

HERCULES OFFSHORE, INC.

Form S-4

April 24, 2007

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As filed with the Securities and Exchange Commission on April 24, 2007

Registration No. 333-

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM S-4
REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

Hercules Offshore, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

1381
(Primary Standard Industrial
Classification Code Number)

56-2542838
(I.R.S. Employer

Identification Number)

11 Greenway Plaza, Suite 2950

Houston, Texas 77046

(713) 979-9300

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

James W. Noe

Hercules Offshore, Inc.

Senior Vice President, General Counsel, Chief Compliance Officer and Secretary

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11 Greenway Plaza, Suite 2950

Houston, Texas 77046

(713) 979-9300

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

Copies to:

Melinda H. Brunger

Michael P. Donaldson

Nick D. Nicholas

Andrews Kurth LLP

TODCO

Porter & Hedges, L.L.P.

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Houston, Texas 77002

2000 W. Sam Houston Parkway, Suite 800

Houston, Texas 77002

(713) 220-4200

Houston, Texas 77042-3615

(713) 226-6000

Fax: (713) 238-7235

(713) 278-6000

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Approximate date of commencement of proposed sale of the securities to the public: As soon as practicable after the effectiveness of this registration statement and the satisfaction or waiver of all other conditions to the merger described herein.

If the securities being registered on this form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, 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, 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. "

CALCULATION OF REGISTRATION FEE

Title of each class of

Amount

**Proposed maximum
offering price**

**Proposed maximum
aggregate offering**

**Amount
of**

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securities to be registered(1)	to be registered(2)	per share	price(3)	registration fee
Common stock, par value \$0.01 per share, including the associated preferred stock purchase rights	58,779,285	N/A	\$ 1,497,240,057	\$ 45,966

-
- (1) The registration statement also covers the associated preferred stock purchase rights (the Rights) issued pursuant to the Rights Agreement dated effective as of October 31, 2005, between the registrant and American Stock Transfer & Trust Company, as rights agent. Until the occurrence of certain events, the Rights will not be exercisable for or evidenced separately from the shares of common stock of the registrant.
- (2) Represents the maximum number of shares of Hercules common stock issuable upon completion of the merger described herein, including shares of Hercules common stock issuable upon exercise of options and other stock-based awards with respect to TODCO common stock that will be converted into options and other stock-based awards of Hercules common stock in the merger.
- (3) Computed pursuant to Securities Act Rules 457(c) and 457(f), and estimated solely for purposes of calculating the registration fee, the proposed maximum aggregate offering price is \$1,497,240,057, which is the difference between (a) the product of (i) the average high and low prices of TODCO common stock of \$41.13, as reported on the New York Stock Exchange on April 18, 2007, and (ii) the maximum total number of shares of TODCO common stock to be cancelled in the merger, shares, less (b) the maximum amount of cash to be paid by Hercules in exchange for TODCO common stock, \$920,351,936.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant 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.

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The information in this joint proxy statement/prospectus is not complete and may be changed. Hercules Offshore, Inc. may not distribute or issue the shares of Hercules Offshore, Inc. common stock being registered pursuant to this registration statement until the registration statement filed with the Securities and Exchange Commission, of which this joint proxy statement/prospectus is a part, is effective. This joint proxy statement/prospectus is not an offer to distribute these securities and Hercules Offshore, Inc. is not soliciting offers to receive these securities in any state where such offer or distribution is not permitted.

SUBJECT TO COMPLETION, DATED APRIL 24, 2007

PROPOSED MERGER YOUR VOTE IS VERY IMPORTANT

To the Stockholders of Hercules Offshore, Inc. and TODCO:

The boards of directors of Hercules Offshore, Inc., which we sometimes refer to herein as Hercules, and TODCO have approved a merger agreement by which Hercules will acquire TODCO. As we describe in greater detail in this document, we believe the transaction will result in significant benefits to each company's stockholders.

The merger consideration is fixed at approximately \$924.4 million in cash and approximately 56.6 million shares of Hercules common stock, based on the amount of TODCO common stock and restricted stock outstanding on the effective date of the merger agreement. This is equivalent to 0.979 shares of Hercules common stock plus \$16.00 per share of TODCO common stock. TODCO stockholders may elect to receive cash or shares of Hercules common stock in the merger. Those desiring to receive a combination of cash and Hercules common stock may do so by making a cash election for a portion of their shares and a stock election for their remaining shares. **Regardless of the election made, the merger agreement contains provisions designed to cause the value of the per share consideration that TODCO stockholders receive to be substantially equivalent.**

Your vote is very important. We cannot complete the transaction unless, among other things, the holders of TODCO common stock vote to approve and adopt the merger agreement and the holders of Hercules common stock vote to approve the issuance of Hercules common stock in the merger. Each of Hercules and TODCO will hold a meeting of stockholders to vote on proposals related to the merger, and in the case of Hercules additional proposals unrelated to the merger, including election of directors and amendments to its long-term incentive plan. The meetings of stockholders will be held at the date, time and location set forth below. Whether or not you plan to attend your company's meeting, please take the time to submit your proxy by completing and mailing the enclosed proxy card or by using the telephone or Internet procedures provided to you. If your shares of Hercules common stock or TODCO common stock are held in street name, you must instruct your broker how to vote those shares.

For Hercules stockholders:

, 2007 at [Time] at [Location]

The Hercules board of directors recommends that Hercules stockholders vote FOR the issuance of Hercules common stock in the merger, and FOR each other proposal, including for each of the director nominees.

This document describes the stockholder meetings, the transactions contemplated by the merger agreement, documents related to the merger transaction and other related matters. **Please read this entire document carefully, including the section discussing risk factors beginning on page 28.** You can also obtain information about our companies from documents that we have each filed with the Securities and Exchange Commission.

For TODCO stockholders:

, 2007 at [Time] at [Location]

The TODCO board of directors recommends that TODCO stockholders vote FOR the approval and adoption of the merger agreement.

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Shares of Hercules common stock trade on the NASDAQ Global Select Market, which we refer to herein as NASDAQ, under the symbol HERO. Shares of TODCO common stock trade on the New York Stock Exchange, which we refer to herein as the NYSE, under the symbol THE.

Randall D. Stillely

Jan Rask

Chief Executive Officer and President

President and Chief Executive Officer

Hercules Offshore, Inc.

TODCO

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the securities to be issued under this joint proxy statement/prospectus or has passed upon the adequacy or accuracy of the disclosure in this joint proxy statement/prospectus. Any representation to the contrary is a criminal offense.

This joint proxy statement/prospectus is dated _____, 2007, and is first being mailed to Hercules stockholders and TODCO stockholders on or about _____, 2007.

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HERCULES OFFSHORE, INC.

11 Greenway Plaza, Suite 2950

Houston, Texas 77046

NOTICE OF 2007 ANNUAL MEETING OF STOCKHOLDERS

To be held on _____, 2007

To the Stockholders

of Hercules Offshore, Inc.:

The Annual Meeting of stockholders of Hercules Offshore, Inc. (the Hercules Meeting) will be held on _____, 2007, at _____ a.m., local time, at the St. Regis Hotel, 1919 Briar Oaks Lane, Houston, Texas for the following purposes:

1. to approve the issuance of Hercules common stock to TODCO stockholders in connection with the merger as set forth in the Amended and Restated Agreement and Plan of Merger, effective as of March 18, 2007, by and among Hercules, TODCO and THE Hercules Offshore Drilling Company LLC, a copy of which is attached as Annex A to the joint proxy statement/prospectus accompanying this notice, pursuant to which TODCO will merge with and into a direct, wholly-owned subsidiary of Hercules,
2. to elect three directors to the class of directors whose term will expire at the 2010 Annual Meeting of Stockholders,
3. to approve an amendment to Hercules 2004 Long-Term Incentive Plan, sometimes referred to herein as the plan, increasing the number of shares of Hercules common stock available for issuance under the plan by 6,800,000 shares, or by 1,200,000 shares if the merger is not consummated,
4. to approve the adjournment of the Hercules Meeting, if necessary or appropriate, to solicit additional proxies in favor of any of the foregoing proposals, and

5. to transact any other business as may properly come before the Hercules Meeting or any adjournments or postponements thereof. Attached to this notice is a joint proxy statement/prospectus setting forth information with respect to the above items and certain other information.

The Hercules board of directors has fixed the close of business on _____, 2007 as the record date for the determination of stockholders entitled to notice of and to vote at the Hercules Meeting or any adjournment thereof. Only holders of record of Hercules common stock at the close of business on the record date are entitled to notice of and to vote at the Hercules Meeting. For a period of ten days prior to the Hercules Meeting, a complete list of the holders of record of Hercules common stock entitled to vote at the meeting will be available at Hercules executive offices for inspection by stockholders during normal business hours for proper purposes.

The Hercules Offshore, Inc. Board of Directors recommends that you vote FOR each of the proposals listed above.

Your vote is important. All stockholders are cordially invited to attend the meeting. *We urge you, whether or not you plan to attend the Hercules Meeting, to submit your proxy by completing, signing, dating and mailing the enclosed proxy card in the postage-paid envelope provided or submit your proxy by telephone or the Internet, using the procedures in the voting instructions provided to you.* If a stockholder

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who has submitted a proxy attends the meeting in person, the stockholder may revoke the proxy and vote in person on all matters submitted at the meeting.

Houston, Texas

, 2007

By Order of the Board of Directors
James W. Noe
Senior Vice President, General Counsel and Secretary

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TODCO

2000 W. Sam Houston Parkway S., Suite 800

Houston, Texas 77042-3615

(713) 278-6000

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS

To Be Held On _____, 2007

Notice is hereby given that a special meeting of stockholders of TODCO (the TODCO Meeting) will be held at the Westchase Hilton Hotel, 9999 Westheimer, Houston, Texas, at _____ a.m., Houston time, on _____, 2007, for the following purposes:

1. to approve and adopt the Amended and Restated Agreement and Plan of Merger, effective as of March 18, 2007, by and among Hercules Offshore, Inc., TODCO and THE Hercules Offshore Drilling Company LLC, a copy of which is attached as Annex A to the joint proxy statement/prospectus accompanying this notice, pursuant to which TODCO will merge with and into a direct, wholly-owned subsidiary of Hercules Offshore, Inc.,
 2. to approve the adjournment of the TODCO Meeting, if necessary or appropriate, to solicit additional proxies in favor of the foregoing proposal, and
 3. to transact any other business as may properly come before the TODCO Meeting or any adjournments or postponements thereof.
- Stockholders of record at the close of business on _____, 2007, are entitled to notice of and to vote at the TODCO Meeting or any adjournment or postponement thereof. A list of all stockholders entitled to vote at the TODCO Meeting will be available at TODCO's office at 2000 W. Sam Houston Parkway S., Suite 800, Houston, Texas 77042-3615, for a period of at least ten days prior to the TODCO Meeting, and will also be available at the TODCO Meeting.

The TODCO Board of Directors recommends that you vote FOR each of the proposals listed above.

By Order of the Board of Directors

Michael P. Donaldson

Vice President, General Counsel and Secretary

Houston, Texas

_____, 2007

Whether or not you plan to attend the TODCO Meeting, please sign, date and return the enclosed proxy card as promptly as possible in the envelope provided or submit your proxy by telephone or the Internet, using the procedures in the voting instructions provided to you. No postage is required if mailed in the United States. Should you receive more than one proxy card because your shares are registered in different names and addresses, each proxy card should be signed and returned to ensure that all your shares will be voted. Your proxy may be revoked at any time prior to the time it is voted at the TODCO Meeting.

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ADDITIONAL INFORMATION

This joint proxy statement/prospectus incorporates by reference important business and financial information about Hercules and TODCO from documents that are not included or delivered with this joint proxy statement/prospectus. These documents are available to Hercules and TODCO stockholders without charge upon written or oral request, excluding any exhibits to those documents, unless the exhibit is specifically incorporated by reference as an exhibit in this joint proxy statement/prospectus. You can obtain any of these documents by requesting them in writing or by telephone from the appropriate company.

Hercules Offshore, Inc.	TODCO
11 Greenway Plaza, Suite 2950	2000 W. Sam Houston Parkway, Suite 800
Houston, Texas 77046	Houston, Texas 77042-3615
Attention: Investor Relations	Attention: Investor Relations
Telephone number: (713) 979-9300	Telephone number: (713) 278-6000
www.herculesoffshore.com	www.theoffshoredrillingcompany.com

See **Where You Can Find More Information** beginning on page for a detailed description of the documents incorporated by reference into this joint proxy statement/prospectus.

In order for you to receive timely delivery of the documents in advance of the meetings, Hercules or TODCO, as applicable, should receive your request by no later than _____, 2007.

Information contained on the Hercules and TODCO websites is expressly not incorporated by reference into this joint proxy statement/prospectus.

ABOUT THIS DOCUMENT

This document, which forms part of a registration statement on Form S-4 filed with the U.S. Securities and Exchange Commission, which is referred to herein as the SEC, by Hercules (File No. 333-_____), constitutes a prospectus of Hercules under Section 5 of the Securities Act of 1933, as amended, which is referred to as the Securities Act, with respect to the shares of Hercules common stock to be issued to TODCO stockholders in the merger pursuant to the merger agreement.

This document also constitutes a notice of meeting and a proxy statement under Section 14(a) of the Securities Exchange Act of 1934, as amended, which is referred to as the Exchange Act, with respect to the Hercules Meeting, at which Hercules stockholders will be asked to consider and vote upon certain proposals, including a proposal to approve the issuance of shares of Hercules common stock to TODCO stockholders in the merger pursuant to the merger agreement, and with respect to the TODCO Meeting, at which TODCO stockholders will be asked to consider and vote upon a proposal to approve and adopt the merger agreement.

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QUESTIONS AND ANSWERS ABOUT THE MERGER

Important Information and Risks: *The following are brief answers to some questions that Hercules stockholders and TODCO stockholders may have regarding the proposed merger and the proposals being considered at the Hercules Meeting and the TODCO Meeting. Hercules and TODCO urge you to read and consider carefully the remainder of this joint proxy statement/prospectus, including the Risk Factors beginning on page and the attached Annexes, because the information in this section does not provide all of the information that might be important to you. Additional important information and descriptions of risks are also contained in the documents incorporated by reference in this joint proxy statement/prospectus.*

Your vote is very important. You are encouraged to submit a proxy as soon as possible.

Q: What is the proposed merger?

A: Hercules, TODCO and THE Hercules Offshore Drilling Company LLC, referred to as Merger Sub, have entered into a merger agreement, pursuant to which TODCO will merge with and into Merger Sub, with Merger Sub surviving the merger as a direct, wholly-owned subsidiary of Hercules. Stockholders of both Hercules and TODCO must approve proposals enabling the merger to occur.

Q: Why is Hercules proposing the merger?

A: The Hercules board of directors believes that the combined company will be one of the leading oil and gas service providers in the world. The Hercules board of directors also believes that the combination of Hercules and TODCO offers the following advantages to the combined company:

provides the opportunity to diversify the combined company's asset base,

increases the combined company's operational flexibility,

expands the international footprint of the combined company, which provides diversity as well as a platform for future growth in existing and new locations,

expands the stockholder base and market capitalization of the combined company,

enables Hercules to combine the operational and safety best practices developed by both companies in order to deliver high quality drilling and marine services to the combined company's customers, and

generates additional career and developmental opportunities for the employees of Hercules and TODCO, which in turn will enhance the combined company's ability to recruit and retain a skilled workforce.

Q: How much in total is Hercules paying the TODCO stockholders in the merger?

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A: Based on the number of outstanding shares of TODCO common stock as of March 18, 2007, the effective date of the merger agreement.

Hercules will issue a total of approximately 56.6 million shares of Hercules common stock in the merger based on the number of shares outstanding as of March 18, 2007, representing approximately % of the shares of Hercules common stock outstanding on the same date. We refer to this as the total stock consideration.

Hercules will pay approximately \$924.4 million in cash to TODCO stockholders in the merger pursuant to the merger agreement based on the number of shares outstanding as of March 18, 2007. We refer to this as the total cash consideration.

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Q: What will TODCO stockholders receive as a result of the merger?

A: At the effective time of the merger, on a per-share basis, the outstanding shares of TODCO common stock will be converted into the right to receive merger consideration equal in value to \$16.00 per share plus the product of (1) 0.979 times (2) the average of the per share closing sales price of Hercules common stock during a ten consecutive trading day valuation period ending on the fifth calendar day immediately prior to the effective time of the merger, or if the fifth calendar day is not a trading day, then ending on the immediately preceding trading day.

Q: Will TODCO stockholders be able to choose whether to receive cash or Hercules common stock in the merger?

A: Yes. TODCO stockholders will be able to elect to receive cash or Hercules common stock in the merger based on a formula contained in the merger agreement, subject to proration in the event the cash election or stock election is oversubscribed and cash payments in lieu of fractional shares. Those stockholders desiring to receive a combination of cash and Hercules common stock may do so by making a cash election with respect to a portion of their shares and a stock election with respect to their remaining shares.

The cash/stock election formula is designed to provide substantially equivalent value of the consideration to be received for each share of TODCO common stock at the time the calculation is made, regardless of whether a TODCO stockholder elects to receive cash or shares of Hercules common stock. This value equivalency will be based on the average of the per share closing sales price of Hercules common stock during a ten consecutive trading day valuation period ending on the fifth calendar day immediately prior to the effective time of the merger, or if the fifth calendar day is not a trading day, then ending on the immediately preceding trading day. The cash/stock election formula and examples of its application are described in The Merger Agreement Merger Consideration, beginning on page of this joint proxy statement/prospectus.

Q: If I am a TODCO stockholder, what is the deadline for me to elect the type of merger consideration that I prefer to receive?

A: Holders of TODCO common stock who wish to elect to receive cash or Hercules common stock should follow the instructions in the election form which will be provided to TODCO stockholders in a separate mailing. Those stockholders desiring to receive a combination of Hercules common stock and cash may do so by making a cash election for a portion of their TODCO shares and a stock election for their remaining TODCO shares. If you do not submit a properly completed and signed election form to the exchange agent before the election deadline set forth below and in the election form, then you will not have a right to elect your preferred form of consideration and, consequently, under the proration provisions of the merger agreement, may receive only cash, only shares of Hercules common stock, or a combination of cash and shares of Hercules common stock following completion of the merger, depending on the type of merger consideration that other TODCO stockholders elect to receive.

The exchange agent must receive your properly completed and signed election form, along with certificates evidencing your shares of TODCO common stock, before the election deadline, which is 5:00 p.m., New York City time, on , 2007 (subject to possible extension by Hercules and TODCO).

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Q: If I am a TODCO stockholder, when will I receive my form of election?

A: The form of election will be sent separately. Submitting a form of election will not count as a vote in favor of the merger. Therefore, in order to vote your shares, you must complete and submit your proxy card in the envelope provided for the proxy card or submit your proxy by telephone or the Internet, using the procedures in the voting instruction provided to you.

Q: When do Hercules and TODCO expect to complete the merger?

A: Hercules and TODCO are working to complete the merger as quickly as possible. Hercules and TODCO currently expect to complete the merger in the summer of 2007. However, neither Hercules nor TODCO can predict the exact timing of the completion of the merger because it is subject to conditions both within and beyond their respective control, including regulatory approvals. See The Merger Agreement Conditions to the Completion of the Merger, beginning on page .

Q: If I am not a U.S. citizen, will I receive the same shares of Hercules common stock as U.S. citizens?

A: Not in all circumstances. To assist in compliance with regulations governing U.S. coastwise shipping that limit stock ownership by non-U.S. citizens to 25%, Hercules certificate of incorporation provides that any attempted transfer of any shares of Hercules common stock that would result in the ownership or control of in excess of 20% of Hercules common stock by non-U.S. citizens will be void as against Hercules. In addition, if at any time non-U.S. citizens own or possess voting power over any shares of Hercules common stock in excess of 20%, Hercules may withhold payment of dividends, suspend voting rights and redeem the applicable shares of Hercules common stock. The TODCO bylaws contain transfer restrictions for this purpose. Therefore, non-U.S. citizens may receive non-voting shares in the merger in the event 20% or more of Hercules common stock is or, following completion of the merger, would be held by non-U.S. citizens. See Comparison of Rights of Hercules and TODCO Stockholders Foreign Ownership of Common Stock Hercules, beginning on page . For U.S. federal income tax purposes, redemption of Hercules common stock under these provisions could result in taxable income to holders of the redeemed shares. See Material U.S. Federal Income Tax Consequences Non-U.S. Holders, beginning on page .

Q: How will Hercules stockholders be affected by the merger and issuance of shares of Hercules common stock?

A: After the merger, each Hercules stockholder will have the same number of shares of Hercules common stock that the stockholder held immediately prior to the merger. However, because Hercules will be issuing new shares of Hercules common stock to TODCO stockholders in the merger, each share of Hercules common stock outstanding immediately prior to the merger will represent a smaller percentage of the aggregate number of shares of Hercules common stock outstanding after the merger. As a result of the merger, each Hercules stockholder will own a smaller percentage of the shares of common stock of a larger company with more outstanding shares and more assets. It is anticipated that Hercules stockholders will own in the aggregate approximately 36% of the combined company, based upon the number of outstanding shares of Hercules and TODCO common stock on March 31, 2007.

Q: What conditions are required to be fulfilled to complete the merger?

A: Hercules and TODCO are not required to complete the merger unless certain specified conditions are satisfied or waived. These conditions include, but are not limited to:

approval by Hercules stockholders of the issuance of the additional shares of Hercules common stock to be issued to TODCO stockholders in the merger,

approval and adoption of the merger agreement by TODCO stockholders,

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expiration or termination of the waiting period (and any extension thereof) under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended,

approval of the shares of Hercules common stock to be issued in the merger for listing on NASDAQ,

no more than 5% of TODCO stockholders exercising statutory appraisal or dissenters' rights, and

the continued service of Mr. Stilley as the Chief Executive Officer and President and as a director of Hercules on a full-time basis and that he not be subject to any material and continuing disability in performing his duties and has not accepted or announced his intention to accept any position as an executive officer of another company.

Neither Hercules nor TODCO can assure you that these required conditions will be satisfied. For a more complete summary of the conditions that must be satisfied or waived prior to the effective time of the merger, see "The Merger Agreement - Conditions to the Completion of the Merger," beginning on page .

Q: Is the merger subject to Hercules receiving financing?

A: No. Hercules is expected to receive financing to fund the cash component of the merger as described below, but receipt of the financing is not a condition to completing the merger.

Q: How will Hercules finance the cash component of the merger?

A: In order to finance some or all of the cash portion of the merger consideration, Hercules expects to incur incremental indebtedness of up to \$1.1 billion. Hercules intends to enter into a new syndicated secured term loan facility of up to \$1.1 billion and a \$150.0 million revolving credit facility to be arranged by UBS Securities LLC. Under the Bank Facilities Commitment Letter between Hercules and UBS dated March 18, 2007 (as amended to include Amegy Bank National Association, Comerica Bank, Credit Suisse, Deutsche Bank AG, Jefferies Finance LLC and JPMorgan Chase Bank, N.A.) and subject to the conditions set forth therein, Hercules expects to enter into the facility upon the closing of the merger, so long as it occurs prior to October 31, 2007. Hercules expects to use the proceeds of the term loan facility to repay in full and terminate Hercules' existing syndicated secured term loan facility and refinance TODCO's revolving credit facility. If the merger is not consummated, Hercules will not enter into the facility and its existing facility will not be terminated. See "Financing of the Merger," beginning on page .

Q: Are TODCO stockholders entitled to appraisal rights?

A: If, under the terms of the merger agreement, including the election, equalization and proration provisions, any TODCO stockholders who elected stock are required to accept cash (other than cash in lieu of fractional shares of Hercules common stock) in the merger in exchange for their stock election shares, appraisal rights will be available to all TODCO stockholders. It is not clear, however, whether appraisal rights will be available under Delaware law if no TODCO stockholders who elect stock are in fact required to accept cash (other than cash in lieu of fractional shares of Hercules common stock) in the merger. TODCO stockholders who wish to seek appraisal of their shares are in any case urged to seek the advice of counsel with respect to the availability of appraisal rights.

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If appraisal rights are available, holders of shares of TODCO common stock who do not vote in favor of the merger will have the right to seek appraisal of the fair value of their shares, but only if they submit a written demand for such an appraisal before the vote on the merger and comply with other Delaware law procedures and the requirements explained in this joint proxy statement/prospectus. See Appraisal Rights, beginning on page .

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ADDITIONAL QUESTIONS AND ANSWERS ABOUT THE PROPOSALS TO BE CONSIDERED

AT THE HERCULES MEETING

OTHER THAN THE MERGER PROPOSAL

Q: In addition to the proposed merger, what other proposals are to be considered and voted upon at the Hercules Meeting?

A: In addition to matters related to the proposed merger, the Hercules board of directors is soliciting proxies from Hercules stockholders to act on matters relating to the Hercules 2007 annual meeting of stockholders. Accordingly, Hercules stockholders are being asked to consider and vote on the following three proposals in addition to issuance of shares of Hercules common stock in connection with the proposed merger:

a proposal to elect three directors to the class of directors whose term will expire at the 2010 Annual Meeting of Hercules stockholders,

a proposal to approve an amendment to the Hercules 2004 Long-Term Incentive Plan, increasing the number of shares of Hercules common stock available for issuance under the plan by _____ shares, or by _____ shares if the merger is not consummated, and

a proposal to approve the adjournment of the Hercules Meeting, if necessary or appropriate, to solicit additional proxies in favor of the foregoing proposals.

