

HERCULES OFFSHORE, INC.

Form DEF 14A

March 14, 2008

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
SCHEDULE 14A**

Proxy Statement Pursuant to Section 14(a) of the Securities  
Exchange Act of 1934 (Amendment No. )

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

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

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

Hercules Offshore, Inc.

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

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

(2) Aggregate number of securities to which transaction applies:

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

(4) Proposed maximum aggregate value of transaction:

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

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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**HERCULES OFFSHORE, INC.**  
**9 Greenway Plaza, Suite 2200**  
**Houston, Texas 77046**

**NOTICE OF 2008 ANNUAL MEETING OF STOCKHOLDERS**  
**To Be Held on April 23, 2008**

To the Stockholders  
of Hercules Offshore, Inc.:

The annual meeting of stockholders of Hercules Offshore, Inc. will be held on April 23, 2008, at 10:00 a.m., local time, at the InterContinental Hotel, 2222 West Loop South, Houston, Texas for the following purposes:

1. To elect two directors to the class of directors whose term will expire at the 2011 Annual Meeting of Stockholders;
2. To approve our Employee Stock Purchase Plan;
3. To ratify the appointment of Ernst & Young LLP as our independent registered public accounting firm for the year ending December 31, 2008;
4. To approve the adjournment of the meeting, if necessary or appropriate, to solicit additional proxies in favor of any of the foregoing proposals; and
5. To transact such other business as may properly come before the meeting or any adjournments or postponements thereof.

Attached to this notice is a proxy statement setting forth information with respect to the above items and certain other information.

The board of directors has fixed the close of business on March 3, 2008 as the record date for the determination of stockholders entitled to notice of and to vote at the annual meeting or any adjournment or postponement thereof. Only holders of record of our common stock at the close of business on the record date are entitled to notice of and to vote at the meeting. For a period of 10 days prior to the meeting, a complete list of such stockholders will be available at our executive offices for inspection by stockholders during normal business hours for proper purposes.

Your vote is important. All stockholders are cordially invited to attend the meeting. ***We urge you, whether or not you plan to attend the meeting, to submit your proxy by completing, signing, dating and mailing the enclosed proxy card in the postage-paid envelope provided.*** If a stockholder who has submitted a proxy attends the meeting in person, such stockholder may revoke the proxy and vote in person on all matters submitted at the meeting.

By Order of the Board of Directors

James W. Noe  
*Senior Vice President, General Counsel,  
Chief Compliance Officer and Secretary*

Houston, Texas

March 14, 2008

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**HERCULES OFFSHORE, INC.**  
**9 Greenway Plaza, Suite 2200**  
**Houston, Texas 77046**

**PROXY STATEMENT**  
**For 2008 Annual Meeting of Stockholders**  
**To Be Held on April 23, 2008**

**GENERAL**

This proxy statement is furnished to stockholders of Hercules Offshore, Inc. in connection with the solicitation of proxies by our board of directors for use at the annual meeting of stockholders to be held on April 23, 2008, or at any adjournment or postponement thereof, at the time and place and for the purposes specified in the accompanying notice of annual meeting. The approximate date of mailing of this proxy statement and the accompanying proxy, together with our 2007 annual report, is March 18, 2008.

**Proxies and Voting Instructions**

If you hold shares of our common stock in your name, you can submit your proxy by completing, signing and dating your proxy card and mailing it in the postage-paid envelope provided. Proxy cards must be received by us before voting begins at the annual meeting.

If you hold shares of our common stock through someone else, such as a bank, broker or other nominee, you may obtain material from them asking you how you want to vote your shares. Please follow the directions provided by the nominee to indicate how you want to vote.

You may revoke your proxy at any time prior to its exercise by:

giving written notice of the revocation to our corporate secretary;

appearing and voting in person at the annual meeting; or

delivering a later-dated proxy card to our corporate secretary.

Your attendance at the annual meeting in person without voting will not automatically revoke your proxy. If you hold shares through someone else, such as a bank, broker or other nominee, and you desire to revoke your proxy, you should follow the instructions provided by your nominee.

**Voting Procedures and Tabulation**

We will appoint one or more inspectors of election to act at the annual meeting and to make a written report thereof. The inspectors will ascertain the number of shares outstanding and the voting power of each, determine the shares represented at the annual meeting and the validity of proxies and ballots, count all votes and ballots, and perform certain other duties. The determination of the inspectors as to the validity of proxies will be final and binding.

All properly executed written proxies delivered pursuant to this solicitation, and not later revoked, will be voted at the annual meeting in accordance with the instructions given in the proxy. Stockholders should vote their shares on the enclosed proxy card. If no choice is indicated, proxies that are signed and returned will be voted **FOR** the election of

all director nominees, FOR approval of our Employee Stock Purchase Plan, FOR approval of the ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for the year ending December 31, 2008 and FOR approval of the adjournment of the meeting, if necessary or appropriate, to solicit additional proxies in favor of any of the foregoing proposals. All shares of our

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common stock represented by properly executed and unrevoked proxies will be voted if such proxies are received in time for the meeting.

The two nominees for director who receive the greatest number of votes cast at the meeting will be elected as directors. Cumulative voting is not permitted in the election of directors. The approval of our Employee Stock Purchase Plan, the ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for the year ending December 31, 2008 and the adjournment proposal are subject to the approval of a majority of the shares of common stock voting on the matter.

