmittal, transfer taxes with respect to the exchange of Series A notes. We will pay all charges and expenses, other than certain applicable taxes described below, in connection with the exchange offer. It is important that you read the section labeled Fees and Expenses for more details regarding fees and expenses incurred in the exchange offer.

We will return any Series A notes that we do not accept for exchange for any reason without expense to the tendering holder as promptly as practicable after the expiration or termination of the exchange offer.

Expiration Date

The exchange offer will expire at 5:00 p.m., New York City time, on , 2009, unless, in our sole discretion, we extend it. No extension will continue beyond , 2009.

33

Table of Contents

Extensions, Delays in Acceptance, Termination or Amendment

We expressly reserve the right, at any time or various times, to extend the period of time during which the exchange offer is open to a date no later than , 2009. We may delay acceptance of any Series A notes by giving oral or written notice of such extension to their holders. During any such extensions, all Series A notes previously tendered will remain subject to the exchange offer, and we may accept them for exchange.

If we extend the exchange offer, we will notify the exchange agent orally or in writing of any extension. We will notify the registered holders of Series A notes of the extension no later than 9:00 a.m., New York City time, on the business day after the previously scheduled expiration date.

If any of the conditions described below under Conditions to the Exchange Offer have not been satisfied, we reserve the right

- to delay accepting for exchange any Series A notes;
- to extend the exchange offer; or
- to terminate the exchange offer,

by giving oral or written notice of such delay, extension or termination to the exchange agent. Subject to the terms of the registration rights agreement, we also reserve the right to amend the terms of the exchange offer in any manner.

Any such delay in acceptance, extension, termination or amendment will be followed as promptly as practicable by oral or written notice to the registered holders of Series A notes. If we amend the exchange offer in a manner that we determine material, we will promptly disclose such amendment by means of a prospectus supplement. The supplement will be distributed to the registered holders of the Series A notes. Depending upon the significance of the amendment and the manner of disclosure to the registered holders, we will extend the exchange offer if the exchange offer would otherwise expire during such period.

Conditions to the Exchange Offer

We will not be required to accept for exchange or to exchange any Series B notes for any Series A notes if the exchange offer, or participation in the exchange offer by a holder of Series A notes, would violate applicable law or any applicable interpretations of the staff of the Commission. In addition, we may terminate the exchange offer as provided in this prospectus before accepting Series A notes for exchange in the event of such a potential violation.

We will not be obligated to accept for exchange the Series A notes of any holder that has not made to us the representations described under Purpose and Effect of the Exchange Offer, Procedures for Tendering and Plan of Distribution and such other representations as may be reasonably necessary under applicable Commission rules, regulations or interpretations to allow us to use an appropriate form to register the Series B notes under the Securities Act.

We expressly reserve the right to amend or terminate the exchange offer, and to reject for exchange any Series A notes not previously accepted for exchange, upon the occurrence

Table of Contents

of any of the conditions to the exchange offer specified above. We will give oral or written notice of any extension, amendment, non-acceptance or termination to the holders of the Series A notes as promptly as practicable.

These conditions are for our sole benefit, and we may assert them or waive them in whole or in part at any time or at various times in our sole discretion. If we fail at any time to exercise any of these rights, this failure will not mean that we have waived our rights. Each such right will be deemed an ongoing right that we may assert at any time or at various times.

In addition, we will not accept for exchange any Series A notes tendered, and will not issue Series B notes in exchange for any such Series A notes, if at such time any stop order has been threatened or is in effect with respect to the registration statement, of which this prospectus constitutes a part, or the qualification of the indenture relating to the notes under the Trust Indenture Act of 1939.

Procedures for Tendering

In order to participate in the exchange offer, you must properly tender your outstanding Series A notes to the exchange agent as described below. It is your responsibility to properly tender your outstanding Series A notes. We have the right to waive any defects. However, we are not required to waive defects and are not required to notify you of defects in your exchange.

If you have any questions or need help in exchanging your Series A notes, please call the exchange agent whose address and phone number are set forth in Prospectus Summary The Exchange Offer Exchange Agent.

All of the outstanding Series A notes were issued in book-entry form, and all of the outstanding notes are currently represented by global certificates held for the account of DTC. We have confirmed with DTC that the outstanding notes may be tendered using the Automated Tender Offer Program, or ATOP, instituted by DTC. The exchange agent will establish an account with DTC for purposes of the exchange offer promptly after the commencement of the exchange offer and DTC participants may electronically transmit their acceptance of the exchange offer by causing DTC to transfer their outstanding Series A notes to the exchange agent using the ATOP procedures. In connection with the transfer, DTC will send an agent s message to the exchange agent. The agent s message will state that DTC has received instructions from the participant to tender outstanding Series A notes and that the participant agrees to be bound by the terms of the letter of transmittal.

By using the ATOP procedures to exchange outstanding Series A notes, you will not be required to deliver a letter of transmittal to the exchange agent. However, you will be bound by its terms just as if you had signed it.

There is no procedure for guaranteed late delivery of the Series A notes.

Determinations Under the Exchange Offer

We will determine in our sole discretion all questions as to the validity, form, eligibility, time of receipt, acceptance of tendered outstanding Series A notes and withdrawal of tendered outstanding Series A notes. Our determination will be final and binding. We reserve

Table of Contents

the absolute right to reject any outstanding Series A notes not properly tendered or any outstanding Series notes our acceptance of which would, in the opinion of our counsel, be unlawful. We also reserve the right to waive any defect, irregularity or condition of tender as to particular outstanding Series A notes. Our interpretation of the terms and conditions of the exchange offer, including the instructions in the letter of transmittal, will be final and binding on all parties. Unless waived, all defects or irregularities in connection with tenders of outstanding Series A notes must be cured within such time as we shall determine. Although we intend to notify holders of defects or irregularities with respect to tenders of outstanding Series A notes, neither the exchange agent, us nor any other person will incur any liability for failure to give such notification. Tenders of outstanding Series A notes will not be deemed made until such defects or irregularities have been cured or waived. Any outstanding Series A notes received by the exchange agent that are not properly tendered and as to which the defects or irregularities have not been cured or waived will be returned to the tendering holder as soon as practicable following the expiration date.

When We Will Issue Series B Notes

In all cases, we will issue Series B notes in exchange for Series A notes that we have accepted for exchange under the exchange offer, as promptly as practicable after expiration of the exchange offer, only after the exchange agent timely receives, prior to 5:00 p.m., New York City time, on the expiration date:

a book-entry confirmation of transfer of such Series A notes into the exchange agent s account at DTC; and

a properly transmitted agent s message.

Return of Series A Notes Not Accepted or Exchanged

If we do not accept any tendered Series A notes for exchange or if Series A notes are submitted for a greater principal amount than the holder desires to exchange, the unaccepted or non-exchanged Series A notes will be returned without expense to their tendering holder. Such non-exchanged Series A notes will be credited to an account maintained with DTC. These actions will occur as promptly as practicable after the expiration or termination of the exchange offer.

Your Representations to Us

By agreeing to be bound by the letter of transmittal, you will represent to us that, among other things:

you will acquire any Series B notes that you receive in the ordinary course of your business;

you have no arrangement or understanding with any person or entity to participate in the distribution of the Series B notes;

you are not engaged in and do not intend to engage in the distribution of the Series B notes;

if you are a broker-dealer that will receive Series B notes for your own account in exchange for Series A notes, you acquired those Series A notes as a result of

Table of Contents

market-making activities or other trading activities and you will deliver a prospectus, as required by law, in connection with any resale of such Series B notes; and

you are not our affiliate, as defined in Rule 405 of the Securities Act.

Withdrawal of Tenders

Except as otherwise provided in this prospectus, you may withdraw your tender at any time before 5:00 p.m., New York City time, on the expiration date. For a withdrawal to be effective, you must comply with the appropriate procedures of DTC s ATOP system. Any notice of withdrawal must specify the name and number of the account at DTC to be credited with withdrawn Series A notes and otherwise comply with the procedures of DTC.

We will determine all questions as to the validity, form, eligibility and time of receipt of notice of withdrawal. Our determination shall be final and binding on all parties. We will deem any Series A notes so withdrawn not to have been validly tendered for exchange for purposes of the exchange offer.

Any Series A notes that have been tendered for exchange but that are not exchanged for any reason will be credited to an account maintained with DTC for the outstanding Series A notes. This crediting will take place as soon as practicable after withdrawal, rejection of tender or termination of the exchange offer. You may retender properly withdrawn Series A notes by following the procedures described under Procedures for Tendering above at any time on or prior to 5:00 p.m., New York City time, on the expiration date.

Fees and Expenses

We will bear the expenses of soliciting tenders. The principal solicitation is being made by mail. We may make additional solicitation by telegraph, facsimile, telephone or in person by our officers and regular employees and those of our affiliates.

We have not retained any dealer-manager in connection with the exchange offer and will not make any payments to broker-dealers or others soliciting acceptances of the exchange offer. We will, however, pay the exchange agent reasonable and customary fees for its services and reimburse it for its related reasonable out-of-pocket expenses.

We will pay the cash expenses to be incurred in connection with the exchange offer. They include:

Commission registration fees;

fees and expenses of the exchange agent and trustee;

accounting and legal fees and printing costs; and

related fees and expenses.

Transfer Taxes

We will pay all transfer taxes, if any, applicable to the exchange of Series B notes for Series A notes under the exchange offer. The tendering holder, however, will be required to pay any transfer taxes, whether imposed on the registered holder or any other person, if a transfer tax is imposed for any reason other than the exchange of Series B notes for Series A notes under the exchange offer.

Table of Contents

Consequences of Failure to Exchange

If you do not exchange your Series A notes for Series B notes under the exchange offer, you will remain subject to the existing restrictions on transfer of the Series A notes. In general, you may offer or sell the Series A notes only if they are registered under the Securities Act or if the offer or sale is exempt from the registration under the Securities Act and applicable state securities laws. Except as required by the registration rights agreement, we do not intend to register resales of the Series A notes under the Securities Act.

Accounting Treatment

We will record the Series B notes in our accounting records at the same carrying value as the Series A notes. This carrying value is the aggregate principal amount of the Series A notes as reflected in our accounting records on the date of exchange. Accordingly, we will not recognize any gain or loss for accounting purposes in connection with the exchange offer.

Other

Participation in the exchange offer is voluntary, and you should carefully consider whether to accept. You are urged to consult your financial and tax advisors in making your own decision on what action to take.

We may in the future seek to acquire untendered Series A notes in open market or privately negotiated transactions, through subsequent exchange offers or otherwise. We have no present plans to acquire any Series A notes that are not tendered in the exchange offer or to file a registration statement to permit resales of any untendered Series A notes.

Table of Contents

USE OF PROCEEDS

The exchange offer is intended to satisfy our obligations under the registration rights agreement. We will not receive any cash proceeds from the issuance of the Series B notes in the exchange offer. In consideration for issuing the Series B notes as contemplated by this prospectus, we will receive Series A notes in a like principal amount. The form and terms of the Series B notes are identical in all respects to the form and terms of the Series A notes, except the Series B notes do not include certain transfer restrictions under the Securities Act, grant any registration rights or provide for payment of additional interest as liquidated damages. Series A notes surrendered in exchange for the Series B notes will be retired and cancelled and will not be reissued. Accordingly, the issuance of the Series B notes will not result in any change in our outstanding indebtedness.

Table of Contents

CAPITALIZATION

The following table sets forth our unaudited consolidated cash and cash equivalents and capitalization as of June 30, 2009:

- on a historical basis; and
- as adjusted to reflect the issuance of the Series A notes and the application of the net proceeds therefrom.

The information in this table is unaudited. This table should be read in conjunction with Prospectus Summary Summary Historical Consolidated Financial Information and Use of Proceeds, appearing elsewhere in this prospectus, and Management s Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements, including the accompanying notes, appearing in our Annual Report on Form 10-K for the fiscal year ended December 31, 2008 and our Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2009. In addition, we have updated our Management s Discussion and Analysis of Financial Condition and Results of Operations, consolidated financial statements and accompanying notes for the year ended December 31, 2008 in a Current Report on Form 8-K filed on August 11, 2009, which gives retrospective effect to our adoption of new accounting rules regarding our 1.625% convertible senior notes due 2026 effective January 1, 2009. Our Annual Report on Form 10-K for the fiscal year ended December 31, 2008, our Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2009 and our Current Report on Form 8-K filed on August 11, 2009 are each incorporated by reference into this prospectus.

	As of June 30, 2009	
(In thousands, except per share data)	**Actual**	**As Adjusted**
Cash and cash equivalents	$ 21,754	$ 74,062
Total debt:		
Revolving credit facility(1)	$ 185,000	$
6.125% senior notes due 2014 (net of original issue discount of $370)	299,630	299,630
1.625% convertible senior notes due 2026 (net of original issue discount of $51,134)	198,866	198,866
8.000% Series A notes due 2017 (net of original issue discount of $7,192)		242,808
Total debt	683,496	741,304
Stockholders equity:		
Preferred stock: $0.01 par value; 5,000 shares authorized; none issued or outstanding		
Common stock: $0.01 par value; 100,000 shares authorized, 26,089 shares issued and outstanding	261	261
Additional paid-in capital	401,775	401,775
Retained earnings	366,118	366,118
Accumulated other comprehensive income	247	247
Total stockholders equity	768,401	768,401
Total capitalization	$ 1,451,897	$ 1,509,705

(1) The outstanding balance under the $250.0 million revolving credit facility on August 10, 2009 was $200.0 million, which was fully paid from the net proceeds from the Series A notes offering.

Table of Contents

RATIO OF EARNINGS TO FIXED CHARGES

The ratio of earnings to fixed charges is computed by dividing fixed charges into earnings. For purposes of determining the ratios of earnings to fixed charges, earnings are defined as income from continuing operations plus fixed charges, excluding capitalized interest. Fixed charges consist of interest (whether expensed or capitalized) and amortization of debt expenses. The table below sets forth the calculation of the ratio of earnings to fixed charges for the periods indicated.

	Year ended December 31,					Six months ended June 30,	
(In thousands, except for ratio data)	**2004**	**2005**	**2006**	**2007**	**2008**	**2008**	**2009**
Total interest cost:							
Interest expense	$ 17,698	$ 12,558	$ 18,866	$ 21,299	$ 8,331	$ 4,073	$ 6,998
Capitalized interest	3,004	3,869	2,760	11,478	28,332	13,229	11,529
Total interest cost (fixed charges)	$ 20,702	$ 16,427	$ 21,626	$ 32,777	$ 36,663	$ 17,302	$ 18,527
Pre-tax income	$ (3,803)	$ 58,981	$ 117,683	$ 142,999	$ 180,181	$ 74,941	$ 43,388
Interest expense	17,698	12,558	18,866	21,299	8,331	4,073	6,998
Earnings	$ 13,895	$ 71,539	$ 136,549	$ 164,298	$ 188,512	$ 79,014	$ 50,386
Ratio of earnings to fixed charges(1)(2)(3)		4.4x	6.3x	5.0x	5.1x	4.6x	2.7x

(1) For the year ended December 31, 2004, earnings were inadequate to cover fixed charges by $6.8 million. If we adjust earnings to exclude the impact of loss on early extinguishment of debt incurred in the 2004 and 2005 periods reflected above, the ratio of earnings to fixed charges, as so adjusted, would be 1.8x and 4.5x for the years ended December 31, 2004 and 2005, respectively.

(2) We retrospectively applied a new accounting rule set forth by the Financial Accounting Standards Board adopted effective January 1, 2009 regarding our 1.625% convertible senior notes due 2026. This new requirement states that the liability and equity components of a convertible debt instrument that may be settled in cash upon conversion be accounted for separately so that an entity s accounting will reflect additional non-cash interest expense to match the non-convertible debt borrowing rate when interest cost is recognized in subsequent periods.

(3) During the six months ended June 30, 2009, we recorded a non-cash asset impairment charge of $25.8 million related to ten single-hulled tank barges and six ocean-going tugs and a $0.9 million non-cash charge for the write-off of remaining goodwill associated with our Downstream segment. Excluding these non-cash charges, our ratio of earnings to fixed charges would have been 4.2x for the six months ended June 30, 2009.