The Hercules board of directors recommends that Hercules stockholders vote FOR each of the proposals listed above. These proposals are in the section Proposals Being Submitted to a Vote of Hercules Stockholders at the Hercules Meeting beginning on page _____.

Q: What is the vote required to approve these other proposals?

A: The affirmative vote of a plurality of the shares of Hercules common stock present in person or represented by proxy and entitled to vote at the Hercules Meeting is required to elect each director nominee, which means that the number of nominees recommended for election by the Hercules board of directors, currently three, receiving the greatest number of votes will be elected. The affirmative vote of a majority of the votes cast at the Hercules Meeting is required to approve the amendments to the Hercules 2004 Long-Term Incentive Plan and to approve the adjournment proposal.

If a Hercules stockholder attends but fails to vote on the proposals discussed above, or if a Hercules stockholder abstains, the presence of the Hercules stockholder will be counted for purposes of a quorum, but will not constitute a vote cast. Abstentions and broker non-votes will not be counted either in favor of or against approval of the proposals at the Hercules Meeting.

Q: How will the vote on the proposed merger affect the other Hercules Meeting proposals?

A:

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The completion of the merger is not conditioned upon the approval of the other Hercules Meeting proposals and vice versa. However, the proposal to amend the Hercules 2004 Long-Term Incentive Plan includes a provision to increase the number of shares of Hercules common stock issuable under the plan. If the merger is not consummated, the number of shares to be added to the plan will be reduced.

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QUESTIONS AND ANSWERS ABOUT THE MEETINGS

Q: Why am I receiving this joint proxy statement/prospectus?

A: **Hercules:** Hercules stockholders are being asked at the Hercules Meeting to approve the issuance of additional shares of Hercules common stock, which will be issued to TODCO stockholders under the merger agreement. Hercules is also asking its stockholders to approve other matters in connection with the Hercules Meeting that are described in this joint proxy statement/prospectus but are not conditions to the merger.

TODCO: TODCO stockholders are being asked to approve and adopt the merger agreement at the TODCO Meeting.

Q: When and where will the Hercules Meeting take place?

A: The Hercules Meeting will be held on _____, 2007 at _____ a.m., Houston time at _____.

Q: When and where will the TODCO Meeting take place?

A: The TODCO Meeting will be held on _____, 2007 at _____ a.m., Houston time, at _____.

Q: Who can attend and vote at the stockholders meetings?

A: **Hercules:** All Hercules stockholders of record as of the close of business on _____, 2007, the record date for the Hercules Meeting, are entitled to receive notice of and to vote at the Hercules Meeting.

TODCO: All TODCO stockholders of record as of the close of business on _____, 2007, the record date for the TODCO Meeting, are entitled to receive notice of and to vote at the TODCO Meeting.

Q: How does the Hercules board of directors recommend that Hercules stockholders vote?

A: The Hercules board of directors unanimously recommends that Hercules stockholders vote FOR the proposal to approve the issuance of shares of Hercules common stock to TODCO stockholders in the merger pursuant to the merger agreement. For a more complete description of the recommendation of the Hercules board of directors, see The Merger Recommendation of the Hercules Board of Directors and Its Reasons for the Merger, beginning on page _____.

The Hercules board of directors also recommends that Hercules stockholders vote FOR each of the director nominees, FOR the amendment of the Hercules 2004 Long-Term Incentive Plan and FOR approval to adjourn the Hercules Meeting, if necessary or appropriate, to solicit additional votes.

Q: How does the TODCO board of directors recommend that TODCO stockholders vote?

A: The TODCO board of directors unanimously recommends that TODCO stockholders vote FOR the proposal to approve and adopt the merger agreement. The TODCO board of directors also recommends that TODCO stockholders vote FOR approval to adjourn the TODCO Meeting, if necessary or appropriate, to solicit additional votes. For a more complete description of the recommendation of the TODCO board of directors, see The Merger Recommendation of the TODCO Board of Directors and Its Reasons for the Merger, beginning on page .

Q: What is the vote required to approve the proposals related to the merger?

A: **Hercules:** Under the rules of NASDAQ, which govern Hercules, approval of the issuance of shares of Hercules common stock to TODCO stockholders in the merger pursuant to the merger agreement requires

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the affirmative vote of the holders of a majority of the votes cast at a meeting at which a majority of the outstanding shares of Hercules common stock as of the record date are present in person or by proxy. If a Hercules stockholder attends but fails to vote on the issuance of shares of Hercules common stock to TODCO stockholders in the merger, or if a Hercules stockholder abstains, the presence of the Hercules stockholder will be counted for purposes of a quorum, but will not constitute a vote cast. Abstentions and broker non-votes will not be counted either in favor of or against approval of the proposals at the Hercules Meeting.

TODCO: Under the General Corporation Law of the State of Delaware, referred to as the DGCL, approval and adoption of the merger agreement requires the affirmative vote of the holders of a majority of the outstanding shares of TODCO common stock entitled to vote as of the record date. Accordingly, if a TODCO stockholder fails to vote at the TODCO Meeting, or if a TODCO stockholder abstains, that will have the same effect as a vote against approval and adoption of the merger agreement.

Q: If my shares are held in street name by my broker or other nominee, will my broker or other nominee vote my shares for me in connection with the merger and the issuance of shares in the merger?

A: No. Your broker or other nominee will NOT be able to vote your shares of Hercules or TODCO common stock held in street name on the proposal to approve the issuance of Hercules common stock in the merger or the proposal to approve and adopt the merger agreement, as applicable, unless you instruct your broker or other nominee how to vote. Please follow the voting instructions provided by your broker, or other nominee. Please note that you may not vote shares held in street name by returning a proxy card directly to Hercules or TODCO or by voting in person at your stockholders meeting unless you provide a legal proxy, which you must obtain from your broker or other nominee.

If you are a Hercules stockholder and you do not instruct your broker or other nominee on how to vote your shares:

your broker or other nominee may not vote your shares on the proposal to approve the issuance of shares of Hercules common stock in the merger, and your vote will not be cast in favor of this proposal.

If you are a TODCO stockholder and you do not instruct your broker or other nominee on how to vote your shares:

your broker or other nominee may not vote your shares, which will have the same effect as a vote AGAINST the merger agreement.

You should therefore provide your broker or other nominee with instructions as to how to vote your shares of TODCO or Hercules common stock.

Q: How do I vote my shares?

A: After you have carefully read this joint proxy statement/prospectus, please respond by completing, signing and dating your proxy card and returning it in the enclosed postage-paid envelope as soon as possible or submit your proxy by telephone or the Internet, using the procedures in the voting instructions provided to you.

Please refer to your proxy card or the information forwarded by your broker or other nominee to see which options are available to you. The Internet and telephone proxy submission procedures are designed to authenticate stockholders and to allow you to confirm that your instructions have been properly recorded.

The method you use to submit a proxy will not limit your right to vote in person at the Hercules Meeting or the TODCO Meeting if you later decide to attend one of the meetings. If your shares of Hercules common

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stock or TODCO common stock are held in the name of a broker or other nominee, you must obtain a proxy, executed in your favor, from the holder of record, to be able to vote in person at the applicable stockholders meeting.

Q: How will my shares be voted?

A: ***Hercules:*** All shares of Hercules common stock entitled to vote and represented by properly completed proxies received prior to the Hercules Meeting, and not revoked, will be voted at the Hercules Meeting as instructed on the proxies. **If you properly complete and sign your proxy card but do not indicate how your shares should be voted on a proposal, the shares of Hercules common stock represented by your proxy will be voted as the Hercules board of directors recommends and therefore will be voted FOR the issuance of additional shares of Hercules common stock in the merger, FOR the election of each of the director nominees, FOR the amendment of the Hercules 2004 Long-Term Incentive Plan and FOR the adjournment of the meeting, if necessary or appropriate, to solicit additional proxies for the issuance of shares in the merger.**

TODCO: All shares of TODCO common stock entitled to vote and represented by properly completed proxies received prior to the TODCO Meeting, and not revoked, will be voted at the TODCO Meeting as instructed on the proxies. **If you properly complete and sign your proxy card but do not indicate how your shares of TODCO common stock should be voted on a matter, the shares of TODCO common stock represented by your proxy will be voted as the TODCO board of directors recommends and therefore will be voted FOR the approval and adoption of the merger agreement and FOR the adjournment of the meeting, if necessary or appropriate, to solicit additional proxies for approval and adoption of the merger agreement.**

Q: If I am a TODCO stockholder, should I send in my stock certificates with my proxy card?

A: **No.** Please **DO NOT** send your TODCO stock certificates with your proxy card. Rather, prior to the election deadline, which is 5:00 p.m., New York City time, on _____, 2007, send your TODCO common stock certificates to the exchange agent, together with your completed, signed election form. The election form for your TODCO shares and instructions will be delivered to you in a separate mailing. If your shares of TODCO common stock are held in _____ street name by your broker or other nominee, you should follow those instructions for making an election to receive cash or Hercules common stock.

Q: Can I change my vote after I deliver my proxy?

A: Yes. You may change your vote at any time before your proxy is voted at the Hercules Meeting or the TODCO Meeting, as applicable. You can do this in any of the three following ways:

by sending a written notice to the Secretary of Hercules or TODCO, as applicable, in time to be received before the Hercules Meeting or the TODCO Meeting, as applicable, stating that you would like to revoke your proxy,

by completing, signing and dating a later proxy card, or by submitting a later proxy by telephone or through the Internet, in which case your later-submitted proxy will be recorded and your earlier proxy revoked, or

if you are a holder of record, or if you hold a proxy in your favor executed by a holder of record, by attending the applicable stockholders meeting and voting in person. Simply attending the Hercules Meeting or the TODCO Meeting without voting will not revoke your proxy or change your vote.

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If your shares of Hercules common stock or TODCO common stock are held in an account at a broker or other nominee and you desire to change your vote, you should contact your broker or other nominee.

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Q: What should I do if I receive more than one set of voting materials for the Hercules Meeting or the TODCO Meeting?

A: You may receive more than one set of voting materials for the Hercules Meeting or the TODCO Meeting and the materials may include multiple proxy cards or voting instruction cards. For example, you will receive a separate voting instruction card for each brokerage account in which you hold shares. If you are a holder of record registered in more than one name, you will receive more than one proxy card. **Please complete, sign, date and return each proxy card and voting instruction card that you receive according to the instructions on it or submit a proxy by telephone or the Internet for each proxy card you receive.**

Q: Can I submit my proxy by telephone or the Internet?

A: **Hercules:** Yes. Holders of record may submit their proxies by telephone or by the Internet. See The Hercules Meeting Proxy Voting by Holders of Record, beginning on page .

TODCO: Yes. Holders of record may submit their proxies by telephone or by the Internet. See The TODCO Meeting Proxy Voting by Holders of Record, beginning on page .

Q: Who can answer my questions?

A: If you have any questions about the merger or how to submit your proxy, or if you need additional copies of this joint proxy statement/prospectus, the enclosed proxy card, voting instructions or the election form, you should contact the information agent:
Georgeson, Inc.

17 State Street

New York, N.Y. 10004

Banks and Brokers call ()

Hercules stockholders call toll-free 1 ()

TODCO stockholders call toll-free 1 ()

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SUMMARY

Important information and risks regarding the merger: *This summary highlights selected information from this joint proxy statement/prospectus and may not contain all of the information that is important to you. To better understand the merger and the other proposals being considered at the Hercules Meeting and TODCO Meeting, you should read this entire joint proxy statement/prospectus carefully, including the Risk Factors beginning on page and the merger agreement, attached as Annex A. In addition, you are encouraged to read the information incorporated by reference into this joint proxy statement/prospectus, which includes important business and financial information and risks about Hercules and TODCO.*

The Companies

Hercules Offshore, Inc. Hercules Offshore, Inc. provides drilling and liftboat services to the oil and natural gas exploration and production industry in the U.S. Gulf of Mexico and internationally. Hercules currently operates a fleet of nine jackup rigs and a fleet of 64 liftboats. Hercules provides these services to major integrated energy companies and independent oil and natural gas operators. Currently, six of Hercules jackup rigs are located in the U.S. Gulf of Mexico and the remaining two rigs are located in Qatar and India, respectively. Hercules owns an additional jackup rig that is currently undergoing refurbishment and is being marketed for operations in international locations. Hercules owns 47 liftboats operating in the U.S. Gulf of Mexico and 12 liftboats operating in West Africa. In addition, Hercules operates five liftboats in West Africa which are owned by a third party.

Hercules common stock is traded on NASDAQ under the symbol HERO. Hercules' principal executive offices are located at 11 Greenway Plaza, Suite 2950, Houston, Texas 77046, and its telephone number is (713) 979-9300.

TODCO. TODCO is a leading provider of contract oil and gas drilling services, primarily in the U.S. Gulf of Mexico and inland marine region, an area that TODCO refers to as the U.S. Gulf Coast. TODCO's core business is to contract its drilling rigs, related equipment and work crews on a dayrate basis to customers who are drilling oil and gas wells. TODCO provides these services primarily to independent oil and gas companies, but also services major international and government-controlled oil and gas companies.

TODCO operates a fleet of 64 drilling rigs consisting of 27 inland barge rigs, 24 jackup rigs, three submersible rigs, one platform rig, and nine land rigs. Currently, 50 of these rigs are located in the United States with the remainder in Angola, Brazil, Mexico, Trinidad, Venezuela and other international locations. TODCO also operates through its wholly-owned subsidiary, Delta Towing LLC (Delta Towing), a fleet of U.S. marine support vessels consisting of 42 inland tugs, 19 offshore tugs, 36 crewboats and 55 barges along the U.S. Gulf Coast and in the U.S. Gulf of Mexico.

TODCO common stock is traded on the NYSE under the symbol THE. TODCO's principal executive offices are located at 2000 W. Sam Houston Parkway, Suite 800, Houston, Texas 77042-3615, and its telephone number is (713) 278-6000.

Merger Sub. Merger Sub is a direct, wholly-owned subsidiary of Hercules and is formed as a limited liability company under the laws of the State of Delaware. Merger Sub was formed on March 16, 2007 solely for the purpose of effecting the merger. Merger Sub has not conducted any business operations other than activities incidental to its formation and in connection with the transactions contemplated by the merger agreement.

The principal executive offices of Merger Sub are located at 11 Greenway Plaza, Suite 2950, Houston, Texas 77046, and its telephone number is (713) 979-9300.

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The Merger (see page)

The merger is subject to review under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, which is referred to as the HSR Act, by the Antitrust Division of the U.S. Department of Justice which is referred to as the Antitrust Division, and the Federal Trade Commission which is referred to as the FTC. Hercules and TODCO have agreed to combine their businesses pursuant to the merger agreement described in this joint proxy statement/prospectus, subject to stockholder approvals and other conditions. Under the terms of the merger agreement, TODCO will merge with and into Merger Sub, with Merger Sub surviving the merger as a direct, wholly-owned subsidiary of Hercules. The merger agreement is attached as Annex A to this joint proxy statement/prospectus and is incorporated by reference herein. Hercules and TODCO encourage you to read the merger agreement in its entirety because it is the legal document that governs the merger.

Risk Factors (see page)

There are risks associated with the merger and the operations of Hercules after the merger. These risks are more fully described in Risk Factors beginning on page .

Risk Factors Relating to the Merger

Some of the risk factors relating to the merger include the following:

because the merger consideration is fixed and the market price of shares of Hercules common stock will fluctuate, TODCO stockholders cannot be sure of the value of the merger consideration they will receive, and Hercules stockholders cannot be sure of the value of the shares of Hercules common stock that will be paid to the TODCO stockholders,

if the market price of a share of Hercules common stock goes down after TODCO stockholders vote in favor of the merger, TODCO stockholders may receive less value than they expect from the merger,

if the market price of Hercules common stock goes up after Hercules stockholders vote to approve the issuance of shares in the merger, Hercules stockholders may believe that Hercules paid too much for TODCO,

TODCO stockholders who elect to receive a specific type of consideration (*i.e.*, stock and/or cash) in the merger may receive a type of consideration different from the consideration they elect,

any delay in completing the merger may substantially reduce the benefits expected to be obtained from the merger,

failure to complete the merger could negatively impact the stock price and the future business and financial results of Hercules and TODCO,

the rights of TODCO stockholders who become stockholders of Hercules in the merger will be governed by Hercules' certificate of incorporation and bylaws, which are different in some respects from the TODCO certificate of incorporation and bylaws, including certain provisions designed to ensure that, for a period of three years after closing, seven of the Hercules directors will consist of former Hercules directors or their nominees,

due to provisions in the Hercules certificate of incorporation, non-U.S. owners of Hercules common stock may be subject to certain restrictions,

TODCO's tax sharing agreement with Transocean, Inc., its former parent, will require substantial payments by Hercules upon the effective time of the merger and may require substantial payments by Hercules after completion of the merger, and

directors and executive officers of TODCO have personal interests that may motivate them to support or approve the merger.

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Risk Factors Relating to Hercules Following the Merger

Hercules may experience difficulties in integrating TODCO's businesses, which could cause the combined company to fail to realize many of the anticipated potential benefits of the merger,

Hercules will incur significant debt to fund the merger,

the impact of purchase accounting could adversely affect Hercules' earnings, and

Hercules will be subject to additional international political, economic, and other uncertainties after the merger due to the fact the combined company will have more international operations.

Amount of Merger Consideration (see page)

At the effective time of the merger, the outstanding shares of TODCO common stock, on a per-share basis, will be converted into the right to receive merger consideration equal in value to \$16.00 per share plus the product of (1) 0.979 times (2) the average closing price of Hercules common stock during a ten consecutive trading day valuation period ending on the fifth calendar day immediately prior to the effective time of the merger, or if the fifth calendar day is not a trading day, then ending on the immediately preceding trading day.

Election For Type of Merger Consideration (see page)

TODCO stockholders may elect to receive cash or shares of Hercules common stock as their merger consideration. TODCO stockholders desiring to receive a combination of cash and Hercules common stock may do so by making a cash election with respect to a portion of their shares and a stock election with respect to their remaining shares. The merger agreement contains provisions designed to provide substantially equivalent value for the consideration to be received for each share of TODCO common stock, at the time the calculation is made, regardless of whether a TODCO stockholder elects to receive cash, shares of Hercules common stock or a combination of cash and shares of Hercules common stock.

Because Hercules is delivering a fixed number of shares of Hercules common stock and paying a fixed amount of cash (subject to upward adjustment for any shares of TODCO common stock issued upon exercise of outstanding TODCO stock options or otherwise), TODCO stockholders cannot be certain of receiving the type of merger consideration that they elect. If the elections result in an oversubscription of the pool of cash or shares of Hercules common stock, certain proration procedures will be followed by the exchange agent to allocate cash and shares of Hercules common stock among TODCO stockholders. See The Merger Agreement Election Procedures, and Proration, beginning on page .

Completion and Delivery of the Election Form (see page)

Election form: In a separate mailing, TODCO stockholders will receive an election form with instructions for making cash and Hercules common stock elections. TODCO stockholders should properly complete and deliver to the exchange agent their election form along with their stock certificates (or a properly completed notice of guaranteed delivery in lieu of the stock certificates or, in the case of shares of TODCO common stock held in book entry form, any additional documents specified in the election form). TODCO stockholders should not send their stock certificates or election form with their proxy card.

Election deadline: Election forms and stock certificates (or a properly completed notice of guaranteed delivery in lieu of the stock certificates or, in the case of shares of TODCO common stock held in book entry form, any additional documents specified in the election form) must be received by the exchange agent by the election deadline, which is 5:00 p.m., New York City time, on , 2007. Once TODCO stockholders tender their stock certificates to the exchange agent, they may not transfer their shares of TODCO common stock until the merger is completed, unless they revoke their election by written notice to the exchange agent that is received prior to the election deadline.

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TODCO stockholders who do not make an election: If any TODCO stockholder fails to submit a properly completed election form, together with its stock certificates (or a properly completed notice of guaranteed delivery), prior to the election deadline, that stockholder will be deemed not to have made an election. TODCO stockholders making no election may be paid in all cash, all shares of Hercules common stock, or part cash and part shares of Hercules common stock, depending on whether the elections made by other TODCO stockholders result in an oversubscription of the fixed amount of cash or fixed number of shares of Hercules common stock.

Election through broker or nominee: If TODCO stockholders own shares of TODCO common stock in street name through a broker or other nominee and wish to make an election, they should seek instructions from the broker or other nominee holding their shares of TODCO common stock concerning how to make their election.

If the merger agreement is not adopted by TODCO stockholders, or the issuance of additional shares of Hercules common stock is not approved by Hercules stockholders, stock certificates will be returned by the exchange agent by first class mail or through book-entry transfer (in the case of shares of TODCO common stock delivered in book-entry form to the exchange agent).

Treatment of TODCO Stock Options and Other Equity Awards (see page)

The treatment of stock options, restricted shares, deferred stock units and deferred performance awards outstanding under the TODCO stock plans are discussed under the heading **The Merger Agreement Treatment of TODCO Stock Options and Other Equity Awards**, beginning on page .

Recommendation of the Hercules Board of Directors (see page)

The Hercules board of directors has determined unanimously that the merger agreement is advisable and the transactions contemplated by the merger agreement, including the issuance of additional shares of Hercules common stock in the merger, are in the best interests of the Hercules stockholders, and has unanimously approved the merger agreement and the transactions contemplated by the merger agreement. **The Hercules board of directors unanimously recommends that Hercules stockholders vote FOR the proposal to approve the issuance of additional shares of Hercules common stock in the merger.**

The Hercules board of directors unanimously recommends that Hercules stockholders vote, FOR the election of the three Class II director nominees, FOR the approval of the amendment to the Hercules 2004 Long-Term Incentive Plan and FOR the adjournment of the Hercules Meeting, if necessary or appropriate, to solicit additional proxies.

Recommendation of the TODCO Board of Directors (see page)

The TODCO board of directors has determined unanimously that the merger agreement is advisable and the transactions contemplated by the merger agreement are in the best interests of the TODCO stockholders, and has unanimously adopted and approved the merger agreement, the merger, and the transactions contemplated by the merger agreement. **The TODCO board of directors unanimously recommends that TODCO stockholders vote FOR the proposal to approve and adopt the merger agreement and FOR the adjournment of the TODCO Meeting, if necessary or appropriate, to solicit additional proxies.**

Stockholders Entitled to Vote; Vote Required for Approval (see pages and)

Hercules

Record date: Hercules stockholders can vote at the Hercules Meeting if they owned shares of Hercules common stock at the close of business on , 2007, which is referred to as the Hercules record date. On the Hercules record date, there were shares of Hercules common stock outstanding and entitled to vote

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at the Hercules Meeting, held by approximately _____ stockholders of record. Hercules stockholders may cast one vote for each share of Hercules common stock that they owned on the Hercules record date.

Vote required: The affirmative vote of the holders of a majority of the votes cast by Hercules stockholders entitled to vote at the Hercules Meeting, at which a quorum is present, is required to approve the issuance of additional shares of Hercules common stock pursuant to the merger agreement, to approve the amendment of the Hercules 2004 Long-Term Incentive Plan and to approve the adjournment of the Hercules Meeting, if necessary or appropriate, to solicit additional proxies. For the election of Directors (Hercules Proposal No. 2), the three nominees receiving the most FOR votes from the shares having the voting power present in person or represented by proxy will be elected. Abstentions and broker non-votes will not be counted either in favor of or against approval of the proposals at the Hercules Meeting.

Quorum required: For purposes of conducting the Hercules Meeting, the holders of at least a majority of the shares of Hercules common stock issued and outstanding and entitled to vote at the Hercules Meeting will constitute a quorum. Abstentions and broker non-votes will be counted in determining whether a quorum is present at the Hercules Meeting.

Your vote is very important. You are encouraged to vote as soon as possible. If you do not indicate how your shares of Hercules common stock should be voted, the shares of Hercules common stock represented by your properly completed proxy will be voted as the Hercules board of directors recommends and therefore FOR the issuance of additional shares of Hercules common stock in the merger, FOR the approval of an amendment to the Hercules 2004 Long-Term Incentive Plan and FOR the adjournment of the Hercules Meeting, if necessary or appropriate, to solicit additional proxies.

TODCO

Record date: TODCO stockholders can vote at the TODCO Meeting if they owned shares of TODCO common stock at the close of business on _____, 2007, which is referred to as the TODCO record date. On the TODCO record date, there were _____ shares of TODCO common stock outstanding and entitled to vote at the TODCO Meeting, held by approximately _____ stockholders of record. TODCO stockholders may cast one vote for each share of TODCO common stock that they owned on the TODCO record date.

Vote required: A majority of the outstanding shares of TODCO common stock entitled to vote must be cast in favor of the approval and adoption of the merger agreement for it to be approved. Therefore, your failure to vote, your failure to instruct your broker to vote your shares, or your abstaining from voting will have the same effect as a vote against the merger. The adjournment of the TODCO Meeting, if necessary or appropriate, to solicit additional proxies is determined by a majority of the votes cast, without regard to broker non-votes or abstentions.