Abstentions and broker non-votes (proxies submitted by brokers that do not indicate a vote for a proposal because they do not have discretionary voting authority and have not received instructions as to how to vote on the proposal) are counted as present in determining whether the quorum requirement for the annual meeting is satisfied. For purposes of determining the outcome of any matter to be voted upon as to which the holder has abstained or as to which the broker has physically indicated on the proxy that the broker does not have discretionary authority to vote, these shares will be treated as not voting with respect to that matter.

With regard to the election of directors, votes may be cast in favor of or withheld from each nominee. Votes that are withheld will be excluded entirely from the vote and will have no effect. Broker non-votes will have no effect on the outcome of the election of directors.

With regard to the proposals to approve our Employee Stock Purchase Plan, to ratify the appointment of Ernst & Young LLP as independent registered public accounting firm for 2008 and to approve the adjournment proposal, abstentions and broker non-votes will not affect the outcome of the voting on the proposals.

### **VOTING SECURITIES**

Our only outstanding voting securities are shares of our common stock. Only holders of record of common stock at the close of business on March 3, 2008, the record date for the annual meeting, are entitled to notice of and to vote at the annual meeting. On the record date for the annual meeting, there were 89,475,008 shares outstanding and entitled to be voted at the annual meeting. A majority of such shares, present in person or represented by proxy, is necessary to constitute a quorum. Each share is entitled to one vote.

### **IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE STOCKHOLDERS MEETING TO BE HELD ON APRIL 23, 2008**

This proxy statement and our 2007 annual report to shareholders are available at <http://www.proxydocs.com/hero>.

### **ELECTION OF DIRECTORS (Item 1 on Proxy Card)**

Our certificate of incorporation provides for three classes of directors serving staggered three-year terms. There are two Class III directors whose terms expire at the 2008 annual meeting: F. Gardner Parker and John T. Reynolds. The nominating and governance committee of our board of directors has approved, and our board has unanimously nominated, Mr. Parker and Mr. Reynolds for reelection as directors of Hercules Offshore to serve until the 2011 annual meeting of stockholders or until his successor is elected and qualified. If any of the nominees becomes unavailable for any reason, which is not anticipated, the board of directors in its discretion may designate a substitute nominee. If you have filled out the accompanying proxy card in favor of the unavailable nominee, your vote will be cast for the substitute nominee designated by the board of directors.



The directors nominated for election this year will be elected by a plurality of the shares of our common stock present in person or represented by proxy at the annual meeting and entitled to vote. In other words, the two nominees for director who receive the greatest number of votes cast at the meeting will be elected as directors. All duly submitted and unrevoked proxies will be voted for the nominees selected by our board, except where authorization to do so has been withheld.

**Board Recommendation**

**Our board recommends that stockholders vote FOR the election of its nominees for director.**

## Board of Directors

Information with respect to the directors nominated for election this year, and the directors whose terms do not expire at the 2008 annual meeting, is presented below.

### *Nominees for Election as Class III Directors*

**F. Gardner Parker,**  
age 66, director since 2005

From 1970 until 1984, Mr. Parker worked at Ernst & Ernst (now Ernst & Young LLP), an accounting firm, and was a partner at that firm from 1978 until 1984. Mr. Parker has been Managing Outside Trust Manager with Camden Property Trust, a real estate investment trust, since 1998. He serves as a director of Carrizo Oil and Gas, Inc., Pinnacle Gas Resources, Inc. and Sharps Compliance Corp.

**John T. Reynolds,**  
age 37, director since 2004

Mr. Reynolds has served as Chairman of our Board of Directors since November 2005 and was Chairman of the Board of Managers of our private predecessor company from August 2004 to November 2005. Mr. Reynolds is co-founder and a managing director of Lime Rock Management LP, an energy-focused private equity firm. Prior to co-founding Lime Rock Management in 1998, Mr. Reynolds was a Vice President at Goldman Sachs & Co., an investment banking firm. He was a senior analyst for oil services in the investment research department at Goldman Sachs, where he worked from 1992 to 1998.

### *Directors Not Standing for Election*

#### **Class I Directors (Term Expiring in 2009)**

**Thomas N. Amonett,**  
age 64, director since 2007

Mr. Amonett served as a director of TODCO from May 2004 until TODCO's acquisition by Hercules Offshore in July 2007. He was appointed lead independent director of TODCO in October 2004 and was appointed Chairman of TODCO in February 2005. He has been President and Chief Executive Officer of Champion Technologies, Inc., a manufacturer and distributor of specialty chemicals and related services, since 1999. From November 1998 to June 1999, he was President, Chief Executive Officer and a director of American Residential Services, Inc., a company providing equipment and services relating to residential heating, ventilating, air-conditioning, plumbing, electrical and indoor air quality systems and appliances. From July 1996 until June 1997, Mr. Amonett was Interim President and Chief Executive Officer of Weatherford Enterra, Inc., an oilfield services and manufacturing company. Mr. Amonett also serves as a director and member of the audit committee of Orion Marine Group, Inc., a marine contractor, and a director and member of the executive compensation committee and the audit committee of Bristow Group Inc., a global provider of helicopter services.