DESCRIPTION OF CERTAIN INDEBTEDNESS

Long-term Debt

6.125% Senior Notes due 2014

On November 23, 2004, we issued in a private placement $225.0 million in aggregate principal amount of 6.125% senior unsecured notes, or 2004 senior notes, governed by an indenture, or the 2004 indenture. The effective interest rate on the 2004 senior notes is 6.38%. On October 4, 2005, we issued in a private placement an additional $75.0 million in aggregate principal amount of 6.125% senior unsecured notes, or additional notes, governed by the 2004 indenture. The additional notes were priced at 99.25% of principal amount to yield 6.41%. The 2004 senior notes and additional notes mature on December 1, 2014 and require semi-annual interest payments at a fixed interest rate of 6.125% per year on June 1 and December 1 of each year until maturity. No principal payments are due until maturity. Pursuant to registered exchange offers, the 2004 senior notes and the additional notes were exchanged by the holders for 6.125% senior notes with substantially the same terms, except that the issuance of the 6.125% senior notes issued in the exchange offers was registered under the Securities Act of 1933, as amended, or the Securities Act. Both series of senior notes, or the 6.125% senior notes due 2014, were issued under and are entitled to the benefits of the same 2004 indenture.

The 6.125% senior notes due 2014 are senior unsecured obligations and rank equally in right of payment with other existing and future senior indebtedness, including indebtedness under our revolving credit facility, our 1.625% convertible senior notes and the notes, and senior in right of payment to any subordinated indebtedness that may be incurred by us in the future. The 6.125% senior notes due 2014 are guaranteed by certain of our subsidiaries. The guarantees are full and unconditional, joint and several, and all of our non-guarantor subsidiaries are minor as defined in Commission regulations. Hornbeck Offshore Services, Inc., as the parent company issuer of the 6.125% senior notes due 2014, has no independent assets or operations other than its ownership interest in its subsidiaries and affiliates. The ability of our subsidiaries to make payments to us may be restricted by, among other things, their credit facilities and applicable state corporation or similar statutes and other laws and regulations. Currently, there are no significant restrictions on our ability or the ability of any guarantor subsidiary to obtain funds from its subsidiaries by such means as a dividend or loan, except for certain restrictions contained in our revolving credit facility restricting the payment of dividends by our two principal subsidiaries. We may, at our option, redeem all or part of the 6.125% senior notes due 2014 from time to time at specified redemption prices and subject to certain conditions required by the 2004 indenture. The financial covenants in the 2004 indenture are substantially the same as those in the indenture governing the notes.

Table of Contents

Convertible Senior Notes

On November 13, 2006, we issued in a private placement $250.0 million of convertible senior notes due 2026, or the convertible notes, to qualified institutional buyers pursuant to Rule 144A under the Securities Act. During the first quarter of 2007, we registered the resale of the convertible notes by the holders thereof. The convertible notes bear interest at an annual rate of 1.625%, declining to 1.375% beginning on November 15, 2013, payable semi-annually on May 15 and November 15 of each year. The convertible notes are convertible into shares of our common stock based on the applicable conversion rate only under the following circumstances:

- during any calendar quarter (and only during such calendar quarter), if the closing price of our shares of common stock for at least 20 trading days in the 30 consecutive trading days ending on the last trading day of the immediately preceding calendar quarter is more than 135% of the conversion price per share, which is $1,000 divided by the then applicable conversion rate;

- prior to November 15, 2013, during the five business day period after a 10 consecutive trading day period in which the trading price per $1,000 principal amount of senior subordinated convertible notes for each day of that period was less than 95% of the product of the closing price for our shares of common stock for each day of that period and the number of shares of common stock issuable upon conversion of $1,000 principal amount of the convertible notes;

- if the convertible notes have been called for redemption; or

- upon the occurrence of specified corporate transactions, as defined by the convertible note agreement.

The initial conversion rate of 20.6260 shares per $1,000 principal amount of notes, which corresponds to a conversion price of approximately $48.48 per share, is based on the last reported sale price of our common shares on The New York Stock Exchange of $35.26 on November 7, 2006. As of September 28, 2009, our closing share price was $26.87.

The convertible notes are guaranteed by certain of our subsidiaries. The guarantees are full and unconditional, joint and several, and all of our non-guarantor subsidiaries are minor as defined in Commission regulations. Hornbeck Offshore Services, Inc., as the parent company issuer of the convertible notes, has no independent assets or operations other than its ownership interest in its subsidiaries and affiliates. There are no significant restrictions on our ability or the ability of any guarantor to obtain funds from its subsidiaries by such means as a dividend or loan, except for certain restrictions contained in our revolving credit facility restricting the payment of dividends by our two principal subsidiaries. The convertible notes are general unsecured, senior obligations of ours, ranking equally in right of payment with all of our existing and future senior indebtedness, including indebtedness under our revolving credit facility, our outstanding 6.125% senior notes due 2014 and the notes, and senior in right of payment to any subordinated indebtedness that may be incurred by us in the future.

If, upon the occurrence of certain events, the holders of the convertible notes exercise the conversion provisions of the convertible notes, we may need to remit the principal balance of the convertible notes to them in cash as discussed below. In such case, we would classify the entire amount of the outstanding convertible notes as a current liability in the respective

Table of Contents

quarter. This evaluation of the classification of amounts outstanding associated with the convertible notes will occur every calendar quarter. Upon conversion, a holder will receive, in lieu of common stock, an amount of cash equal to the lesser of (i) the principal amount of the convertible note, or (ii) the conversion value, determined in the manner set forth in the indenture governing the convertible notes, of a number of shares equal to the conversion rate. If the conversion value exceeds the principal amount of the convertible note on the conversion date, we will also deliver, at our election, cash or common stock or a combination of cash and common stock with respect to the conversion value upon conversion. If conversion occurs in connection with a change of control, we may be required to deliver additional shares of our common stock by increasing the conversion rate with respect to such convertible notes.

In connection with the sale of the convertible notes, we are a party to convertible note hedge transactions with respect to our common stock with Jefferies & Company, Inc., JPMorgan Chase and AIG-FP Structured Finance (Cayman) Limited, or the counterparties. Each of the convertible note hedge transactions involves the purchase of call options with exercise prices equal to the conversion price of the convertible notes, and are intended to mitigate dilution to our stockholders upon the potential future conversion of the convertible notes. Under the convertible note hedge transactions, the counterparties are required to deliver to us the number of shares of our common stock that we are obligated to deliver to the holders of the convertible notes with respect to the conversion. The convertible note hedge transactions cover approximately the same number of shares of our common stock underlying the convertible notes, subject to customary anti-dilution adjustments, at a strike price of approximately $48.48 per share of common stock. The convertible note hedge transactions expire at the close of trading on November 15, 2013, which is the date that the convertible notes are first putable by the convertible noteholders, although the counterparties will have ongoing obligations with respect to convertible notes properly converted on or prior to that date of which the counterparty has been timely notified. In addition, on November 15, 2016 and November 15, 2021, holders of the convertible notes may require us to purchase their notes for cash.

We also entered into separate warrant transactions, whereby we sold to the counterparties warrants to acquire approximately the same number of shares of our common stock underlying the convertible notes, subject to customary anti-dilution adjustments, at a strike price of $62.59 per share of common stock, which represented a 77.5% premium over the closing price of our shares of common stock on November 7, 2006. If the counterparties exercise the warrants, we will have the option to settle in cash or shares of our common stock equal to the difference between the then market price and strike price. The convertible note hedge and warrant transactions are separate and legally distinct instruments that bind us and the counterparties and have no binding effect on the holders of the convertible notes.

Series A Notes due 2017

On August 17, 2009, we issued $250.0 million in aggregate principal amount of our Series A notes in a private placement. The Series A notes have substantially identical terms as the Series B notes described in Description of the Series B Notes, except that the Series A notes have certain transfer restrictions under the Securities Act, registration rights and provide for payment of additional interest as liquidated damages.

Table of Contents

Revolving Credit Facility

On September 27, 2006, we closed on a five-year senior secured $100.0 million revolving credit facility with an accordion feature that allowed for the expansion of the facility up to an aggregate of $250.0 million. On February 20, 2008, we exercised our accordion feature in full and increased the then-undrawn borrowing base of our revolving credit facility from $100.0 million to $250.0 million. In accordance with the terms of the expanded facility, we pledged an additional 16 new generation OSVs as collateral commensurate with the higher borrowing base. As of June 30, 2009, 24 new generation OSVs and four ocean-going tugs and associated personalty collateralized the facility.

The revolving credit facility is available for working capital and general corporate purposes, including acquisitions, additional newbuild and conversion programs and other capital expenditures. As of September 28, 2009, we had $250.0 million of credit immediately available under such facility.

With the revolving credit facility, we have the option of borrowing at a variable rate of interest equal to either (i) the greater of the Prime Rate or the Federal Funds Effective Rate plus $^{1}/2$ of 1% or (ii) the London Interbank Offered Rate, or LIBOR; plus in each case an applicable margin. The applicable margin for each base rate is determined by a pricing grid, which is based on our leverage ratio, as defined in the credit agreement governing the revolving credit facility. The applicable LIBOR margin for the revolving credit facility ranges from 50 to 150 basis points. Unused commitment fees are payable quarterly at the annual rate of 17.5 to 30.0 basis points of the unused portion of the borrowing base of the new revolving credit facility, based on the defined leverage ratio.

The credit agreement governing the revolving credit facility, the 2004 indenture governing our 6.125% senior notes and the indenture governing the 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 make dividend or other restricted payments.

We are in preliminary discussions with the administrative agent under our revolving credit facility regarding the possibility of amending or extending our revolving credit facility to allow us more financial flexibility. To the extent such an amendment or extension can be done on terms attractive to us, we may choose to pursue such a transaction.

Table of Contents

DESCRIPTION OF THE SERIES B NOTES

This description assumes that all outstanding Series A notes will be exchanged for Series B notes in the exchange offer. Therefore, all references to the Notes in this description are to the Series B Notes.

General

The Series B notes will be issued, and the Series A notes were issued, under an indenture dated as of August 17, 2009 (the Indenture) among itself, the Guarantors and Wells Fargo Bank, National Association, as trustee (the Trustee). The terms of the Notes will include those stated in the Indenture and those made part of the Indenture by reference to the Trust Indenture Act of 1939, as amended (the Trust Indenture Act).

This Description of the Series B Notes is intended to be a useful overview of the material provisions of the Notes and the Indenture. As this description is only a summary, you should refer to the Indenture for a complete description of the obligations of the Company and your rights.

For purposes of this description, references to the Company mean Hornbeck Offshore Services, Inc., but not any of its subsidiaries. You will find the definitions of some of the other capitalized terms used in this description under the heading Certain Definitions.

The Notes:

- will be general unsecured obligations of the Company;
- will be issued in minimum denominations of $2,000 and integral multiples of $1,000 in excess thereof;
- will be represented by one or more registered Notes in global form, but in certain circumstances may be represented by Notes in certificated form;
- will rank equally in right of payment to all existing and any future senior indebtedness of the Company, including our outstanding 6.125% senior notes due 2014 and 1.625% convertible senior notes due 2026, but are effectively subordinated to all existing and future secured indebtedness of the Company to the extent of the value of the collateral securing such indebtedness;
- will rank senior in right of payment to any future subordinated indebtedness of the Company; and
- will be unconditionally guaranteed on a senior basis by certain Subsidiaries of the Company.

The Indenture provides the Company the flexibility of issuing additional Series A notes or Series B notes in the future in an unlimited amount; however, any issuance of such additional notes would be subject to the covenant described in the first paragraph under Certain Covenants Incurrence of Indebtedness and Issuance of Preferred Stock. References to the Notes in this Description of the Series B Notes also include any such additional notes.

Any Series A notes that remain outstanding after the completion of the Exchange Offer, together with the Series B notes issued in connection with the Exchange Offer and any additional notes issued in the future, will be treated as a single class of securities under the Indenture.

Initially, not all of the Company s existing Subsidiaries will guarantee the Notes. Furthermore, under the circumstances described below under the subheading Certain Covenants Additional Subsidiary Guarantees, in the future one or more of its Subsidiaries may not guarantee the Notes. In the event of a bankruptcy, liquidation or reorganization of any of these non-guarantor Subsidiaries, the non-guarantor Subsidiaries will pay the holders of their debt and their trade creditors before they will be able to distribute any of their assets to the Company. The non-guarantor Subsidiaries have no outstanding Indebtedness (other than intercompany Indebtedness). Such non-guarantor Subsidiaries generated less than 1.0% of the Company s consolidated revenues in the fiscal year ended December 31, 2008 and held less than 1.0% of its consolidated assets as of June 30, 2009.

As of the date of the Indenture, all of the Company s Subsidiaries will be Restricted Subsidiaries. However, under the circumstances described below under the subheading Certain Covenants Future Designation of Restricted and Unrestricted Subsidiaries, the Company will be permitted to designate certain of its Subsidiaries as Unrestricted Subsidiaries. Unrestricted Subsidiaries will not be subject to many of the restrictive covenants in the Indenture. Unrestricted Subsidiaries will not guarantee the Notes.

Principal, Maturity and Interest

The Notes will mature on September 1, 2017. Interest on the Notes will:

- accrue at the rate of 8.000% per annum;
- accrue from the date of issuance or the most recent interest payment date;
- be payable in cash semi-annually in arrears on March 1 and September 1, commencing on March 1, 2010;
- be payable to the holders of record on the February 15 and August 15 immediately preceding the related interest payment dates; and
- be computed on the basis of a 360-day year comprised of twelve 30-day months.

Methods of Receiving Payments on the Notes

If a holder has given wire transfer instructions to the paying agent, the Company will pay all principal, interest and premium, if any, on that holder s Notes in accordance with those instructions. All other payments on Notes will be made at the office or agency of the paying agent within the City and State of New York unless the Company elects to make interest payments by check mailed to the holders at their addresses set forth in the register of holders.

Paying Agent and Registrar for the Notes

The Trustee will initially act as paying agent and registrar. The Company may change the paying agent or registrar without prior notice to the holders of the Notes, and the Company or any of its Subsidiaries may act as paying agent or registrar.

Table of Contents

Transfer and Exchange

A holder may transfer or exchange Notes in accordance with the Indenture. The registrar and the Trustee may require a holder to furnish appropriate endorsements and transfer documents in connection with a transfer of Notes. No service charge will be imposed by the Company, the Trustee or the registrar for any registration of transfer or exchange of Notes, but holders will be required to pay all taxes due on transfer. The Company is not required to transfer or exchange any Note selected for redemption. Also, the Company is not required to transfer or exchange any Note for a period of 15 days before a selection of Notes to be redeemed.

Subsidiary Guarantees

The Company s payment obligations under the Notes are jointly and severally guaranteed (the Subsidiary Guarantees) by all of the Company s current Significant Subsidiaries. In the future, certain Restricted Subsidiaries of the Company will be required to guarantee the Notes under the circumstances described under Certain Covenants Additional Subsidiary Guarantees.

The obligations of each Guarantor under its Subsidiary Guarantee are a general unsecured obligation of such Guarantor, ranking equally in right of payment with all other current or future senior indebtedness of such Guarantor, including any borrowings under the Credit Facility, and senior in right of payment to any subordinated indebtedness incurred by such Guarantor in the future. The Subsidiary Guarantees will be effectively subordinated, however, to all current and future secured obligations of the Guarantors, including any borrowings under the Credit Facility, to the extent of the value of the assets collateralizing such obligations.

The obligations of each Guarantor under its Subsidiary Guarantee are limited to the maximum amount that will, after giving effect to such maximum amount and all other contingent and fixed liabilities of such Guarantor that are relevant under bankruptcy, fraudulent conveyance and fraudulent transfer and similar laws, and after giving effect to any collections from, rights to receive contribution from or payments made by or on behalf of any other Guarantor in respect of the obligations of such other Guarantor under its Subsidiary Guarantee, result in the obligations of such Guarantor under its Subsidiary Guarantee not constituting a fraudulent transfer or conveyance.