Quorum required: For purposes of conducting the TODCO Meeting, the holders of at least a majority of the shares of TODCO common stock issued and outstanding and entitled to vote at the TODCO Meeting will constitute a quorum. Abstentions and broker non-votes will be counted in determining whether a quorum is present at the TODCO Meeting.

Your vote is very important. You are encouraged to vote as soon as possible. If you do not indicate how your shares of TODCO common stock should be voted, the shares of TODCO common stock represented by your properly completed proxy will be voted as the TODCO board of directors recommends and therefore FOR the adoption of the merger agreement and FOR the adjournment of the TODCO Meeting, if necessary or appropriate, to solicit additional proxies.

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Opinions of Financial Advisers (see pages and)

Opinion of Hercules' Financial Adviser

In connection with the merger, Hercules' financial adviser, Simmons & Company International, which is referred to as Simmons & Company, delivered a written opinion dated March 18, 2007 to the Hercules board of directors as to the fairness, from a financial point of view and as of the date of the opinion, to the Hercules stockholders of the consideration to be paid by Hercules in the merger.

The full text of Simmons & Company's written opinion, dated March 18, 2007 is attached to this joint proxy statement/prospectus as Annex B. Holders of Hercules common stock are encouraged to read the opinion carefully in its entirety for a description of the procedures followed, assumptions made, matters considered and limitations on the scope of the review undertaken. **Simmons & Company's opinion was provided to the Hercules board of directors in connection with its evaluation of the consideration to be paid by Hercules in the merger, does not address any other aspect of the proposed merger and does not constitute a recommendation to any holder of shares of Hercules common stock as to how the stockholder should vote or act on any matter relating to the merger.**

Opinion of TODCO's Financial Adviser

TODCO engaged Citigroup Global Markets Inc., which is referred to as Citi, to act as TODCO's financial adviser in connection with the proposed merger. On March 18, 2007, Citi rendered its opinion as to the fairness, from a financial point of view, as of that date and based upon and subject to certain matters stated in the opinion letter, of the consideration to be offered in the merger to TODCO stockholders.

The full text of the written opinion of Citi, dated March 18, 2007, which sets forth assumptions made, procedures followed, matters considered and limitations on the review undertaken in connection with the opinion, is attached to this joint proxy statement/prospectus as Annex C, and you are encouraged to read the opinion in its entirety. **Citi's opinion was provided for the information and assistance of the TODCO board of directors in connection with its consideration of the merger, and the opinion does not constitute a recommendation as to how any holder of shares of TODCO common stock should vote or make any election with respect to the merger.**

Directors and Executive Officers of Hercules After the Merger

The following individuals are expected to be the members of the Hercules board of directors following the merger:

Class II Directors with term expiring in 2010

Thomas R. Bates, Jr. (current Hercules director), nominee for director at the Hercules Meeting

Thomas J. Madonna (current Hercules director), nominee for director at the Hercules Meeting

Thierry Pilenko (current Hercules director), nominee for director at the Hercules Meeting

Suzanne V. Baer (current TODCO director)

Thomas M Hamilton (current TODCO director)

Class I Directors with term expiring in 2009

Randall D. Stillely (current Hercules director)

Steven A. Webster (current Hercules director)

Thomas N. Amonett (current TODCO director)

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Class III Directors with term expiring in 2008

F. Gardner Parker (current Hercules director)

John T. Reynolds (current Hercules director)

For more information on these individuals see Directors and Executive officers of Hercules After the Merger, beginning on page and Proposals Being Submitted to a Vote of Hercules Stockholders at the Hercules Meeting Hercules Proposal No. 2: Election of Directors Board of Directors, beginning on page .

The following individuals are expected to be the executive officers of Hercules following the merger:

Randall D. Stilley, Chief Executive Officer and President

John T. Rynd, Executive Vice President and Chief Operating Officer

Lisa W. Rodriguez, Senior Vice President and Chief Financial Officer (principal financial officer and principal accounting officer)

David J. Crowley, Senior Vice President, Marketing and Technical Services

Steven A. Manz, Senior Vice President, Planning and Corporate Development

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

Stephen M. Butz, Vice President and Treasurer

All of the executive officers listed above are currently executive officers of Hercules, except for Mr. Crowley who is an executive officer of TODCO. Additionally, certain other executive officers of TODCO may become non-executive officers of Hercules following the merger.

Ownership of Hercules After the Merger

Based on the number of shares of TODCO common stock outstanding on , 2007, Hercules would issue approximately million shares of Hercules common stock in the merger, representing approximately % of the outstanding shares of Hercules common stock on a diluted basis. Those amounts will be adjusted upwards depending on the actual number of shares of TODCO common stock outstanding at the effective time of the merger, which will increase if TODCO issues any shares in accordance with the terms of the merger agreement, such as the exercise of options to purchase TODCO common stock. Assuming exercise of all outstanding options to purchase shares of TODCO common stock and the anticipated issuance of shares of TODCO common stock under certain performance-based awards, Hercules would issue approximately million shares of Hercules common stock in the merger, representing approximately % of the outstanding shares of Hercules common stock on a diluted basis. Consequently, Hercules stockholders, as a general matter, will have less influence over the management and policies of Hercules than they currently exercise over the management and policies of Hercules.

Share Ownership of Directors and Officers of Hercules

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As of the record date, the directors and officers of Hercules and their affiliates beneficially owned and were entitled to vote approximately shares of Hercules common stock, collectively representing approximately % of the shares of Hercules common stock outstanding and entitled to vote on that date.

Share Ownership of Directors and Officers of TODCO

As of the record date, the directors and officers of TODCO and their affiliates beneficially owned and were entitled to vote approximately shares of TODCO common stock, collectively representing approximately % of the shares of TODCO common stock outstanding and entitled to vote on that date.

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Interests of Executive Officers of Hercules in the Merger (see page)

The Hercules board of directors has authorized salary increases for three of its executive officers contingent upon completion of the merger.

Interests of Directors and Executive Officers of TODCO in the Merger (see page)

In considering the recommendation of the TODCO board of directors with respect to the merger agreement, TODCO stockholders should be aware that certain members of the TODCO board of directors and certain of TODCO's executive officers have interests in the transactions contemplated by the merger agreement that may be different from, or in addition to, the interests of TODCO stockholders generally. These interests may include, among other things, the following:

severance payments for certain executive officers whose employment is terminated under certain circumstances after the effective time of the merger,

the accelerated vesting of, and payment in the merger with respect to, certain stock options, deferred stock units and deferred performance units and lapse of restrictions on shares of restricted stock for certain directors and executive officers,

change of control payments,

termination of non-competition obligations contained in the current TODCO employment agreements of non-continuing TODCO executive officers,

continuation of comparable disability and life insurance and a lump sum cash payment in lieu of continued post-termination health benefits for TODCO's non-continuing executive officers, and

arrangements that all current and certain former directors and officers will be indemnified by Hercules with respect to acts or omissions by them in their capacities as directors and officers of TODCO prior to the effective time of the merger.

The TODCO board of directors was aware of these interests and considered them, among other matters, in making its recommendation. See *The Merger Recommendation of the TODCO Board of Directors and Its Reasons for the Merger*, beginning on page .

Voting Agreements and Lock-up Agreements (see pages and)

TODCO: Prior to the mailing of this joint proxy statement/prospectus, TODCO will use its best efforts to cause each executive officer of TODCO to deliver to Hercules an agreement that each executive officer will vote any and all shares of TODCO owned by him in favor of the merger. In addition, TODCO will use its best efforts to cause each executive officer of TODCO who will be employed by Hercules after the merger to execute and deliver to Hercules prior to the mailing of this joint proxy statement/prospectus a lock-up agreement under which the executive officer agrees not to sell shares of Hercules common stock for 90 days from and including the date the merger becomes effective.

Hercules: Prior to the mailing of this joint proxy statement/prospectus, Hercules will use its best efforts to cause LR Hercules Holdings, LP and each executive officer of Hercules to deliver to TODCO an agreement that LR Hercules Holdings, LP and each executive officer will vote any and all shares of Hercules common stock owned by him, her or it to approve the transactions contemplated by the merger. Hercules will also use its best efforts to cause LR Hercules Holdings, LP and the Chief Executive Officer and President of Hercules to deliver to TODCO prior to the mailing of this joint proxy statement/prospectus a lock-up agreement under which the executive officer agrees not to sell shares of Hercules common stock for 90 days from and including the date the merger becomes effective.

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Listing of Shares of Hercules Common Stock; Delisting and Deregistration of Shares of TODCO Common Stock (see page)

Hercules will use its reasonable best efforts to cause the shares of Hercules common stock to be issued in the merger pursuant to the merger agreement to be approved for listing on NASDAQ, subject to official notice of issuance, at the effective time of the merger. Approval of the listing on NASDAQ of the shares of Hercules common stock to be issued in the merger pursuant to the merger agreement is a condition to each party's obligation to complete the merger. If the merger is completed, shares of TODCO common stock will be delisted from the NYSE and deregistered under the Exchange Act.

Appraisal Rights in the Merger (see page)

Under the terms of the merger agreement, including the equalization and proration provisions, if any TODCO stockholders who elect to receive stock are required to accept cash (other than cash in lieu of fractional shares of Hercules common stock) in the merger in exchange for their stock election shares, appraisal rights will be available to all TODCO stockholders. It is not clear, however, whether appraisal rights will be available under Delaware law if no TODCO stockholders who elect stock are in fact required to accept cash (other than cash in lieu of fractional shares of Hercules common stock) in the merger in exchange for their stock election shares. TODCO stockholders who wish to seek appraisal of their shares are in any case urged to seek the advice of counsel with respect to the availability of appraisal rights.

If appraisal rights are available, the shares of TODCO common stock outstanding immediately prior to the effective time of the merger and held by a holder who has not voted in favor of the adoption of the merger agreement and who has delivered a written demand for appraisal of his or her shares in accordance with Section 262 of the DGCL, will not be converted into the right to receive the merger consideration, but the holder will be entitled to seek an appraisal of his or her shares under the DGCL unless and until the dissenting holder fails to perfect or withdraws or otherwise loses his or her right to appraisal and payment under the DGCL. If, after the effective time of the merger, a dissenting stockholder fails to perfect or withdraws or loses his or her right to appraisal, his or her shares of TODCO common stock will be treated as if they had been converted as of the effective time of the merger into the right to receive the merger consideration into which no election shares have been converted, subject to the right of Hercules to treat the shares as cash election shares and to pay only cash for the shares, without interest or dividends thereon. The full text of Section 262 of the DGCL is attached to this joint proxy statement/prospectus as Annex D.

Conditions to the Completion of the Merger (see page)

A number of conditions must be satisfied or waived, where legally permissible, before the proposed merger can be consummated. These include, among others:

approval by Hercules stockholders of the issuance of the additional shares of Hercules common stock to be issued in the merger,

approval and adoption of the merger agreement by TODCO stockholders,

expiration or termination of the waiting period (and any extension thereof) under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended,

approval of the shares of Hercules common stock to be issued in the merger for listing on NASDAQ,

no more than 5% of TODCO stockholders exercising statutory appraisal or dissenters' rights, and

the continued service of Mr. Stillely as the Chief Executive Officer and President and as a director of Hercules on a full-time basis and that he not be subject to any material and continuing disability in performing his duties and has not accepted or announced his intention to accept any position as an executive officer of another company.

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Neither Hercules nor TODCO can assure you when or if all or any of the conditions to the merger will be either satisfied or waived or whether the merger will occur as intended.

Regulatory Approvals Required for the Merger (see page)

The merger is subject to review under the Hart-Scott-Rodino Act by the Antitrust Division of the U.S. Department of Justice, which is referred to as the Antitrust Division, and the Federal Trade Commission, which is referred to as the FTC. Hercules and TODCO expect to file on or before April , 2007 the requisite Pre-Merger Notification and Report Forms under the HSR Act with the Antitrust Division and the FTC.

No Solicitation (see page)

Under the merger agreement, neither Hercules nor TODCO is permitted to solicit, initiate, encourage or facilitate the making of any inquiries regarding any other acquisition proposal.

However, before receipt of the requisite approval by their respective stockholders, Hercules or TODCO may engage in negotiations with a third party making an unsolicited, written acquisition proposal, provided that:

the board of directors of the party receiving the acquisition proposal has determined that the acquisition proposal constitutes, or is reasonably likely to result in, a superior proposal and that the third party making the acquisition proposal has the financial and legal capacity to consummate the proposal, and

the party receiving the acquisition proposal has complied with the terms of the merger agreement relating to superior proposals. In addition, before receipt of the requisite approval by its stockholders, respectively, the board of directors of either Hercules or TODCO may withdraw its recommendation or declaration of advisability of the merger agreement if the board of directors determines in good faith that a failure to change its recommendation would reasonably be expected to be inconsistent with its fiduciary duties to Hercules stockholders or TODCO stockholders, respectively, subject to payment of the termination fees set forth in the merger agreement.

Termination of the Merger Agreement (see page)

The merger agreement may be terminated and the merger may be abandoned at any time prior to the effective time of the merger by mutual written consent of Hercules and TODCO. Either party (except as otherwise indicated) will also have the right to terminate the merger agreement upon the occurrence of any of the following:

the failure to consummate the merger by December 31, 2007, provided that a party may not terminate upon occurrence of this event if that party's failure to fulfill its obligations has caused or resulted in the merger not occurring before December 31, 2007,

the failure to obtain the necessary TODCO or Hercules stockholder approvals,

the existence of a law or regulation prohibiting the merger, or the entry of a final and nonappealable government order which permanently restrains, enjoins or prohibits consummation of the merger,

a material breach of the other party's representations, warranties or covenants that gives rise to a failure of certain conditions to closing or would otherwise materially impair or delay or otherwise have a material adverse effect on the non-breaching party's ability to consummate the transactions contemplated by the merger agreement (subject to a 30-day cure period, if the breach is capable of being cured),

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a material breach or failure to perform by the other party of any of its covenants or agreements contained in the merger agreement as described under The Merger Agreement Covenants No Solicitation of Alternative Transactions, or a change in a board of directors recommendation has

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occurred with respect to the other party or the other party's board of directors or any committee thereof has resolved to make an adverse recommendation change,

by TODCO, if TODCO receives an acquisition proposal that the TODCO board of directors determines in good faith is a superior proposal, provided that, prior to termination, TODCO provides Hercules with written notice of its intention to accept the superior proposal and a three business day period for Hercules to make a counterproposal and TODCO pays a \$70 million termination fee, or

by Hercules, if Hercules receives an acquisition proposal that the Hercules board of directors determines in good faith is a superior proposal, provided that, prior to termination, Hercules provides TODCO with written notice of its intention to accept the superior proposal and a three business day period for TODCO to make a counterproposal and Hercules pays a \$30 million termination fee.

See The Merger Agreement Termination of the Merger Agreement and Termination Fees, beginning on page .

Termination Fees (see page)

Under the merger agreement, Hercules may be required to pay to TODCO a termination fee of \$30 million if the merger agreement is terminated under specified circumstances, and TODCO may be required to pay Hercules a termination fee of \$70 million if the merger agreement is terminated under specified circumstances. In addition, Hercules or TODCO may be required to pay the other party an expense reimbursement fee of \$5 million if the merger agreement is terminated under specified circumstances. See The Merger Agreement Termination of the Merger Agreement and Termination Fees Termination Fees and Expenses, beginning on page .

Material U.S. Federal Income Tax Consequences of the Merger (see page)

The merger is intended to qualify as a reorganization under Section 368(a) of the Internal Revenue Code for U.S. federal income tax purposes. The U.S. federal income tax consequences of a reorganization to an exchanging TODCO stockholder will depend on whether the TODCO stockholder receives only shares of Hercules common stock, only cash, or a combination of shares of Hercules common stock and cash in exchange for its shares of TODCO common stock.

Please refer to Material U.S. Federal Income Tax Consequences, beginning on page of this joint proxy statement/prospectus for a description of the material U.S. federal income tax consequences of the merger. Determining the actual tax consequences of the merger to you may be complex and will depend on your specific situation. You are urged to consult your tax adviser for a full understanding of the tax consequences of the merger to you.

Tax Sharing Agreement (see page)

Following the merger, Hercules will be bound by the amended and restated tax sharing agreement between TODCO and Transocean, TODCO's former parent prior to its initial public offering, that is described in TODCO's Form 10-K, as amended, for the year ended December 31, 2006, which is incorporated herein by reference. Under the tax sharing agreement, Hercules will be required to make significant payments to Transocean upon completion of the merger and may be required to make significant payments following the merger.

Accounting Treatment (see page)

Hercules prepares its financial statements in accordance with accounting principles generally accepted in the United States of America, which is referred to as GAAP. The merger will be accounted for using the purchase

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method of accounting. As discussed under The Merger Accounting Treatment, on page , based upon the terms of the exchange and other factors, such as the composition of the combined company's board of directors and senior management, Hercules is considered to be the acquirer of TODCO for accounting purposes. Therefore, Hercules will allocate the purchase price to the fair value of TODCO's assets and liabilities at the acquisition date, with the excess purchase price being recorded as goodwill. Under the purchase method of accounting, goodwill is not amortized but is tested for impairment at least annually.

Payment of Dividends (see page)

Hercules: Hercules has not paid any cash dividends on its common stock since becoming a publicly held corporation in October 2005, and does not intend to declare or pay regular dividends on its common stock in the foreseeable future. Instead, Hercules generally intends to invest any future earnings in Hercules' business. Subject to Delaware law, the Hercules board of directors will determine the payment of future dividends on Hercules common stock, if any, and the amount of any dividends in light of any applicable contractual restrictions limiting Hercules' ability to pay dividends, Hercules' earnings and cash flows, Hercules' capital requirements, Hercules' financial condition, and other factors the Hercules board of directors deems relevant. Hercules' senior secured credit agreement restricts, and the new facility expected to be entered into in connection with the merger will also restrict, Hercules' ability to pay dividends or other distributions on its equity securities.

TODCO: Other than the special cash dividend of \$1.00 per share of TODCO common stock paid in August 2005, no other cash dividends have been paid on shares of TODCO common stock. The merger agreement generally provides that TODCO may not declare, set aside or pay any dividend prior to the effective time of the merger or the termination of the merger agreement.

Financing of the Merger (see page)

In order to finance some or all of the cash portion of the merger consideration, Hercules expects to incur incremental indebtedness of up to \$1.1 billion. In order to fund such amount, Hercules intends to enter into a new syndicated secured term loan facility of up to \$1.1 billion and a \$150 million revolving credit facility to be arranged by UBS Securities LLC. Under the Bank Facilities Commitment Letter between Hercules and UBS dated March 18, 2007 (as amended to include Amegy Bank National Association, Comerica Bank, Credit Suisse, Deutsche Bank AG, Jefferies Finance LLC and JP Morgan Chase Bank, N.A.) and subject to the conditions set forth therein, Hercules, UBS and the other lenders expect to enter into the facility upon the closing of the merger transaction, so long as it occurs prior to October 31, 2007. Hercules expects to use the proceeds of the facility to also repay in full and terminate Hercules' existing senior secured term loan facility and refinance TODCO's revolving credit facility. If the merger is not consummated, Hercules will not enter into the facility and its existing facility will not be terminated. Hercules' obligation to complete the merger is not conditioned upon Hercules obtaining financing.

Comparison of Rights of Hercules and TODCO Stockholders (see page)

Both Hercules and TODCO are incorporated under the laws of the State of Delaware and, accordingly, the rights of the stockholders of each are currently, and will continue to be, governed by the DGCL. If the merger is completed, TODCO stockholders will become stockholders of Hercules, and their rights will be governed by the DGCL, the certificate of incorporation of Hercules and the bylaws of Hercules. The rights of Hercules stockholders contained in the certificate of incorporation and bylaws of Hercules differ from the rights of TODCO stockholders under the certificate of incorporation and bylaws of TODCO, as more fully described under the section entitled Comparison of Rights of Hercules and TODCO Stockholders, beginning on page of this joint proxy statement/prospectus.

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Other Matters to be Considered at the Hercules Meeting

Hercules stockholders are being asked to consider and vote on the following three proposals in addition to the proposed merger:

a proposal to elect three directors to the class of directors whose term will expire at the 2010 Annual Meeting of Hercules stockholders,

a proposal to approve an amendment to the Hercules 2004 Long-Term Incentive Plan, increasing the number of shares of Hercules common stock available for issuance under the plan by _____ shares, or _____ shares if the merger is not approved, and

a proposal to approve the adjournment of the Hercules meeting, if necessary or appropriate, to solicit additional proxies.
See Proposals Being Submitted to a Vote of Hercules Stockholders at the Hercules Meeting, beginning on page _____.

Table of Contents**SUMMARY HISTORICAL FINANCIAL AND OPERATING INFORMATION OF HERCULES**

The following table shows selected summary historical consolidated financial data for Hercules as of December 31, 2006, 2005 and 2004, for the years ended December 31, 2006 and 2005 and for the period from July 27, 2004 (inception) to December 31, 2004. The selected summary historical consolidated financial data for each of the periods presented is derived from Hercules' audited financial statements that are not included herein. You should read the following data in connection with Management's Discussion and Analysis of Financial Condition and Results of Operations, and the consolidated financial statements set forth in Hercules' Annual Report on Form 10-K, as amended, for the year ended December 31, 2006, where there is additional disclosure regarding the information in the following table. See also the pro forma information set forth elsewhere in this prospectus regarding the proposed merger with TODCO. Hercules' historical results are not necessarily indicative of results to be expected in future periods.

	Year Ended December 31, 2006(1)	Year Ended December 31, 2005(2)	Period from Inception to December 31, 2004(3)
(in millions, except per share data)			
Statement of Operations Data:			
Revenues	\$ 344.3	\$ 161.3	\$ 31.7
Operating income	158.1	55.9	9.9
Net income(4)	119.0	27.5	8.1
Earnings per share:			
Basic(4)	\$ 3.80	\$ 1.10	\$ 0.55
Diluted(4)	3.70	1.08	0.55
Balance Sheet Data (as of end of period):			
Cash and cash equivalents	\$ 72.8	\$ 47.6	\$ 14.5
Total assets	605.7	354.8	132.2
Long-term debt, net of current portion	91.9	93.3	53.0
Total stockholders' equity	394.9	215.9	71.1
Cash dividends per share			
Other Financial Data:			
Net cash provided by (used in):			
Operating activities	\$ 124.2	\$ 52.8	\$ (6.5)
Investing activities	(150.0)	(173.0)	(96.3)
Financing activities	50.9	153.3	117.2

- (1) In November 2006, Hercules acquired eight liftboats and was assigned contractual rights to operate five liftboats. Consideration for the acquisition was \$51.6 million, plus up to \$10.0 million payable under a three-year earnout agreement. In June 2006, Hercules acquired five liftboats for \$49.3 million and assumed the construction of an additional liftboat. In February 2006, Hercules acquired Rig 26 for \$20.1 million.
- (2) In November 2005, Hercules acquired seven liftboats for \$44.0 million and, in September 2005, acquired Rig 31 for \$12.6 million. In August 2005, Hercules acquired a liftboat for \$12.5 million and, in June 2005, purchased 17 liftboats for \$19.7 million and Rig 16 for \$20 million. In January 2005, Hercules acquired Rig 25 and Rig 30 for \$21.5 million and \$20.0 million, respectively.
- (3) In August 2004, Hercules acquired five jackup rigs and four platform rigs for \$39.3 million. The platform rigs were not core to its business and were subsequently sold. In October 2004, Hercules acquired 22 liftboats for \$53.5 million.
- (4) Included in 2006 is a gain of \$18.6 million, net of tax or \$0.59 per basic share and \$0.58 per diluted share related to an insurance settlement on Rig 25.

Table of Contents**SUMMARY HISTORICAL FINANCIAL AND OPERATING INFORMATION OF TODCO**

The following table shows TODCO's summary historical consolidated financial data as of and for each of the five years ended December 31, 2006. The summary historical consolidated financial data for each of the five years ended December 31, 2006 are derived from TODCO's audited financial statements that are not included herein. You should read the following data in connection with Management's Discussion and Analysis of Financial Condition and Results of Operations, and the consolidated financial statements set forth in TODCO's Annual Report on Form 10-K, as amended, for the year ended December 31, 2006, where there is additional disclosure regarding the information in the following table. See also the pro forma information set forth elsewhere in this prospectus regarding the proposed merger with Hercules. TODCO's historical results are not necessarily indicative of results to be expected in future periods.