**Randall D. Stilley,**  
age 54, director since 2004

Mr. Stilley has served as our Chief Executive Officer and President since October 2004. Prior to joining Hercules Offshore, Mr. Stilley was Chief Executive Officer of Seitel, Inc., an oilfield services company, from January

2004 to October 2004. From 2000 until he joined Seitel, Mr. Stilley was an independent business consultant and managed private investments. From 1997 until 2000, Mr. Stilley was President of the Oilfield Services Division at Weatherford International, Inc., an oilfield services company. Prior to joining Weatherford in 1997, Mr. Stilley served in a variety of positions at Halliburton Company, an oilfield services company. He is a registered professional engineer in the state of Texas and a member of the Society of Petroleum Engineers.

**Steven A. Webster,**  
age 56, director since 2005

Mr. Webster has been President and Co-Managing Partner of Avista Capital Partners LP, a partnership which he co-founded that focuses on private equity investments in energy, media, healthcare and other industries, since June 2005. From 2000 to June 2005, he served as Chairman of Global Energy Partners, an affiliate of Credit Suisse's private equity business. From 1998 to 1999, he served as President and Chief Executive Officer of R&B Falcon Corporation, a marine contract drilling company. From 1988 to 1997, Mr. Webster was Chairman and Chief Executive Officer of Falcon Drilling Company Inc., a company he founded. Mr. Webster has been a financial intermediary since 1979 and an active investor since 1984 in the energy sector. He serves as Chairman of Carrizo Oil & Gas Inc., Basic Energy Services, Inc., Solitario Resources Corporation and Pinnacle Gas Resources, Inc. He is also a trust manager of Camden Property Trust and a director of Geokinetics Inc., Grey Wolf, Inc., SEACOR Holdings Inc. and Encore Bancshares, Inc.

#### **Class II Directors (Term Expiring in 2010)**

**Suzanne V. Baer,**  
age 60, director since 2007

Ms. Baer served as a director of TODCO from May 2005 until TODCO's acquisition by Hercules Offshore in July 2007. Ms. Baer served as Executive Vice President and Chief Financial Officer of Energy Partners Ltd., an independent oil and natural gas exploration and production company focused on the shallow-to-moderate depth waters of the Gulf of Mexico, from April 2000 until her retirement in April 2005. From July 1998 until March 2000, Ms. Baer was Vice President and Treasurer of Burlington Resources Inc., an independent oil and natural gas exploration and production company, and, from October 1997 to July 1998, was Vice President and Assistant Treasurer of Burlington Resources. Ms. Baer also serves as a director and member of the audit committee of Lufkin Industries, Inc.

**Thomas R. Bates, Jr.,**  
age 58, director since 2004

Mr. Bates has been a managing director at Lime Rock Management LP, an energy-focused private equity firm, since October 2001. From February 2000 through September 2001, Mr. Bates was a business consultant. From June 1998 through January 2000, Mr. Bates was President of the Discovery Group of Baker Hughes Incorporated, an oilfield services company. From June 1997 to May 1998, he was President and Chief Executive Officer of Weatherford/Enterra, Inc., an oilfield services company. From March 1992 to May 1997, Mr. Bates was President of Anadrill at Schlumberger Limited, an oilfield services company. Mr. Bates was Vice President of Sedco Forex at Schlumberger from February 1986 to March 1992. Mr. Bates serves on the board of directors of NATCO Group Inc. and T3 Energy Services, Inc.

**Thomas M Hamilton,**  
age 64, director since 2007

Mr. Hamilton served as a director of TODCO from May 2004 until TODCO's acquisition by Hercules Offshore in July 2007. He served as the Chairman, President and Chief Executive Officer of EEX Corporation from January 1997 until his retirement in November 2002. From 1992 to 1997, Mr. Hamilton served as Executive Vice President of Pennzoil Company and as President of Pennzoil Exploration and Production Company. Mr. Hamilton was a director of BP Exploration, where he served as Chief Executive Officer

of the Frontier and International Operating Company of BP Exploration from 1989 to 1991 and as the General Manager for East Asia/Australia/Latin America from 1988 to 1989. From 1985 to 1988, he held the position of Senior Vice President of Exploration at Standard Oil Company, prior to its being merged into BP. Mr. Hamilton is also a director and member of the audit committee of FMC Technologies Inc. and is a member of the board of directors of Methanex Corporation.

**Thomas J. Madonna,**  
age 61, director since 2005

Mr. Madonna has been Chief Financial Officer of Menil Foundation, Inc., a major art museum, since July 2007. From November 2002 until July 2007, he served as the Manager of Finance of Menil Foundation, Inc. From 1969 until December 2001, Mr. Madonna worked at PricewaterhouseCoopers LLP in a number of roles, including as Assurance Partner from 1982 until his retirement in 2001.

**Thierry Pilenko,**  
age 50, director since 2006

Mr. Pilenko has been Chairman and Chief Executive Officer of Technip, a provider of engineering, technologies and construction services for the oil, gas and petrochemical industries, since April 2007. From March 2004 to January 2007, Mr. Pilenko was Chairman and Chief Executive Officer of Veritas DGC Inc. From 2001 to March 2004, Mr. Pilenko served as managing director of SchlumbergerSema, a Schlumberger Ltd. company located in Paris. From 1998 to 2001, he was president of Geoquest, another Schlumberger Ltd. company located in Houston, Texas. Mr. Pilenko was employed by Schlumberger Ltd. and its affiliated companies in various parts of the world, beginning in 1984, in a variety of progressively more responsible operating positions.