The Indenture provides that no Guarantor may consolidate with or merge with or into (whether or not such Guarantor is the surviving Person) another Person (other than the Company or another Guarantor), whether or not affiliated with such Guarantor, unless:

(1) subject to the provisions of the following paragraph, the Person formed by or surviving any such consolidation or merger (if other than such Guarantor) executes a supplement to the Indenture and delivers an Opinion of Counsel in accordance with the terms of the Indenture;

(2) immediately after giving effect to such transaction, no Default or Event of Default exists;

(3) such Guarantor, or any Person formed by or surviving any such consolidation or merger, would have Consolidated Net Worth (immediately after giving effect to such

Table of Contents

transaction), equal to or greater than the Consolidated Net Worth of such Guarantor immediately preceding the transaction; and

(4) the Company would be permitted by virtue of the Company s *pro forma* Consolidated Interest Coverage Ratio, immediately after giving effect to such transaction, to incur at least $1.00 of additional Indebtedness pursuant to the Consolidated Interest Coverage Ratio test set forth in the covenant described below under the caption Certain Covenants Incurrence of Indebtedness and Issuance of Preferred Stock.

The Indenture provides that, in the event of a sale or other disposition (including by way of merger or consolidation) of all or substantially all of the assets or all of the Capital Stock of any Guarantor, then such Guarantor or the Person acquiring its assets will be released and relieved of any obligations under its Subsidiary Guarantee; *provided, however*, that the Net Proceeds of such sale or other disposition are applied in accordance with the applicable provisions of the Indenture. See Repurchase at the Option of Holders Asset Sales. In addition, in the event the Board of Directors designates a Guarantor to be an Unrestricted Subsidiary, then such Guarantor will be released and relieved of any obligations under its Subsidiary Guarantee, *provided* that such designation is conducted in accordance with the applicable provisions of the Indenture. All Subsidiary Guarantees will be released also upon Legal Defeasance as described below under the caption Legal Defeasance and Covenant Defeasance or upon satisfaction and discharge of the Indenture as described below under the caption Satisfaction and Discharge.

Optional Redemption

At any time prior to September 1, 2013, the Company may redeem the Notes at its option, in whole or in part, at a redemption price equal to 100% of the principal amount thereof plus the Make Whole Premium as of, and accrued and unpaid interest, if any, to, the date of redemption (subject to the right of holders of record on the relevant record date to receive interest due on an interest payment date that is on or prior to the redemption date).

The Notes are also redeemable at the Company s option on or after September 1, 2013, in whole or in part, at the redemption prices (expressed as percentages of principal amount) set forth below, plus accrued and unpaid interest, if any, thereon to the applicable redemption date (subject to the right of holders of record on the relevant record date to receive interest due on an interest payment date that is on or prior to the redemption date), if redeemed during the twelve-month period beginning on September 1 of the years indicated below:

Year	**Percentage**
2013	104.000%
2014	102.000%
2015 and thereafter	100.000%

Further, prior to September 1, 2012, the Company may redeem up to 35% of the aggregate principal amount of Notes originally issued at a redemption price of 108% of the principal amount thereof, plus accrued and unpaid interest, if any, thereon to the redemption date (subject to the right of holders of record on the relevant record date to receive interest due on an interest payment date that is on or prior to the redemption date), with the net cash proceeds of one or more Qualified Equity Offerings, *provided* that

(a) at least 65% of the aggregate principal amount of Notes originally issued remains outstanding immediately after the occurrence of each such redemption and

(b) each such redemption occurs within 60 days of the date of the closing of each such Qualified Equity Offering.

Selection and Notice

If less than all of the Notes are to be redeemed at any time, selection of Notes for redemption will be made by the Trustee on a pro rata basis, by lot or by such method as the Trustee considers fair and appropriate; *provided, however*, that no Notes of $2,000 or less may be redeemed in part.

Notices of redemption will be mailed by first class mail at least 30 but not more than 60 days before the redemption date to each holder of Notes to be redeemed at its registered address.

Notices of redemption may not be conditional.

If any Note is to be redeemed in part only, the notice of redemption that relates to such Note will state the portion of the principal amount thereof to be redeemed. A new Note in principal amount equal to the unredeemed portion thereof will be issued in the name of the holder thereof upon cancellation of the original Note. Notes called for redemption become due on the date fixed for redemption. On and after the redemption date, interest ceases to accrue on Notes or portions of them called for redemption.

Mandatory Redemption

Except as set forth below under Repurchase at the Option of Holders, the Company is not required to repurchase the Notes or to make mandatory redemption or sinking fund payments with respect to the Notes.

Repurchase at the Option of Holders

Change of control. Upon the occurrence of a Change of Control, the Company will be required to make an offer (a Change of Control Offer) to repurchase all or any part (equal to minimum amounts of $2,000 and integral multiples of $1,000 in excess thereof) of each holder s Notes at an offer price in cash equal to 101% of the aggregate principal amount thereof, plus accrued and unpaid interest, if any, thereon to the date of repurchase (the Change of Control Payment), subject to the right of holders of record on the relevant record date to receive interest due on an interest payment date that is on or prior to the date of repurchase.

Within 30 days following a Change of Control, the Company will mail a notice to each holder of Notes and the Trustee describing the transaction that constitutes the Change of Control and offering to repurchase Notes on the date specified in such notice, which date shall be no earlier than 30 days and no later than 60 days from the date such notice is mailed (the Change of Control Payment Date), pursuant to the procedures required by the Indenture and described in such notice. The Company will comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent such laws and regulations are applicable in connection with the repurchase of Notes as a result of a Change of Control. To the extent that the provisions of any securities laws or regulations conflict with the Change of Control provisions of the Indenture, the Company will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Change of Control provisions of the Indenture by virtue of such conflict.

On or before the Change of Control Payment Date, the Company will, to the extent lawful,

(a) accept for payment all Notes or portions thereof properly tendered pursuant to the Change of Control Offer,

(b) deposit with the paying agent an amount equal to the Change of Control Payment in respect of all Notes or portions thereof so tendered and

(c) deliver or cause to be delivered to the Trustee the Notes so accepted together with an Officers Certificate stating the aggregate principal amount of Notes or portions thereof being purchased by the Company.

The paying agent will promptly mail to each holder of Notes so tendered the Change of Control Payment for such Notes (or, if all the Notes are then in global form, make such payment through the facilities of The Depository Trust Company), and the Trustee will promptly authenticate and mail (or cause to be transferred by book entry) to each holder a new Note equal in principal amount to any unpurchased portion of the Notes surrendered, if any; *provided, however*, that each such new Note will be in a minimum principal amount of $2,000. The Company will publicly announce the results of the Change of Control Offer on or as soon as practicable after the Change of Control Payment Date.

Except as described above with respect to a Change of Control, the Indenture does not contain provisions that permit the holders of the Notes to require that the Company repurchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction. In addition, the Company could enter into certain transactions, including acquisitions, refinancings or other recapitalizations, that could affect the Company s capital structure or the value of the Notes, but that would not constitute a Change of Control. The occurrence of a Change of Control may result in a default under the Credit Facility and give the lenders thereunder the right to require the Company to repay all outstanding obligations thereunder. The Company s ability to repurchase Notes following a Change of Control may also be limited by the Company s then existing financial resources.

The Company will not be required to make a Change of Control Offer following a Change of Control if a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Company and purchases all Notes validly tendered and not withdrawn under such Change of Control Offer.

A *Change of Control* will be deemed to have occurred upon the occurrence of any of the following:

(a) the sale, lease, transfer, conveyance or other disposition (other than by merger or consolidation), in one or a series of related transactions, of all or substantially all of the assets of the Company and its Subsidiaries, taken as a whole,

(b) the adoption of a plan relating to the liquidation or dissolution of the Company,

(c) the consummation of any transaction (including, without limitation, any merger or consolidation, but excluding the effect of any voting arrangement pursuant to any agreement among the Company and any stockholders of the Company as in effect on the Issue Date) the result of which is that any person (as such term is used in Section 13(d)(3) of the Exchange Act) becomes the beneficial owner (as such term is defined in Rule 13d-3 and Rule 13d-5 under the Exchange Act), directly or indirectly through one or more intermediaries, of more than 50% of the voting power of the outstanding Voting Stock of the Company or

(d) the first day on which more than a majority of the members of the Board of Directors are not Continuing Directors;

provided, however, that a transaction in which the Company becomes a Subsidiary of another Person (other than a Person that is an individual) shall not constitute a Change of Control if

(1) the stockholders of the Company immediately prior to such transaction beneficially own (as such term is defined in Rule 13d-3 and Rule 13d-5 under the Exchange Act), directly or indirectly through one or more intermediaries, at least a majority of the voting power of the outstanding Voting Stock of the Company immediately following the consummation of such transaction and

(2) immediately following the consummation of such transaction, no person (as such term is defined above), other than such other Person (but including the holders of the Equity Interests of such other Person), beneficially owns (as such term is defined above), directly or indirectly through one or more intermediaries, more than 50% of the voting power of the outstanding Voting Stock of the Company.

For purposes of this definition, a time charter of, bareboat charter or other contract for, marine vessels to customers in the ordinary course of business shall not be deemed to be a lease under clause (a) above.

Continuing Directors means, as of any date of determination, any member of the Board of Directors who

(a) was a member of the Board of Directors on the Issue Date or

(b) was nominated for election to the Board of Directors with the approval of, or whose election to the Board of Directors was ratified by, at least two-thirds of the directors who were members of the Board of Directors on the Issue Date or who were so elected to the Board of Directors thereafter.

The definition of Change of Control includes an event by which the Company sells, leases, transfers, conveys or otherwise disposes of all or substantially all of the assets of the Company and its Subsidiaries, taken as a whole. Although there is a limited body of case law interpreting the phrase substantially all, there is no precise established definition of the phrase under applicable law. Accordingly, the ability of a holder of Notes to require the Company to repurchase such Notes as a result of a sale, lease, transfer, conveyance or other disposition of less than all of the assets of the Company and its Subsidiaries, taken as whole, may be uncertain.

Asset sales. The Company will not, and will not permit any of its Restricted Subsidiaries to, consummate an Asset Sale (excluding for this purpose an Event of Loss) unless

(a) the Company or such Restricted Subsidiary, as the case may be, receives consideration at the time of such Asset Sale at least equal to the fair market value (as determined in accordance with the definition of such term, the results of which determination shall be set forth in an Officers Certificate delivered to the Trustee) of the assets or Equity Interests issued or sold or otherwise disposed of and

(b) at least 75% of the consideration therefor received by the Company or such Restricted Subsidiary is in the form of cash or Cash Equivalents;

provided, however, that the amount of

(1) any liabilities (as shown on the Company s or such Restricted Subsidiary s most recent balance sheet) of the Company or such Restricted Subsidiary (other than contingent liabilities and liabilities that are by their terms subordinated to the Notes or any Subsidiary Guarantee) that are assumed by the transferee of any such assets or Equity Interests pursuant to a customary novation agreement that releases the Company or such Restricted Subsidiary from further liability,

(2) Liquid Securities, and

(3) any securities, notes or other obligations received by the Company or such Restricted Subsidiary from such transferee that are converted within 180 days by the Company or such Restricted Subsidiary into cash (to the extent of the cash received)

shall each be deemed to be Cash Equivalents for purposes of this provision.

Within 365 days after the receipt of any Net Proceeds from an Asset Sale (including, without limitation, an Event of Loss), the Company or any such Restricted Subsidiary may apply such Net Proceeds to

(a) permanently repay all or any portion of the principal of any secured Indebtedness (to the extent of the fair value of the assets collateralizing such Indebtedness, as determined by the Board of Directors) or

(b) to acquire (including by way of a purchase of assets or stock, merger, consolidation or otherwise) Productive Assets, *provided* that if the Company or such Restricted Subsidiary enters into a binding agreement to acquire such Productive Assets within such 365-day period, but the consummation of the transactions under such agreement has not occurred within such 365-day period, and the agreement has not been terminated, then the 365-day period will be extended to 18 months to permit such consummation; *provided further, however*, if such consummation does not occur, or such agreement is terminated within such 18-month period, then the Company may apply, or cause such Restricted Subsidiary to apply, within 90 days after the end of the 18-month period or the effective date of such termination, whichever is earlier, such Net Proceeds as provided in clauses (a) and (b) of this paragraph.

Pending the final application of any such Net Proceeds, the Company or any such Restricted Subsidiary may temporarily reduce outstanding revolving credit borrowings, including borrowings under the Credit Facility, or otherwise invest such Net Proceeds in any manner that is not prohibited by the Indenture. Any Net Proceeds from Asset Sales that are not applied or invested as provided in the first sentence of this paragraph will be deemed to constitute Excess Proceeds.

When the aggregate amount of Excess Proceeds exceeds $20.0 million, the Company will be required to make an offer to all holders of Notes (an Asset Sale Offer) to purchase the maximum principal amount of Notes that may be purchased out of the Excess Proceeds at an offer price in cash in an amount equal to 100% of the principal amount thereof, plus accrued and unpaid interest, if any, thereon to the date of purchase, subject to the right of holders of record on the relevant record date to receive interest due on an interest payment date that is on or prior to the date of purchase, in accordance with the procedures set forth in the Indenture; *provided, however*, that, if the Company is required to apply such Excess Proceeds to repurchase, or to offer to repurchase, any *Pari Passu* Indebtedness, the Company shall only be required to offer to repurchase the maximum principal amount of Notes that may be purchased out of the amount of such Excess Proceeds multiplied by a fraction, the numerator of which is the aggregate principal amount of Notes outstanding and the denominator of which is the aggregate principal amount of Notes outstanding plus the aggregate principal amount of *Pari Passu* Indebtedness outstanding.

To the extent that the aggregate principal amount of Notes tendered pursuant to an Asset Sale Offer is less than the amount that the Company is required to repurchase, the Company may use any remaining Excess Proceeds for general corporate purposes. If the aggregate principal amount of Notes surrendered by holders thereof exceeds the amount that the Company is required to repurchase, the Trustee will select the Notes to be purchased on a pro rata basis. Upon completion of such offer to purchase, the amount of Excess Proceeds shall be reset at zero.

The Company will not, and will not permit any Restricted Subsidiary to, enter into or suffer to exist any agreement (other than any agreement governing the Credit Facility) that would place any restriction of any kind (other than pursuant to law or regulation) on the ability of the Company to make an Asset Sale Offer. The agreement governing the Credit Facility may contain prohibitions of certain events, including events that would constitute a Change of Control or an Asset Sale. In addition, the exercise by the holders of Notes of their right to require the Company to repurchase the Notes upon a Change of Control or an Asset Sale could cause a default under these other agreements, even if the Change of Control or Asset Sale itself does not, due to the financial effect of such repurchases on the Company. Finally, the Company s ability to pay cash to the holders of Notes upon a repurchase may be limited by the Company s then existing financial resources.

The Company will comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent such laws and regulations are applicable in connection with the purchase of the Notes as a result of an Asset Sale Offer. To the extent that the provisions of any securities laws or regulations conflict with the Asset Sales provisions of the Indenture, the Company will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Asset Sale provisions of the Indenture by virtue of such conflict.