	Years Ended December 31,				
	2006(1)	2005(1)	2004(1)	2003	2002
(in millions, except per share data)					
Statement of Operations Data:					
Operating revenues	\$ 912.1	\$ 534.2	\$ 351.4	\$ 227.7	\$ 187.8
Operating and maintenance expense	510.2	323.2	259.7	227.4	185.7
Earnings (loss) from continuing operations before cumulative effect of a change in accounting principle	183.5(2)	59.4	(28.8)(3)	(222.0)(4)	(529.1)(5)
Earnings (loss) from continuing operations before cumulative effect of a change in accounting principle					
Basic	\$ 3.06	\$ 0.98	\$ (0.52)	\$ (18.28)	\$ (43.57)
Diluted	\$ 3.04	\$ 0.97	\$ (0.52)	\$ (18.28)	\$ (43.57)
Weighted average common shares outstanding:					
Basic	60.1	60.7	55.6	12.1	12.1
Diluted	60.5	61.4	55.6	12.1	12.1
Cash dividends paid:					
Total	\$	\$ 61.2	\$	\$	\$
Per common share	\$	\$ 1.00	\$	\$	\$

	As of December 31,				
	2006	2005	2004	2003	2002
(in millions)					
Balance Sheet Data:					
Total assets	\$ 889.2	\$ 825.0	\$ 761.4	\$ 778.2	\$ 2,227.2
Long-term debt and redeemable preferred shares(6)	16.4	17.0	25.4	26.8	40.7
Long-term debt-related party(6)		2.9	3.0	525.0	1,080.1
Total stockholders' equity	563.9	495.5	480.6	137.7	561.9

- (1) TODCO's consolidated results of operations for the years ended December 31, 2005 and December 31, 2004 reflect the consolidation of TODCO's ownership interest in Delta Towing effective December 31, 2003 in accordance with Financial Accounting Standards Board Interpretation No. 46, *Consolidation of variable Interest Entities, and Interpretation of Accounting Research bulletin No. 51* (FIN 46). Accordingly, TODCO's results for 2004 and 2005 include revenues and expenses for Delta Towing. Prior to the adoption of FIN 46, TODCO recorded its 25% interest in the results of Delta Towing as equity in income (loss) of joint venture. In January 2006, TODCO purchased the remaining 75% interest in Delta Towing. TODCO's 2006 results reflect the consolidation of Delta Towing as a wholly-owned subsidiary.
- (2) Included in 2006 is a \$0.4 million impairment loss on long-lived assets.
- (3) Included in 2004 are a \$2.8 million impairment loss on long-lived assets and a \$1.9 million loss on retirement of debt.
- (4) Included in 2003 are an \$11.3 million impairment loss on long-lived assets, a \$21.3 million impairment loss on a note receivable from an unconsolidated joint venture and a \$79.5 million loss on retirement of debt.
- (5) Included in 2002 are a \$17.5 million impairment loss on long-lived assets, a \$381.9 million goodwill impairment and a \$18.8 million loss on retirement of debt.
- (6) Includes current portion.

Table of Contents**SUMMARY UNAUDITED PRO FORMA****CONDENSED COMBINED FINANCIAL STATEMENTS**

The merger will be accounted for under the purchase method of accounting, which means the assets and liabilities of TODCO will be recorded, as of completion of the merger, at their respective fair values and added to those of Hercules. For a more detailed description of purchase accounting see *The Merger Accounting Treatment* beginning on page .

The summary unaudited pro forma condensed combined financial information presented below reflects the purchase method of accounting and is for illustrative purposes only. The summary unaudited pro forma condensed combined information may have been different had the companies actually combined. The summary unaudited pro forma condensed combined financial information does not reflect the effect of asset dispositions, if any, or revenue, cost or other operating synergies that may result from the merger, nor does it reflect the effects of any financing, liquidity or other balance sheet repositioning that may be undertaken (except for the financing directly related to the merger) in connection with or subsequent to the merger. You should not rely on the summary unaudited pro forma condensed combined financial information as being indicative of the historical results that would have occurred had the companies been combined or the future results that may be achieved after the merger. The following summary pro forma unaudited condensed combined financial information has been derived from, and should be read in conjunction with the *Unaudited Pro Forma Condensed Combined Financial Statements*, and related notes beginning on page F-1.

	Year Ended
	December 31, 2006
	(in millions, except
	per share amounts)
Statement of Operations Data:	
Revenues	\$ 1,256.4
Operating income	391.2
Net income	225.9
Earnings per share:	
Basic	2.57
Diluted	2.53
	December 31, 2006
	(in millions)
Balance Sheet Data (at end of period):	
Total current assets	\$ 439.9
Total assets	3,945.5
Long-term debt, net of current portion	1,076.5
Total stockholders' equity	1,871.1

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We present below per common share data regarding the income and book value of Hercules and TODCO on both historical and unaudited pro forma condensed bases and on a per share equivalent unaudited pro forma condensed combined basis for TODCO. We have derived the unaudited pro forma condensed combined per share information from the unaudited pro forma condensed combined financial statements presented elsewhere in this document. You should read the information below in conjunction with the financial statements and accompanying notes of Hercules and TODCO that are incorporated by reference into this document and with the unaudited pro forma condensed combined information included under the section entitled Unaudited Pro Forma Condensed Combined Financial Statements, beginning on page .

For the Year Ended December 31, 2006 (per share):	Hercules	TODCO
Basic earnings per common share		
Historical	\$ 3.80	\$ 3.06
Pro forma (1)(2)	2.57	2.52
Diluted earnings per common share		
Historical	\$ 3.70	\$ 3.04
Pro forma (1)(2)	2.53	2.48
Dividends declared on common stock		
Historical		
Pro forma		
Book value per common share (3)		
Historical	\$ 12.34	\$ 9.77
Pro forma (4)	21.09	20.65

- (1) Hercules pro forma combined earnings per share is calculated by dividing the pro forma net income by the pro forma weighted average number of shares outstanding during the period.
- (2) TODCO equivalent pro forma combined per share amounts are calculated by multiplying the pro forma combined per share amounts by an assumed exchange ratio of 0.979 shares of Hercules common stock that would be exchanged for each share of TODCO common stock.
- (3) Book value per share is computed by dividing stockholders' equity by the number of shares of common stock at the end of the period.
- (4) TODCO pro forma book value per share is calculated by multiplying the pro forma combined book value per common share by an assumed exchange ratio of 0.979 shares of Hercules common stock that would be exchanged for each share of TODCO common stock.

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COMPARATIVE HERCULES AND TODCO

MARKET PRICE DATA AND DIVIDEND INFORMATION

Hercules common stock is listed on NASDAQ under the symbol HERO. TODCO common stock is listed on the NYSE under the symbol THE. The following table presents closing prices for shares of Hercules common stock and TODCO common stock on March 16, 2007, the last trading day before the public announcement of the execution of the merger agreement by Hercules and TODCO, and , 2007, the latest practicable trading day before the date of this joint proxy statement/prospectus.

The following table also shows the merger consideration equivalent proposed for each share of TODCO common stock, on a fully-diluted basis. These illustrative values are calculated by first multiplying the closing price of Hercules common stock on those dates by 0.979, which is the total Hercules common stock consideration in the merger per share of TODCO common stock. To this, we added \$16.00 per share, which is the total cash consideration in the merger per share of TODCO common stock.

Because the total stock consideration in the merger is fixed at 0.979 per share of TODCO common stock, the value of the total merger consideration to be received by TODCO stockholders will fluctuate based on the market price of Hercules common stock. We urge you to obtain the market prices for Hercules common stock and TODCO common stock before you vote. TODCO stockholders may elect to receive cash, Hercules common stock or a combination of both in the merger, however, the merger agreement contains provisions designed to cause value per share received by TODCO stockholders to be substantially equivalent. See The Merger Agreement Merger Consideration, beginning on page .

	Hercules Common Stock	TODCO Common Stock	Merger Consideration Equivalent Per Share of TODCO Common Stock
March 16, 2007	\$ 26.57	\$ 32.78	\$ 42.01
, 2007			

See Comparative Market Prices and Dividends, beginning on page for additional market price information.

Table of Contents**RISK FACTORS**

*In addition to the matters addressed under **Cautionary Statement Concerning Forward-Looking Statements**, you should carefully consider the following risks before deciding how to vote. In addition, you should read and consider the discussion of other risks in the Annual Reports on Form 10-K, as amended, of Hercules and TODCO for the year ended December 31, 2006, all of which are incorporated by reference into this joint proxy statement/prospectus. You should also consider the other information in this joint proxy statement/prospectus and the other documents incorporated by reference into this joint proxy statement/prospectus. See **Where You Can Find More Information**, beginning on page .*

Risk Factors Relating to the Merger

Because the merger consideration is fixed and the market price of shares of Hercules common stock will fluctuate, TODCO stockholders cannot be certain of the value of the merger consideration they will receive.

The total number of shares of Hercules common stock issuable in the merger will not change as a result of any change in the market price of shares of Hercules common stock before the date a TODCO stockholder actually receives Hercules common stock following the merger. The market price of shares of Hercules common stock will likely be different on the date TODCO stockholders receive shares of Hercules common stock in the merger than the market price of shares of Hercules common stock as of the date the merger agreement was signed, the date of this joint proxy statement/prospectus, the date of the stockholder meetings, or at times following the merger. If the market price of Hercules common stock declines after TODCO stockholders vote, TODCO stockholders may receive less value than they expected when they voted. Conversely, if the market price of Hercules common stock is higher on the date of the effective time of the merger than it was on the date of the Hercules Meeting, then the value paid by Hercules for the TODCO common stock in the merger, as measured by the market price of the Hercules common stock, may be higher than was expected by Hercules stockholders at the time of the Hercules Meeting.

During the 12-month period ending on , the date of this joint proxy statement/prospectus, Hercules common stock traded in a range from a low of \$ to a high of \$ and ended that period at \$. See **Comparative Market Prices and Dividends**, beginning on page for more detailed share price information. Differences in Hercules stock price may be the result of changes in the business, operations or prospects of Hercules, market reactions to the proposed merger, commodity prices, general market and economic conditions or other factors. Neither Hercules nor TODCO is permitted to terminate the merger agreement or resolicit the vote of their respective stockholders solely because of changes in the market prices of their respective common stock.

The price of Hercules common stock after the merger may be affected by factors different from the factors that currently affect the price of Hercules and TODCO common stock.

Holders of TODCO common stock may receive Hercules common stock in the merger. Hercules results of operations, as well as the price of Hercules common stock following the merger, may be affected by factors different from those currently affecting Hercules or TODCO's results of operations and the price of Hercules and TODCO common stock. For a discussion of Hercules business and TODCO's business and certain factors to consider in connection with their businesses, including risk factors associated with their businesses, see Hercules Annual Report on Form 10-K, as amended, for the fiscal year ended December 31, 2006 and TODCO's Annual Report on Form 10-K, as amended, for the fiscal year ended December 31, 2006, which are incorporated by reference into this joint proxy statement/prospectus. See also the other documents incorporated by reference into this joint proxy statement/prospectus under the caption **Where You Can Find More Information**, beginning on page .

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TODCO stockholders may receive consideration different from the consideration they elect.

Although each TODCO stockholder may, with respect to some or all of the stockholder's shares of TODCO common stock, elect to receive all cash, or all shares of Hercules common stock under the merger agreement, the total amount of cash and the aggregate number of shares of Hercules common stock available for all TODCO stockholders as a whole will be fixed. Accordingly, depending on the elections made by other TODCO stockholders and the average of the per share closing sales price of shares of Hercules common stock on NASDAQ during the 10-trading-day valuation period ending on the fifth calendar day prior to the date on which the merger becomes effective (or if the fifth day is not a trading day, then the preceding trading day), TODCO stockholders may receive a proportion of cash and shares of Hercules common stock that is different from what they elected to receive.

If a TODCO stockholder does not submit a properly completed and signed election form to the exchange agent by the election deadline of 5:00 p.m., New York City time, on _____, 2007, then that TODCO stockholder will have no control over the type of merger consideration he or she may receive.

TODCO stockholders who elect a specific form of merger consideration will not be able to sell their shares of TODCO common stock unless they revoke their election prior to the election deadline.

If TODCO stockholders want to make an election with respect to the type of merger consideration they want to receive, they must deliver their stock certificates (or follow the procedures for guaranteed delivery) and a properly completed and signed election form to the exchange agent no later than the election deadline of 5:00 p.m., New York City time, on _____, 2007. TODCO stockholders will not be able to sell any shares of TODCO common stock that they have delivered unless they revoke their election before the election deadline by providing written notice to the exchange agent. After the election deadline, TODCO stockholders who have made a valid election will be unable to sell their shares of TODCO common stock. Hercules and TODCO may agree to extend the election deadline but are not obligated to do so. If a new election deadline is set, TODCO and Hercules will publicly announce the new election deadline.

Any delay in completing the merger and integrating the businesses may substantially reduce the benefits expected to be obtained from the merger.

In addition to obtaining the required regulatory clearances and approvals, the merger is subject to a number of other conditions beyond the control of TODCO and Hercules that may prevent, delay or otherwise materially adversely affect its completion. See The Merger Agreement Conditions to the Completion of the Merger, beginning on page _____. Hercules and TODCO cannot predict whether or when the conditions to closing will be satisfied. Any delay in completing the merger and integrating the businesses may diminish the benefits that Hercules and TODCO expect to achieve in the merger.

Failure to complete the merger could negatively impact the stock price and the future business and financial results of Hercules and TODCO.

Neither Hercules nor TODCO can assure you that the merger agreement will be approved by TODCO stockholders, the issuance of the shares of Hercules common stock will be approved by Hercules stockholders or that the other conditions to the completion of the merger will be satisfied. In addition, both Hercules and TODCO have the right to terminate the merger agreement and pursue alternative transactions under certain conditions. If the merger is not completed, neither Hercules nor TODCO will receive any expected benefits of the merger and will be subject to risks and/or liabilities, including the following:

failure to complete the merger might be followed by a decline in the market price of TODCO common stock and/or Hercules common stock,

TODCO may be required to pay Hercules a termination fee of \$70 million if the merger agreement is terminated under specified circumstances,

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Hercules may be required to pay TODCO a termination fee of \$30 million if the merger agreement is terminated under specified circumstances,

some costs relating to the merger (such as legal accounting and financial advisory fees) are payable by Hercules and by TODCO whether or not the merger is completed, and

the proposed merger may disrupt the business of Hercules and TODCO and distract their management and employees from day-to-day operations, because work related to the merger (including integration planning) requires substantial time and resources, which could otherwise have been devoted to other business opportunities for the benefit of Hercules and TODCO.

If the merger is not completed, these risks and liabilities may materially adversely affect TODCO's and Hercules' business, financial results, financial condition and stock price.

In addition, there can be no assurance that Hercules will be successful in obtaining expected financing. Although financing is not a condition to closing of the merger, if Hercules were not able to obtain the expected financing, or not able to obtain the financing on commercially reasonable terms, it might not be able to complete the merger and might be subject to other adverse consequences.

The rights of TODCO stockholders who become Hercules stockholders in the merger will be governed by Hercules' certificate of incorporation and bylaws.

TODCO stockholders who receive shares of Hercules common stock in the merger will become Hercules stockholders, and their rights as stockholders will be governed by Hercules' certificate of incorporation and bylaws. As a result, there will be material differences between the current rights of TODCO stockholders, which are governed by TODCO's certificate of incorporation and bylaws, as compared to the rights they will have as Hercules stockholders. For more information, see Comparison of Rights of Hercules and TODCO Stockholders, beginning on page .

Restrictions on the percentage ownership of Hercules' outstanding common stock by non-U.S. citizens may subject the shares of Hercules common stock held by non-U.S. citizens to restrictions, limitations and redemption.

Hercules' certificate of incorporation provides that any transfer, or attempted or purported transfer, of any shares of its common stock that would result in the ownership or control of in excess of 20% of Hercules' outstanding common stock by one or more persons who are not U.S. citizens for purposes of U.S. coastwise shipping will be void and ineffective as against Hercules. The TODCO bylaws also contain transfer restrictions for this purpose. In addition, if at any time persons other than U.S. citizens own shares of Hercules' common stock or possess voting power over any shares of Hercules common stock in excess of 20%, Hercules may withhold payment of dividends, suspend the voting rights attributable to the shares and redeem the shares. The limitations on foreign ownership contained in Hercules' certificate of incorporation may have an adverse impact on the liquidity of Hercules common stock following the effective time of the merger because holders may be unable to transfer Hercules common stock to non-U.S. citizens. This limitation on liquidity could adversely impact the market price of the Hercules common stock.

TODCO's tax sharing agreement with Transocean will require substantial payments by Hercules upon the completion of the merger and may require substantial payments after completion of the merger.

TODCO and Transocean are parties to a tax sharing agreement that was originally entered into in connection with TODCO's initial public offering in 2004. The tax sharing agreement was amended and restated in November 2006 in a negotiated settlement of disputes between Transocean and TODCO over the terms of the original tax sharing agreement. The tax sharing agreement will require Hercules to make an acceleration payment to Transocean upon completion of the merger as a result of the deemed utilization of TODCO's pre-IPO tax

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benefits. The amount of the payment owing to Transocean based on the acceleration is calculated by multiplying 80% by the then remaining pre-IPO tax benefits at the effective time of the merger. If the effective time of the merger had occurred on March 31, 2007, the acceleration payment owing to Transocean would be \$144 million, or approximately 80% of the pre-IPO tax benefits.

Additionally, the tax sharing agreement will continue to require after the merger that additional payments to be made to Transocean be based on a portion of the expected tax benefit from the exercise of certain compensatory stock options to acquire Transocean common stock attributable to current and former TODCO employees and board members. The estimated amount of payments to Transocean related to compensatory options that remain outstanding at March 31, 2007, assuming a Transocean stock price of \$81.70 per share at the time of exercise of the compensatory options (the actual price of Transocean's common stock at March 31, 2007), is approximately \$17.6 million.

There is no certainty that Hercules will realize future economic benefits from TODCO's tax benefits equal to the amount of the payments required under the tax sharing agreement. The payments owing to Transocean adversely affect the economic benefits of the merger that would otherwise accrue to Hercules stockholders and TODCO stockholders.

Some of the directors and executive officers of Hercules and TODCO may have personal interests that differ from yours and may motivate them to support or approve the merger.

Some of the directors of TODCO who recommend the merger to TODCO stockholders, and the executive officers of TODCO who provided information to the TODCO board of directors relating to the merger, have employment, indemnification and severance benefit arrangements, rights to acceleration of the vesting of stock options and other equity awards, continuation of post-termination insurance and health benefits and/or lump sum payments in lieu thereof, and rights to ongoing indemnification and insurance that provide them with interests in the merger that may differ from yours. In addition, three of TODCO's current directors are expected to become directors of Hercules upon completion of the merger and at least one executive officer of TODCO is expected to become an officer of Hercules. The Hercules board of directors has authorized promotions and salary increases for certain executive officers of Hercules contingent upon completion of the merger. The benefits that would result from the merger may have influenced these directors in approving the merger and these officers in supporting the merger.

You should consider these interests when you consider the recommendations of the Hercules and TODCO boards of directors that you vote for the issuance of shares of Hercules common stock in the merger and for the approval and adoption of the merger agreement, respectively. As a result of these interests, these directors and executive officers may be more likely to support the merger agreement than if they did not have these interests. For a discussion of the interests of directors and executive officers in the merger, see "The Merger - Interests of Executive Officers of Hercules in the Merger" and "The Merger - Interests of Directors and Executive Officers of TODCO in the Merger," beginning on page .

The merger agreement limits Hercules' and TODCO's ability to pursue an alternative to the merger.

The merger agreement prohibits Hercules and TODCO from soliciting alternative transactions. See "The Merger Agreement - Conditions to the Completion of the Merger" on page . Additionally, under the merger agreement, before the board of directors of either company changes its recommendation of the merger as a result of its receipt of an unsolicited acquisition proposal, that company must allow the other company a three business day period to make a revised proposal. These provisions limit Hercules' and TODCO's ability to pursue offers from third parties that could result in greater value to their respective stockholders.

The obligation to pay the termination fee may also discourage a third party from pursuing an alternative transaction proposal. Under the merger agreement, TODCO may be required to pay to Hercules a termination fee

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of \$70 million if the merger agreement is terminated under specified circumstances and Hercules may be required to pay to TODCO a termination fee of \$30 million if the merger agreement is terminated under specified circumstances. If a termination fee is payable, the payment of this fee could have material and adverse consequences on the financial condition and operations of the company making the payment.

Risk Factors Relating to Hercules Following the Merger

Hercules may experience difficulties in integrating TODCO's business and could fail to realize potential benefits of the merger.

Achieving the anticipated benefits of the merger will depend in part upon whether Hercules is able to integrate TODCO's business in an efficient and effective manner. Hercules may not be able to accomplish this integration process smoothly or successfully. The difficulties of combining the two companies' businesses potentially will include, among other things:

geographically separated organizations and possible differences in corporate cultures and management philosophies,

significant demands on management resources, which may distract management's attention from day-to-day business,

differences in the disclosure systems, accounting systems, and accounting controls and procedures of the two companies, which may interfere with the ability of Hercules to make timely and accurate public disclosure, and

the demands of managing new lines of business acquired from TODCO in the merger.

Any inability to realize the potential benefits of the merger, as well as any delays in integration, could have an adverse effect upon the revenues, level of expenses and operating results of the combined company, which may affect the value of Hercules common stock after the closing of the merger.

Hercules will have substantial debt after the merger, which could have a material adverse effect on its financial health and limit its future operations.

Hercules will have a significant amount of secured debt immediately after the merger. As of December 31, 2006, on a pro forma basis to reflect the merger and Hercules' borrowing to finance the cash component of the merger consideration, Hercules' total outstanding long-term debt would have been \$1,087.2 million. In order to finance some or all of the cash component of the merger consideration and to refinance debt of TODCO, Hercules will enter into a new syndicated secured term loan facility of up to \$1.1 billion and a \$150 million revolving credit facility. Under the facility, Hercules will be required to prepay the term loan with 50% of any excess cash flow until the outstanding principal balance of the term loan is less than \$550.0 million.

Hercules' substantial debt could have important consequences. In particular, it could:

increase Hercules' vulnerability to general adverse economic and industry conditions, and require it to dedicate a substantial portion of its cash flow from operations to payments on its indebtedness, thereby reducing the availability of its cash flow to fund working capital, capital expenditures, acquisitions, other debt service requirements and other general corporate purposes,

increase Hercules' exposure to risks inherent in interest rate fluctuations and changes in credit ratings or statements from rating agencies because its borrowings generally are at variable rates of interest, which would result in higher interest expense to the extent Hercules has not hedged these risks against increases in interest rates,

place Hercules at a competitive disadvantage compared to its competitors that have less debt, and

limit Hercules' ability to borrow additional funds.

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Hercules debt agreements contain restrictive covenants that may limit the ability of Hercules to respond to changes in market conditions or pursue business opportunities.

The credit agreements and other instruments governing Hercules credit facilities will contain restrictive covenants that will limit Hercules ability and the ability of certain of its subsidiaries after the merger to, among other things:

incur or guarantee additional indebtedness,

make investments and other restricted payments, including dividends,

purchase equity interests or redeem subordinated indebtedness early,

create or incur certain liens,

enter into transactions with affiliates,

sell assets, and

merge or consolidate with another company.

In addition, Hercules will have to meet certain quarterly financial ratios and tests, notably with respect to a fixed charge coverage ratio and a maximum leverage ratio. Hercules need to comply with these provisions may materially adversely affect its ability to react to changes in market conditions, take advantage of business opportunities it believes to be desirable, obtain future financing, fund needed capital expenditures, finance its acquisitions, equipment purchases and development expenditures, or withstand a future downturn in its business.

If Hercules is unable to comply with the restrictions and covenants in the agreements governing Hercules indebtedness, there could be a default under the terms of these agreements, which could result in an acceleration of payment of funds that Hercules has borrowed.

If Hercules is unable to comply with the restrictions and covenants in the agreements governing Hercules indebtedness or in current or future debt financing agreements, there could be a default under the terms of these agreements. Hercules ability to comply with these restrictions and covenants, including meeting financial ratios and tests, may be affected by events beyond its control. As a result, Hercules cannot assure Hercules and TODCO stockholders that Hercules will be able to comply with these restrictions and covenants or meet these tests. If a default occurs under these agreements, lenders could terminate their commitments to lend or accelerate the outstanding loans and declare all amounts borrowed due and payable. Borrowings under other debt instruments that contain cross-acceleration or cross-default provisions may also be accelerated and become due and payable. If any of these events occur, the assets of Hercules might not be sufficient to repay in full all of its outstanding indebtedness and Hercules may be unable to find alternative financing. Even if Hercules could obtain alternative financing, it might not be on terms that are favorable or acceptable. If Hercules were unable to repay amounts borrowed, the holders of the debt could initiate a bankruptcy proceeding or liquidation proceeding against any collateral.

The impact of purchase accounting could adversely affect Hercules earnings.

Purchase accounting will require the combined company to allocate the price being paid in the merger to TODCO s assets on the basis of their fair values at the time of the closing of the merger. Those adjustments are expected to result in significant increases in the carrying values of property, plant and equipment costs, as reflected in the unaudited pro forma condensed combined balance sheet contained elsewhere in this document. The increased value of property, plant and equipment will increase the combined company s depreciation expense, which will reduce reported earnings but have no effect on cash flows.

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In addition, the preliminary estimate of goodwill as of December 31, 2006 associated with the merger is approximately \$790 million, as reflected in the unaudited pro forma condensed combined balance sheet

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contained elsewhere in this joint proxy statement/prospectus. Hercules will annually assess this amount for impairment under generally accepted accounting principles as applied by Hercules. If Hercules concludes that the goodwill associated with the merger is impaired or, additionally, that the carrying value of assets acquired in the merger are impaired, the amount of the impairment would reduce the amount of earnings Hercules would otherwise report but would have no effect on its cash flows.

The business of Hercules following the merger is expected to continue to be cyclical. The goodwill associated with the merger and the increased carrying values of TODCO's assets on the balance sheet of Hercules could, therefore, increase the potential for impairment, possibly causing a write-down or write-off of the goodwill and the carrying values of Hercules' assets acquired in the merger.