## **ADDITIONAL INFORMATION REGARDING THE BOARD OF DIRECTORS**

### **Board Independence**

It is the policy of our board of directors that a substantial majority of the members of our board qualify as independent directors in accordance with the qualification requirements of the NASDAQ Global Market. It is also the policy of the board that all of the members of our audit committee, compensation committee, and nominating and governance committee qualify as independent directors in accordance with the qualification requirements of the NASDAQ Global Market, and that all of the members of the audit committee satisfy the criteria for independence under applicable provisions of the Securities Exchange Act of 1934 and SEC rules, in each case within the applicable phase-in provisions thereof. Our board has determined that all of the directors and nominees for director, except Mr. Stilley, who is employed by Hercules Offshore, satisfy the independence standards of the NASDAQ Global Market. Our board also has determined that each member of the audit committee qualifies as independent under Rule 10A-3 under the Securities Exchange Act of 1934.

### **Board Committees and Meetings**

We have a standing audit committee, compensation committee, and nominating and governance committee of the board of directors, as well as a special governance committee that will cease to exist on the third anniversary of our acquisition of TODCO. Each of these committees operates under a written charter that has been adopted by the respective committee and by our board. The charters are published under the Corporate Governance section of our website at [www.herculesoffshore.com](http://www.herculesoffshore.com). The charter of our audit committee is attached to this proxy statement as *Annex A*.

The current members of the committees, the number of meetings held by each committee in 2007 and a description of the functions performed by each committee are set forth below:

*Audit Committee (10 meetings).* The current members of the audit committee are Suzanne V. Baer, Thomas J. Madonna, F. Gardner Parker (chair) and John T. Reynolds. The committee's purpose is to assist the board of directors in overseeing our accounting and financial reporting processes, the audits of our financial statements and our internal

control over financial reporting. In addition, the audit committee is directly responsible for the appointment, compensation, retention and oversight of the work of our independent registered public accounting firm. The board of directors has determined that Mr. Parker qualifies as an audit committee financial expert, as such term is defined in the rules of the SEC. The board of directors also has determined that each member of the audit committee qualifies as independent under Rule 10A-3 under the Securities Exchange Act of 1934.

*Compensation Committee (8 meetings, 5 of which were held as the Nominating, Governance and Compensation Committee prior to the TODCO acquisition, and the other 3 of which were held as the Compensation Committee after the TODCO acquisition).* The current members of the compensation committee are Thomas R. Bates, Jr., Thomas M Hamilton (chair), F. Gardner Parker and Thierry Pilenko. The purposes of the committee are, among other things, to discharge the responsibilities of the board relating to the compensation of our Chief Executive Officer and other executive officers, to administer our equity-based compensation plans and to review and approve our objectives and elements of executive compensation.

The compensation committee annually reviews the performance of our Chief Executive Officer and makes compensation decisions for the Chief Executive Officer based on that review. The Chief Executive Officer annually reviews the performance of each of the other executive officers and, based on this review, makes recommendations to the committee with respect to their compensation. The recommendations, including with respect to salary adjustments, bonus percentages, equity awards and perquisites, are presented to the committee by our Chief Executive Officer and our Vice President Human Resources. The committee can exercise its discretion in modifying any recommended adjustments to salary, bonus percentages, perquisites or equity awards to the executive officers. The committee approves the elements of compensation relevant to Chief Executive Officer and executive officer compensation based on, among other information, established corporate goals and objectives, company performance targets, personal performance objectives, and the compensation paid by the company's competitors.

In addition, the responsibilities of the compensation committee include, among other things:

- to consider and take action on the adoption of and changes to our incentive compensation plans, equity-based compensation plans and other benefit plans;

- to administer our compensation plans that it is assigned responsibility to administer;

- to review the compensation and benefits of nonemployee directors and to approve, or make recommendations to the board of directors with respect to, any changes in such compensation and benefits;

- to review and approve any equity-based plans and awards that are not subject to stockholder approval;

- to approve employment, severance, change-of-control and retention agreements, and amendments for executive officers;

- to make recommendations to the board of directors regarding the adoption or modification of any stock ownership guidelines applicable to executive officers and directors; and

- to administer and provide oversight of our policy regarding the timing and pricing of equity-based compensation awards.

*Nominating and Governance Committee (7 meetings, 5 of which were held as the Nominating, Governance and Compensation Committee prior to the TODCO acquisition, and the other 2 of which were held as the Nominating and Governance Committee after the TODCO acquisition).* The current members of the nominating and governance committee are Thomas N. Amonett, Thomas R. Bates, Jr., Thomas J. Madonna (chair) and Steven A. Webster. The purposes of the committee are, among other things, to identify and recommend individuals qualified to become board members consistent with criteria approved by the board and by the special governance committee, to assist the board in determining the composition of the board and its committees, to develop, implement and review our corporate governance guidelines, practices and procedures and to oversee a process to assess board and committee effectiveness. Until the third anniversary of the effective time of the TODCO acquisition, the nominating and governance committee



will adopt and implement the director nominations and proposals and other actions taken by the special governance committee in accordance with its charter.