Certain Covenants

Restricted Payments. The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly,

(a) declare or pay any dividend or make any other payment or distribution on account of the Company s or any of its Restricted Subsidiaries Equity Interests (including, without limitation, any such payment in connection with any merger or consolidation involving the Company) or to the direct or indirect holders of the Company s Equity Interests in their capacity as such (other than dividends or distributions payable in Equity Interests (other than Disqualified Stock) of the Company);

(b) purchase, redeem or otherwise acquire or retire for value (including without limitation, in connection with any merger or consolidation involving the Company) any Equity Interests of the Company or any of its Restricted Subsidiaries (other than any such Equity Interests owned by the Company or any Wholly Owned Restricted Subsidiary of the Company);

(c) make any payment on or with respect to, or purchase, redeem, defease or otherwise acquire or retire for value, any Indebtedness that is subordinated in right of payment to the Notes or the Subsidiary Guarantees, except a payment of interest or principal at Stated Maturity; or

(d) make any Restricted Investment

(all such payments and other actions set forth in clauses (a) through (d) above being collectively referred to as Restricted Payments), unless, at the time of and after giving effect to such Restricted Payment:

(1) no Default or Event of Default shall have occurred and be continuing or would occur as a consequence thereof;

(2) the Company would, at the time of such Restricted Payment and after giving *pro forma* effect thereto as if such Restricted Payment had been made at the beginning of the applicable four-quarter period, have been permitted to incur at least $1.00 of additional Indebtedness pursuant to the Consolidated Interest Coverage Ratio test set forth in the first paragraph of the covenant described under the caption Incurrence of Indebtedness and Issuance of Preferred Stock; and

(3) such Restricted Payment, together with the aggregate amount of all other Restricted Payments made by the Company and its Restricted Subsidiaries after the Issue Date (excluding Restricted Payments permitted by clauses (b), (c), (d), (f), (g) and (h), but including Restricted

Payments permitted by clauses (a) and (e), of the next succeeding paragraph), is less than the sum of the following (the Restricted Payments Basket):

(A) 50% of the cumulative Consolidated Net Income of the Company for the period (taken as one accounting period) from January 1, 2004 to the end of the

55

Table of Contents

Company s most recently ended fiscal quarter for which internal financial statements are available at the time of such Restricted Payment (or, if such Consolidated Net Income for such period is a deficit, less 100% of such deficit), plus

(B) subject to clause (b) of the next succeeding paragraph, 100% of the aggregate net cash proceeds, and the fair market value of any property other than cash, received by the Company since January 1, 2004 from the issue or sale of Equity Interests of the Company (other than Disqualified Stock) or of Disqualified Stock or debt securities of the Company that have been converted into, or exchanged for, such Equity Interests (other than any such Equity Interests, Disqualified Stock or convertible debt securities sold to a Restricted Subsidiary of the Company and other than Disqualified Stock or convertible debt securities that have been converted into, or exchanged for, Disqualified Stock), plus

(C) to the extent that any Restricted Investment that was made after the Issue Date is sold for cash or otherwise liquidated or repaid for cash, the lesser of (1) the cash return of capital with respect to such Restricted Investment (less the cost of disposition, if any) and (2) the initial amount of such Restricted Investment, plus

(D) in the event that any Unrestricted Subsidiary is redesignated as a Restricted Subsidiary, the lesser of (1) an amount equal to the fair market value of the Investments in such Subsidiary previously made by the Company and its Restricted Subsidiaries as of the date of such redesignation and (2) the amount of such Investments, plus

(E) $20.0 million.

As of June 30, 2009, the amount of the Restricted Payments Basket approximated $401.7 million.

The preceding provisions will not prohibit:

(a) the payment of any dividend within 60 days after the date of declaration thereof if at said date of declaration such payment would have complied with the provisions of the Indenture;

(b) the redemption, repurchase, retirement, defeasance or other acquisition of any subordinated Indebtedness of the Company or any Guarantor or Equity Interests of the Company or any of its Restricted Subsidiaries in exchange for, or out of the net cash proceeds of the substantially concurrent sale (other than to a Restricted Subsidiary of the Company) of, other Equity Interests of the Company (other than any Disqualified Stock), *provided* that the amount of any such net cash proceeds that are utilized for any such redemption, repurchase, retirement, defeasance or other acquisition shall be excluded from clause (3) (B) of the preceding paragraph;

(c) the defeasance, redemption, repurchase, retirement or other acquisition of subordinated Indebtedness of the Company or any Guarantor with the net cash proceeds from an incurrence of, or in exchange for, Permitted Refinancing Indebtedness;

(d) the payment of any dividend or distribution by a Restricted Subsidiary of the Company to the Company or any of its Wholly Owned Restricted Subsidiaries;

(e) so long as no Default or Event of Default has occurred and is continuing, the repurchase, redemption or other acquisition or retirement for value of any Equity

Table of Contents

Interests of the Company or any of its Restricted Subsidiaries held by any employee of the Company or any of its Restricted Subsidiaries, *provided* that the aggregate price paid for all such repurchased, redeemed, acquired or retired Equity Interests shall not exceed $500,000 in any calendar year;

(f) the acquisition of Equity Interests by the Company in connection with the exercise of stock options or stock appreciation rights by way of cashless exercise or in connection with the satisfaction of withholding tax obligations;

(g) in connection with an acquisition by the Company or by any of its Restricted Subsidiaries, the return to the Company or any of its Restricted Subsidiaries of Equity Interests of the Company or any of its Restricted Subsidiaries constituting a portion of the purchase price consideration in settlement of indemnification claims; and

(h) the purchase by the Company of fractional shares of Equity Interests arising out of stock dividends, splits or combinations or business combinations.

The amount of all Restricted Payments (other than cash) will be the fair market value on the date of the Restricted Payment of the asset(s) or securities proposed to be transferred or issued by the Company or such Restricted Subsidiary, as the case may be, pursuant to the Restricted Payment. The fair market value of any non-cash Restricted Payment will be determined in the manner contemplated by the definition of the term fair market value, and the results of such determination will be evidenced by an Officers Certificate delivered to the Trustee. Not later than the date of making any Restricted Payment (other than a Restricted Payment permitted by clause (b), (c), (d), (f), (g) or (h) of the preceding paragraph), the Company shall deliver to the Trustee an Officers Certificate stating that such Restricted Payment is permitted and setting forth the basis upon which the calculations required by the covenant Restricted Payments were computed.

Incurrence of Indebtedness and Issuance of Preferred Stock. The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, create, incur, issue, assume, guarantee or otherwise become directly or indirectly liable, contingently or otherwise, with respect to (collectively, incur or an incurrence) any Indebtedness (including, without limitation, any Acquired Indebtedness) and the Company will not issue any Disqualified Stock and will not permit any of its Restricted Subsidiaries to issue any Disqualified Stock; *provided, however*, that the Company and its Restricted Subsidiaries may incur Indebtedness, and the Company may issue Disqualified Stock, in each case if the Consolidated Interest Coverage Ratio for the Company s most recently ended four full fiscal quarters for which internal financial statements are available immediately preceding the date on which such additional Indebtedness is incurred or such Disqualified Stock is issued would have been at least 2.0 to 1.0 at the time such additional Indebtedness is incurred or such Disqualified Stock is issued (such time being called the Incurrence Time), in each case as determined on a *pro forma* basis (including a *pro forma* application of the net proceeds therefrom), as if the additional Indebtedness or Disqualified Stock had been issued or incurred at the beginning of such four-quarter period.

The preceding provisions will not apply to the incurrence by the Company or any of its Restricted Subsidiaries of any of the following Indebtedness:

(a) Indebtedness under the Credit Facility in an aggregate principal amount at any one time outstanding not to exceed the greater of (1) $250.0 million and (2) 20% of the

Company s Consolidated Net Tangible Assets determined as of the end of the Company s most recently completed fiscal quarter for which internal financial statements are available;

(b) Existing Indebtedness;

(c) Hedging Obligations;

(d) Indebtedness represented by the Series A notes, the Series B notes or any Subsidiary Guarantees;

(e) intercompany Indebtedness between or among the Company and any of its Wholly Owned Restricted Subsidiaries, *provided* that any subsequent issuance or transfer of Equity Interests that results in any such Indebtedness being held by a Person other than the Company or a Wholly Owned Restricted Subsidiary of the Company, or any sale or other transfer of any such Indebtedness to a Person that is neither the Company nor a Wholly Owned Restricted Subsidiary of the Company, shall be deemed to constitute an incurrence of such Indebtedness by the Company or such Restricted Subsidiary, as the case may be, as of the date such issuance, sale or other transfer is not permitted by this clause (e);

(f) Indebtedness in respect of bid, performance or surety bonds issued for the account of the Company or any Restricted Subsidiary thereof in the ordinary course of business, including guarantees or obligations of the Company or any Restricted Subsidiary thereof with respect to letters of credit supporting such bid, performance or surety obligations (in each case other than for an obligation for money borrowed);

(g) the guarantee by the Company of Indebtedness of any of its Restricted Subsidiaries or by any Restricted Subsidiary of Indebtedness of the Company or another Restricted Subsidiary, in each case, that was permitted to be incurred by another provision of this covenant;

(h) Permitted Refinancing Debt incurred in exchange for, or the net proceeds of which are used to extend, refinance, renew, replace, defease or refund Indebtedness that was incurred pursuant to the first paragraph of this covenant or clause (b), (d) or (h) of the second paragraph of this covenant; and

(i) other Indebtedness in a principal amount not to exceed $25.0 million at any one time outstanding.

The Company will not, and will not permit any Guarantor to, directly or indirectly, incur any Indebtedness which by its terms (or by the terms of any agreement governing such Indebtedness) is subordinated to any other Indebtedness of the Company or of such Guarantor, as the case may be, unless such Indebtedness is also by its terms (or by the terms of any agreement governing such Indebtedness) made expressly subordinate to the Notes or the Subsidiary Guarantee of such Guarantor, as the case may be, to the same extent and in the same manner as such Indebtedness is subordinated pursuant to subordination provisions that are most favorable to the holders of any other Indebtedness of the Company or of such Guarantor, as the case may be; *provided, however*, that no Indebtedness will be deemed to be contractually subordinated in right of payment to any other Indebtedness solely by virtue of being unsecured.

For purposes of determining compliance with this Incurrence of Indebtedness and Issuance of Preferred Stock covenant, in the event that an item of proposed Indebtedness meets the criteria of more than one of the categories of Indebtedness described in clauses (a) through (i) of the second paragraph, or is entitled to be incurred pursuant to the first paragraph, of this covenant, the Company will be permitted to classify such item of Indebtedness on the date of its incurrence, or later reclassify all or a portion of such item of Indebtedness, in any manner that complies with this covenant, and such item of Indebtedness will be treated as having been incurred pursuant to such category. There will be no restrictions in the Indenture on the ability of an Unrestricted Subsidiary to incur Indebtedness or issue preferred stock.

Liens. The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, create, incur or assume any Lien on any asset now owned or hereafter acquired, or any income or profits therefrom, except Permitted Liens, to secure:

(a) any Indebtedness of the Company, unless prior to, or contemporaneously therewith, the Notes are equally and ratably secured, until such time as such Indebtedness is no longer secured by a Lien (other than Permitted Liens), or

(b) any Indebtedness of any Guarantor, unless prior to, or contemporaneously therewith, its Subsidiary Guarantee is equally and ratably secured, until such time as such Indebtedness is no longer secured by a Lien (other than Permitted Liens);

provided, however, that if such Indebtedness is expressly subordinated to the Notes or the Subsidiary Guarantees, the Lien securing such Indebtedness will be subordinated and junior to the Lien securing the Notes or the Subsidiary Guarantees, as the case may be, with the same relative priority as such Indebtedness has with respect to the Notes or the Subsidiary Guarantees. The incurrence of secured Indebtedness by the Company and its Restricted Subsidiaries is subject to further limitations on the incurrence of Indebtedness as described under Incurrence of Indebtedness and Issuance of Preferred Stock.

Sale-and-Leaseback Transactions. The Company will not, and will not permit any of its Restricted Subsidiaries to, enter into any sale-and-leaseback transaction; *provided, however*, that the Company or any Restricted Subsidiary, as applicable, may enter into a sale-and-leaseback transaction if:

(a) the Company or such Restricted Subsidiary could have

(1) incurred Indebtedness in an amount equal to the Attributable Indebtedness relating to such sale-and-leaseback transaction pursuant to the Consolidated Interest Coverage Ratio test set forth in the first paragraph of the covenant described above under the caption Incurrence of Indebtedness and Issuance of Preferred Stock, *provided, however*, that this clause (1) shall no longer be effective if the Terminated Covenants terminate as described under Covenant Termination below, and

(2) incurred a Lien to secure such Indebtedness pursuant to the covenant described under the caption Liens,

(b) the gross cash proceeds of such sale-and-leaseback transaction are at least equal to the fair market value (as determined in accordance with the definition of such term, the results of which determination shall be set forth in an Officers Certificate delivered to the Trustee) of the assets that are the subject of such sale-and-leaseback transaction and

Table of Contents

(c) the transfer of assets in such sale-and-leaseback transaction is permitted by, and the Company applies the proceeds of such transaction in compliance with, the covenant described above under the caption Repurchase at the Option of Holders Asset Sales.

Issuances and Sales of Capital Stock of Restricted Subsidiaries. The Company

(a) will not, and will not permit any Restricted Subsidiary of the Company to, transfer, convey, sell or otherwise dispose of any Capital Stock of any Restricted Subsidiary of the Company to any Person (other than the Company or a Wholly Owned Restricted Subsidiary of the Company), unless

(1) such transfer, conveyance, sale, or other disposition is of all the Capital Stock of such Restricted Subsidiary and

(2) the Net Proceeds from such transfer, conveyance, sale or other disposition are applied in accordance with the covenant described above under the caption Repurchase at the Option of Holders Asset Sales, and

(b) will not permit any Restricted Subsidiary of the Company to issue any of its Equity Interests to any Person other than to the Company or a Wholly Owned Restricted Subsidiary of the Company;

except, in the case of both clauses (a) and (b) above, with respect to (i) dispositions or issuances by a Wholly Owned Restricted Subsidiary of the Company as contemplated in clauses (a) and (b) of the definition of Wholly Owned Restricted Subsidiary or (ii) other dispositions or issuances of Capital Stock of a Restricted Subsidiary of the Company, *provided* that, after giving *pro forma* effect thereto, the Investment of the Company and its Restricted Subsidiaries in all Restricted Subsidiaries that are not Wholly Owned Restricted Subsidiaries of the Company, determined on a consolidated basis in accordance with GAAP, does not exceed 25% of Consolidated Net Tangible Assets of the Company. For purposes of this covenant, the creation or perfection of a Lien on any Capital Stock of a Restricted Subsidiary of the Company to secure any Indebtedness of the Company or any of its Restricted Subsidiaries will not be deemed to be a disposition of such Capital Stock, *provided* that any sale by the secured party of such Capital Stock following foreclosure of its Lien will be subject to this covenant.

Dividend and Other Payment Restrictions Affecting Subsidiaries. The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, create or otherwise cause or suffer to exist or become effective any encumbrance or restriction on the ability of any Restricted Subsidiary to do any of the following:

(a) (i) pay dividends or make any other distributions to the Company or any of its Restricted Subsidiaries on its Capital Stock or (ii) pay any Indebtedness owed to the Company or any of its Restricted Subsidiaries,

(b) make loans or advances to the Company or any of its Restricted Subsidiaries or

(c) transfer any of its assets to the Company or any of its Restricted Subsidiaries,

except for such encumbrances or restrictions existing under or by reason of:

(1) the Credit Facility or Existing Indebtedness, each as in effect on the Issue Date,

60

Table of Contents

(2) the Indenture, the Notes and the Subsidiary Guarantees,

(3) applicable law,

(4) any instrument governing Indebtedness or Capital Stock of a Person acquired by the Company or any of its Restricted Subsidiaries as in effect at the time of such acquisition (except to the extent such Indebtedness was incurred in connection with or in contemplation of such acquisition), which encumbrance or restriction is not applicable to any Person or the assets of any Person, other than the Person, or the assets of the Person, so acquired, provided that, in the case of Indebtedness, such Indebtedness was permitted by the terms of the Indenture to be incurred,

(5) by reason of customary non-assignment provisions in leases entered into in the ordinary course of business and consistent with past practices,

(6) by reason of customary provisions restricting the transfer of copyrighted or patented materials consistent with industry practice,

(7) purchase money obligations for property acquired in the ordinary course of business that impose restrictions of the nature described in clause (c) above on the property so acquired,

(8) customary provisions in bona fide contracts for the sale of assets,

(9) Permitted Refinancing Indebtedness with respect to any Indebtedness referred to in clauses (1), (2) and (4) above, provided that the restrictions contained in the agreements governing such Permitted Refinancing Indebtedness are not materially more restrictive, taken as a whole, than those contained in the agreements governing the Indebtedness being refinanced or

(10) provisions with respect to the disposition or distribution of assets in joint venture agreements, asset sale agreements, stock sale agreements and other similar agreements entered into in the ordinary course of business.