Hercules will be subject to additional international political, economic, and other uncertainties after the merger.

Hercules currently owns or operates 17 liftboats operating offshore West Africa, including Nigeria, one drilling rig operating offshore Qatar and another operating offshore India, and Hercules is marketing Rig 26 to work in international markets following completion of the refurbishment and upgrade project on that rig. Because TODCO also has non-U.S. operations, including Angola, Brazil, Mexico, Trinidad and Venezuela, Hercules' non-U.S. operations will expand following the merger and so will its exposure to the risks inherent in foreign operations.

As a result of Hercules' international expansion following the merger, its condition and results of operations could be susceptible to adverse events beyond Hercules' control that may occur in the particular country or region in which Hercules is active. Hercules may also experience currency exchange losses where revenues are received and expenses are paid in nonconvertible currencies or where Hercules does not hedge an exposure to a foreign currency. Hercules may also incur losses as a result of an inability to collect revenues because of a shortage of convertible currency available to the country of operation, controls over currency exchange or controls over the repatriation of income or capital.

Hercules will have Venezuela operations following the merger which are subject to adverse political and economic conditions.

A portion of Hercules' operations following the merger will be conducted in the Republic of Venezuela, which has been experiencing political and economic turmoil, including labor strikes and demonstrations. This instability could have an adverse effect on Hercules' business. Depending on future developments, Hercules could decide to cease operations in Venezuela. Venezuela also imposes foreign exchange controls that will limit Hercules' ability to convert local currency into U.S. dollars and transfer excess funds out of Venezuela. Any changes in existing regulation or enforcement could further restrict Hercules' ability to receive U.S. dollar payments.

Failure to retain key employees could adversely affect Hercules following the merger.

Hercules' performance following the merger could be adversely affected if it is unable to retain certain key employees of Hercules and TODCO. The loss of the services of one or more of these key employees including Hercules' Chief Executive Officer and President, Mr. Stilley, could adversely affect Hercules' future operating results because of their experience and knowledge of the respective businesses of Hercules and TODCO.

Hercules and TODCO will incur substantial costs in connection with the merger.

Hercules and TODCO expect to incur a number of non-recurring transaction fees and other costs associated with completing the merger and combining the operations of the two companies, including legal fees and potential expenses related to shareholder litigation. These fees and costs will be substantial and many of them will be incurred whether or not the merger is consummated. Additional unanticipated costs may also be incurred in the integration of the businesses of Hercules and TODCO. If the total costs incurred in completing the merger exceed estimates, the financial results of the combined company may be adversely affected.

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The issuance of shares of Hercules common stock to TODCO stockholders in the merger will dilute the ownership interests of Hercules stockholders.

After the merger, Hercules stockholders will own a significantly smaller percentage of the combined company than they currently own of Hercules due to the issuance of shares of Hercules common stock to TODCO stockholders. As a result, the relative percentage interest of current Hercules stockholders with respect to earnings, voting, liquidation value, book value and market value will be reduced to approximately % of the combined company . If the merger fails to produce the results Hercules and TODCO anticipate, Hercules stockholders may not receive benefits sufficient to offset the dilution of their ownership interest.

Following the merger, the TODCO directors will represent a minority on the combined company s board of directors.

The merger agreement includes provisions that require the combined company s board of directors to maintain a ratio of seven Hercules-nominated directors to three TODCO-nominated directors for three years following the effective time of the merger. As a result, the TODCO-nominated directors will not have sufficient voting power to control decisions of the combined company s board of directors although TODCO stockholders will own approximately 64% of the combined company s shares immediately after the effective time. The combined company s board of directors may make different decisions than would either TODCO s current board of directors or a new board of directors composed entirely of TODCO-nominated directors.

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RECENT DEVELOPMENTS

On March 19 and 20, 2007, two TODCO stockholder lawsuits were filed in the District Court of Harris County, Texas, both alleging that the TODCO board of directors breached their fiduciary duties in approving the proposed merger among TODCO, Hercules and Merger Sub. The first suit, pending in the 333rd Judicial District Court of Harris County, Texas, Cause No. 2007-16397, is a purported stockholder class action suit against the TODCO directors, and contains claims for breach of fiduciary duty. The second suit, pending in the 269th Judicial District Court of Harris County, Texas, Cause No. 2007-16357, is a stockholder derivative action purportedly filed on behalf of TODCO against the TODCO directors and Hercules, and contains claims for breach of fiduciary duties of loyalty, due care, candor, good faith and/or fair dealing; corporate waste; unlawful self dealing; and claims that the defendants conspired, aided and abetted and/or assisted one another in a common plan to breach these fiduciary duties. Both complaints allege, among other things, that the TODCO directors engaged in self-dealing in approving the proposed merger with Hercules by advancing their own personal interests or those of TODCO's senior management at the expense of the TODCO stockholders, utilized a defective sales process not designed to maximize TODCO stockholder value, and failed to consider any value maximizing alternatives, thus causing TODCO stockholders to receive an unfair price for their shares of TODCO common stock. The second suit also alleges that Hercules conspired, aided and abetted or assisted in these violations.

Both complaints seek, among other things, an injunction preventing the completion of the merger, rescission if the merger is consummated, imposition of a constructive trust in favor of plaintiffs upon any benefits improperly received by the defendants, attorneys' fees and expenses associated with the lawsuit and any other equitable relief the court deems just and proper. Each of TODCO, the TODCO directors and Hercules believe the asserted claims are without merit, and each intends to defend them vigorously.

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CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

This joint proxy statement/prospectus, including information included or incorporated by reference into this joint proxy statement/prospectus, contains certain forward-looking statements within the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Generally, the words expects, anticipates, targets, goals, projects, intends, plans, believes, seeks, estimates, variations of these words and expressions identify forward-looking statements, and any statements regarding the benefits of the merger, or Hercules or TODCO's future financial condition, results of operations and business, are also forward-looking statements. All statements other than statements of historical fact are statements that could be deemed forward-looking statements. These statements are based upon current expectations and estimates of the management of Hercules and TODCO and are subject to risks and uncertainties that may cause actual results to differ materially, including:

the various risks and other factors considered by the respective boards of Hercules and TODCO as described under The Merger Recommendation of the Hercules Board of Directors and Its Reasons for the Merger, beginning on page and under The Merger Recommendation of the TODCO Board of Directors and Its Reasons for the Merger, beginning on page ,

the amount and timing of any synergies expected to result from the merger,

the ability of Hercules and TODCO to enter into new contracts for rigs and liftboats and future dayrates and utilization rates for the units,

the correlation between demand for the rigs and liftboats of Hercules and TODCO and their earnings and customers' expectations of energy prices,

future capital expenditures and refurbishment, repair and upgrade costs,

expected completion times for refurbishment and upgrade projects,

amounts expected to be paid by insurance proceeds for the salvage and repair of the Tigershark,

sufficiency of funds for required capital expenditures, working capital and debt service,

plans regarding increased international operations,

expected useful lives of rigs and liftboats,

liabilities under laws and regulations protecting the environment,

the impact of purchase accounting,

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expected outcomes of litigation, claims and disputes and their expected effects on Hercules and TODCO's financial condition and results of operations, and

expectations regarding improvements in offshore drilling activity and dayrates, continuation of current market conditions, demand for Hercules and TODCO's rigs and liftboats, operating revenues, operating and maintenance expense, insurance expense and deductibles, interest expense, debt levels and other matters with regard to outlook.

Hercules and TODCO have based these statements on their assumptions and analyses in light of their experience and perception of historical trends, current conditions, expected future developments and other factors they believe are appropriate in the circumstances. Forward-looking statements by their nature involve substantial risks and uncertainties that could significantly affect expected results, and actual future results could differ materially from those described in these statements. Although it is not possible to identify all factors, Hercules and TODCO continue to face many risks and uncertainties. Among the factors that could cause actual future results to differ

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materially are the risks and uncertainties described under Risk Factors, beginning on page and in the documents incorporated into this joint proxy statement/prospectus and the following:

the ability to consummate the merger,

difficulties and delays in obtaining regulatory approvals for the merger,

difficulties and delays in achieving synergies and cost savings,

potential difficulties in meeting conditions set forth in the merger agreement,

oil and natural gas prices and industry expectations about future prices,

demand for offshore jackup rigs and liftboats,

the ability of Hercules and TODCO to enter into and the terms of future contracts,

the worldwide military and political environment, uncertainty or instability resulting from an escalation or additional outbreak of armed hostilities or other crises in the Middle East and other oil and natural gas producing regions or further acts of terrorism in the United States, or elsewhere,

the impact of governmental laws and regulations,

the adequacy of sources of liquidity,

uncertainties relating to the level of activity in offshore oil and natural gas exploration, development and production,

competition and market conditions in the contract drilling and liftboat industries,

the availability of skilled personnel,

labor relations and work stoppages, particularly in the Nigerian labor environment,

operating hazards such as severe weather and seas, fires, cratering, blowouts, war, terrorism and cancellation or unavailability of insurance coverage,

the effect of litigation and contingencies, and

inability to carry out plans and strategies as expected.

Should one or more of the risks or uncertainties described above or elsewhere in Hercules' Annual Report or TODCO's Annual Report on Form 10-K, as amended, for the year ended December 31, 2006 occur, or should underlying assumptions prove incorrect, actual results and plans could differ materially from those expressed in any forward-looking statements.

All forward-looking statements, expressed or implied, included in this joint proxy statement/prospectus are expressly qualified in their entirety by this cautionary statement. This cautionary statement should also be considered in connection with any subsequent written or oral forward-looking statements that Hercules, TODCO or persons acting on their behalf may issue.

Except as otherwise required by applicable law, Hercules and TODCO disclaim any duty to update any forward-looking statements, all of which are expressly qualified by the statements in this section. See also "Where You Can Find More Information," beginning on page .

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THE HERCULES MEETING

This section contains information from Hercules for Hercules stockholders about the Hercules Meeting to approve the issuance of Hercules common stock in the merger and transact other business described below. Together with this document, Hercules is also sending a notice of the Hercules Meeting and a form of proxy that is being solicited by the Hercules board of directors for use at the Hercules Meeting. The information and instructions contained in this section are addressed to Hercules stockholders only, and all references to "you" in this section should be understood to be addressed to Hercules stockholders.

Date, Time, Place and Purposes of the Hercules Meeting

The Annual Meeting of stockholders of Hercules Offshore, Inc. will be held on _____, 2007, at _____ a.m., Houston time, at the St. Regis Hotel, 1919 Briar Oaks Lane, Houston, Texas for the following purposes:

1. to approve the issuance of Hercules common stock to TODCO stockholders in connection with the merger as set forth in the Amended and Restated Agreement and Plan of Merger, effective as of March 18, 2007, by and among Hercules, TODCO and THE Hercules Offshore Drilling Company LLC, a copy of which is attached as Annex A to the joint proxy statement/prospectus, pursuant to which TODCO will merge with and into a direct, wholly-owned subsidiary of Hercules,
2. to elect three directors to the class of directors whose term will expire at the 2010 Annual Meeting of Stockholders,
3. to approve an amendment to Hercules' 2004 Long-Term Incentive Plan, increasing the number of shares of Hercules common stock available for issuance under the plan by 6,800,000 shares, or by 1,200,000 shares if the merger is not consummated,
4. to approve the adjournment of the Hercules Meeting, if necessary or appropriate, to solicit additional proxies in favor of the foregoing proposals, and
5. to transact any other business as may properly come before the Hercules Meeting or any adjournments or postponements thereof.

The approval of Proposal No. 1 is a condition to the completion of the merger. Accordingly, if Hercules stockholders wish to support the merger, they must approve Proposal No. 1.

The Hercules board of directors unanimously recommends that Hercules stockholders vote FOR each of the proposals and FOR each of the director nominees.

Who Can Vote at the Hercules Meeting

Only holders of record of Hercules common stock at the close of business on _____, 2007, the record date for the Hercules Meeting, are entitled to notice of and to vote at the Hercules Meeting. On the record date for the Hercules Meeting, there were _____ shares of Hercules common stock outstanding and entitled to be voted at the Hercules Meeting. A majority of these shares, present in person or represented by proxy, is necessary to constitute a quorum. Each share of Hercules common stock is entitled to one vote at the Hercules Meeting.

Vote Required for Approval; Quorum

The affirmative vote of the holders of a majority of the votes cast by Hercules stockholders entitled to vote at the Hercules Meeting, at which a quorum is present, is required to approve the issuance of additional shares of Hercules common stock pursuant to the merger agreement to approve the amendment of the Hercules 2004 Long-Term Incentive Plan and to approve the adjournment of the Hercules Meeting, if necessary or appropriate, to solicit additional proxies. For the election of directors (Hercules Proposal No. 2), the three nominees receiving

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the most FOR votes from the shares having the voting power present in person or represented by proxy will be elected by a plurality vote. Abstentions and broker non-votes will not be counted either in favor of or against the proposals at the Hercules Meeting.

A quorum is present at the Hercules Meeting if a majority of all the shares of Hercules common stock issued and outstanding on the Hercules record date and entitled to vote at the Hercules Meeting are represented at the Hercules Meeting in person or by proxy. Abstentions and broker non-votes will be treated as present at the Hercules Meeting for purposes of determining the presence or absence of a quorum for the transaction of all business.

Adjournments

If a quorum of Hercules stockholders is not present in person or by proxy at the Hercules Meeting, the Hercules Meeting may be adjourned by Hercules stockholders holding a majority of Hercules common stock present at the meeting until a quorum is present or represented. In addition, if the adjournment proposal is approved, adjournments of the Hercules Meeting may be made for the purpose of soliciting additional proxies in favor of the proposal.

Manner of Voting

We refer to a stockholder who holds Hercules common stock in their own name (as opposed to being held in the name of their broker, bank or other nominee) as a holder of record. Holders of record may vote in person at the Hercules Meeting or by proxy. Hercules recommends that holders of record vote by proxy even if they plan to attend the Hercules Meeting. Holders of record can always revoke their proxy and change their votes at the Hercules Meeting.

Proxy Voting by Holders of Record

Voting instructions are attached to your proxy card. If you properly submit your proxy to Hercules in time to vote, one of the individuals named as your proxy will vote your shares as you have directed. You may vote for or against any or all of the proposals submitted at the Hercules Meeting or abstain from voting.

If you are a holder of record, there are three ways to vote your proxy: by telephone, by Internet or by mail. Your submission of proxy by telephone or Internet authorizes Randall D. Stilley, Lisa W. Rodriguez and James W. Noe, and each of them, as proxies, each with the power to appoint his or her substitute, to represent and vote your shares in the same manner as if you marked, signed and returned your proxy form by mail.

Submit your proxy by Telephone Toll-Free 1-800- -

Use any touch-tone telephone to vote your proxy 24 hours a day, seven days a week until 11:59 p.m. (Eastern Standard Time) on , 2007.

Please have your proxy card available and follow the simple instructions the voice prompt provides.

Submit your proxy by Internet <http://www. .com>

Use the Internet to vote your proxy 24 hours a day, seven days a week until 11:59 p.m. (Eastern Standard Time) on , 2007.

Please have your proxy card available and follow the simple instructions to obtain your records and create an electronic ballot.

Submit your proxy by Mail

Mark, sign and date your proxy card and return it in the postage-paid envelope provided, or

Return it to Hercules Offshore, Inc. c/o Secretary, 11 Greenway Plaza, Suite 2950, Houston, Texas 77046.

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Only the latest dated proxy received from you, whether by mail, telephone or internet, will be voted at the Hercules Meeting. If you submit your proxy by telephone or Internet, please do not mail your proxy form.

Voting of Shares Held in Street Name

If your shares of Hercules common stock are not held in your own name but rather by your broker or another nominee, we refer to your shares as being held in street name by your nominee. If your shares are held in street name you must instruct your nominee how to vote your shares.

Your nominee may send to you a separate voting instruction form asking you for your voting instructions. If you do not receive a request for voting instructions well in advance of the Hercules Meeting, we recommend that you directly contact your nominee to determine how to cause your shares to be voted as you wish. Your nominee may permit you to instruct the voting of your shares electronically using the telephone or Internet.

Unless you give voting instructions, your nominee **will not vote your shares** on the proposal to issue Hercules common stock in the merger. Your shares held in street name will, however, be counted for purposes of determining whether a quorum is present at the Hercules Meeting if your shares are represented at the Hercules Meeting by your nominee concerning other proposals at the Hercules Meeting.

If you wish to attend the Hercules Meeting and personally vote your shares held in street name, you must obtain a legally sufficient proxy from your nominee authorizing you to vote your shares held in street name.

How Proxies Will Be Voted

If Hercules stockholders do not indicate how their shares of Hercules common stock should be voted on a matter, the shares of Hercules common stock represented by their properly completed proxy will be voted (unless properly withdrawn) as the Hercules board of directors recommends and therefore will be voted:

FOR the proposal to issue additional shares of Hercules common stock in the merger,

FOR the director nominees,

FOR the proposal to approve the amendment of the Hercules 2004 Long-Term Incentive Plan, and

FOR the proposal to adjourn the Hercules Meeting, if necessary or appropriate, to allow for the solicitation of additional proxies. No proxy that is voted against a proposal described in this joint proxy statement/prospectus will be voted in favor of adjournment of the Hercules Meeting for the purpose of soliciting additional proxies.

Revoking a Proxy

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

giving written notice of the revocation to Hercules corporate secretary,

appearing and voting in person at the Hercules Meeting, or

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delivering a later-dated proxy card to Hercules' corporate secretary.

Your attendance at the Hercules Meeting in person without voting will not automatically revoke your proxy. If you revoke your proxy during the meeting, this will not affect any vote previously taken. 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.

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Tabulation of the Votes

Hercules has appointed _____ to serve as the Inspector of Election for the Hercules Meeting. _____ will independently tabulate affirmative and negative votes and abstentions.

Solicitation of Proxies and Expenses

Hercules will pay its own expenses incurred in connection with the printing and mailing of this joint proxy statement/prospectus. Hercules has retained Georgeson Inc. for a fee of \$ _____, plus certain expenses, to assist in the solicitation of proxies and otherwise in connection with the Hercules Meeting. Hercules and Georgeson will also request brokers and other nominees holding shares of Hercules common stock beneficially owned by others to send this joint proxy statement/prospectus to, and obtain proxies from, the beneficial owners and will reimburse holders for their reasonable expenses in so doing.

Hercules' stock transfer registrar and agent, American Stock Transfer & Trust Company, will also solicit proxies from holders of record of Hercules common stock for a fee not in excess of its usual fee for serving as Hercules' stock registrar and transfer agent. Solicitation of proxies by mail may be supplemented by telephone, email and other electronic means, advertisements and personal solicitations by the directors, officers and employees of Hercules. No additional compensation will be paid to Hercules' directors, officers or employees for their solicitation efforts.

Questions About Voting or the Hercules Meeting

If you have any questions or need further assistance in voting your shares, please call Georgeson Inc. toll-free at the following numbers:

brokers and other nominees call 800- _____, and

holders of record of Hercules common stock call 800- _____.

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THE TODCO MEETING

This section contains information from TODCO for TODCO stockholders about the special meeting of stockholders it has called to approve and adopt the merger agreement. Together with this document, TODCO is also sending you a notice of the TODCO Meeting and a form of proxy that is being solicited by the TODCO board of directors for use at the TODCO Meeting. The information and instructions contained in this section are addressed to TODCO stockholders only, and all references to you in this section should be understood to be addressed to TODCO stockholders.

Date, Time, Place and Purposes of the TODCO Meeting

The TODCO Meeting will be held on _____, 2007, at _____ a.m., Houston time, at the Westchase Hilton Hotel, 9999 Westheimer, Houston, Texas. The purpose of the TODCO Meeting is:

1. to approve and adopt the Amended and Restated Agreement and Plan of Merger, effective as of March 18, 2007, by and among Hercules, TODCO and THE Hercules Offshore Drilling Company LLC, a copy of which is attached as Annex A to the joint proxy statement/prospectus, pursuant to which TODCO will merge with and into a direct, wholly-owned subsidiary of Hercules,
2. to approve the adjournment of the TODCO Meeting, if necessary or appropriate, to solicit additional proxies in favor of the foregoing proposal, and
3. to transact any other business as may properly come before the TODCO Meeting or any adjournment or postponement of the TODCO Meeting.

The TODCO board of directors unanimously recommends that TODCO stockholders vote:

FOR the proposal to approve and adopt the merger agreement, and

FOR the proposal to approve the adjournment of the TODCO Meeting, if necessary or appropriate, to solicit additional proxies in favor of approving and adopting the merger agreement.

For the reasons for these recommendations, see The Merger Recommendation of the TODCO Board of Directors and Its Reasons for the Merger, beginning on page _____.

Who Can Vote at the TODCO Meeting

Only holders of record of TODCO common stock at the close of business on _____, 2007, the TODCO record date, are entitled to notice of, and to vote at, the TODCO Meeting. As of that date, there were _____ shares of TODCO common stock outstanding and entitled to vote at the TODCO Meeting, held by approximately _____ stockholders of record. Each share of TODCO common stock is entitled to one vote at the TODCO Meeting.

Vote Required for Approval; Quorum

A majority of the outstanding shares of TODCO common stock entitled to vote must be cast in favor of approval and adoption of the merger agreement for it to be approved. Abstentions and broker non-votes will have the same effect as a vote **against** the proposal to approve and adopt the merger agreement.

The affirmative vote of a majority of votes cast is required to approve the proposal to adjourn the TODCO Meeting to solicit additional proxies in favor of approving and adopting the merger agreement. Abstentions and broker non-votes will not be counted either in favor of or against this proposal.

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For purposes of conducting the TODCO Meeting, the holders of at least a majority of the stock issued and outstanding and entitled to vote at the TODCO Meeting will constitute a quorum. Abstentions and broker non-votes will count for purposes of determining whether a quorum is present.

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Adjournments

If a quorum is not present or represented at the TODCO Meeting, the Chairman of the TODCO board of directors or TODCO stockholders holding a majority of the TODCO common stock present at the TODCO Meeting have the power to adjourn the meeting from time to time, without notice other than an announcement at the meeting. In addition, adjournments of the TODCO Meeting may be made for the purpose of soliciting additional proxies by a majority of the votes cast, without regard to broker non-votes or abstentions. However, no proxy that is voted against a proposal described in this joint proxy statement/prospectus will be voted in favor of adjournment of the TODCO Meeting for the purpose of soliciting additional proxies.

Manner of Voting

We refer to stockholders who hold their TODCO common stock in their own name (as opposed to being held in the name of their broker, bank or other nominee) as holders of record. Holders of record may vote in person at the TODCO Meeting or by proxy. TODCO recommends that holders of record vote by proxy even if they plan to attend the TODCO Meeting. Holders of record can always revoke their proxy and change their votes at the TODCO Meeting.

Proxy Voting by Holders of Record

Voting instructions are attached to your proxy card. If you properly submit your proxy to TODCO in time to vote, one of the individuals named as your proxy will vote your shares as you have directed. You may vote for or against any or all of the proposals submitted at the TODCO Meeting or abstain from voting.

If you are a holder of record, there are three ways to vote your proxy: by telephone, by Internet or by mail. Your submission of proxy by telephone or Internet authorizes Jan Rask, T. Scott O Keefe and Michael P. Donaldson, and each of them, as proxies, each with the power to appoint his substitute, to represent and vote your shares in the same manner as if you marked, signed and returned your proxy form by mail.

Submit your proxy by Telephone Toll-Free 1-800- -

Use any touch-tone telephone to vote your proxy 24 hours a day, seven days a week until 11:59 p.m. (Eastern Standard Time) on , 2007.

Please have your proxy card available and follow the simple instructions the voice prompt provides.

Submit your proxy by Internet <http://www. .com>

Use the Internet to vote your proxy 24 hours a day, seven days a week until 11:59 p.m. (Eastern Standard Time) on , 2007.

Please have your proxy card available and follow the simple instructions to obtain your records and create an electronic ballot.

Submit your proxy by mail

Mark, sign and date your proxy card and return it in the postage-paid envelope provided, or

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Return it to TODCO, c/o Corporate Secretary, 2000 West Sam Houston Parkway, Suite 800, Houston, Texas 77042-3615. Only the latest dated proxy received from you, whether by mail, telephone or internet, will be voted at the TODCO Meeting. If you submit your proxy by telephone or Internet, please do not mail your proxy form.

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Voting of Shares Held in Street Name

If your shares of TODCO common stock are not held in your own name but rather by your broker or another nominee, we refer to your shares as being held in street name by your nominee. If your shares are held in street name you must instruct your nominee how to vote your shares.

Your nominee may send to you a separate voting instruction form asking you for your voting instructions. If you do not receive a request for voting instructions well in advance of the TODCO Meeting, we recommend that you directly contact your nominee to determine how to cause your shares to be voted as you wish. Your nominee may permit you to instruct the voting of your shares electronically using the telephone or Internet.

Unless you give voting instructions, your nominee **will not vote your shares** on the proposal to approve and adopt the merger agreement. Shares held in street name but not voted will have the same effect as a vote **against** approval and adoption of the merger agreement. We therefore urge you to provide voting instructions to your nominee. Your shares held in street name will, however, be counted for purposes of determining whether a quorum is present at the TODCO Meeting, if your shares are represented at the TODCO Meeting by your nominee.