In assessing the qualifications of prospective nominees to the board of directors, the nominating and governance committee considers any factors it deems relevant, including each nominee's general understanding of marketing, finance, or other elements relevant to the success of a publicly traded company in the current business environment, understanding of our business on an operational level, integrity, education and professional background, and willingness to devote time to the board of directors' duties. In addition, the committee evaluates each

individual in the context of the board of directors as a whole, with the objective of recommending individuals that can best perpetuate the success of our business and represent stockholder interests through the exercise of sound business judgment using their diversity of experience in these various areas.

The nominating and governance committee will consider director candidates recommended by stockholders. If a stockholder wishes to recommend a director for nomination by the committee, the stockholder should submit the recommendation in writing to the Chair, Nominating and Governance Committee, in care of the Secretary, Hercules Offshore, Inc., 9 Greenway Plaza, Suite 2200, Houston, Texas 77046. In accordance with our Policy Regarding Director Nominations by Stockholders, which can be found under the Corporate Governance section of our website at [www.herculesoffshore.com](http://www.herculesoffshore.com), the recommendation should contain the following information:

the name, age, business address and residence address of the nominee and the name and address of the stockholder making the nomination;

the principal occupation or employment of the nominee;

the number of shares of each class or series of our common stock beneficially owned by the nominee and the stockholder and the period for which those shares have been owned;

the written consent of the nominee to have such nominee's name placed in nomination at the meeting and to serve if elected; and

any other information the stockholder may deem relevant to the committee's evaluation.

Candidates recommended by stockholders are evaluated on the same basis as candidates recommended by the board of directors, executive officers, third-party search firms or other sources.

*Special Governance Committee (no meetings).* The current members of the special governance committee are Thomas N. Amonett, Thomas R. Bates, Jr., Thomas J. Madonna (chair) and Steven A. Webster. The merger agreement under which we acquired TODCO contains provisions intended to maintain, for a period of three years following the effective time of the merger, a ratio on our board of directors of seven directors nominated by Hercules Offshore and three directors nominated by TODCO. Our bylaws and the charter of the special governance committee include provisions related to the composition of our board, including that ratio. The purpose of the committee is to nominate individuals to fill any vacancies on the board created by the cessation of service of any director of Hercules Offshore or TODCO, as the case may be, who was designated to be a director of our company as of the effective time of the merger and any other director who takes office thereafter who is nominated, or proposed to the committee for election or appointment, to the board by recommendation of a majority of Hercules Offshore directors or legacy TODCO directors, as the case may be.

In 2007, our board of directors held 12 meetings. Each director attended at least 75% of the total number of meetings of the board of directors and of the committees of the board on which he served, in each case held during the period for which he was a director. Directors are expected to attend meetings of the board of directors and meetings of committees on which they serve and to spend as much time and meet as frequently as necessary to properly discharge their responsibilities. In addition, directors are expected to attend annual meetings of our stockholders. All of our directors who were serving as directors at our 2007 annual meeting of stockholders attended that meeting.

*Compensation Committee Interlocks and Insider Participation.* None of our executive officers have served as a member of a compensation committee (or if no committee performs that function, the board of directors) of any other entity that has an executive officer serving as a member of our board of directors.

## **Corporate Governance**

*Corporate Governance Guidelines.* The board of directors has established Corporate Governance Guidelines to assist the board in the exercise of its responsibilities under applicable law. The guidelines provide a framework for governance of our company and the board, covering such matters as determining director independence; director orientation and continuing education; director responsibilities; director access to officers, management and advisors; annual evaluations of the board; and other corporate governance practices and

principles. The guidelines are available on our website at [www.herculesoffshore.com](http://www.herculesoffshore.com) under the Corporate Governance section. In addition, the guidelines, as well as the charters of the audit committee, the compensation committee, the nominating and governance committee and the special governance committee and our Code of Business Conduct and Ethics, are available in print to any investor requesting a copy. Requests should be directed to our Investor Relations Department.

*Code of Business Conduct and Ethics.* All of our directors and employees must act ethically at all times and in accordance with the policies comprising our Code of Business Conduct and Ethics. The code is a reaffirmation that we expect all directors and employees to uphold our standards of honesty, integrity, ethical behavior and compliance with the law, and to avoid actual or apparent conflicts of interest between their personal and professional affairs. Directors and employees are obligated to promptly report any good faith concerns or problems or any actual or suspected violations of the code. The code sets forth the procedures for the confidential and anonymous reporting of a violation of the code. We prohibit any form of retaliation against any employee for reporting, in good faith, suspected violations of the code. The code also sets forth procedures to receive, retain and treat complaints received regarding accounting, internal accounting controls or auditing matters, and to allow for the confidential and anonymous submission by employees of concerns regarding questionable accounting or auditing matters. The code is available on our website at [www.herculesoffshore.com](http://www.herculesoffshore.com) as described above.

*Executive Sessions.* The independent directors meet regularly in executive session without management participation after each regular non-telephonic board meeting. Currently, the director who presides at these meetings is the Chairman of the Board. If the Chairman ceases to be independent, then the presiding director will be chosen by a vote of the independent directors.

*Communication with the Independent Directors.* Stockholders and other interested parties may make their concerns known confidentially to the independent directors by submitting a communication in an envelope marked Confidential addressed to the Board of Directors, a specifically named independent director or the Independent Directors as a group, in care of our Corporate Secretary. All such communications will be conveyed, as applicable, to the full board of directors, the specified independent director or the independent directors as a group.

## EXECUTIVE OFFICERS

We have presented below information about our executive officers as of March 3, 2008. Officers are appointed annually by the board of directors and serve until their successors are chosen or until their resignation or removal.