Merger, Consolidation or Sale of Assets. The Company may not consolidate or merge with or into (whether or not the Company is the surviving corporation), or sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of its assets in one or more related transactions to another Person unless

(a) the Company is the surviving corporation or the Person formed by or surviving any such consolidation or merger (if other than the Company) or to which such sale, assignment, transfer, lease, conveyance or other disposition has been made is a corporation organized or existing under the laws of the United States, any state thereof or the District of Columbia,

(b) the Person formed by or surviving any such consolidation or merger (if other than the Company) or the Person to which such sale, assignment, transfer, lease, conveyance or other disposition has been made assumes all the obligations of the Company under the Notes and the Indenture pursuant to a supplemental indenture in a form reasonably satisfactory to the Trustee,

(c) immediately after such transaction no Default or Event of Default exists and

(d) except in the case of a merger of the Company with or into a Wholly Owned Restricted Subsidiary of the Company, the Company or the Person formed by or

Table of Contents

surviving any such consolidation or merger (if other than the Company), or to which such sale, assignment, transfer, lease, conveyance or other disposition has been made

(1) will have Consolidated Net Worth immediately after the transaction equal to or greater than the Consolidated Net Worth of the Company immediately preceding the transaction and

(2) will, at the time of such transaction and after giving *pro forma* effect thereto as if such transaction had occurred at the beginning of the applicable four-quarter period, be permitted to incur at least $1.00 of additional Indebtedness pursuant to the Consolidated Interest Coverage Ratio test set forth in the first paragraph of the covenant described above under the caption Incurrence of Indebtedness and Issuance of Preferred Stock;

provided, however, that this clause (d) shall no longer be effective if the Terminated Covenants terminate as described under Covenant Termination below.

Although there is a limited body of case law interpreting the phrase substantially all, there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve all or substantially all of the assets of the Company.

Transactions with Affiliates. The Company will not, and will not permit any of its Restricted Subsidiaries to, make any payment to, or sell, lease, transfer or otherwise dispose of any of its assets to, or purchase any assets from, or enter into or make or amend any transaction, contract, agreement, understanding, loan, advance or guarantee with, or for the benefit of, any Affiliate (each of the foregoing, an Affiliate Transaction), unless:

(a) such Affiliate Transaction is on terms that are no less favorable to the Company or the relevant Restricted Subsidiary than those that would have been obtained in a comparable transaction by the Company or such Restricted Subsidiary with an unrelated Person or, if there is no such comparable transaction, on terms that are fair and reasonable to the Company or such Restricted Subsidiary, and

(b) the Company delivers to the Trustee

(1) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of $10.0 million, a resolution of the Board of Directors set forth in an Officers Certificate certifying that such Affiliate Transaction complies with clause (a) above and that such Affiliate Transaction has been approved by a majority of the disinterested members of the Board
oTBL4587.finRow.33.amt.3>- (16,494) - - (16,494)

Fair value of beneficial conversion feature

- - 69,962 - - 69,962

Net loss for the period

- - - - (243,763) (243,763)

Balance October 31, 2011

$15,462,240 $15,462 $1,052,595 $- $(1,071,969) $(3,912)

Issuance of common stock for consulting service

1,590,000 1,590 132,410 - - 134,000

Issuance of common stock for mineral property

400,000 400 33,600 34,000

Share issuance costs

- - (2,946) - - (2,946)

Fair value of stock options granted

- - 73,614 - - 73,614

Net loss for the period

- - - - (765,510) (765,510)

Balance October 31, 2012

$17,452,240 $17,452 $1,289,273 $- $(1,837,479) $(530,754)

Issuance of common stock for Conversion of debt debenture

574,714 575 9,425 - - 10,000

Issuance of common stock for Conversion of debt debenture

870,690 871 9,229 - - 10,100

Issuance of common stock for Conversion of debt debenture

865,979 866 7,534 - - 8,400

Fair value of stock options granted

- - 97,595 - - 97,595

Fair value of beneficial conversion feature

- - 139,855 - - 139,855

Issuance of common stock for termination of partial purchase agreement

2,000,000 2,000 118,000 - - 120,000

Net loss for the period	-	-	-	-	(703,595)	(703,595)
Balance October 31, 2013	$21,763,623	$21,764	$1,670,911	$-	$(2,541,074)	$(848,399)

See accompanying notes to financial statements.

42

DEL TORO SILVER CORP

(An Exploration Stage Company)

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

FOR THE YEARS ENDED OCTOBER 31, 2013 AND 2012 AND FOR THE DATE OF INCEPTION TO OCTOBER 31, 2013

	For the Twelve Months Ended		Accumulated Amounts From Inception to
	October 31, 2013	October 31,2012	October 31, 2013
CASH PROVIDED BY (USED FOR):			
OPERATING ACTIVITIES			
Net loss for the period	$(703,595)	$(765,510)	$(2,541,074)
Items not requiring (providing) cash:			
Accretion of discount on convertible debenture	81,387	-	136,387
Amortization	-	-	2,692
Loss on change in fair value of derivative liability	-	-	14,962
Loss on settlement of debt	-	-	12,183
Shareholder loan issued for consulting service	204,000	421,763	625,763
Shares issued for mineral property	-	34,000	176,460
Shares issued to settle debt	-	-	14,060
Shares issued for consulting service	-	134,000	134,000
Shares issued to terminate partial purchase agreement	120,000	-	120,000
Share-based compensation	97,595	73,614	437,919
Write-down of property and equipment	-	-	1,838
Changes in operating assets and liabilities:			
Receivables	-	616	-
Prepaid expenses	(2,211)	18,180	(5,964)
Related party liabilities	(10,468)	-	(10,468)
Accounts payable and accrued liabilities	(5,584)	7,320	53,092
CASH USED FOR OPERATING ACTIVITIES	(218,876)	(76,017)	(828,150)
INVESTING ACTIVITY:			
Equipment acquired	-	-	(4,530)
CASH USED FOR INVESTING ACTIVITIES	-	-	(4,530)

FINANCING ACTIVITIES:			
Net proceeds from (paid for) issuance of common stocks	-	(2,946)	536,729
Proceeds from issuance of convertible debenture	211,500	91,500	358,000
Proceeds from (paid to) related parties	158,591	17,965	176,756
Repayment of convertible debenture	(133,000)	(40,000)	(206,000)
CASH PROVIDED BY FINANCING ACTIVITIES	237,091	66,519	865,485
NET INCREASE (DECREASE) IN CASH	18,215	(9,498)	32,805
CASH, BEGINNING OF PERIOD	14,590	24,088	-
CASH, END OF PERIOD	$32,805	$14,590	$32,805
NON CASH ACTIVITIES			
Shares issued for conversion of debenture	$28,500	$-	$63,500
Shares issued to settle debt	$-	$-	$14,250
Unamortized debt discount	$58,468	$-	$58,468
SUPPLEMENTAL DISCLOSURE			
Interest paid	$18,571	$9,726	$34,432
Income taxes paid	$-	$-	$-

See accompanying notes to financial statements.

43

DEL TORO SILVER CORP.

(An Exploration Stage Company)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

OCTOBER 31, 2013 AND 2012

NOTE 1 – NATURE OF OPERATIONS AND CONTINUANCE OF BUSINESS

Del Toro Silver Corp. (the "Company") was incorporated on January 9, 2006 as Candev Resource Exploration, Inc. under the laws of the State of Nevada and extra-provincially registered under the laws of the Province of British Columbia on August 15, 2006. Effective July 28, 2009, the Company completed a merger with its wholly owned subsidiary, Del Toro Silver Corp., a Nevada corporation which was incorporated on July 7, 2009 solely to change the Company's name to Del Toro Silver Corp. The Company is an exploration stage company as defined by Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 915, "Development Stage Entities", and is engaged in the acquisition, exploration and development of mineral properties.

These financial statements have been prepared on the going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. As of October 31, 2013, the Company has not earned any revenue, has a working capital deficit of $848,399, and an accumulated deficit of $2,541,074. The continued operations of the Company are dependent on its ability to generate future cash flows or obtain additional financing. These factors raise substantial doubt about the Company's ability to continue as a going concern. These financial statements do not include any adjustments to the recorded assets or liabilities that might be necessary should the Company be unable to continue as a going concern.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation – The financial statements and the related notes of the Company are prepared in accordance with generally accepted accounting principles in the United States and are expressed in US dollars. The Company's fiscal year end is October 31.

Consolidation – These consolidated financial statements include the accounts of the Company and its wholly owned Mexican subsidiary, Mineral Plata Del Toro S.A. de C.V. All significant intercompany transactions have been eliminated.

Recent Accounting Pronouncements – The Company has implemented all new accounting pronouncements that are in effect and that may impact its financial statements and does not believe that there are any other new accounting pronouncements that have been issued that might have a material impact on its financial position or results of operations.

Use of Estimates – The preparation of financial statements in accordance with United States generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses in the reporting period. The Company regularly evaluates estimates and assumptions related to long-lived assets, mineral property costs, asset retirement obligations, convertible debt, derivative liabilities, stock-based compensation, and deferred income tax asset valuation allowances. The Company bases its estimates and assumptions on current facts, historical experience and various other factors that it believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and the accrual of costs and expenses that are not readily apparent from other sources. The actual results experienced by the Company may differ materially and adversely from the Company's estimates. To the extent there are material differences between the estimates and the actual results, future results of operations will be affected.

Cash and Cash Equivalents – The Company considers all highly liquid investments with maturity of three months or less at the date of acquisition to be cash equivalents.

Prepaid Expenses – Prepaid expenses are expenses paid by the Company in cash or stock before they are used or consumed.

DEL TORO SILVER CORP.

(An Exploration Stage Company)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

OCTOBER 31, 2013 AND 2012

Accounts Payable and Accrued Expenses – Accounts payable and accrued expenses consist principally of amounts due to various suppliers and professional service providers.

Mineral Property Exploration and Development – The Company has been in the exploration stage since its inception and has not yet realized any revenues from its planned operations. It is primarily engaged in the acquisition and exploration of mining properties. Mineral property exploration costs are expensed as incurred. Mineral property acquisition costs are initially capitalized. The Company assesses the carrying costs for impairment under ASC 360 “Property, Plant and Equipment” at each fiscal quarter end. When it has been determined that a mineral property can be economically developed as a result of establishing proven and probable reserves, the costs then incurred to develop such property, are capitalized. Such costs will be amortized using the units-of-production method over the estimated life of the probable reserve. If mineral properties are subsequently abandoned or impaired, any capitalized costs will be charged to operations.

Due to Related Parties – Due to related parties consist principally of amounts due to officers and directors of the Company, with respect to expenditures paid by officers and directors on behalf of the Company.

Income Taxes – The Company recognizes deferred tax assets and liabilities for the expected future tax consequences of events that have been included in financial statements or tax returns. Deferred tax items are reflected at the enacted tax laws and statutory tax rates applicable to the periods in which the differences are expected reverse. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. Due to the uncertainty regarding the success of future operations, management has valued the deferred tax asset allowance at 100% of the related deferred tax assets.

As of October 31, 2013 and 2012, the Company did not have any amounts recorded pertaining to uncertain tax positions. The Company files federal and provincial income tax returns in Canada and federal, state and local income tax returns in the U.S., as applicable. The Company may be subject to a reassessment of federal and provincial income taxes by Canadian tax authorities for a period of three years from the date of the original notice of assessment in respect of any particular taxation year. For Canadian and U.S. income tax returns, the open taxation years range from 2009 to 2012. In certain circumstances, the U.S. federal statute of limitations can reach beyond the standard three year period. U.S. state statutes of limitations for income tax assessment vary from state to state. Tax authorities of Canada and U.S. have not audited any of the Company's income tax returns for the open taxation years noted above.

Loss per Share – The Company computes loss per share in accordance with ASC 260, "Earnings per Share" which requires presentation of both basic and diluted earnings per share ("EPS") on the face of the income statement. Basic EPS is computed by dividing *net loss available to common shareholders (numerator) by the weighted average number of shares outstanding* (denominator) during the period. Diluted EPS gives effect to all dilutive potential common shares outstanding during the period using the treasury stock method and convertible preferred stock using the if-converted method. In computing diluted EPS, the average stock price for the period is used in determining the number of shares assumed to be purchased from the exercise of stock options or warrants. Diluted EPS excludes all dilutive potential shares if their effect is anti-dilutive.

Foreign Currency Translation – The functional and reporting currency of the Company is the United States dollar. Occasional transactions may occur in a foreign currency and the Company has adopted ASC 740, "Foreign Currency Translation Matters". Monetary assets and liabilities denominated in foreign currencies are translated to United States dollars using the exchange rate prevailing at the balance sheet date. Non-monetary assets and liabilities denominated in foreign currencies are translated at rates of exchange in effect at the date of the transaction. Average monthly rates are used to translate revenues and expenses. Gains and losses arising on translation or settlement of foreign currency denominated transactions or balances are included in the determination of income. The Company has not, to the date of these financial statements, entered into derivative instruments to offset the impact of foreign currency fluctuations.

DEL TORO SILVER CORP.

(An Exploration Stage Company)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

OCTOBER 31, 2013 AND 2012

Financial Instruments and Fair Value Measures – ACS 820, “Fair Value Measurements and Disclosures” requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. ASC 820 establishes a fair value hierarchy based on the level of independent, objective evidence surrounding the inputs used to measure fair value. A financial instrument’s categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. ASC 820 prioritizes the inputs into three levels that may be used to measure fair value:

Level 1

Level 1 applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.

Level 2

Level 2 applies to assets or liabilities for which there are inputs other than quoted prices that are observable for the asset or liability such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions (less active markets); or model-derived valuations in which significant inputs are observable or can be derived principally from, or corroborated by, observable market data.

Level 3

Level 3 applies to assets or liabilities for which there are unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of the assets or liabilities.

The Company's financial instruments consist principally of cash, , accounts payable, accrued liabilities, amounts due to related parties, and convertible debentures. Pursuant to ASC 820, the fair value of cash is determined based on "Level 1" inputs, which consist of quoted prices in active markets for identical assets. The recorded values of all other financial instruments approximate their current fair values because of their nature and respective maturity dates or durations.

Comprehensive Loss – ASC 220, "Comprehensive Income" establishes standards for the reporting and display of comprehensive income and its components in the financial statements. As at October 31, 2013 and 2012, the Company had no items that represent comprehensive income or loss.

Stock Based Compensation – The Company records stock-based compensation in accordance with ASC 718, "Compensation – Stock Based Compensation" and ASC 505, "Equity Based Payments to Non-Employees", which requires the measurement and recognition of compensation expense based on estimated fair values for all share-based awards made to employees and directors, including stock options.

DEL TORO SILVER CORP.

(An Exploration Stage Company)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

OCTOBER 31, 2013 AND 2012

NOTE 3 – MINERAL PROPERTIES

Dos Naciones

On July 7, 2009, and as amended on June 25, 2010, October 21, 2010, and July 9, 2012 the Company entered into an option agreement (the "Dos Naciones Agreement") to acquire a 50% undivided interest in the Dos Naciones Property located in Sonora, Mexico. Under the terms of the Dos Naciones Agreement, the Company paid a purchase price of $29,658 (Cdn $34,000) and had an option to acquire a further 20% interest in the property subject to the following terms:

Issuance of 150,000 common shares on or before January 25, 2010 (issued);
Issuance of 200,000 common shares on or before July 7, 2010 (issued);
Issuance of 250,000 common shares on or before October 21, 2010 (issued);
Issuance of 200,000 common shares on or before July 9, 2012 (issued);
Issuance of 200,000 common shares on or before September 15, 2012 (issued); and
Incur exploration expenditures of Cdn $800,000 on or before July 7, 2013.

Because the Company did not pay Cdn $800,000 by the July 7, 2013 deadline, the option agreement is no longer applicable. Management has not pursued renewing the Dos Naciones Agreement as of October 31, 2013.

On September 13, 2013, the Company entered into a Termination Agreement with Alta Vista Ventures Ltd. wherein the Company has agreed to terminate the Option Agreement dated July 7, 2009, as subsequently amended. Pursuant to the Termination Agreement, the Company has transferred, in kind, its 50% ownership of the Dos Naciones Property to

Alta Vista Ventures Ltd., such that Alta Vista Ventures Ltd. retains a 100% interest in the Dos Naciones Property.

Discovery Day Gold Property

The Company entered into an agreement with Bowerman Holdings, LLC ("Bowerman") on November 14, 2011 in which it can acquire up to 75% of Bowerman's interest in various mining claims located in Siskiyou County, California, known as the Discovery Day Gold Property. The original expected closing of the acquisition was November 30, 2013, but has since been modified to include three additional 90 day extensions for the closing. As of the date of the auditor's report the agreement has not closed. During the year ended October 31, 2013, the Company incurred $5,000 in costs as part of this activity.

Both Patrick Fagen and Greg Painter, the Company's two directors and officers, are indirectly majority interest holders in Bowerman Holdings LLC, as they have a direct ownership interest in Trinity Alps Resources, Inc., which is the sole member of Bowerman Holdings LLC. Collectively, Messrs. Fagen and Painter hold a majority interest in Trinity Alps Resources, Inc.