How Proxies Will Be Voted

All shares of TODCO common stock entitled to vote and represented by properly completed proxies received prior to the TODCO Meeting (unless properly revoked) will be voted at the TODCO Meeting as instructed on the proxies. If TODCO stockholders do not indicate how their shares of TODCO common stock should be voted on a matter, the shares of TODCO common stock represented by their properly completed and not properly withdrawn proxy will be voted as the TODCO board of directors recommends and therefore will be voted **FOR** the approval and adoption of the merger agreement. Any proxy that is voted against approval and adoption of the merger agreement will also be voted against any adjournment of the TODCO Meeting for the purpose of soliciting additional proxies.

Revoking a Proxy

You may revoke your proxy before it is voted by:

submitting a new proxy card bearing a later date, or submitting a new proxy by telephone or through the Internet,

providing a written notice revoking your proxy to the Secretary of TODCO before the TODCO Meeting, or

Attending the TODCO Meeting and voting in person.

If you have instructed your nominee to vote your shares for you, you must follow directions you receive from your nominee in order to change or revoke your vote.

Tabulation of the Votes

TODCO has appointed The Bank of New York to serve as the Inspector of Election for the TODCO Meeting. The Bank of New York will independently tabulate affirmative and negative votes and abstentions.

Solicitation of Proxies and Expenses

TODCO will pay its own expenses incurred in connection with the printing and mailing of this joint proxy statement/prospectus. TODCO has retained Georgeson Inc. for a fee of \$, plus certain expenses, to assist in the solicitation of proxies and otherwise in connection with the TODCO Meeting. TODCO and Georgeson will also request brokers and other nominees holding shares of TODCO common stock beneficially owned by others to send this joint proxy statement/prospectus to, and obtain proxies from, the beneficial owners and will reimburse holders for their reasonable expenses in so doing.

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TODCO's stock transfer registrar and agent, The Bank of New York, will also solicit proxies from holders of record of TODCO common stock for a fee not in excess of its usual fee for serving as TODCO's stock registrar and transfer agent. Solicitation of proxies by mail may be supplemented by telephone, email and other electronic means, advertisements and personal solicitations by the directors, officers and employees of TODCO. No additional compensation will be paid to TODCO directors, officers or employees for their solicitation efforts.

Questions About Voting or the TODCO Meeting

If you have any questions or need further assistance in voting your shares, please call Georgeson Inc. toll-free at the following numbers:

brokers, banks and other nominees call 800- -

holders of record of TODCO common stock call 800- -

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THE MERGER

The following is a description of the material aspects of the merger. Although Hercules and TODCO believe that the following description covers the material terms of the merger, the description may not contain all of the information that is important to you. Hercules and TODCO encourage Hercules stockholders and TODCO stockholders to carefully read this entire joint proxy statement/prospectus, including the merger agreement attached to this joint proxy statement/prospectus as Annex A and incorporated by reference herein, for a more complete understanding of the merger.

General

The boards of directors of Hercules and TODCO have unanimously approved the merger agreement providing for the merger of TODCO into Merger Sub. Merger Sub, which is a wholly-owned subsidiary of Hercules, will be the surviving entity in the merger, and upon completion of the merger, the separate corporate existence of TODCO will terminate. TODCO stockholders will receive the merger consideration described below under "The Merger Agreement - Merger Consideration," beginning on page .

Background of the Merger

Each of Hercules and TODCO's board of directors has from time to time engaged with its senior management in strategic reviews, and considered alternatives to enhance stockholder value of their respective companies. Hercules has completed a number of strategic asset acquisitions since its initial public offering in October 2005.

Hercules and TODCO have considered engaging in strategic business transactions with each other at various times since early 2006. However, it was not until early 2007 that the parties began discussions that resulted in the execution of the merger agreement. A summary of the discussions between the parties is set forth below.

On March 8, 2006, the Hercules board of directors held a meeting to explore the possibility of acquiring TODCO. After an initial discussion, the Hercules board of directors requested that Hercules management prepare financial analyses regarding a possible acquisition of TODCO.

On April 19, 2006, on behalf of Hercules, a representative of UBS informed Mr. Jan Rask, TODCO's President and Chief Executive Officer, that Hercules was interested in exploring a possible transaction with TODCO.

On April 26, 2006, the Hercules board of directors authorized management to enter into a confidentiality agreement with TODCO and to engage in discussions with TODCO. The Hercules board authorized the engagement of UBS and Simmons & Company as financial advisers for a possible acquisition of TODCO.

Hercules and TODCO entered into a confidentiality and standstill agreement dated April 27, 2006, and exchanged initial due diligence information shortly thereafter.

On April 30, 2006, TODCO entered into a confidentiality agreement with another drilling company with respect to a possible acquisition of drilling assets by TODCO. As discussed below, discussions between TODCO and this company did not result in a definitive purchase agreement, and were eventually terminated.

On May 1, 2006, the Hercules board of directors held a meeting to discuss the possible acquisition of TODCO. The board discussed the strategic rationale and form of consideration that might be used for an acquisition of TODCO.

At a meeting of the TODCO board held on May 2, 2006, Mr. Rask reported to the TODCO board his recent discussions concerning a possible business combination with Hercules.

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On May 2, 2006, Mr. Rask and T. Scott O'Keefe, TODCO's Executive Vice President Finance and Administration, met with Mr. Randall D. Stilley, Hercules' Chief Executive Officer and President, and Steven A. Manz, Hercules' Senior Vice President and Chief Financial Officer, and agreed to explore a possible transaction. Hercules, TODCO and their respective outside legal counsel and advisers continued to conduct due diligence during the remainder of May 2006.

In May 2006, TODCO engaged Citi as TODCO's financial advisor in connection with a possible transaction with Hercules.

On May 9, 2006, the TODCO board of directors held a meeting in conjunction with its 2006 annual stockholders meeting. Mr. Rask and a representative from Citigroup Global Markets Inc., referred to as Citi, updated the TODCO board on the status of discussions with Hercules, as well as an initial meeting with representatives of the other drilling company mentioned above regarding the possible acquisition of drilling assets by TODCO. In addition, Mr. Rask reported on other strategic alternatives for possible future consideration by TODCO, including (1) construction of new jackup rigs by TODCO, (2) acquiring other companies that were building new jackup rigs on speculation, (3) acquiring other drilling contractors, (4) paying dividends, and (5) repurchasing common stock.

On May 12, 2006, senior management of both Hercules and TODCO gave presentations to each other regarding their respective businesses and continued discussions of the terms and timing of a potential merger. Representatives of UBS and Citi also attended these presentations.

On May 17, 2006, the Hercules board of directors held a meeting at which they discussed the status of discussions with TODCO. Mr. James W. Noe, Hercules' Senior Vice President, General Counsel, Chief Compliance Officer and Secretary, also made a presentation regarding legal matters.

On May 22, 2006, Mr. Stilley and Mr. Rask discussed the form of consideration proposed to be received by TODCO stockholders in the potential merger.

On May 24, 2006, the Hercules board of directors held a meeting with Hercules management to discuss the potential acquisition of TODCO. UBS and Simmons & Company made financial presentations at the meeting, and Mr. Noe made a presentation regarding legal matters.

On May 30, 2006, the Hercules board of directors met with Hercules management to discuss a potential acquisition of TODCO. The board discussed the strategic and financial rationale and the structure of the proposed merger, including the percentage of cash and stock to be used as consideration and the premium to be offered to TODCO stockholders. Following questions and discussions, the board authorized Hercules management to make a non-binding offer to TODCO.

After the May 30, 2006 meeting, Hercules delivered to Mr. Rask a confidential non-binding proposal to acquire all of TODCO's outstanding common stock by merger, subject to due diligence and negotiation of a definitive agreement. The proposal was structured to provide TODCO stockholders a fixed ratio of 1.36 shares of Hercules common stock for each share of TODCO common stock and the right to elect to receive \$48.76 in cash per share, in lieu of the 1.36 shares of Hercules common stock, with respect to up to 25% of the shares of TODCO common stock. This transaction would have resulted in TODCO stockholders owning approximately 64% of the combined company, and the proposed exchange ratio represented a premium of approximately 18% to the closing price of TODCO's common stock on May 26, 2006.

On June 1, 2006, the TODCO board of directors held a meeting to discuss Hercules' May 30 merger proposal. Also in attendance were representatives of Citi and Porter & Hedges L.L.P., TODCO's outside legal counsel. The TODCO board received a presentation from representatives of Citi regarding Hercules' proposal. A representative

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of Porter & Hedges also made a presentation regarding legal matters. After discussion of the terms of the Hercules offer, including the premium and proportion of cash consideration, the TODCO board determined Hercules' proposal to be inadequate and unanimously voted to reject the Hercules proposal.

Following the TODCO board meeting, Mr. Rask contacted Mr. Stilley to inform him of the decision of the TODCO board of directors not to accept the terms of the Hercules proposal, and TODCO then terminated discussions with Hercules.

On July 6, 2006, following consultation with the TODCO board of directors and Citi, Mr. Rask delivered to the other drilling company referred to above a non-binding preliminary proposal to acquire specified drilling assets. The other company did not respond, and accordingly, on September 11, 2006, Mr. O'Keefe wrote a letter to the chief financial officer of the other company terminating discussions.

At a meeting held on October 3, 2006 attended by Mr. Stilley, Mr. Rask, Mr. O'Keefe, representatives of UBS and representatives of Citi, Hercules expressed a general interest in a possible merger transaction with TODCO but no terms or conditions of a possible transaction were discussed. However, Hercules concluded not to reopen discussions involving a possible merger in view of financial and economic conditions and commodity prices at that time. There were no further discussions between Hercules and TODCO until early 2007.

Later in 2006, Hercules entered into a confidentiality agreement with the same drilling company referred to above for Hercules to possibly acquire specified drilling assets. Discussions between Hercules and this company did not proceed beyond preliminary contacts. However, Hercules completed an acquisition of additional liftboats in west Africa in late 2006.

On December 14, 2006, the TODCO board of directors held a board meeting that included a strategic planning session with senior management. TODCO's management discussed four major strategic alternatives for possible future consideration by TODCO, including (1) continue on the present course and using expected excess cash balances to pay dividends, repurchase its common stock or save cash for future acquisitions, (2) aggressively pursue acquisitions of Gulf of Mexico drilling assets and companies, including additional overtures to the drilling company referred to above to acquire specified drilling assets, (3) opportunistically pursue other growth opportunities such as deepwater drilling or purchase of newly built jackup rigs, and (4) reopen discussions with Hercules and consider the feasibility of also pursuing a concurrent acquisition of drilling assets from the other drilling company referred to above. Following discussion, the TODCO board of directors reached a consensus that the fourth strategic alternative was preferable.

On January 15, 2007, consistent with the discussions of the TODCO board of directors on December 14, 2006, Mr. Rask and Mr. Stilley met to discuss a potential merger between Hercules and TODCO, following an earlier call by Mr. Rask to UBS to ask whether Hercules would consider reopening discussions regarding a potential merger. Mr. Rask and Mr. Stilley discussed the benefits of a potential merger and also discussed the benefits and difficulties, including potential delays, of acquiring the third-party drilling assets referred to above concurrently with the merger.

Hercules and TODCO entered into a second confidentiality and standstill agreement dated January 24, 2007 related to a possible transaction between Hercules and TODCO and possibly also involving third-party drilling assets of the other company referred to above. The parties commenced updated due diligence after signing the new confidentiality agreement.

On January 29, 2007, Mr. Rask, Mr. Stilley and a representative of UBS participated in a conference call regarding a potential merger between Hercules and TODCO.

On January 31, 2007, the Hercules board of directors met and discussed the potential transaction with TODCO. After discussion, the Hercules board authorized management to pursue negotiations with TODCO, with a cash component of between 35% and 50% of total consideration.

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In early February 2007, following review and consideration by the respective management and boards of directors of Hercules and TODCO and their respective advisers, the parties ceased to pursue the acquisition of the third-party drilling assets referred to above and directed their attention toward a merger between Hercules and TODCO.

On February 8, 2007, Messrs. Stilley, Rask and O'Keefe met to discuss the potential transaction. Mr. Rask conveyed TODCO's position that the merger premium offered by Hercules should be significantly higher than Hercules' proposal made in 2006.

On February 16, 2007, the Hercules board of directors held a meeting to discuss the potential merger. During the meeting, the management of Hercules made a presentation to the board of directors, including the strategic and financial rationale for the merger, and Mr. Noe made a presentation regarding legal matters. Representatives of UBS and Simmons & Company also attended the meeting and discussed their analyses of the potential business combination at the meeting. The Hercules board of directors approved non-binding indicative terms of up to 40% cash and up to a 20% premium based on the trading prices of TODCO and Hercules at that time.

Mr. Stilley and Mr. Rask met on February 19, 2007 to discuss the potential merger between Hercules and TODCO, including the non-binding indicative terms reviewed by the Hercules board of directors.

Later on February 19, 2007, the Hercules board of directors held a meeting to discuss the proposed merger. Representatives from Simmons & Company and UBS participated in the meeting. After discussing the terms discussed by Mr. Stilley and Mr. Rask, the Hercules board authorized Hercules management to make a non-binding proposal to Mr. Rask.

On February 20, 2007, Hercules delivered to Mr. Rask a confidential non-binding proposal to enter into a business combination, subject to due diligence and negotiation of a definitive agreement. The proposal contemplated that Hercules would provide TODCO stockholders stock and cash consideration for the outstanding shares of TODCO common stock, consisting of a fixed ratio of 0.9278 shares of Hercules common stock and \$15.93 in cash for each share of TODCO common stock. The proposed transaction would have resulted in TODCO shareholders owning approximately 62% of the combined company. The total consideration per share represented a premium of approximately 21% to the closing price of TODCO common stock on February 16, 2007, and a premium of approximately 23% to the 30-day average ratio of TODCO's common stock price to Hercules' common stock price.

On February 22, 2007, the TODCO board of directors held a meeting attended by senior management and TODCO's financial and legal advisers, Citi and Porter & Hedges, respectively, to discuss the proposal received from Hercules on February 20. A representative of Porter & Hedges briefed the board of directors regarding legal matters. Representatives of Citi presented their preliminary financial analysis of the Hercules proposal.

On February 27, 2007, the TODCO board of directors met with representatives of Citi, a representative of Porter & Hedges and senior management of TODCO. Citi presented a detailed preliminary analysis of Hercules and the merger proposal. The TODCO board of directors instructed senior management to prepare a counterproposal to Hercules for consideration at a meeting of the board on March 2, 2007, subject to the board's further discussion and consideration of a presentation to be made by Mr. Stilley on March 2 regarding Hercules and its business and strategy.

The Hercules board of directors held a meeting on February 28, 2007 to discuss business and strategic plans and alternatives, including the proposed merger with TODCO. During the meeting, Mr. Noe briefed the Hercules board regarding legal matters.

On March 2, 2007, the TODCO board of directors met with senior management, representatives of Citi and representatives of Porter & Hedges. Mr. Stilley's scheduled presentation having been postponed due to weather, the TODCO board continued its deliberations concerning the merger and refined the counterproposal to Hercules, subject to the board's satisfaction with Mr. Stilley's presentation.

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Mr. Stilley met with one of the TODCO directors at the home of Mr. Rask on Sunday, March 4, 2007, to discuss Hercules and the merger because of the director's scheduling conflict with Mr. Stilley's presentation that had been rescheduled for the next day.

On March 5, 2007, Mr. Stilley made his presentation to the TODCO board, which was attended by TODCO's senior management, representatives of Citi and Porter & Hedges. Mr. Stilley was accompanied by John T. Rynd, Senior Vice President of Hercules. Mr. Stilley discussed Hercules' growth, its business and assets, its management, its strategy and objectives, and Hercules' strategic and financial rationale for the proposed merger, the timing of the potential transaction and the steps to complete the transaction. After the presentation, Mr. Stilley responded to questions from the TODCO directors and their representatives regarding Hercules and the proposed merger. Following Mr. Stilley's departure and further discussion of the presentation and proposed terms, the TODCO board then approved the TODCO counterproposal and authorized Mr. Rask to communicate its terms to Hercules.

On March 5, 2007, Mr. Rask delivered to Mr. Stilley a counterproposal providing that each holder of TODCO common stock would receive \$16.00 in cash and 1.00 share of Hercules common stock for each share of TODCO common stock, with TODCO stockholders having the option to elect to receive cash or stock for each share of TODCO common stock, subject to proration. The TODCO proposal also contemplated a premium of at least 23% based on a one-day price and 30-day average price of TODCO common stock and a 30-day average ratio of TODCO's common stock price to Hercules' common stock price.

On March 7, 2007, the Hercules board of directors held a meeting. Representatives from Simmons & Company and Andrews Kurth LLP, outside legal counsel for Hercules, also participated in the meeting. At the meeting, the board considered a response to TODCO. Simmons & Company and UBS provided the board with their further financial analysis. After discussion, the board of directors directed management and the financial advisers to prepare additional analysis for their consideration.

The Hercules board of directors held another meeting on the afternoon of March 8, 2007, to consider TODCO's counterproposal received on March 5. Also present at the meeting were senior management of Hercules, representatives of Simmons & Company, as financial advisers, and Andrews Kurth LLP. Simmons & Company presented further financial analysis, and Andrews Kurth advised the Hercules board regarding legal matters. After review and discussion, the board authorized Hercules management to offer total merger consideration equal to 0.979 shares of Hercules common stock and \$16.00 for each share of TODCO common stock, with TODCO stockholders having the right to elect to receive stock or cash, subject to proration in the event either the stock or cash election is oversubscribed. The revised proposal would have resulted in TODCO shareholders owning approximately 64% of the combined company, and the total consideration per share represented a premium of approximately 23% both to the closing price of TODCO common stock on March 8, 2007 and to the 30-day average ratio of TODCO's common stock price to Hercules' common stock price. The counterproposal was delivered to TODCO the following day.

On March 11, 2007, the TODCO board of directors held a meeting in order to consider the revised non-binding proposal received from Hercules on March 8, 2005. Mr. Rask presented Hercules' counterproposal to the TODCO board. At the meeting, representatives of Citi presented further financial analysis of the proposed merger. The TODCO board of directors then approved the terms proposed by Hercules and instructed TODCO management to finalize due diligence and negotiate and finalize a definitive merger agreement.

Following the TODCO board meeting, Mr. Rask called Mr. Stilley to inform him that the TODCO board of directors had accepted Hercules' revised non-binding proposal, subject to due diligence and negotiation of a definitive agreement.

Between March 11 and March 18, 2007, representatives and management of Hercules and TODCO and their respective financial advisers and outside legal counsel engaged in negotiations with respect to a definitive merger.

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agreement. Concurrently with the negotiation of the merger agreement, Hercules and TODCO and their respective representatives and outside legal counsel conducted financial, legal and other due diligence.

On March 18, 2007, the Hercules board of directors held a meeting to consider the proposed merger and the terms and conditions of the merger agreement that had been negotiated by the management teams of Hercules and TODCO. All of the Hercules directors attended the meeting. In addition, representatives from Simmons & Company and Andrews Kurth attended the meeting. Representatives of Andrews Kurth discussed with the Hercules board of directors the legal terms of the merger agreement and made a presentation regarding legal matters. Mr. Stillely made a presentation to the board regarding the proposed merger. Representatives from Simmons & Company presented a financial analysis of the merger consideration and delivered their oral opinion (which was subsequently confirmed in writing) that, as of the date of the opinion and based on and subject to matters described in the opinion, the merger consideration provided for in the merger agreement was fair, from a financial point of view, to Hercules stockholders. The Hercules board of directors then discussed the reasons for the merger, including the financial analysis and the benefits and risks associated with the merger. After deliberation, the Hercules board unanimously determined that the merger to be advisable and in the best interests of Hercules and its stockholders, approved the financing commitment with UBS, approved the merger agreement, and recommended that Hercules stockholders vote in favor of the issuance of shares of Hercules common stock in the merger.

Hercules entered into financing commitment letters with UBS for \$1.25 billion of senior secured credit facilities to support the cash component of the merger consideration and to provide a revolver for general corporate purposes.

The TODCO board of directors held a meeting on the evening of March 18, 2007 to review the proposed merger. All of the TODCO directors attended the meeting. Representatives from Citi and Porter & Hedges also attended the meeting. At the meeting, the TODCO board of directors discussed various aspects of the proposed merger, including the consideration and the terms of the merger agreement. Under the terms of the merger agreement, the total consideration per share represented a premium of approximately 28% to the closing price of TODCO's common stock on March 16, 2007 and 24% to the 30-day average ratio of TODCO's common stock price to Hercules' common stock price. Porter & Hedges then presented a summary of the legal terms of the merger agreement and discussed legal matters with TODCO's directors. The TODCO board of directors then discussed the reasons for the merger and the related benefits and risks associated with the merger. Citi reviewed its financial analysis of the merger consideration and then delivered to the TODCO board of directors its oral and written opinion that, as of the date of the opinion and based on and subject to matters described in the opinion, the merger consideration to be received in the merger by the holders of TODCO common stock was fair, from a financial point of view, to the TODCO stockholders. After further deliberation, the TODCO board of directors unanimously determined that the merger and other transactions contemplated by the merger were fair, advisable and in the best interest of TODCO and its stockholders and approved the merger, the merger agreement and the transactions contemplated by the merger agreement, and recommended approval and adoption of the merger agreement to the stockholders of TODCO.

Late in the evening on March 18, 2007, following approval of the merger agreement by the boards of directors of both companies, the two chief executive officers signed the merger agreement. Early in the morning of March 19, 2007, the parties publicly announced the execution of the merger agreement. Following review and approval by the Hercules and the TODCO board of directors, the merger agreement was amended and restated on March 22, 2007 effective March 18, 2007 to reflect terms previously agreed by the parties and consistent with presentations to their respective boards of directors.

Recommendation of the Hercules Board of Directors and Its Reasons for the Merger

The Hercules board of directors, at a special meeting held on March 18, 2007, determined that the merger agreement and the transactions contemplated by the merger agreement were advisable and in the best interests of Hercules and its stockholders and approved and adopted the merger agreement and the transactions contemplated thereby. The Hercules board of directors unanimously recommends that Hercules stockholders vote FOR the issuance of the shares of Hercules common stock pursuant to the merger agreement.

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Terms of the Merger Agreement and Merger Consideration

In reaching its decision to approve the merger agreement and recommend the issuance of shares of Hercules common stock in the merger, the Hercules board of directors considered the following factors relating to the terms of the merger agreement:

the form of the merger consideration, which consists of a fixed number of shares of Hercules common stock and a fixed amount of cash, and therefore permits Hercules to project its capital structure and indebtedness immediately following the merger,

the financial review and presentation of Simmons & Company and its opinion that, as of the date of such opinion and based upon and subject to the assumptions, qualifications and limitation set forth in the opinion, the merger consideration to be paid to TODCO stockholders in the merger is fair, from a financial point of view, to the Hercules stockholders,

the structure of the merger transaction, which generally is not taxable to Hercules or its stockholders,

the terms of the merger agreement, which permit Hercules to respond to a third party in connection with an unsolicited proposal for an alternative business combination and permit the board of directors to withdraw its recommendation in favor of the issuance of shares in the merger and terminate the agreement if Hercules receives a superior offer, in each case subject to certain specific conditions, including in certain cases payment to TODCO of a \$30 million termination fee,

the potential to reduce the company's weighted average cost of capital as a larger entity with the increased use of leverage, and the availability of a commitment letter with UBS Securities LLC that, subject to the satisfaction of specified conditions, would provide Hercules with the ability to borrow the funds necessary to pay the cash component of the merger consideration, to fund other amounts due in connection with the merger, and to borrow under a revolving facility for general corporate purposes,

the governance arrangements of the combined company post-merger, intended to remain in place for three years, which are designed to provide for significant continuity of Hercules management, including the continued leadership of Mr. Stilley, Hercules' Chief Executive Officer and President, and to provide for a ten-member board of directors with a majority of directors who are currently serving as directors of Hercules, and

the board's belief that, aside from stockholder approval, filings with the Securities and Exchange Commission and compliance with the HSR Act, there are no conditions to closing in the merger agreement that are expected to result in a significant delay in completing the merger.