Name	Age	Position
Randall D. Stillely	54	Chief Executive Officer and President(1)
John T. Rynd	51	Executive Vice President and Chief Operating Officer
Lisa W. Rodriguez	47	Senior Vice President and Chief Financial Officer
James W. Noe	35	Senior Vice President, General Counsel, Chief Compliance Officer and Secretary
Randal R. Reed	52	President, Hercules Liftboat Company, LLC
Terrell L. Carr	53	Vice President, Worldwide Operations
Don P. Rodney	60	President of Hercules International Holdings, Ltd. and President of Hercules Oilfield Services Ltd.
Todd Pellegrin	42	Managing Director, West Africa

(1) For biographical information on Mr. Stillely, see Election of Directors Board of Directors on page 3.

*John T. Rynd* became Executive Vice President and Chief Operating Officer in July 2007. From October 2005 to July 2007, he was Senior Vice President of Hercules Offshore and President of Hercules Drilling Company, LLC. Prior to joining Hercules Offshore, Mr. Rynd worked at Noble Drilling Services Inc., a wholly owned subsidiary of

Noble Corporation, a contract drilling company, as Vice President Investor Relations from October 2000 to September 2005 and as Vice President Marketing and Contracts from September 1994 to September 2000. From June 1990 to September 1994, Mr. Rynd worked for Chiles Offshore Corporation, a contract drilling company, including as Vice President Marketing.

*Lisa W. Rodriguez* served as chief financial officer on an interim basis from January 2007 to March 2007.

Ms. Rodriguez became Senior Vice President and Chief Financial Officer in March 2007. Ms. Rodriguez also serves as Hercules Offshore's principal accounting officer. Prior to joining Hercules Offshore, Ms. Rodriguez was Senior Vice President and Chief Financial Officer of Weatherford International Ltd. from June 2002 to November 2006. Ms. Rodriguez joined Weatherford in 1996 and served in several positions, including Vice President Accounting and Finance from February 2001 to June 2002, Vice President Accounting from June 2000 to February 2001 and Controller from 1999 to February 2001.

*James W. Noe* has served as Senior Vice President, General Counsel, Chief Compliance Officer and Secretary since April 2007. From October 2005 to April 2007, Mr. Noe served as Vice President, General Counsel and Secretary of Hercules Offshore. From July 2002 to October 2005, Mr. Noe was Corporate Counsel for BJ Services Company, a worldwide oilfield services company. He was in private legal practice from October 1997 to July 2002. On several occasions during 2000 and 2001 while still in private practice, Mr. Noe served as counsel for Single Buoy Mooring, a company that designs, owns and operates floating production systems.

*Randal R. Reed* has served as President of our subsidiary, Hercules Liftboat Company, LLC, since October 2004. From 1995 to October 2004, Mr. Reed was manager of the fleet of liftboats, diveboats and crewboats of Global Industries, Ltd., an oilfield services company.

*Terrell L. Carr* joined Hercules Drilling Company, LLC as Vice President of Operations in January 2007. He is now Hercules Offshore's Vice President of Worldwide Operations and is responsible for Hercules Offshore's day to day drilling operations. From 2006 to January 2007, Mr. Carr served as Manager, Operations for the Asia Pacific Region of ENSCO International Incorporated and from 2001-2006, he served as a Rig Manager and Country Manager in various international locations for Ensco International Incorporated. Prior to joining ENSCO, from 1982 to 2001, Mr. Carr was employed by Reading & Bates Corporation (later R&B Falcon Corporation) in various key international operations and marketing roles.

*Don P. Rodney* has served as President of Hercules International Holdings Ltd. since December 2005 and President of Hercules Oilfield Services Ltd. since September 2006. From July 2004 to December 2005, Mr. Rodney served as Vice President, Finance of Hercules Drilling Company, LLC. From October 2003 to June 2004, Mr. Rodney was Chief Financial Officer of Hercules Offshore Corporation, which is not related to our company. Mr. Rodney was retired from July 2003 to October 2003. From November 2002 to July 2003, he was Treasurer of TODCO, a contract drilling company. Mr. Rodney was Controller, Inland Water Division of Transocean from February 2001 until October 2002. From November 1992 until January 2001, Mr. Rodney served as Vice President, Finance for R&B Falcon Drilling USA, Inc., a marine contract drilling company, and its predecessors. From 1976 to November 1992, Mr. Rodney worked for Atlantic Pacific Marine Corp., a marine contract drilling company, in a number of positions, including as Controller from 1983 until November 1992.

*Todd Pellegrin* was named Managing Director for the West Africa Region in July 2007. Prior to this appointment, Mr. Pellegrin held the position of Managing Director of Hercules Offshore Nigeria from March 2006 to July 2007. Mr. Pellegrin was the Managing Director of Danos & Curole Nigeria, Ltd. from January 2004 to February 2006. From August 1998 to December 2003, he served in several capacities for Danos & Curole, including International Business Development Representative. From February 1997 to July 1998, he was the Chief Executive Officer of South Central Planning & Development Commission in Louisiana.



**SECURITY OWNERSHIP**

The following table sets forth information as of March 3, 2008 with respect to the beneficial ownership of our common stock by (1) each stockholder who we know to be a beneficial owner of more than 5% of our common stock, (2) our directors and director nominees and the persons named in the Summary Compensation Table below, and (3) all current executive officers and directors as a group. To our knowledge, except as indicated in the footnotes to this table or as provided by applicable community property laws, the persons named in the table have sole investment and voting power with respect to the shares of common stock indicated.