Natchez Pass

On August 31, 2012, the Company entered into a partial purchase option agreement, as subsequently amended, with Natchez Pass LLC. Subsequently, on June 6, 2013, the company entered into a purchase option termination agreement with Natchez Pass LLC wherein the company has agreed to terminate the partial purchase agreement pursuant to the following terms:

the Company has been released from all obligations under the partial purchase agreement;

the Company has been granted a 5% net smelter royalty related to all of the claims under the partial purchase agreement. Within 10 days Natchez Pass LLC will record the net smelter royalty against those claims with the Bureau of Land Management;

the Company shall be paid 5% of the gross sale price, such price to be reduced by sales commissions, closing costs, and Natchez Pass LLC's repayment of its third party debts related to the claims. The sales proceeds to the Company shall not be less than $300,000;

the Company shall issue 2,000,000 shares of its common stock; and

Natchez Pass LLC shall retain all money paid to it under the partial purchase agreement and, upon sale of the claims to a third party, or upon the sale to a third party of a majority or greater of interest in the claims, the Company shall assign all of its rights in the net smelter royalty to Natchez Pass LLC.

DEL TORO SILVER CORP.

(An Exploration Stage Company)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

OCTOBER 31, 2013 AND 2012

The purchase option termination provided for a release from liabilities totaling $40,865. Furthermore, the 2,000,000 shares issued in conjunction with the purchase option termination had a value of $0.06 per share on August 5, 2013 for a total of $120,000. The net loss incurred as of October 31, 2013 as a result of the above agreement was $79,135, which was included in other expenses on the consolidated statements of operations. The Company has accumulated $172,548 of net costs on the property, since inception on the agreement.

Patrick Fagen, an officer and director of the Company, is a direct minority interest holder in Natchez Pass, LLC.

NOTE 4 – COMMON SHARES

Year Ended October 31, 2012

On January 31, 2012, the Company issued 300,000 common shares for prepaid consulting services of $30,000 less the share issuance costs of $2,928.
On February 29, 2012, the Company issued 40,000 common shares for consulting services of $4,000, less share issuance costs of $18.
On July 9, 2012 the Company issued 200,000 common shares as part of the Dos Naciones Agreement described in Note 3 and charged $16,000 to mineral property costs.
On September 14, 2012 the Company issued 200,000 common shares as part of the Dos Naciones Agreement described in Note 3 and charged $18,000 to mineral property costs.
On October 31, 2012 the Company issued 1,250,000 common shares as part of the agreement described in Note 7 for consulting services of $100,000.

Year Ended October 31, 2013

- On April 24, 2013, the Company issued 574,714 common shares to partially settle convertible debenture of $10,000.
- On May 10, 2013, the Company issued 870,690 common shares to partially settle convertible debenture of $10,100.
- On May 23, 2013, the Company issued 865,979 common shares to partially settle convertible debenture of $8,400.
- On August 5, 2013 the Company issued 2,000,000 common shares to terminate the partial purchase agreement with Natchez Pass.

NOTE 5 – SHARE PURCHASE WARRANTS

The following table summarizes the continuity of share purchase warrants:

	Number of Warrants	Weighted Average Exercise Price $
Balance, October 31, 2011	-	
Issued	2,000,000	0.25
Expired	-	-
Balance, October 31, 2012	2,000,000	0.25
Expired	(2,000,000)	(0.25)
Balance, October 31, 2013	-	-

48

DEL TORO SILVER CORP.

(An Exploration Stage Company)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

OCTOBER 31, 2013 AND 2012

As of October 31, 2013, no share purchase warrants were outstanding. The balance of share purchase warrants expired on December 6, 2012.

NOTE 6 – STOCK OPTIONS

On September 7, 2010, the Company adopted a stock option plan (“2010 Stock Option Plan”) allowing for the issuance of stock options to acquire up to 5,000,000 common shares. There were a total of 1,000,000 options outstanding at October 31, 2011 with a weighted average exercise price of $0.10. All of the outstanding shares expired and the stock option plan expired on September 7, 2012.

On August 29, 2012 the Company adopted a stock option plan (the “2012 Stock Option Plan”) allowing for the issuance of stock options to acquire up to 3,000,000 common shares. As of October 31, 2013 and October 31, 2012, there were 1,000,000 shares available for issuance under the 2012 Stock Option Plan. Officers and directors have been granted 1,500,000 of the 2,000,000 granted stock options.

The following table summarizes the continuity of the Company’s 2012 Stock Option Plan:

	Number of options	Weighted average	Weighted average

		exercise price (US $)	remaining contractual life (years)
Outstanding, October 31, 2012	2,000,000	0.145	
Outstanding and exercisable, October 31, 2013	2,000,000	0.145	3.86

The Company's options vest at different periods. As such, the Company records stock-based compensation over the requisite service period for each separately vesting portion of the award as if the award was, in-substance, multiple awards.

Additional information regarding stock options as of October 31, 2013, is as follows:

Number of Options	Exercise Price $	Vesting Date	Expiry Date	Life (years)
575,000	0.10	9/12/2012	9/12/2017	5
505,000	0.15	3/12/2013	9/12/2017	4.5
560,000	0.15	9/12/2013	9/12/2017	4
360,000	0.20	3/12/2014	9/12/2017	3.5
2,000,000				

Compensation cost will be recognized over the requisite service period that began September 12, 2012. For the year ended October 31, 2013 and 2012, the Company recognized $97,596 and $73,614 as compensation cost, respectively. Stock-based compensation expense was estimated using the Black-Scholes option pricing model assuming no expected dividends, a risk-free interest rate ranging from 0.42% to 0.70%, expected option life of 3.5 to 5 years and a volatility of 281%.

DEL TORO SILVER CORP.

(An Exploration Stage Company)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

OCTOBER 31, 2013 AND 2012

NOTE 7 – RELATED PARTY TRANSACTIONS

The Company has entered into various convertible loan agreements with related parties including officers and directors. The principal amount of the loans plus any accrued and unpaid interest shall be due and payable in full one year from the advancement date of each loan. The related parties may provide the Company with written notice of conversion at any time to exercise their rights of conversion in respect of either a portion of or the total outstanding amount of each loan plus accrued interest as of that date into shares of the Company.

On September 1, 2012 the Company entered into consulting agreements with officers and directors. Under the terms of the agreement compensation for the provision of services for the 14 months prior to the effective date shall be $125,000 and the issuance of 1,250,000 shares of common stock of the Company. The cash portion plus any accrued and unpaid interest shall be due and payable in one full year from the date of the agreement. The officers and directors may provide the Company with written notice of conversion in respect of either a portion of or the total outstanding amount of the loan plus accrued interest as of that date into shares of the Company at the price of $0.10 per share. The loan shall bear interest at a rate of 5% per annum.

Additionally, compensation per the agreements is $17,000 per month. The cash portion shall continue to accrue and interest shall accrue on the unpaid balance of the cash portion at a rate of 5% per annum. The officers and directors may provide the Company with written notice of conversion of all accrued and unpaid compensation including interest, payable in common shares of the company based on the price of 80% of the average closing prices for the five trading days prior to the end of the one year term.

Additional information on these agreements as of October 31, 2013 and 2012 is as follows:

Loan Agreement	Loan Balance Including Accrued Interest October 31, 2013	October 31, 2012
On May 26, 2012 agreements were formalized for the advancement of $104,000, accruing interest at 8.0%, with a conversion price of $0.06 per share. Accrued interest as of 10/31/13 was $7,957	$101,215	$93,946
On July 16, 2012 an agreement was formalized for the advancement of $50,000, accruing interest at 8.0%, with a conversion price of $0.08 per share. Accrued interest as of 10/31/13 was $5,184.	55,184	51,184
On August 30, 2012 an agreement was formalized for the advancement of $100,000, accruing interest at 8.0%, with a conversion price of $0.10 per share. Accrued interest as of 10/31/13 was $-0-.	63,591	101,381
On September 1, 2012 an agreement was entered (see consulting agreement above) totaling $125,000, accruing interest at 5%, with a conversion price of $0.10 per share. Accrued interest as of 10/31/13 was $7,295.	132,295	126,045
On September 1, 2012 an agreement was entered (see consulting agreement above) totaling $17,000 per month, accruing interest at 5%, with an unknown future conversion price. Accrued interest as of 10/31/13 was $6,465.	244,465	34,072
On September 21, 2012 an agreement was formalized for the advancement of $15,000, accruing interest at 8.0%, with a conversion price of $0.10 per share. Accrued interest as of 10/31/13 was $1,335.	16,335	15,135
On December 11, 2012 an agreement was formalized for the advancement of $40,000, accruing interest at 8.0%, with a conversion price of $0.10 per share. Accrued interest as of 10/31/13 was $2,849.	42,849	-
On May 6, 2013 an agreement was formalized for the advancement of $20,000, accruing interest at 8.0%, with a conversion price of $0.10 per share. Loan was paid back in full on 6/25/13.	-	-
On May 24, 2013 an agreement was formalized for the advancement of $40,000, accruing interest at 8.0%, with a conversion price of $0.10 per share. Loan was paid back in full on 7/22/13.	-	-
On June 14, 2013 an agreement was formalized for the advancement of $35,000, accruing interest at 8.0%, with a conversion price of $0.10 per share. Accrued interest as of 10/31/13 was $1,066.	36,066	-
On July 19, 2013 an agreement was formalized for the advancement of $60,000, accruing interest at 8.0%, with a conversion price of $0.10 per share. Accrued interest as of 10/31/13 was $1,368.	61,368	-
On August 26, 2013 an agreement was formalized for the advancement of $60,000, accruing interest at 8.0%, with a conversion price of $0.10 per share. Accrued interest as of 10/31/13	60,881	-

was $881.

Total Convertible Loans Payable to Related Parties	$814,249	$421,763

50

DEL TORO SILVER CORP.

(An Exploration Stage Company)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

OCTOBER 31, 2013 AND 2012

The Company is in debt to officers and directors of the Company for an additional $18,667 and $18,165 as of October 31, 2013 and October 31, 2012, respectively. The additional related party indebtedness is unsecured, non-interest bearing, and due on demand.

Furthermore, the Company's officers and directors have material interests in Bowerman Holdings, LLC and Natchez Pass, LLC. Activity with these entities is described in Note 3.

NOTE 8 – CONVERTIBLE DEBENTURES

On October 10, 2012 the Company issued a convertible debenture with a non-related party for $51,500. Under the terms of the debenture the amount is unsecured with a stated interest rate of 8% per annum, and is due on or before July 15, 2013. Any amount of principal or interest on this debenture which is not paid when due will bear interest at the rate of 22% per annum from the due date thereof. The debenture is convertible into common shares of the Company commencing April 8, 2013 (180 days from the issuance date), at a conversion price equal to 58% of the market price on conversion date, where the market price is equal to the average of the lowest three trading prices in the prior ten trading days as of the conversion date. The conversion feature limits issuing shares of stock to 4.99% of the total issued and outstanding shares. The Company has the right to repay the note within 180 days from April 8, 2013, in consideration of the payment of cash equal to 120% to 140% of the outstanding balance plus accrued interest. A total of $28,500 of the debenture was converted to common stock (Note 4) during the year ended October 31, 2013. The Company has recognized interest expense and discount accretion related to the debt and equity portion of the convertible debenture totaling $33,369 for the year ended October 31, 2013. A principal payment of $23,000 was paid on May 28, 2013 to fully satisfy the remaining balance on the convertible debenture as well as a loss on extinguishment of the debenture totaling $12,500.

DEL TORO SILVER CORP.

(An Exploration Stage Company)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

OCTOBER 31, 2013 AND 2012

On February 12, 2013 the Company issued a convertible debenture with a non-related party for $37,500. Under the terms of the debenture the amount is unsecured with a stated interest rate of 8% per annum, and is due on or before November 14, 2013. Any amount of principal or interest on this debenture which is not paid when due will bear interest at the rate of 22% per annum from the due date thereof. The debenture is convertible into common shares of the Company commencing August 11, 2013 (180 days from the issuance date), at a conversion price equal to 50% of the market price on conversion date, where the market price is equal to the average of the lowest three trading prices in the prior ten trading days as of the conversion date. The conversion feature limits issuing shares of stock to 4.99% of the total issued and outstanding shares. The Company has the right to repay the note within 180 days from February 12, 2013, in consideration of the payment of cash equal to 120% to 145% of the outstanding balance plus accrued interest. The Company has recognized interest expense and discount accretion related to the debt and equity portion of the convertible debenture totaling $28,487 for the year ended October 31, 2013. A principal payment of $37,500 was paid on August 27, 2013 to fully satisfy the remaining balance on the convertible debenture as well as a loss on extinguishment of the debenture totaling $16,752.

On April 2, 2013 the Company issued a convertible debenture with a non-related party for $32,500. Under the terms of the debenture the amount is unsecured with a stated interest rate of 8% per annum, and is due on or before January 4, 2014. Any amount of principal or interest on this debenture which is not paid when due will bear interest at the rate of 22% per annum from the due date thereof. The debenture is convertible into common shares of the Company commencing September 29, 2013 (180 days from the issuance date), at a conversion price equal to 50% of the market price on conversion date, where the market price is equal to the average of the lowest three trading prices in the prior ten trading days as of the conversion date. The conversion feature limits issuing shares of stock to 4.99% of the total issued and outstanding shares. The Company has the right to repay the note within 180 days from April 2, 2013, in consideration of the payment of cash equal to 120% to 145% of the outstanding balance plus accrued interest. The Company has recognized interest expense and discount accretion related to the debt and equity portion of the convertible debenture totaling $21,777 for the year ended October 31, 2013. A principal payment of $32,500 was paid on September 24, 2013 to fully satisfy the remaining balance on the convertible debenture as well as a loss on extinguishment of the debenture totaling $14,639.

On September 20, 2013 the Company issued a convertible debenture with a non-related party for $50,000. Under the terms of the debenture the amount is unsecured with a stated interest rate of 8% per annum, and is due on or before September 20, 2014. The debenture is convertible into common shares of the Company commencing from the date of issuance, at a conversion price of $0.05 per share. A total of $1,139 of interest has been accreted for the year ended October 31, 2013 and the unamortized discount was $8,861 as of October 31, 2013 related to the intrinsic value of the beneficial conversion feature.

On October 21, 2013 the Company issued a convertible debenture with a non-related party for $51,500. Under the terms of the debenture the amount is unsecured with a stated interest rate of 8% per annum, and is due on or before July 23, 2014. Any amount of principal or interest on this debenture which is not paid when due will bear interest at the rate of 22% per annum from the due date thereof. The debenture is convertible into common shares of the Company commencing April 19, 2014 (180 days from the issuance date), at a conversion price equal to 50% of the market price on conversion date, where the market price is equal to the average of the lowest three trading prices in the prior ten trading days as of the conversion date. The conversion feature limits issuing shares of stock to 4.99% of the total issued and outstanding shares. The Company has the right to repay the note within 180 days from date of issuance, in consideration of the payment of cash equal to 120% to 145% of the outstanding balance plus accrued interest. A total of $1,893 of interest has been accreted for the year ended October 31, 2013 and the unamortized discount was $49,607 as of October 31, 2013 related to the intrinsic value of the beneficial conversion feature.

DEL TORO SILVER CORP.

(An Exploration Stage Company)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

OCTOBER 31, 2013 AND 2012

NOTE 9 – COMMITMENTS

The Company entered into an investor relations agreement with a consulting company on January 26, 2012. Pursuant to the agreement, the Company agreed to pay $1,000 and issue an aggregate of 140,000 common shares during the next six months. As of October 31, 2013 40,000 shares have been issued relative to this agreement. At the time the financial statements were released, both parties have agreed to temporarily delay the agreement.

NOTE 10 – INCOME TAXES

The Company has net operating losses carried forward of $1,461,584 available to offset taxable income in future years which expire beginning in fiscal 2028.