Strategic and Other Considerations

In addition to the factors listed above, the Hercules board of directors considered the following strategic and other factors:

the board's belief that acquiring the assets of TODCO in the merger offers an opportunity for Hercules to grow strategically in a single transaction, and its belief in the advantages of a larger transaction rather than incremental growth through construction and smaller acquisitions,

the estimated value of the assets to be acquired in the merger when calculated on a per-rig basis, and the relatively low ratio of the purchase price to expected earnings compared to other purchases and construction of new drilling rigs in comparable transactions,

the level of earnings and cash flow accretion expected as a result of the merger based on management's forecast that is described in the summary of the Simmons & Company fairness opinion,

the fact that Hercules would be the acquiror of TODCO for generally accepted accounting purposes, and that Hercules' accounting policies would remain the same for the combined company,

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the opportunity to diversify Hercules' asset base and mitigate some of the risks of its operations and revenue sources, and the opportunity to expand its presence in existing and new locations, including Latin America and Southeast Asia,

the belief that the combined company would benefit from its larger and more diverse asset classes, enhanced ability to deploy assets, more diversified customer relationships, and operational flexibility to seek out work opportunities in more locations in the Gulf of Mexico and internationally,

the advantages of using cash from operations for purposes of strategic growth, rather than for alternative purposes such as stock repurchases or dividends,

the complementary nature of the business of TODCO, including its assets, domestic and international geographic coverage and customer base, and the potential to integrate the TODCO business efficiently with the Hercules business,

the Hercules board's belief that the merger would yield efficiencies from greater economies of scale, savings on the procurement of materials, fleet insurance and employee benefits, and the elimination of redundant public company expenses,

the board's belief that the combined company would have enhanced future earnings and growth prospects when compared to Hercules prospects as a smaller company on a stand-alone basis,

the advantages of expanding the stockholder base and market capitalization of the combined company, as well as the float of the Hercules common stock,

the board's belief that Hercules' customers and potential customers prefer larger service providers in the Gulf of Mexico and international locations who have broader service offering capabilities, have significant capital resources and have a favorable safety reputation and track record, and that the combined company would be better positioned to satisfy these customer preferences,

the opportunity in a tight labor market to retain substantially all of TODCO's non-executive management employees, many of whom have skills and experience needed by Hercules and are expected to continue employment with the combined company,

the board's belief that, for purposes of integrating the two businesses after the merger, Hercules could apply its experience with successfully integrating the operations, assets and employees from its past smaller acquisitions,

the board's belief that the merger would allow Hercules to reduce the cost, in management time and resources, that would otherwise be required to identify and pursue multiple smaller acquisitions as an alternative growth strategy to the merger, that the availability of rigs and fleets for purchase is limited, and that there are execution risks of completing other potential acquisitions, and

the board's belief that Hercules could build effectively on TODCO's established infrastructure, including shore bases and administrative, operating and technology systems.

Risks of the Merger

The Hercules board of directors also considered the following potential risks related to the merger with TODCO, but concluded that the anticipated benefits from the merger with TODCO were likely to outweigh these risks:

the lack of a collar or floating exchange rate to cap the value of the Hercules common stock to be issued to the TODCO stockholders, so that the value of the common stock issued to TODCO stockholders in the merger will also increase if the market price of Hercules common stock increases prior to the effective time of the merger,

possible difficulties in integrating the operations of the two businesses, including possible loss of key employees, disruption in ongoing operations, and loss or reduction in business from customers,

the significant level of indebtedness of the combined company immediately following the merger, which could subject the combined company to additional risk in the event of a downturn in its business, limit its flexibility or otherwise limit future growth and expansion opportunities,

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the limitations imposed on the ability of Hercules to solicit alternative business transactions prior to closing or termination of the merger agreement, including the requirement to pay a \$30 million termination fee if Hercules accepts a superior proposal,

the risk of diverting management focus and resources from operational matters while working to implement the merger and the integration of the combined company post-merger,

the substantial transaction costs associated with the merger, including change of control payments and other transaction costs,

payments due upon change of control and over time under the tax sharing agreement between TODCO and its former parent, and the uncertainty over whether the associated tax attributes will be utilized fully or at all,

additional exposure to declines in volatile U.S. natural gas prices,

additional exposure resulting from new or expanded operations in international locations that are subject to political disruption and other risks, and

other matters described under Risk Factors, beginning on page and risks incorporated by reference herein.

The preceding list of factors considered is not intended to be exhaustive. After due consideration of the potential benefits and risks and other information, the Hercules board of directors determined, in its judgment, that the merger is in the best interests of Hercules and its stockholders. The Hercules board of directors did not quantify or assign relative weight to the factors considered in reaching its conclusion but approved the merger based on the totality of the information it reviewed and considered. Individual directors may have given different weight to different factors.

This description of the factors considered by the Hercules board of directors and all other information presented in this section is forward-looking in nature, and, therefore, should be read in light of the factors discussed under the heading Cautionary Statement Concerning Forward-Looking Statements, beginning on page .

Recommendation of the TODCO Board of Directors and Its Reasons for the Merger

The TODCO board of directors, at a special meeting held on March 18, 2007, determined that the merger agreement and the transactions contemplated by the merger agreement were advisable, fair to and in the best interests of TODCO and its stockholders and approved and adopted the merger agreement and the transactions contemplated thereby. **The TODCO board of directors unanimously recommends that TODCO stockholders vote FOR approval and adoption of the merger agreement.**

Terms of the Merger Agreement and Merger Consideration

In reaching its decision to approve and recommend the merger agreement for approval and adoption by the TODCO stockholders, the TODCO board of directors considered the following factors relating to the terms of the merger agreement and merger consideration:

the merger consideration per share represented a significant premium per share to the closing sales price of shares of TODCO common stock as of the last trading day prior to the execution of the merger agreement as well as the 30-day average prior to the execution of the merger agreement,

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the form of the aggregate merger consideration in a combination of cash and Hercules common stock provides the TODCO stockholders with the ability to participate in the future value and growth of the combined company while at the same time providing immediate value through the cash component of the merger consideration,

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the financial analyses and presentation of Citi, and its opinion that, as of the date of its opinion and based upon and subject to the assumptions, qualifications and limitation set forth in the opinion, the merger consideration is fair, from a financial point of view, to TODCO stockholders,

the ability of TODCO stockholders to elect to receive cash or stock consideration, subject to proration, thus providing each stockholder the opportunity to specify their preference level as to liquidity or continued investment in the combined company,

the structure of the merger which generally enables TODCO stockholders to receive Hercules common stock on the merger on a tax free basis for federal income tax purposes,

the terms of the merger agreement that permit TODCO to furnish information to and conduct negotiations with a third party in connection with an unsolicited proposal for an alternative business combination, and that permit the TODCO board of directors to withdraw its recommendation of the merger agreement to TODCO stockholders and terminate the merger agreement if TODCO receives a superior offer, in each case subject to certain specific conditions set forth in the merger agreement, including in certain cases payment of a \$70 million termination fee,

the merger agreement has no financing condition and the belief that Hercules has the ability to fund the merger and on-going operations, based in large part on the commitment letter from UBS Securities LLC to provide Hercules with funds necessary to fund the merger, among other things,

the governance arrangements of the combined company post-merger, including the executive management team to consist predominantly of former Hercules executive officers, with Mr. Stilley to serve as the Chief Executive Officer and President and as a member of the Hercules board of directors, and the ten member board of directors to consist of seven Hercules directors and three TODCO directors,

TODCO's conditions to closing that the Hercules executive officers waive the change of control provisions in their respective employment agreements and equity grants under the Hercules 2004 Long-Term Incentive Plan as they relate to the consummation of the merger, and

other terms and conditions of the merger agreement, including the likelihood that the merger would be completed in a timely manner, taking into account any regulatory and other approvals required in connection the merger (including under the HSR Act).

Strategic and Other Considerations

In addition to the factors listed above, the TODCO board of directors considered the following strategic and other factors:

the belief that the combined company would have enhanced future earnings and growth prospects when compared to TODCO's prospects on a stand-alone basis based on the complementary nature of the two companies' asset bases as well as the critical mass that would be gained in the merger in terms of assets, geographic coverage and customer base,

for many of the same reasons, the belief that the combined company would benefit from the larger and more diverse asset class and the ability to deploy assets internationally due to the increased and broader geographic presence that would be gained as a result of the merger,

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the belief that customers in the industry prefer larger service providers in the Gulf of Mexico with broader service offering capabilities and who are financially stable and have a favorable safety reputation and track record, and that the combined company would be better positioned to satisfy these customer preferences,

substantially all of TODCO's non-executive management employees are expected to continue employment with the combined company,

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Hercules' history of successfully integrating the operations, assets and employees from its past acquisitions, although on a much smaller scale than the merger,

the belief that Hercules would be considered the acquiror of TODCO for generally accepted accounting purposes and the possible effects of Hercules' accounting policies on the financial reporting of the combined company,

the financial condition, results of operations, business and prospects of each of Hercules and TODCO, after taking into account, in the case of Hercules, its general familiarity with their business and the results of TODCO's due diligence review, and

the belief that many of TODCO's established operating and technology systems offer a strong, scalable platform for the combined company's operations.

Risks and Challenges of the Merger

The TODCO board of directors also considered the following potential risks and challenges related to the merger, but concluded that the anticipated benefits from the merger with Hercules were likely to outweigh these risks and challenges:

the lack of a collar or floating exchange rate in an effort to fix the value of the merger consideration, and thus, if the market price of the Hercules common stock declines prior to the effective time of the merger, the value of the merger consideration to be received by the TODCO stockholders will decline,

the possibility that the combined company could encounter difficulties in integrating the operations of the two businesses that could result in, among other things, loss of key employees, disruption in the combined company's ongoing business and loss or reduced business from customers,

the significant level of indebtedness that the combined company will have after the merger, which could limit its flexibility or otherwise impede its growth and expansion opportunities,

the board composition procedures designed to preserve seven of the ten board seats of the combined company for former members of the Hercules board of directors for a period of three years after the merger despite the fact that the former TODCO stockholders will own approximately 64% of the outstanding voting common stock of the combined company immediately after the merger closes,

the ability and speed at which Hercules management team can integrate the cultures of the two organizations, particularly in light of the tight labor market in which the companies operate,

the limitations imposed on TODCO's ability to solicit alternative business transactions prior to closing or termination of the merger agreement, including the requirement to pay a \$70 million termination fee in the event TODCO accepts a superior proposal,

succession issues related to executive management of the combined company should Mr. Stillely not remain with the combined company for the long term,

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the risk of diverting management focus and resources from operational matters while working to implement the merger or the combined company's integration efforts post-merger,

the substantial transaction costs associated with the merger,

the directors and certain executive officers of TODCO will receive certain benefits that are different from, and in addition to, those of other TODCO stockholders, as more particularly described in "The Merger - Interests of Directors and Executive Officers of TODCO in the Merger," beginning on page 100, and

certain of the other matters described under "Risk Factors," beginning on page 100. Although the preceding list of factors considered is not intended to be exhaustive, in the judgment of the TODCO board of directors, the potential benefits of the merger outweigh the risks and the potential disadvantages. In

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view of the variety of factors considered in connection with its evaluation of the proposed merger and the terms of the merger agreement, the TODCO board of directors did not quantify or assign relative weight to the factors considered in reaching its conclusion. Rather, the TODCO board of directors views its recommendation as being based on the totality of the information presented to and considered by it. In addition, individual TODCO directors may have given different weight to different factors.

It should be noted that this explanation of the reasoning of the TODCO board of directors and all other information presented in this section is forward-looking in nature, and, therefore, should be read in light of the factors discussed under the heading **Cautionary Statement Concerning Forward-Looking Statements**, beginning on page .

Opinion of Hercules Financial Adviser

Hercules retained Simmons & Company to act as its financial adviser and to provide a financial fairness opinion to the Hercules board of directors in connection with the merger. The Hercules board of directors selected Simmons & Company to act as its financial adviser based upon Simmons & Company's qualifications, reputation and experience in connection with mergers and acquisitions. The Hercules board of directors instructed Simmons & Company, in its role as financial adviser, to evaluate the fairness, from a financial point of view, of the merger consideration to be paid by Hercules pursuant to the merger agreement.

On March 18, 2007, Simmons & Company delivered its oral opinion to the board of directors of Hercules to the effect that, as of that date and based upon and subject to factors and assumptions set forth in its opinion, which were discussed with the Hercules board of directors, the merger consideration to be paid by Hercules pursuant to the transaction in accordance with the merger agreement was fair to the Hercules stockholders from a financial point of view. Simmons & Company subsequently confirmed its opinion in writing by a letter dated March 18, 2007. The opinion speaks only as of the date it was delivered and not as of the time the merger will be completed. The opinion does not reflect changes that may occur or may have occurred after March 18, 2007, which could significantly alter the value of Hercules or TODCO or the respective trading prices of shares of their common stock, which are factors on which Simmons & Company's opinion was based.

The full text of the Simmons & Company fairness opinion, dated March 18, 2007, which sets forth the assumptions made, matters considered and qualifications and limitations on the review undertaken, is attached as Annex B to this joint proxy statement/prospectus and is incorporated into this document by reference. The summary of the Simmons & Company fairness opinion set forth in this joint proxy statement/prospectus is qualified in its entirety by reference to the full text of the Simmons & Company fairness opinion. Hercules stockholders should read the Simmons & Company fairness opinion carefully and in its entirety. In arriving at its opinion, Simmons & Company did not ascribe a specific value to TODCO, but rather made its determination as to the fairness, from a financial point of view, of the merger consideration to be paid by Hercules in the transaction on the basis of the financial and comparative analyses described below. Simmons & Company's opinion is for the use and benefit of the Hercules board of directors and was rendered to the board of directors in connection with its consideration of the merger. The opinion does not address the merits of the underlying decision of Hercules to engage in the transaction contemplated by the merger agreement. Moreover, it does not constitute a recommendation by Simmons & Company to any Hercules stockholder as to whether the stockholders should vote to approve the issuance of Hercules common stock to TODCO stockholders as contemplated in the merger agreement.

In connection with rendering its opinion described above, Simmons & Company reviewed, among other things:

the merger agreement dated as of March 18, 2007,

certain publicly available financial statements and other information concerning Hercules, including Hercules' Annual Reports on Form 10-K for the years ended December 31, 2005 and December 31, 2006, the Quarterly Reports on Form 10-Q for the quarters ended March 31, 2006, June 30, 2006 and

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September 30, 2006, the Current Reports on Form 8-K filed on October 17, 2006, November 2, 2006, November 3, 2006, November 6, 2006, November 13, 2006, November 14, 2006, November 16, 2006, November 21, 2006, December 4, 2006, December 14, 2006, December 15, 2006, January 3, 2007, January 4, 2007, January 5, 2007, January 17, 2007, January 19, 2007, February 5, 2007 February 20, 2007 and March 14, 2007, the registration statement on form S-3ASR filed on November 7, 2006, and the Rule 424(b)(1) prospectus filed on November 14, 2006,

certain other internal information, primarily financial in nature, concerning the business and operations of Hercules furnished to Simmons & Company by Hercules, including financial forecasts,

certain publicly available information concerning the trading of, and the trading market for, Hercules common stock,

certain publicly available financial statements and other information concerning TODCO, including TODCO's Annual Reports on Form 10-K for the years ended December 31, 2004, December 31, 2005 and December 31, 2006, the Quarterly Reports on Form 10-Q for the quarters ended March 31, 2006, June 30, 2006 and September 30, 2006, the Current Reports on Form 8-K filed on October 31, 2006, November 2, 2006, November 30, 2006, December 29, 2006, January 31, 2007, March 1, 2007, March 2, 2007, and the Proxy Statement on Schedule 14A filed on March 22, 2006,

certain other internal information, primarily financial in nature, concerning the business and operations of TODCO furnished to Simmons & Company by TODCO, including financial forecasts,

certain publicly available information concerning the trading of, and the trading market for, TODCO common stock,

certain publicly available information with respect to certain other companies that Simmons & Company believes to be comparable to Hercules or TODCO and the trading markets for certain of such other companies' securities,

certain publicly available information concerning the estimates of the future operating and financial performance of Hercules, TODCO and the comparable companies prepared by industry experts unaffiliated with either Hercules or TODCO, and

certain publicly available information concerning the nature and terms of certain other transactions considered relevant to the inquiry.

In addition, Simmons & Company made such other analyses and examinations as Simmons & Company deemed appropriate or necessary and had discussions with certain officers and employees of Hercules and TODCO regarding the foregoing, as well as other matters believed to be relevant to the inquiry.

Simmons & Company did not independently verify any of the foregoing information and has relied on it being complete and accurate in all material respects. With respect to the financial forecasts, Simmons & Company has assumed that they have been reasonably prepared on bases reflecting the best currently available estimates and judgments of Hercules' and TODCO's management as to the future financial performance of Hercules and TODCO, respectively. In addition, Simmons & Company did not make an independent evaluation or appraisal of the assets of Hercules or TODCO. Pursuant to the Agreement and Plan of Merger dated as of March 18, 2007, Simmons & Company has also assumed that the merger will be treated for federal income tax purposes as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended. Simmons & Company did not perform any tax analysis nor was Simmons & Company ever furnished with any tax analysis. Accordingly, Simmons & Company did not evaluate (and Simmons & Company's opinion does not include) any potential tax consequences related to the merger including, without limitation, any potential tax consequences to the stockholders of Hercules.

In preparing its fairness opinion for the board of directors, Simmons & Company performed a variety of financial and comparative analyses, including those described below. The summary of the analyses performed by

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Simmons & Company, as set forth below, does not purport to be a complete description of the analyses underlying the opinion. The preparation of a fairness opinion is a complex analytic process involving various determinations as to the most appropriate and relevant methods of financial analysis and the application of those methods to the particular circumstances and, therefore, fairness opinions are not readily susceptible to partial or summary description. No company or transaction used in such analyses as a comparison is identical to Hercules, TODCO, or the transaction contemplated by the merger agreement, nor is an evaluation of the results of such analyses entirely mathematical; rather, it involves complex considerations and judgments concerning financial and operational characteristics and other factors that could affect the public trading or other values of the companies or transactions being analyzed. The estimates contained in such analyses and the ranges of valuations resulting from any particular analysis are not necessarily indicative of actual values or predictive of future results or values, which may be significantly more or less favorable than those suggested by such analyses. In addition, analyses relating to the value of the business or securities do not purport to be appraisals or to reflect the prices at which businesses, companies or securities actually may be sold. Accordingly, such analyses and estimates are subject inherently to substantial uncertainty.

In arriving at the fairness opinion, Simmons & Company made qualitative judgments as to the significance and relevance of each analysis and factor considered by it. Accordingly, Simmons & Company believes that its analyses must be considered as a whole and that selecting portions of its analyses and factors, without considering all analyses and factors, could create an incomplete view of the processes underlying such analyses and the fairness opinion. In its analyses, Simmons & Company made numerous assumptions with respect to general business, economic, market and financial conditions, as well as other matters, many of which are beyond the control of Hercules and TODCO and involve the application of complex methodologies and experienced and educated judgment.

The analyses were prepared solely as part of Simmons & Company's analysis of the fairness, from a financial point of view, to Hercules stockholders of the merger consideration to be paid in the proposed merger.

Simmons & Company's opinion and financial analyses were only one of the many factors considered by Hercules and the Hercules board of directors in their evaluation of the merger and should not be viewed as determinative of the views of Hercules' management or the Hercules board of directors with respect to the merger and the merger consideration.

The data and analysis summarized herein is from Simmons & Company's presentation to the Hercules board of directors on March 18, 2007, which primarily utilized data from market closing prices as of March 16, 2007. For purposes of its analysis, Simmons & Company defined EBITDA as net income plus income taxes, interest expense (less interest income), depreciation and amortization. TTM stands for the trailing twelve month period.

Historical Trading Analysis

Simmons & Company examined the historical ratio of TODCO's closing share price to Hercules' closing share price since October 2005 (when Hercules completed the initial public offering of its common stock) and calculated the average share price ratio over various periods of time. Simmons & Company noted that the ratio has generally trended downward over time since October 2005, but has trended up since October 2006. Simmons & Company also noted that the average closing share price ratio for the 30 trading days ending March 16, 2007 was slightly higher than the average ratio since Hercules' initial public offering. Simmons & Company compared the historical share price ratios to the implied share price ratios calculated using historical share prices and the transaction terms of 0.979 shares of Hercules and cash of \$16.00 for each share of TODCO.

Simmons & Company also examined the historical TODCO share price since October 2005 and calculated the average TODCO share price over various periods of time. Simmons & Company compared the historical TODCO share price to the implied TODCO share price calculated using historical Hercules share price and the transaction terms of 0.979 shares of Hercules and cash of \$16.00 for each share of TODCO.

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Simmons & Company noted that the implied merger exchange ratio of 1.581x as of March 16, 2007 represented premiums of 28% and 24% to the share price ratio of 1.234x on March 16, 2007 and the 30-day average share price ratio of 1.278x, respectively. Simmons & Company also noted that the implied TODCO share prices calculated using the 10-day, 20-day and 30-day average closing share prices of Hercules, as of March 16, 2007, represented premiums of 26%, 25% and 24% to the 10-day, 20-day and 30-day average closing share prices of TODCO, as of March 16, 2007, respectively.

Pro Forma Case Assumptions

As part its analysis, Simmons & Company used several different scenarios, or case assumptions, for the projected financial results of Hercules and TODCO. In addition to projections which reflected the mean of estimates of securities research analysts, Simmons & Company used five different cases based on assumptions developed by Hercules management. Case 1 reflected:

Hercules management's assumptions for dayrates and, utilization for Hercules rigs and liftboats and TODCO's rigs, barges and marine vessels, which were based on the published fleet status reports and contracted backlog of Hercules and TODCO (as of February 2007) and the internal budgets and forecasts of both companies,

Hercules management's assumptions for daily operating costs for Hercules rigs and liftboats and TODCO's rigs, barges and marine vessels, which were based on the internal budgets and forecasts of both companies, and

the financial impact of the reactivations of two rigs, THE 208 and THE 153 currently planned by TODCO and the repair and return to service of a third rig, THE 205.

Case 2 reflected the same assumptions as Case 1, but assumed the reactivation of five additional TODCO rigs and three TODCO barges. Cases 3, 4 and 5 utilized the same assumptions as Case 1, but were adjusted to reflect degrees of downside scenarios with a range of reduced dayrates and utilizations rates occurring at different times, and in Cases 4 and 5, a concurrent 5% reduction in operating costs. The downside cases were also used to conduct a sensitivity analysis on Hercules' ability to service the debt that would be incurred or assumed by Hercules in consummating the acquisition of TODCO.

Comparable Company Analysis

Simmons & Company performed a comparable company analysis, which attempted to provide an implied value for TODCO by comparing it to similar companies. During its analysis, Simmons & Company reviewed publicly available information with respect to certain offshore drilling companies. Although none of the selected companies is directly comparable to TODCO, Simmons & Company selected a group of companies from the universe of possible companies based on its views as to the comparability of the financial and operating characteristics of offshore drilling companies to TODCO operations. With respect to each such analysis, Simmons & Company made such comparisons with the following companies:

EnSCO International Incorporated

Rowan Companies, Inc.

Pride International, Inc.

Public valuation multiples of Hercules were also considered.

With respect to each company's public valuation multiples, Simmons & Company examined the share price, enterprise value, equity value, ratio of enterprise value to actual 2006 and projected 2007 and 2008 EBITDA and ratio of equity value to actual 2006 and projected 2007 and 2008 net income and cash flow. 2007 and 2008 projections for each company were based on the mean of estimates of securities research analysts.

Valuation

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multiples of Hercules based on Case 1 management estimates were also calculated. Enterprise value was calculated by adding the market value of common equity, the estimated market value of debt and minority interests and then subtracting investments in unconsolidated affiliates and cash.

Simmons & Company compared the valuation multiples for TODCO implied by the merger's transaction value to the valuation multiples of the comparable companies using both consensus estimates and various case assumptions for TODCO. The table below provides comparable company multiples compared to those of TODCO at market (based on consensus research analyst estimates) and TODCO at the implied transaction values (based on the mean of estimates of securities research analysts and the various case assumptions, discussed above):

	Range (1)		Average (2)	TODCO	
				At Market	Range of TODCO Multiples Implied By Transaction
2006 EBITDA	4.7x	7.5x	6.9x	4.9x	6.4x
2007 EBITDA	3.4x	5.0x	4.7x	3.4x	4.5x 4.8x
2008 EBITDA	3.0x	4.2x	3.8x	2.7x	2.8x 3.5x
2006 Net Income	8.7x	18.0x	13.1x	10.8x	13.8x
2007 Net Income	6.2x	10.0x	8.0x	7.1x	9.0x 9.9x
2008 Net Income	5.3x	7.0x	6.2x	5.4x	5.3x 6.9x
2006 Cash Flow	6.6x	10.0x	9.0x	7.3x	9.3x
2007 Cash Flow	4.6x	6.6x	6.2x	5.3x	6.8x 7.2x
2008 Cash Flow	4.1x	5.1x	5.0x	4.3x	4.3x 5.5x

(1) Range excludes TODCO.

(2) Average excludes Hercules and TODCO.

Simmons & Company then applied the range of comparable multiples to both TODCO consensus estimates and Case 1 assumptions to generate implied exchange ratios. After assuming \$16.00 cash consideration per TODCO share, the range of implied exchange ratios generally included the 0.979x shares of Hercules common stock per share of TODCO common stock contemplated in the merger.

Comparable Transactions Analysis

Simmons & Company analyzed certain information relating to selected transactions in the drilling industry since June 1994. Specifically, Simmons & Company calculated, when available, the TTM EBITDA and projected year EBITDA multiples implied by the transaction value of the selected transactions as well as the TTM net income and projected year net income multiples implied by the equity value of the selected transactions. Simmons & Company determined the selected transactions' median ratios of transaction value to each of (i) TTM EBITDA, (ii) projected year EBITDA, (iii) TTM net income and (iv) projected year net income were 17.3x, 9.6x, 27.6x and 16.9x, respectively. Simmons & Company calculated the ratio of the merger's transaction value to each of TODCO's (i) TTM EBITDA, (ii) projected year EBITDA, (iii) TTM net income and (iv) projected year net income and suggested that these multiples were low compared to most comparable transactions.