Name and Address of Beneficial Owner(1)	Number of Shares(2)	Percent of Class
Bank of America Corporation(3)	6,196,860	6.9%
Paulson & Co. Inc.(4)	7,531,000	8.4%
Snow Capital Management, L.P.(5)	5,323,150	6.0%
John T. Reynolds(6)	1,600,127	1.8%
Randall D. Stilley	1,145,333	1.3%
John T. Rynd	207,686	*
Lisa W. Rodriguez	56,666	*
James W. Noe	48,833	*
Randal R. Reed	147,050	*
Thomas N. Amonett	18,926	*
Suzanne V. Baer	10,771	*
Thomas R. Bates, Jr.(6)	1,600,127	1.8%
Thomas M Hamilton	16,734	*
Thomas J. Madonna	10,700	*
F. Gardner Parker	11,200	*
Thierry Pilenko	3,866	*
Steven A. Webster(7)	1,126,093	1.3%
Steven A. Manz(8)	195,530	*
All current executive officers and directors as a group (17 persons)	4,550,761	5.1%

\* Less than 1% of issued and outstanding shares of our common stock.

- (1) The address of each director and executive officer is 9 Greenway Plaza, Suite 2200, Houston, Texas 77046.
- (2) The number of shares beneficially owned by the directors and executive officers includes shares that may be acquired within 60 days of March 3, 2008 by exercise of stock options as follows: Mr. Stilley 843,333; Mr. Rynd 69,000; Ms. Rodriguez 16,666; Mr. Noe 26,833; Mr. Reed 141,250; Mr. Amonett 7,308; Mr. Hamilton 7,308; Mr. Manz 156,400; and all current executive officers and directors as a group 1,181,698.
- (3) Based on a Schedule 13G dated February 5, 2008 filed with the SEC by Bank of America Corporation, NB Holdings Corporation, Bank of America, NA, United States Trust Company, NA, Banc of America Securities Holdings Corporation, Banc of America Securities LLC, Columbia Management Group, LLC, Columbia Management Advisors, LLC, and Banc of America Investment Advisors, Inc. Bank of America Corporation and NB Holdings Corporation reported shared voting power with respect to 5,876,449 shares of common stock



beneficially owned and shared dispositive power with respect to 6,196,860 shares of common stock beneficially owned. The other entities reported shared and sole voting and shared dispositive power as to some or all of the shares beneficially owned. The address of each entity is 100 North Tryon Street, Floor 25, Bank of America Corporate Center, Charlotte, North Carolina 28255.

- (4) Based on a Schedule 13G dated February 14, 2008 filed with the SEC by Paulson & Co. Inc. Paulson & Co. Inc. reported sole voting and dispositive power with respect to all of these shares. The address for this entity is 590

Madison Avenue, New York, New York 10022. Paulson & Co. Inc. disclaims beneficial ownership of the shares described above.

- (5) Based on a Schedule 13G dated January 15, 2008 filed with the SEC by Snow Capital Management, L.P. Snow Capital Management L.P. and its general partner, Snow Capital Management, Inc., reported sole voting power with respect to 5,282,772 shares of common stock beneficially owned and sole dispositive power with respect to 5,323,150 shares of common stock beneficially owned. The address of each of these entities is 2100 Georgetowne Drive, Suite 400, Sewickley, Pennsylvania 15143.
- (6) Includes 1,595,127 shares held by LR Holdings, LP. LR2 GP, L.P., the general partner of LR Hercules Holdings, LP, as well as LR2 GP, LLC, which controls the general partner, may be deemed to beneficially own the shares held by LR Hercules Holdings, LP. Hercules has been informed by LR Hercules Holdings, LP that all decisions regarding investments by LR Hercules Holdings, LP are made by an investment committee whose composition may change. No individual has authority to make any such decisions without the approval of the investment committee. The current members of the investment committee are Thomas R. Bates, Jr., John G. Clarkson, Jonathan C. Farber, Mark A. McCall, John T. Reynolds and Lawrence Ross, each of whom disclaims beneficial ownership in the shares held by LR Hercules Holdings, LP. The address of LR Hercules Holdings, LP is c/o Lime Rock Management LP, 518 Riverside Avenue, Westport, Connecticut 06880.
- (7) Mr. Webster directly owns 533,059 shares of our common stock and is the beneficial owner of 588,767 shares of our common stock through Kestrel Capital, LP, over which Mr. Webster shares voting and investment power, and 4,267 shares of our common stock as Trustee of the Steven A. Webster Defined Benefit Pension Plan.
- (8) Mr. Manz, our former Senior Vice President Planning and Corporate Development, resigned from our company effective as of September 20, 2007. The information included in the table for Mr. Manz is based on his Section 16 reports.