The Company is subject to the United States federal and state income taxes at an approximate rate of 34%. The reconciliation of the provision for income taxes at the United States federal statutory rate compared to the Company's income tax expense as reported is as follows:

	2013	2012
Net loss before income taxes per financial statements	$(703,595)	$(765,510)
Income tax rate	34 %	34 %
Income tax recovery	(239,222)	(260,273)
Permanent differences and other	106	(629)
Change in valuation allowance	239,116	260,902

Provision for income taxes	$-	$-

The significant components of deferred income tax assets and liabilities as of October 31, 2012 and 2011 are as follows:

	2013	2012
Mineral property costs	$159,213	$150,912
Stock based compensation	58,211	25,029
Net operating losses carried forward	496,939	329,222
Share issuance costs	6,610	6,610
Valuation allowance	(720,973)	(511,773)
Net deferred income tax asset	$-	$-

NOTE 11 – SUBSEQUENT EVENTS

As previously announced, on November 14, 2011, the Company, entered into an asset sale agreement with Bowerman Holdings LLC to acquire up to 75% of Bowerman's right, title and interest in and to 31 KM mining claims and 17 Raddlefinger mining claims located in Siskiyou County, California. Closing of the acquisition was scheduled to occur by May 31, 2013, however the Company and Bowerman had extended the closing date of the Asset Sale Agreement to November 30, 2013.

Effective November 30, 2013, the Company and Bowerman have agreed to three additional 90 day extensions for the closing.

DEL TORO SILVER CORP.

(An Exploration Stage Company)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

OCTOBER 31, 2013 AND 2012

On December 18, 2013 (the "Issue Date"), the Company entered into a securities purchase agreement with a non-related party. Under the terms of the agreement the Company issued an 8% convertible promissory note, in the principal amount of $31,500, which note matures on September 20, 2014 and may be converted into shares of the Company's common stock at any time after 180 days from the Issue Date, subject to adjustments as further set out in the Note. The conversion price shall be at a variable conversion rate of 50% multiplied by the market price, being the average of the lowest three trading prices for the Company's common stock during the 10 trading day period ended on the latest complete trading day prior to the conversion date, subject to adjustments as further set out in the Note.

The Company has the right to prepay the Note within 30 days of the Issue Date, in consideration of the payment of an amount equal to 120%, multiplied by the sum of the then outstanding principal amount of the Note plus accrued and unpaid interest on the unpaid principal, plus default interest, if any, and plus any amounts owed to the lender.

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure

There were no disagreements with our accountants related to accounting principles or practices, financial statement disclosure, internal controls or auditing scope or procedure during the two fiscal years and subsequent interim periods.

Item 9A. Controls and Procedures

Management's Report on Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our reports filed under the *Securities Exchange Act of 1934* , as amended, 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 president (our principal executive officer) and our chief financial officer (our principal financial officer and principal accounting officer) to allow for timely decisions regarding required disclosure

As of October 31, 2013, the end of our fiscal year covered by this report, we carried out an evaluation, under the supervision and with the participation of our president (our principal executive officer) and our chief financial officer (our principal financial officer and principle accounting officer), of the effectiveness of the design and operation of our disclosure controls and procedures. Based on the foregoing, our president (our principal executive officer) and our chief financial officer (our principal financial officer and principal accounting officer) concluded that our disclosure controls and procedures were not effective as of the end of the period covered by this annual report.

The conclusion that our disclosure controls and procedures were not effective was due to the presence of material weaknesses in internal control over financial reporting as identified below under the heading "Management's Report on Internal Control Over Financial Reporting." Management anticipates that such disclosure controls and procedures will not be effective until the material weaknesses are remediated. Our company intends to remediate the material weaknesses as set out below.

Management's Report on Internal Control over Financial Reporting

Our company's management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) for our company. Our company's internal control over financial reporting is designed to provide reasonable assurance, not absolute assurance, regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles in the United States of America. Internal control over financial reporting includes those policies and procedures that: (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our company's assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles in the United States of America, and that our company's receipts and expenditures are being made only in accordance with authorizations of our management and directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. In addition, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions and that the degree of compliance with the policies or procedures may deteriorate.

Our Management, including our principal executive officer and our principal financial officer, conducted an evaluation of the design and operation of our internal control over financial reporting as of October 31, 2013 based on the criteria set forth in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. This evaluation included review of the documentation of controls, evaluation of the design effectiveness of controls, testing of the operating effectiveness of controls and a conclusion on this evaluation. Based on this evaluation, our management concluded our internal control over financial reporting was not effective as at October 31, 2013 due to the following material weaknesses which are indicative of many small companies with small staff: (i) inadequate segregation of duties and effective risk assessment; and (ii) insufficient written policies and procedures for accounting and financial reporting with respect to the requirements and application of both US GAAP and SEC guidelines.

Our company plans to take steps to enhance and improve the design of our internal controls over financial reporting. During the period covered by this annual report on Form 10-K, we have not been able to remediate the material weaknesses identified above. To remediate such weaknesses, we plan to implement the following changes during our fiscal year ending October 31, 2014: (i) appoint additional qualified personnel to address inadequate segregation of duties and ineffective risk management; and (ii) adopt sufficient written policies and procedures for accounting and financial reporting. The remediation efforts set out in (i) is largely dependent upon our company securing additional financing to cover the costs of implementing the changes required. If we are unsuccessful in securing such funds, remediation efforts may be adversely affected in a material manner.

Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues, if any, within our company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal controls over financial reporting that occurred during the year ended October 31, 2013 that have materially or are reasonably likely to materially affect, our internal controls over financial reporting.

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The following individuals serve as the directors and executive officers of our company as of the date of this annual report. All directors of our company hold office until the next annual meeting of our shareholders or until their successors have been elected and qualified. The executive officers of our company are appointed by our board of directors and hold office until their death, resignation or removal from office.

Name	Position Held with Our Company	Age	Date First Elected or Appointed
Greg Painter	President, Chief Executive Officer, Secretary, Treasurer and Director	65	July 6, 2011
Patrick Fagen	Chief Financial Officer and Director	56	August 24, 2011

Business Experience

The following is a brief account of the education and business experience during at least the past five years of each director, executive officer and key employee of our company, indicating the person's principal occupation during that period, and the name and principal business of the organization in which such occupation and employment were carried out.

Greg Painter - President, Chief Executive Officer Secretary, Treasurer and Director

Mr. Painter was elected a director and appointed our president, chief executive officer, secretary and treasurer on July 6, 2011.

Mr. Painter has a Master's degree in Education from the Stanford University and a BA in English Literature from Stanford. Mr. Painter also received his General Contractor designation from the State of Nevada. Mr. Painter has been self-employed since 1983 in various construction and development businesses.

Patrick Fagen – Chief Financial Officer and Director

Mr. Fagen was elected a director and appointed chief financial officer of our company on August 24, 2011.

Patrick Fagen is a founder and executive of three privately held oil exploration and mining companies. He graduated with a BS degree from Auburn University in 1979 and is experienced in many facets of the mining industry including exploration, acquisitions, feasibility analysis, permitting, planning, construction, and management.

Mr. Fagen has been the owner/operator of several successful mining projects with a particular focus on the organization and management of high grade underground mines. He specializes in California and USFS mine permitting and serves as a consultant to other mining companies in this capacity. In the past 10 years he has served as chief executive officer and been responsible for the development of several natural resource companies including Tahoe Resources LLC, Lazarus Mining LLC, Trinity Alps Resources Inc. and Tahoe Gold LLC.

Family Relationships

There are no family relationships among any of our directors, executive officers and proposed directors or executive officers.

Involvement in Certain Legal Proceedings

To the best of our knowledge, none of our directors or executive officers has, during the past ten years:

1. been convicted in a criminal proceeding or been subject to a pending criminal proceeding (excluding traffic violations and other minor offences);

2. had any bankruptcy petition filed by or against the business or property of the person, or of any partnership, corporation or business association of which he was a general partner or executive officer, either at the time of the bankruptcy filing or within two years prior to that time;

3. been subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction or federal or state authority, permanently or temporarily enjoining, barring, suspending or otherwise limiting, his involvement in any type of business, securities, futures, commodities, investment, banking, savings and loan, or insurance activities, or to be associated with persons engaged in any such activity;

4. been found by a court of competent jurisdiction in a civil action or by the Securities and Exchange Commission or the Commodity Futures Trading Commission to have violated a federal or state securities or commodities law, and the judgment has not been reversed, suspended, or vacated;

5. been the subject of, or a party to, any federal or state judicial or administrative order, judgment, decree, or finding, not subsequently reversed, suspended or vacated (not including any settlement of a civil proceeding among private litigants), relating to an alleged violation of any federal or state securities or commodities law or regulation, any law or regulation respecting financial institutions or insurance companies including, but not limited to, a temporary or permanent injunction, order of disgorgement or restitution, civil money penalty or temporary or permanent cease-and-desist order, or removal or prohibition order, or any law or regulation prohibiting mail or wire fraud or fraud in connection with any business entity; or

6. been the subject of, or a party to, any sanction or order, not subsequently reversed, suspended or vacated, of any self-regulatory organization (as defined in Section 3(a)(26) of the Exchange Act (15 U.S.C. 78c(a)(26))), any registered entity (as defined in Section 1(a)(29) of the Commodity Exchange Act (7 U.S.C. 1(a)(29))), or any equivalent exchange, association, entity or organization that has disciplinary authority over its members or persons associated with a member.

Compliance with Section 16(a) of the Securities Exchange Act of 1934

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires our executive officers and directors and persons who own more than 10% of a registered class of our equity securities to file with the Securities and Exchange Commission initial statements of beneficial ownership, reports of changes in ownership and annual reports concerning their ownership of our shares of common stock and other equity securities, on Forms 3, 4 and 5, respectively. Executive officers, directors and greater than 10% shareholders are required by the Securities and Exchange Commission regulations to furnish us with copies of all Section 16(a) reports they file.

Based solely on our review of the copies of such forms received by us, or written representations from certain reporting persons, we believe that during fiscal year ended October 31, 2013, all filing requirements applicable to our officers, directors and greater than 10% percent beneficial owners were complied with.

Code of Ethics

We adopted a Code of Ethics applicable to all of our directors, officers, employees and consultants, which is a “code of ethics” as defined by applicable rules of the Securities and Exchange Commission. Our Code of Ethics was attached as an exhibit to our annual report filed on Form 10-KSB with the Securities and Exchange Commission on September 19, 2007. If we make any amendments to our Code of Ethics other than technical, administrative, or other non-substantive amendments, or grant any waivers, including implicit waivers, from a provision of our Code of Ethics to our chief executive officer, chief financial officer, or certain other finance executives, we will disclose the nature of the amendment or waiver, its effective date and to whom it applies in a Current Report on Form 8-K filed with the Securities and Exchange Commission.

We will provide a copy of the Code of Business Conduct and Ethics to any person without charge, upon request. Requests may be sent in writing to: Del Toro Silver Corp., 320 North Carson Street, Carson City, Nevada 89701.

Audit Committee and Audit Committee Financial Expert

Our board of directors has determined that it does not have a member of our audit committee that qualifies as an "audit committee financial expert" as defined in Item 407(d)(5)(ii) of Regulation S-K, and is "independent" as the term is used in Item 7(d)(3)(iv) of Schedule 14A under the Securities Exchange Act of 1934, as amended.

We believe that the members of our board of directors, who act as our audit committee in fulfilling that function, are collectively capable of analyzing and evaluating our financial statements and understanding internal controls and procedures for financial reporting. We believe that retaining an independent director who would qualify as an "audit committee financial expert" would be overly costly and burdensome and is not warranted in our circumstances given the early stages of our development and the fact that we have not generated any material revenues to date. In addition, we currently do not have nominating, compensation or audit committees or committees performing similar functions nor do we have a written nominating, compensation or audit committee charter. Our board of directors does not believe that it is necessary to have such committees because it believes the functions of such committees can be adequately performed by our board of directors.

Item 11. Executive Compensation

The particulars of the compensation paid to the following persons:

(a) our principal executive officer;

(b) our principal financial officer;

(c) each of our three most highly compensated executive officers who were serving as executive officers at the end of the years ended October 31, 2013 and 2012; and

(d) up to two additional individuals for whom disclosure would have been provided under (c) but for the fact that the individual was not serving as our executive officer at the end of the years ended October 31, 2013 and 2012,

who we will collectively refer to as the named executive officers of our company, are set out in the following summary compensation table, except that no disclosure is provided for any named executive officer, other than our principal executive officers, whose total compensation did not exceed $100,000 for the respective fiscal year:

SUMMARY COMPENSATION TABLE

Name and principal position	Year	Salary ($)	Bonus ($)	Stock Awards ($)	Option Awards ($)	Non-Equity incentive Plan Compensation ($)	Nonqualified Deferred Compensation Earnings ($)	All Other Compensation ($)	Total ($)
Greg Painter[1]	2013	Nil	Nil	Nil	Nil	Nil	Nil	120,000[3]	120,000
President, Chief Executive Officer, Secretary, Treasurer and Director	2012	Nil	Nil	60,000	Nil	Nil	Nil	95,000[3]	155,000
Patrick Fagen[2]	2013	Nil	Nil	Nil	Nil	Nil	Nil	84,000[3]	84,000
Chief Financial Officer and Director	2012	Nil	Nil	40,000	Nil	Nil	Nil	64,000[3]	104,000

(1) Greg Painter was appointed president, secretary, treasurer, chief financial officer and as a director on July 6, 2011.

(2) Patrick Fagen was appointed chief financial officer and as a director on August 24, 2011.

(3) The amount has been recorded in the accounts of our company, but has not been paid.

There are no arrangements or plans in which we provide pension, retirement or similar benefits for directors or executive officers. Our directors and executive officers may receive share options at the discretion of our board of directors in the future. We do not have any material bonus or profit sharing plans pursuant to which cash or non-cash compensation is or may be paid to our directors or executive officers, except that share options may be granted at the discretion of our board of directors.

We entered into consulting agreements, effective September 1, 2012, with Greg Painter, for services performed as our company’s president, chief executive officer and Patrick Fagen, for services performed as our company’s chief financial officer. Mr. Painter and Mr. Fagen are also directors of our company. The agreements with Greg Painter and Patrick Fagen expired on August 31, 2013 and are currently in the process of being renewed, and until such time will continue under the same terms as the previous agreements.

Stock Option Plan

On August 29, 2012 our directors approved the adoption of our 2012 Stock Option Plan which permits our company to grant up to 5,000,000 options to acquire shares of common stock, to directors, officers, employees and consultants of our company.

2012 Grants of Plan-Based Awards

On September 12, 2012, Greg Painter was granted an aggregate of 750,000 stock options. Of these stock options 200,000 have an exercise price of $0.10; 400,000 have an exercise price of $0.15; and 150,000 have an exercise price of $0.20. All of the 750,000 stock options are exercisable until September 12, 2017.

On September 12, 2012, Patrick Fagen was granted an aggregate of 750,000 stock options. Of these stock options 200,000 have an exercise price of $0.10; 400,000 have an exercise price of $0.15; and 150,000 have an exercise price of $0.20. All of the 750,000 stock options are exercisable until September 12, 2017.

Outstanding Equity Awards at Fiscal Year End

The particulars of unexercised options, stock that have not vested and equity incentive plan awards for our named executive officers are set out in the following table:

	Options Awards					Stock Awards			
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of That Have Not Vested ($)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Stock Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)
Greg Painter (1)	200,000	Nil	-	0.10	Sept. 12, 2017	-	-	-	-
	400,000	Nil	-	0.15	Sept. 12, 2017	-	-	-	-
	150,000	150,000	-	0.20	Sept. 12, 2017	150,000	30,000	-	-
Patrick Fagen (2)	200,000	Nil	-	0.10	Sept. 12, 2017	-	-	-	-
	400,000	Nil	-	0.15	Sept. 12, 2017	-	-	-	-
	150,000	150,000	-	0.20	Sept. 12, 2017	150,000	30,000	-	-

(1) Greg Painter was appointed as a director of our company on July 6, 2011.

(2) Patrick Fagen was appointed as a director of our company on August 24, 2011.

Option Exercises

During our fiscal year ended October 31, 2013, there were no options exercised by our named officers.

Compensation of Directors

We entered into consulting agreements, effective September 1, 2012, with Greg Painter, for services performed as our company's president, chief executive officer and Patrick Fagen, for services performed as our company's chief financial officer. Mr. Painter and Mr. Fagen are also directors of our company.