#### **SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

Section 16(a) of the Securities Exchange Act of 1934 requires our executive officers and directors and beneficial owners of more than ten percent (10%) of any class of equity securities to file initial reports of ownership and reports of changes in ownership of our common stock with the SEC and, pursuant to rules promulgated under Section 16(a), such individuals are required to furnish us with copies of Section 16(a) reports they file. Based solely on a review of the copies of such reports furnished to us during the year ended December 31, 2007 and written representations from our officers and directors, all Section 16(a) reports applicable to our officers and directors and any beneficial owners of ten percent (10%) or more of a class of equity securities were filed on a timely basis, except one Form 4 that reported a grant of restricted stock for each of Messrs. Madonna and Parker; one Form 4 that reported a grant of restricted stock and options for each of Randall D. Stillely, John T. Rynd, James W. Noe, James C. Bryan, Steven A. Manz and Randal R. Reed; one Form 4 that reported a grant of options for Don P. Rodney; and one Form 4 that reported a grant of restricted stock for each of our nonemployee directors Thomas N. Amonett, Suzanne V. Baer, Thomas R. Bates, Jr., Thomas J. Madonna, Thierry Pilenko, F. Gardner Parker, John T. Reynolds, Thomas M Hamilton and Steven A. Webster. The Forms 4 with respect to the nonemployee director restricted stock grants were filed promptly following the closing of the acquisition of TODCO and upon the final determination of the equity portions of the merger consideration in accordance with the exchange ratio included in the merger agreement. In addition, a Form 5 was filed for Mr. Webster in 2008 to report a transaction that should have been reported in July 2007, and an amended Form 4 was filed for Mr. Hamilton in 2008 to correct the reporting of a transaction in July 2007.

#### **COMPENSATION DISCUSSION AND ANALYSIS**

**Overview of Compensation Program**

The Compensation Committee of the board of directors has responsibility for establishing, implementing and monitoring adherence to our compensation philosophy. The committee seeks to provide total compensation paid to our executive officers that is fair, reasonable and competitive and that rewards our executive officers for furthering our strategic objectives of being a leading shallow water services provider and expanding our international

presence. Generally, the types of compensation and benefits we provide to our executive officers are similar to those provided to executive officers of our peer companies, which are identified later in this compensation discussion and analysis.

In this compensation discussion and analysis, our executive officers named in the Summary Compensation Table below who are current employees are referred to as the named executive officers.

### **Compensation Philosophy and Objectives**

The committee believes that the most effective executive compensation program is one that attracts and rewards executives for the achievement of specific annual, long-term and strategic goals of our company and that aligns executives' interests with those of the stockholders by rewarding performance at or above established goals. The ultimate objective of our compensation program is to improve stockholder value. We aim to achieve this goal by following our philosophy of attracting and retaining executives who show exceptional leadership and are capable of assisting with various and diverse functions of executive management as is typical of a dynamic and growing company. The committee evaluates both performance and compensation in an effort to ensure that we maintain the ability to attract and retain highly qualified employees in key positions and that compensation provided to key employees remains competitive relative to the companies with whom we compete. To that end, the committee believes the executive compensation packages we provide to our executives, including the named executive officers, should include both cash and stock-based compensation that rewards performance as measured against established goals.

### **Role of Executive Officers in Compensation Decisions**

Each of our Chief Executive Officer, our Vice President of Human Resources, and our Senior Vice President, General Counsel, Chief Compliance Officer and Secretary plays a role in our compensation process. On an annual basis, our Chief Executive Officer reviews the performance of each of the other named executive officers and, based on this review, makes recommendations to the committee with respect to their compensation. The Chief Executive Officer considers internal pay equity issues, individual performance and company performance in making his recommendations to the committee. The Vice President -Human Resources and the Senior Vice President, General Counsel, Chief Compliance Officer and Secretary provide general administrative support implementing the committee's decisions, such as providing legal and market updates and advice to the committee and overseeing the documentation of equity plans and awards as approved by the committee.

### **Establishing Executive Compensation**

Consistent with our compensation objectives, the committee has structured our annual and long-term incentive-based executive compensation to encourage executives to achieve our strategic goals and reward our executives for achieving these goals. To assist in structuring our compensation program, the committee engaged, prior to our acquisition of TODCO on July 11, 2007, Towers Perrin, and after July 11, 2007, Frederic W. Cook & Co., Inc. ( F.W. Cook ), each an outside compensation consulting firm, to conduct an annual review of our total compensation program for our key employees, including the named executive officers. During the periods of their respective engagements, Towers Perrin and F.W. Cook provided the committee with relevant market data and alternatives to consider when making decisions with respect to the Chief Executive Officer's compensation and his recommendations with respect to the compensation of the other named executive officers. Our management did not engage Towers Perrin or F.W. Cook in any other capacity for 2007 and does not direct or oversee the retention or activities of Towers Perrin or F.W. Cook with respect to our executive compensation program.

In making compensation decisions, the committee compares each element of total compensation against a peer group of publicly traded offshore drilling and oilfield service companies. The current peer group consists of companies against which the committee believes we compete for talent, business and stockholder investment. With F.W. Cook's assistance and input from senior management, the committee periodically reviews and adjusts the composition of the peer group. In September 2007, the committee revised our peer group to include companies that

more closely compete with us in our business and better match our revenue, net income, market capitalization, and employee numbers. The companies currently comprising the peer group are:

Atwood Oceanics, Inc.  
ENSCO International Incorporated  
Oceaneering International, Inc.  
Pride International, Inc.

Helmerich & Payne, Inc.  
Grey Wolf, Inc.  
Patterson-UTI Energy, Inc.  
&

Oil States International, Inc.  
Complete Production Services, Inc.  
Superior Energy Services, Inc.