Pursuant to the terms of the consulting agreement with Greg Painter, compensation for the provision of services for the 14 months prior to the effective date was $75,000 and the issuance of 750,000 shares of common stock of our company. The cash portion shall continue to accrue and interest shall accrue on the unpaid balance of the cash portion due after the effective date at the rate of 5% per annum. Until such time as this payment has been made, Greg Painter shall be entitled to convert the cash portion due and any accrued interest into additional shares of our company at the conversion price of $0.10 per share. The 750,000 common shares were issued to Mr. Painter on October 31, 2012 at a deemed value of $0.08 per share.

Compensation to Greg Painter under the consulting agreement shall be $10,000 per month. The cash portion shall continue to accrue and interest shall accrue on the unpaid balance of the cash portion at the rate of 5% per annum. At the end of the term of Greg Painter's consulting agreement, Mr. Painter may elect to have all accrued and unpaid compensation including unpaid interest, payable in common shares of our company based on the price of 80% of the average closing prices for the five trading days prior to the end of the term. The agreement with Greg Painter expired on August 31, 2013 and is currently in the process of being renewed. The amounts payable under the agreement continue to accrue.

Pursuant to the terms of the consulting agreement with Patrick Fagen, compensation for the provision of services for the 14 months prior to the effective date shall be $50,000 and the issuance of 500,000 shares of common stock of our company. The cash portion shall continue to accrue and interest shall accrue on the unpaid balance of the cash portion due after the effective date at the rate of 5% per annum. Until such time as this payment has been made, Patrick Fagen shall be entitled to convert the cash portion due and any accrued interest into additional shares of our company at the conversion price of $0.10 per share. The 500,000 common shares were issued to Mr. Fagen on October 31, 2012 at a deemed value of $0.08 per share.

Compensation to Patrick Fagen under the consulting agreement shall be $7,000 per month. The cash portion shall continue to accrue and interest shall accrue on the unpaid balance of the cash portion at the rate of 5% per annum. At the end of the term of Patrick Fagen's consulting agreement, Mr. Fagen may elect to have all accrued and unpaid compensation including unpaid interest, payable in common shares of our company based on the price of 80% of the average closing prices for the five trading days prior to the end of the term. The agreement with Patrick Fagen expired on August 31, 2013 and is currently in the process of being renewed. The amounts payable under the agreement continue to accrue.

On October 31, 2012, our company issued an aggregate of 1,250,000 common shares of capital stock pursuant to the terms of consulting agreements dated September 1, 2012 with Greg Painter, our company's president, chief executive officer, secretary, treasurer and director and with Patrick Fagen, our company's chief financial officer and director. We issued 750,000 common shares to Mr. Painter and 500,000 common shares to Mr. Fagen at a deemed value of $0.08 per share.

We have determined that none of our directors are independent directors, as that term is used in Item 7(d)(3)(iv)(B) of Schedule 14A under the *Securities Exchange Act of 1934*, as amended, and as defined by Rule 4200(a)(15) of the NASDAQ Marketplace Rules.

Pension, Retirement or Similar Benefit Plans

There are no arrangements or plans in which we provide pension, retirement or similar benefits for directors or executive officers. We have no material bonus or profit sharing plans pursuant to which cash or non-cash compensation is or may be paid to our directors or executive officers, except that stock options may be granted at the discretion of the board of directors or a committee thereof.

Indebtedness of Directors, Senior Officers, Executive Officers and Other Management

None of our directors or executive officers or any associate or affiliate of our company during the last two fiscal years is or has been indebted to our company by way of guarantee, support agreement, letter of credit or other similar agreement or understanding currently outstanding.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The following table sets forth, as of January 22, 2014, certain information with respect to the beneficial ownership of our common shares by each shareholder known by us to be the beneficial owner of more than 5% of our common shares, as well as by each of our current directors and executive officers as a group. Each person has sole voting and investment power with respect to the shares of common stock, except as otherwise indicated. Beneficial ownership consists of a direct interest in the shares of common stock, except as otherwise indicated.

Name and Address of Beneficial Owner	Title of Class	Amount and Nature of Beneficial Ownership	Percentage of Class[(1)]
Greg Painter 2436 Jacks Valley Road Genoa, NV	Common	2,269,849[(2)]	10.43%
Patrick Fagen 2229 Tahoe Vista Dr. South Lake Tahoe, CA	Common	3,611,298[(2)(3)]	16.59%
Directors and Officers as a group	***Common***	***5,881,147***	***27.02%***
Mark A. McLeary 2200 - 1177 W Hastings St. Vancouver, BC, Canada	Common	4,950,000	22.74%

(1) Based on 21,763,623 shares of common stock issued and outstanding as of January 22, 2014. Except as otherwise indicated, we believe that the beneficial owners of the common shares listed above, based on information furnished by such owners, have sole investment and voting power with respect to such shares, subject to community property laws where applicable. Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission and generally includes voting or investment power with respect to securities. Shares of common stock subject to options or warrants currently exercisable or exercisable within 60 days, are deemed outstanding for purposes of computing the percentage ownership of the person holding such option or warrants, but

are not deemed outstanding for purposes of computing the percentage ownership of any other person.

(2) Includes options to acquire an aggregate of 750,000 shares of common stock by each of Mr. Painter and Mr. Fagen, exercisable within 60 days.

(3) Includes the following common shares held indirectly by Patrick Fagen:

- 575,000 common shares held in the name of the Patrick Fagen IRA Account; and
- 365,000 common shares held in the name of the Grant Fagen Custodial Account.

Changes in Control

We are unaware of any contract or other arrangement or provisions of our Articles or Bylaws the operation of which may at a subsequent date result in a change of control of our company. There are not any provisions in our Articles or Bylaws, the operation of which would delay, defer, or prevent a change in control of our company.

Item 13. Certain Relationships and Related Transactions, and Director Independence

Except as disclosed herein, no director, executive officer, shareholder holding at least 5% of shares of our common stock, or any family member thereof, had any material interest, direct or indirect, in any transaction, or proposed transaction since the year ended October 31, 2013, in which the amount involved in the transaction exceeded or exceeds the lesser of $120,000 or one percent of the average of our total assets at the year-end for the last three completed fiscal years.

Both Patrick Fagen and Greg Painter, our two directors and officers, are indirectly majority interest holders in Bowerman Holdings LLC, as they have a direct ownership interest in Trinity Alps Resources, Inc., which is the sole member of Bowerman Holdings LLC. Collectively, Messrs. Fagen and Painter hold a majority interest in Trinity Alps Resources, Inc.

Patrick Fagen, an officer and director of our company, is a direct minority interest holder in Natchez Pass, LLC.

Director Independence

We currently act with two directors, consisting of Greg Painter and Patrick Fagen. We have determined that none of our directors is an "independent director" as defined in NASDAQ Marketplace Rule 4200(a)(15).

We do not have a standing audit, compensation or nominating committee, but our entire board of directors acts in such capacities. We believe that our members of our board of directors are capable of analyzing and evaluating our financial statements and understanding internal controls and procedures for financial reporting. The board of directors of our company does not believe that it is necessary to have an audit committee because we believe that the functions of an audit committee can be adequately performed by the board of directors. In addition, we believe that retaining an independent director who would qualify as an "audit committee financial expert" would be overly costly and burdensome and is not warranted in our circumstances given the early stages of our development.

Item 14. Principal Accounting Fees and Services

The aggregate fees billed for the most recently completed fiscal year ended October 31, 2013 and for fiscal year ended October 31, 2012 for professional services rendered by the principal accountant for the audit of our annual financial statements and review of the financial statements included in our quarterly reports on Form 10-Q and services that are normally provided by the accountant in connection with statutory and regulatory filings or engagements for these fiscal periods were as follows:

	Year Ended	
	October 31, 2013	**October 31, 2012**
	$	**$**
Audit Fees	21,000	21,000
Audit Related Fees	Nil	Nil

Tax Fees	2,500	2,500
All Other Fees	Nil	Nil
Total	23,500	23,500

Our board of directors pre-approves all services provided by our independent auditors. All of the above services and fees were reviewed and approved by the board of directors either before or after the respective services were rendered.

Our board of directors has considered the nature and amount of fees billed by our independent auditors and believes that the provision of services for activities unrelated to the audit is compatible with maintaining our independent auditors' independence.

64

PART IV

Item 15. Exhibits, Financial Statement Schedules

(a) Financial Statements

(1) Financial statements for our company are listed in the index under Item 8 of this document

(2) All financial statement schedules are omitted because they are not applicable, not material or the required information is shown in the financial statements or notes thereto.

(b) Exhibits

Exhibit Number	Description
(3)	**Articles of Incorporation and Bylaws**
3.1	Articles of Incorporation (incorporated by reference to our Form SB-2 Registration Statement filed on January 22, 2007)
3.2	Bylaws (incorporated by reference to our Form SB-2 Registration Statement, filed on January 22, 2007)
3.3	Articles of Merger (incorporated by reference to our Current Report on Form 8-K, filed on August 19, 2009)
(10)	**Material Contracts**
10.1	Letter of Intent between our company and Yale Resources Ltd. dated February 24, 2009 (incorporated by reference to our Quarterly Report on Form 10-Q, filed on June 18, 2009)
10.2	Amendment to Letter of Intent between our company and Yale Resources Ltd. dated March 11, 2009 (incorporated by reference to our Quarterly Report on Form 10-Q, filed on June 18, 2009)
10.3	Option Agreement between our company and Yale Resources Ltd. dated July 7, 2009 (incorporated by reference to our Current Report on Form 8-K, filed on July 15, 2009)
10.4	Amendment to Option Agreement between our company and Yale Resources Ltd. dated June 25, 2010 (incorporated by reference to our Current Report on Form 8-K, filed on June 29, 2010)
10.5	Amendment #2 to Option Agreement between our company and Yale Resources Ltd. dated October 21, 2010 (incorporated by reference to our Current Report on Form 8-K filed on October 25, 2010)

10.6	Asset Sale Agreement between our company and Bowerman Holdings, LLC dated November 14, 2011 (incorporated by reference to an exhibit to our Current Report on Form 8-K filed on November 21, 2011)
10.7	Joint Operations Agreement between our company and Bowerman Holdings, LLC dated November 14, 2011 (incorporated by reference to an exhibit to our Current Report on Form 8-K filed on November 21, 2011)
10.8	Investor Relations and Consulting Agreement between our company and Stock Signal IR and Consulting Group dated January 26, 2012 (incorporated by reference to an exhibit to our Current Report on Form 8-K filed on February 2, 2012)
10.9	Amendment #3 to Option Agreement between our company and Yale Resources Ltd. dated July 9, 2012 (incorporated by reference to our Current Report on Form 8-K filed on July 9, 2012)
10.10	Convertible Loan Agreement between our company and Greg Painter dated May 26, 2012 (incorporated by reference to our Current Report on Form 8-K filed on May 29, 2012)
10.11	Convertible Loan Agreement between our company and Patrick Fagen dated May 26, 2012 (incorporated by reference to our Current Report on Form 8-K filed on May 29, 2012)
10.12	Convertible Loan Agreement between our company and Patrick Fagen dated July 16, 2012 (incorporated by reference to our Current Report on Form 8-K filed on July 20, 2012)

Exhibit Number	Description
10.13	2012 Stock Option Plan (incorporated by reference to our Current Report on Form 8-K filed on August 30, 2012)
10.14	Convertible Loan Agreement between our company and Patrick Fagen dated August 30, 2012 (incorporated by reference to our Current Report on Form 8-K filed on September 5, 2012)
10.15	Partial Property Option Agreement between our company and Natchez Pass LLC dated August 31, 2012 (incorporated by reference to our Current Report on Form 8-K filed on September 6, 2012)
10.16	Consulting Agreement between our company and Greg Painter dated September 1, 2012 (incorporated by reference to our Current Report on Form 8-K filed on September 5, 2012)
10.17	Consulting Agreement between our company and Patrick Fagen dated September 1, 2012 (incorporated by reference to our Current Report on Form 8-K filed on September 5, 2012)
10.18	Convertible Loan Agreement between our company and Patrick Fagen dated September 21, 2012 (incorporated by reference to our Current Report on Form 8-K filed on September 26, 2012)
10.19	Securities Purchase Agreement between our company and Asher Enterprises, Inc. dated October 10, 2012 (incorporated by reference to our Current Report on Form 8-K filed on October 25, 2012)
10.20	Convertible Loan Agreement between our company and Patrick Fagen dated December 11, 2012 (incorporated by reference to our Current Report on Form 8-K filed on December 12, 2012)
10.21	Partial Purchase Option Agreement, Second Amendment between our company and Natchez Pass LLC dated January 15, 2013 (incorporated by reference to our Current Report on Form 8-K filed on January 16, 2013)
10.22	Securities Purchase Agreement between our company and Asher Enterprises, Inc. dated February 12, 2013 (incorporated by reference to our Current Report on Form 8-K filed on March 1, 2013)
10.23	Convertible Promissory Note between our company and Asher Enterprises, Inc. dated February 12, 2013 (incorporated by reference to our Current Report on Form 8-K filed on March 1, 2013)
10.24*	Letter of Intent between our company and Noble Mining Inc. dated March 15, 2013.
10.25	Securities Purchase Agreement between our company and Asher Enterprises, Inc. dated April 2, 2013 (incorporated by reference to our Current Report on Form 8-K filed on April 8, 2013)
10.26	Convertible Promissory Note between our company and Asher Enterprises, Inc. dated April 2, 2013 (incorporated by reference to our Current Report on Form 8-K filed on April 8, 2013)
10.27	Convertible Loan Agreement between our company and Greg Painter dated May 6, 2013 (incorporated by reference to our Current Report on Form 8-K filed on May 10, 2013)

10.28	Extension Agreement between our company and Bowerman Holdings, LLC dated May 31, 2013 (incorporated by reference to an exhibit to our Current Report on Form 8-K filed on May 31, 2013)
10.29	Convertible Loan Agreement between our company and Arnold Fagen dated May 24, 2013 (incorporated by reference to our Current Report on Form 8-K filed on June 12, 2013)
10.30	Purchase Option Termination Agreement between our company and Natchez Pass LLC dated June 6, 2013 (incorporated by reference to our Current Report on Form 8-K filed on June 12, 2013)
10.31	Convertible Loan Agreement between our company and Patrick Fagen dated June 14, 2013 (incorporated by reference to our Current Report on Form 8-K filed on June 19, 2013)
10.32	Convertible Loan Agreement between our company and Patrick Fagen dated July 19, 2013 (incorporated by reference to our Current Report on Form 8-K filed on July 26, 2013)
10.33	Termination Agreement between our company and Alta Vista Ventures Ltd. dated September 13, 2013 (incorporated by reference to our Current Report on Form 8-K filed on September 16, 2013)
(14)	**Code of Ethics**
14.1	Code of Ethics (incorporated by reference to our Quarterly Report on Form 10-QSB filed on September 19, 2007)

66

Exhibit Number	Description
(31)	**Rule 13a-14(a) / 15d-14(a) Certifications**
31.1*	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 of the Chief Executive Officer
31.2*	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 of the Chief Financial Officer
(32)	**Section 1350 Certifications**
32.1*	Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 of the Chief Executive Officer
32.2*	Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 of the Chief Financial Officer
(99)	**Additional Exhibits**
99.1	Audit Committee Charter (incorporated by reference to our Annual Report on Form 10-K filed on January 29, 2009)
101**	**Interactive Data Files**
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

* *Filed herewith.*

** *Furnished herewith. Pursuant to Rule 406T of Regulation S-T, the Interactive Data Files on Exhibit 101 hereto are deemed not filed or part of any registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, are deemed not filed for purposes of Section 18 of the Securities and Exchange Act of 1934, and otherwise are not subject to liability under those sections.*

SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

DEL TORO SILVER CORP.
(Registrant)

Dated: February 11, 2014 */s/ Greg Painter*
Greg Painter
President, Chief Executive Officer, Secretary, Treasurer and Director
(Principal Executive Officer)

Dated: February 11, 2014 */s/ Patrick Fagen*
Patrick Fagen
Chief Financial Officer and Director
(Principal Financial Officer and Principal Accounting Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Dated: February 11, 2014 */s/ Greg Painter*
Greg Painter
President, Chief Executive Officer, Secretary, Treasurer and Director
(Principal Executive Officer)

Dated: February 11, 2014 */s/ Patrick Fagen*
Patrick Fagen
Chief Financial Officer and Director
(Principal Financial Officer and Principal Accounting Officer)

68