Discounted Cash Flow Analysis

Simmons & Company performed a discounted cash flow analysis of the projected cash flows of Hercules and TODCO for the six months ended December 2007 and the calendar years 2008 through 2010. A discounted cash flow analysis is used to derive a valuation of an asset by calculating the present value of projected cash flows of the asset. Present value refers to the current value of projected cash flows or amounts and is obtained by discounting those projected cash flows or amounts by a discounted rate that takes into account macro-economic

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assumptions and estimates of risk, the opportunity cost of capital, expected returns and other appropriate factors applicable to a particular asset. Simmons & Company assumed discount rates from 9.0% to 13.0% and calculated terminal values using a range of multiples of projected 2010 EBITDA from 4.0x to 5.0x. Simmons & Company conducted this analysis using the various case assumptions, discussed above.

The discounted cash flow analysis implied a value of the Hercules common stock under Case 1 and Case 2 ranging from \$41.60 to \$45.69 and under Case 3 and Case 4 ranging from \$19.17 to \$26.88. The discounted cash flow analysis implied a value of the TODCO common stock under Case 1 ranging from \$53.52 to \$58.92, under Case 2 ranging from \$61.13 to \$67.66, and under Case 3 and Case 4 ranging from \$33.16 to \$37.57.

Simmons & Company then calculated implied share price ratios assuming \$16.00 cash consideration per TODCO share and compared the results to the 0.979x shares of Hercules common stock per share of TODCO common stock contemplated in the merger. The discounted cash flow analysis implied exchange ratios of 0.747x to 1.198x.

Contribution Analysis

Simmons & Company compared the relative contribution of Hercules and TODCO to the combined company based on actual 2006 results and projected 2007 and 2008 results based on the various case assumptions, discussed above. Historical and projected EBITDA, net income, cash flow, levered net income and levered cash flow were analyzed for this analysis before taking into account any of the possible benefits from cost savings or operating synergies that may be realized following the merger. Levered net income and cash flow reflect the contribution of net income and cash flow including the effect of the transaction financing.

The table below shows the implied exchange ratios assuming \$16.00 cash consideration per TODCO share indicated by the analysis.

	EBITDA		Net Income		Cash Flow		Levered Net Income		Levered Cash Flow	
2006	1.008x		0.814x		0.553x		1.214x		1.037x	
2007 Range	0.638x	0.908x	0.471x	0.730x	0.571x	0.788x	0.875x	1.194x	1.038x	1.327x
2008 Range	0.997x	1.577x	0.949x	2.329x	0.789x	1.264x	1.303x	2.266x	1.232x	1.622x

Relative Asset Value Analysis

Simmons & Company compared the values implied by third-party estimates of asset values for each of Hercules and TODCO and calculated the implied share price ratio based on these asset values. Simmons & Company also calculated the implied exchange ratio assuming \$16.00 cash consideration per TODCO share. After assuming \$16.00 cash consideration per TODCO share, the range of implied exchange ratios of 0.966x to 1.059x included the 0.979x shares of Hercules common stock per share of TODCO common stock contemplated in the merger.

Premium Paid Analysis

Simmons & Company analyzed the premiums implied by the merger consideration and compared that to the premiums paid in selected acquisitions of drilling companies since June of 1994. Simmons & Company determined the overall average premiums in the selected drilling transactions to be 14.8% and 19.6% based on the closing sale price one-day and 30-days prior to public announcement of the transaction, respectively. Simmons & Company also noted that the premiums to be paid by Hercules in the merger were 28.2% and 21.1% at one-day and 30-days, respectively (based on a value of \$42.01 per share implied by the closing sales price per share of the Hercules common stock on March 16, 2007).

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Accretion/Dilution Analysis

Simmons & Company prepared a pro forma merger model that incorporated TODCO's and Hercules' financial projections based on various case assumptions for the years 2007 and 2008, as well as the estimated transaction costs and estimated synergies that could result from the merger. Simmons & Company then compared the earnings and cash flow per share for Hercules, on a stand-alone basis to the earnings and cash flow per share for the combined company following the completion of the merger. Based on such analysis the proposed transaction would be accretive to earnings per share and cash flow per share in 2007 and 2008 for all case assumptions, with the exception of Case 2, which is dilutive to earnings per share in 2007.

Miscellaneous

Simmons & Company is an internationally recognized investment banking firm specializing in the energy industry and is continually engaged in the valuation of businesses and their securities in connection with mergers and acquisitions. Hercules selected Simmons & Company as its financial adviser in connection with the merger because of Simmons & Company's experience and expertise. In the ordinary course of its business, Simmons & Company actively trades the debt and equity securities of both Hercules and TODCO for its own account and for the accounts of its customers and, accordingly, may at any time hold a long or short position in such securities.

Simmons & Company in the past has provided investment banking services to Hercules, for which it received customary underwriting compensation and reimbursement of expenses. Simmons & Company served as an underwriter in connection with Hercules' initial public offering in October 2005 and in Hercules' April 2006 and November 2006 equity offerings. The aggregate amounts that Simmons & Company received from Hercules for such services was approximately \$1.9 million. Simmons & Company has also previously provided investment banking and financial advisory services to TODCO for which it has received compensation from TODCO. Simmons & Company served as an underwriter in connection with TODCO's initial public offering in February 2004 and is currently acting as financial adviser to TODCO in connection with transactions other than the merger for which it expects to receive compensation. The aggregate amount that Simmons & Company has received from TODCO during the past two years for its investment banking and financial advisory services was approximately \$589,000. Simmons & Company anticipates that it may act as financial adviser to Hercules with respect to future transactions.

Pursuant to the terms of the engagement of Simmons & Company, Hercules has agreed to pay Simmons & Company for its financial advisory services in connection with the transaction contemplated by the merger agreement a transaction fee equal to \$8,000,000 upon the consummation of the merger. Simmons & Company has also received a fee of \$2,000,000 for the delivery of its fairness opinion on March 18, 2007 to the Hercules board of directors. In addition, Hercules has agreed to reimburse Simmons & Company for its reasonable out-of-pocket expenses, including the fees and expenses of its legal counsel, incurred in connection with the engagement, including the delivery of its opinion, and to indemnify Simmons & Company against certain liabilities that may arise out of the engagement, including certain liabilities under federal securities laws.

Opinion of TODCO's Financial Adviser

TODCO has retained Citi as its exclusive financial adviser in connection with the merger. In connection with this engagement, TODCO requested that Citi evaluate the fairness, from a financial point of view, of the merger consideration to be received by holders of TODCO common stock. Citi delivered to the TODCO board of directors a written opinion, dated March 18, 2007, to the effect that, as of that date, the merger consideration was fair, from a financial point of view, to the holders of TODCO common stock. The opinion speaks only as to the date it was delivered and not as of the time the merger will be completed. The opinion does not reflect changes that may occur or may have occurred after March 18, 2007, which could significantly alter the value of Hercules or TODCO or their respective trading prices of shares of their common stock, which are factors on which Citi's opinion was based.

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The full text of the written opinion of Citi, dated March 18, 2007, which sets forth assumptions made, procedures followed, matters considered and limitations on the review undertaken in connection with the opinion, is attached as Annex C to this joint proxy statement/prospectus and is incorporated herein by reference. Citi provided its advisory services and opinion for the information of the TODCO board of directors in its evaluation of the merger. Citi's opinion was limited solely to the fairness of the merger consideration. Citi's opinion is not intended to be and does not constitute a recommendation to any stockholder as to how that stockholder should vote or act with respect to the proposed merger or any other matter described in this joint proxy statement/prospectus. Citi was not requested to consider, and its opinion does not address, the relative merits of the merger compared to any alternative business strategies that might exist for TODCO or the effect of any other transaction in which TODCO might engage. The summary of Citi's opinion in this joint proxy statement/prospectus is qualified in its entirety by reference to the full text of the opinion. Holders of TODCO common stock are urged to read the Citi opinion carefully and in its entirety.

In arriving at its opinion, Citi:

reviewed a draft of the merger agreement dated March 17, 2007,

held discussions with certain senior officers, directors and other representatives and advisers of TODCO and certain senior officers and other representatives and advisers of Hercules concerning the businesses, operations and prospects of TODCO and Hercules,

examined certain publicly available business and financial information relating to TODCO and Hercules,

examined certain financial forecasts and other information and data relating to TODCO and Hercules which were provided to or discussed with Citi by the respective managements of TODCO and Hercules, as well as adjustments to the forecasts and other information and data relating to Hercules discussed with Citi by the management of TODCO,

reviewed the financial terms of the merger as set forth in the merger agreement in relation to, among other things, current and historical market prices and trading volumes of TODCO common stock and Hercules common stock, the historical and projected earnings and other operating data of TODCO and Hercules and the capitalization and financial condition of TODCO and Hercules,

considered, to the extent publicly available, the financial terms of certain other transactions which Citi considered relevant in evaluating the merger,

analyzed certain financial, stock market and other publicly available information relating to the businesses of other companies whose operations Citi considered relevant in evaluating those of TODCO and Hercules,

evaluated certain potential pro forma financial effects of the merger on Hercules, and

conducted such other analyses and examinations and considered such other information and financial, economic and market criteria as Citi deemed appropriate in arriving at its opinion.

In rendering its opinion, Citi assumed and relied, without assuming any responsibility for independent verification, upon the accuracy and completeness of all financial and other information and data publicly available or provided to or otherwise reviewed by or discussed with Citi and upon the assurances of the managements of TODCO and Hercules that they were not aware of any relevant information that had been omitted or that remained undisclosed to Citi. With respect to financial forecasts and other information and data relating to TODCO and Hercules provided to or otherwise reviewed by or discussed with Citi, Citi was advised by the respective managements of TODCO and Hercules that such forecasts and other information and data were reasonably prepared on bases reflecting the best currently available estimates and judgments of the

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managements of TODCO and Hercules as to the future financial performance of TODCO and Hercules. Citi also assumed, with TODCO's consent, that the financial results reflected in such forecasts and other information and data would be

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realized in the amounts and at the times projected. Citi assumed, with TODCO's consent, that the merger would be consummated in accordance with its terms, without waiver, modification or amendment of any material term, condition or agreement and that, in the course of obtaining the necessary regulatory or third party approvals, consents and releases for the merger, no delay, limitation, restriction or condition will be imposed that would have an adverse effect on TODCO, Hercules or the contemplated benefits of the merger. Representatives of TODCO advised Citi, and Citi further assumed, that the final terms of the merger agreement would not vary materially from those set forth in the draft reviewed by Citi. Citi also assumed, with TODCO's consent, that the merger would be treated as a tax-free reorganization for federal income tax purposes. Citi did not express any opinion as to what the value of Hercules common stock actually would be when issued pursuant to the merger or the price at which the Hercules common stock would trade at any time.

Citi did not make, and was not provided with, an independent evaluation or appraisal of the assets or liabilities (contingent or otherwise) of TODCO or Hercules, and did not make any physical inspection of the properties or assets of TODCO or Hercules. Citi was not requested to, and did not, solicit third party indications of interest in the possible acquisition of all or a part of TODCO, nor was Citi requested to consider, and its opinion did not address, the relative merits of the merger as compared to any alternative business strategies that might exist for TODCO or the effect of any other transaction in which TODCO might engage. Citi's opinion was necessarily based upon information available to Citi, and financial, stock market and other conditions and circumstances existing, as of the date of its opinion.

The preparation of a fairness opinion is a complex analytical process involving various determinations as to the most appropriate and relevant methods of financial analysis and the application of those methods to the particular circumstances and is not necessarily susceptible to partial analysis or summary description. The financial analyses described below were conducted by Citi in connection with its opinion. Citi believes that the analyses and factors described below must be considered as a whole and that selecting portions of such analyses and factors or focusing on information presented in tabular format, without considering all analyses and factors or the narrative description of its analyses, could create a misleading or incomplete view of the processes underlying its analyses and opinion. In arriving at its fairness determination, Citi considered the results of all of its analyses and did not attribute any particular weight to any factor or analysis considered by it. Rather, Citi made its determination as to fairness on the basis of its experience and professional judgment after considering the results of all of its analyses.

Citi did not recommend any specific merger consideration to TODCO or its board of directors or that any specific merger consideration constituted the only appropriate merger consideration for the merger. The merger consideration was determined through arms-length negotiations between TODCO and Hercules and was approved by the TODCO board of directors.

Citi's opinion and analyses were only one of many factors considered by the TODCO board of directors in its evaluation of the transaction and should not be viewed as determinative of the views of the TODCO board of directors or management with respect to the merger or the consideration payable to holders of TODCO common stock in the merger.

Financial Analysis of Citi

A description of the material financial analyses of Citi performed in connection with the preparation of its fairness opinion is set forth below. The following summary does not, however, purport to be a complete description of all the financial analyses performed by Citi in connection with its fairness opinion.

The order of the analyses described does not represent relative importance or weight given to those analyses by Citi. The summary includes information presented in tabular format. **In order to more fully understand the financial analyses used by Citi, the tables must be read together with the full text of each summary. The tables alone are not a complete description of Citi's financial analyses. Set forth above under **Opinion****

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of TODCO's Financial Adviser, beginning on page is a summary of Citi's fairness opinion, including a description of the assumptions made in respect of and limitations on the financial analyses. Except as otherwise noted, the following quantitative information, to the extent based on market data, is based on market data as it existed on or before March 16, 2007, and is not necessarily indicative of current market conditions.

Valuation of Hercules and the Merger Consideration

Citi analyzed the value of Hercules common stock utilizing four different methodologies: a review of Hercules' historical trading prices, a review of research analyst price targets, a net asset valuation/net asset replacement cost analysis and a comparable companies analysis. The results of Citi's valuation analyses of Hercules are set forth below.

Historical Trading Analysis

Citi reviewed the daily closing prices per share of Hercules common stock to derive a 52-week trading range for Hercules for the period ended March 16, 2007 (the last trading day prior to announcement of the merger agreement). Citi noted that the 52-week trading range for Hercules for such period was \$24.82 to \$43.89.

Research Analyst Price Targets

Citi reviewed selected research price targets for Hercules found in publicly available equity research. Citi noted that the range of such research price targets was \$26.00 to \$56.00.

Net Asset Valuation/Net Asset Replacement Cost Valuation

Citi derived the net asset value, or NAV, and the net replacement cost, or NRV, per share of Hercules common stock. In deriving the NAV per share, Citi first observed the values of Hercules' principal operating assets as set forth in publicly available research reports. Citi then derived the NAV per share by (i) adding the total of those observed asset values to the amount of cash, cash equivalents and working capital of Hercules, (ii) subtracting the total debt of Hercules and (iii) dividing the result by the number of shares outstanding. The NRV analysis was conducted in the same manner as the NAV analysis, except that instead of using observed asset values, Citi used the observed replacement cost of such assets as set forth in publicly available research reports. Citi noted that the NAV and NRV per share of Hercules were \$19.87 and \$45.24, respectively.

Comparable Companies

Using publicly available information, Citi reviewed trading and other multiples of Hercules and certain other publicly held companies. In conducting this analysis, Citi reviewed information regarding the following companies in the following categories:

Premium Jack Up Focus

EnSCO International Inc.

Rowan Companies Inc.
Land and Shallow Water

TODCO

Nabors Industries Ltd.

Patterson-UTI Energy Inc.

Helmerich & Payne Inc.

Parker Drilling Co.

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Tidewater Inc.

Superior Energy Services Inc.

Hornbeck Offshore Services Inc.

For each of the above companies, Citi observed the multiples of (i) market price per share to estimated 2007 and 2008 earnings per share (EPS), (ii) market price per share to estimated 2007 and 2008 cash flow per share (CFPS) and (iii) firm value to estimated 2007 and 2008 earnings before interest, tax, depreciation and amortization (EBITDA). Market price data were based on the closing price per share of each company's common stock on March 16, 2007. Estimated financial data were based on a consensus of publicly available research analysts' estimates. Firm values were calculated as equity value plus debt less cash and cash equivalents. Citi then applied a range of selected multiples to estimated 2007 and 2008 EPS, CFPS and EBITDA of Hercules (based on a consensus of publicly available research analysts' estimates), and derived the implied firm value, implied equity value and implied value per share of Hercules.

Based on this analysis, Citi selected a per share reference range for Hercules of \$26.50 to \$32.50.

Valuation of the Merger Consideration

Citi derived per share reference ranges of implied values of the merger consideration based on Citi's valuation analyses of Hercules described above. To derive reference ranges of the implied values of the merger consideration, Citi multiplied the high and low ends of the per share reference ranges for the value of Hercules common stock by the exchange ratio in the merger of 0.979 and added to those amounts the per share cash consideration of \$16.00.

To calculate the then current value of the merger consideration, Citi multiplied the closing price per share of Hercules common stock on March 16, 2007 (\$26.57) by the exchange ratio in the merger of 0.979 and added to that amount the per share cash consideration of \$16.00. That amount, referred to herein as the merger consideration value, is \$42.01. Citi then compared the merger consideration value to the per share reference ranges of implied values of the merger consideration as derived above. The following table sets forth the results of this analysis:

Valuation Metric	Per Share Reference Range of Values of Hercules Common Stock		Per Share Reference Range of Implied Values of Merger Consideration	
Historical Trading Range	\$ 24.82	\$ 43.89	\$ 40.30	\$ 58.97
Research Price Targets	\$ 26.00	\$ 56.00	\$ 41.45	\$ 70.82
NAV / NRV	\$ 19.87	\$ 45.24	\$ 35.45	\$ 60.29
Comparable Companies	\$ 26.50	\$ 32.50	\$ 41.94	\$ 47.82
Merger Consideration Value	\$ 26.57		\$ 42.01	

Implied Premium of Merger Consideration

Citi calculated the premium percentage of the merger consideration value over (i) the closing price per share of TODCO common stock on March 16, 2007, (ii) the average closing price per share of TODCO common stock over the 20-trading day period ending on March 16, 2007 and (iii) the average closing price per share of TODCO common stock over the 30-trading day period ending on March 16, 2007. Citi also calculated that the exchange ratio in the merger would have been 1.581 as of March 16, 2007 had the merger consideration value been paid entirely in Hercules common stock. Citi further calculated the premium percentage of this implied exchange ratio over (i) the average exchange ratio of TODCO common stock to Hercules common stock over the 20-trading day

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period ending on March 16, 2007 and (ii) the average exchange ratio of TODCO common stock to Hercules common stock over the 30-trading day period ending on March 16, 2007. The following table sets forth the results of this analysis:

Time Period	Implied Premium
1-Day Price	28%
20-Trading Day Average Price	25%
30-Trading Day Average Price	25%
20-Trading Day Average Exchange Ratio	24%
30-Trading Day Average Exchange Ratio	24%

Valuation of TODCO and Comparison to Merger Consideration Value

Citi analyzed the value of TODCO common stock utilizing five methodologies: a review of TODCO's historical trading prices, a review of research analyst price targets, a net asset valuation/net asset replacement cost analysis, a comparable companies analysis and a precedent transactions analysis. Citi then compared the resulting per share reference range for the value of TODCO common stock to the merger consideration value.

Historical Trading Analysis

Citi reviewed the daily closing prices per share of TODCO common stock to derive a 52-week trading range for TODCO for the period ended March 16, 2007. The analysis indicated the following per share reference range for the value of TODCO common stock, as compared to the merger consideration value:

Per Share Reference Range of Values of TODCO Common Stock	Merger Consideration Value
\$30.05 - \$53.86	\$42.01

Research Analyst Price Targets

Citi reviewed selected research price targets for TODCO found in publicly available equity research. The analysis indicated the following per share reference range for the value of TODCO common stock, as compared to the merger consideration value:

Per Share Reference Range of Values of TODCO Common Stock	Merger Consideration Value
\$38.00 - \$47.00	\$42.01

Net Asset Valuation/Net Asset Replacement Cost Valuation

Citi derived the NAV and the NRV per share of TODCO common stock. In deriving the NAV per share, Citi first observed the values of TODCO's principal operating assets as set forth in publicly available research reports. Citi then derived the NAV per share by (i) adding the total of those observed asset values to the amount of cash, cash equivalents and working capital of TODCO, (ii) subtracting the total debt of TODCO and (iii) dividing the result by the number of shares outstanding. The NRV analysis was conducted in the same manner as the NAV analysis, except that instead of using observed asset values, Citi used the observed replacement cost of such assets as set forth in publicly available research reports. The analysis indicated the following NAV and NRV per share of TODCO common stock, as compared to the merger consideration value:

NAV Per Share	NRV Per Share	Merger Consideration Value
\$29.92	\$67.40	\$42.01

Table of Contents*Comparable Companies*

Using publicly available information, Citi reviewed trading and other multiples of TODCO and certain other publicly held companies. In conducting this analysis, Citi reviewed information regarding the following companies in the following categories:

Premium Jack Up Focus

EnSCO International Inc.

Rowan Companies Inc.

Land and Shallow Water

Hercules Offshore, Inc.

Nabors Industries Ltd.

Patterson-UTI Energy Inc.

Helmerich & Payne Inc.

Parker Drilling Co.

For each of the above companies, Citi observed the multiples of (i) market price per share to estimated 2007 and 2008 EPS, (ii) market price per share to estimated 2007 and 2008 CFPS and (iii) firm value to estimated 2007 and 2008 EBITDA. Market price data were based on the closing price per share of each company's common stock on March 16, 2007. Estimated financial data were based on a consensus of publicly available research analysts' estimates. Firm values were calculated as equity value plus debt less cash and cash equivalents. Citi then applied a range of selected multiples to estimated 2007 and 2008 EPS, CFPS and EBITDA of TODCO (based on a consensus of publicly available research analysts' estimates), and derived the implied firm value, implied equity value and implied value per share of TODCO. The analysis indicated the following per share reference range for the value of TODCO common stock, as compared to the merger consideration value:

Per Share Reference Range of Values of TODCO Common Stock	Merger Consideration Value
\$31.00	\$42.01
\$36.00	

Precedent Transactions

Using publicly available information, Citi reviewed the transaction value multiples paid in the following selected transactions involving companies in the contract drilling industry:

Target	Acquiror
Chiles Offshore	ENSCO International
Global Marine	Santa Fe International
Marine Drilling	Pride International

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UTI Energy Corp	Patterson Energy
R&B Falcon	Transocean Sedco Forex
Sedco Forex	Transocean
Cardinal Holding	Superior Energy Services
Cliffs Drilling	R&B Falcon
Reading & Bates	Falcon Drilling
Transocean ASA	Sonat Drilling

All multiples for the selected transactions were based on publicly available information at the time of the announcement of the relevant transaction. Estimated financial data for TODCO were based on a consensus of

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publicly available research analysts' estimates. For each of the selected transactions, Citi observed the multiple of (i) firm value to the last twelve months EBITDA preceding the announcement of the transaction and (ii) firm value to EBITDA in the year following consummation of the transaction. Citi then normalized these multiples by dividing them by the ratio of historical comparable multiples prevailing at the time of the relevant transaction to current comparable multiples. Citi then applied a range of selected multiples to TODCO's 2006 EBITDA and 2007 estimated EBITDA (based on a consensus of publicly available research analysts' estimates), and derived the implied firm value, implied equity value and implied value per share of TODCO.

Citi also reviewed the premiums paid in energy industry transactions since 2001 with an equity value of greater than \$1 billion, excluding mergers of equals (which amounted to 45 precedent transactions). All premiums paid in the selected transactions were based on publicly available information at the time of the announcement of the relevant transaction. For each of the selected transactions, Citi observed the premium percentage of the per share price paid in the transaction to selected historical closing price data regarding the target's common stock. Citi then applied a range of selected premium percentages to selected historical closing price data regarding TODCO's common stock, and derived the implied value per share of TODCO. The analysis indicated the following per share reference range for the value of TODCO common stock, as compared to the merger consideration value:

Per Share Reference Range of Values of TODCO Common Stock		Merger Consideration Value
\$39.00	\$44.00	\$42.01

Relative Valuation Analysis

Citi analyzed the relative value of Hercules common stock and TODCO common stock utilizing six methodologies: a review of TODCO's historical trading prices, a review of research analyst price targets, a net asset valuation/net asset replacement cost analysis, a comparable companies analysis, a contribution analysis and a precedent transactions analysis. As explained more fully below, for purposes of each such analysis, Citi assumed that TODCO had paid a cash dividend in an amount equal to the per share cash consideration of \$16.00, made adjustments to account for this assumption, and then calculated a range of implied exchange ratios. Citi then compared the resulting range of implied exchange ratios to the exchange ratio in the merger.

Historical Trading Analysis

Citi calculated an implied exchange ratio as of each trading day during the 52-week period ending on March 16, 2007 by dividing (i) the closing price per share of TODCO common stock on that day less \$16.00, by (ii) the closing price per share of Hercules common stock on that day. The analysis indicated the following reference range of implied exchange ratios as compared to the exchange ratio in the merger:

Reference Range of Implied Exchange Ratios		Exchange Ratio in the Merger
0.454	0.882	0.979

Research Analyst Price Targets

Citi calculated a range of implied exchange ratios based on the research price targets for TODCO and Hercules discussed above. Citi first adjusted the high and low research price targets for TODCO by subtracting \$16.00 from each statistic. Citi then determined the high and low ends of the range of implied exchange ratios, respectively, by (i) dividing the high research price target for TODCO (as adjusted) by the low research price target for Hercules and (ii) dividing the low research price target for TODCO (as adjusted) by the high research price target for Hercules. The analysis indicated the following reference range of implied exchange ratios as compared to the exchange ratio in the merger:

Reference Range of Implied Exchange Ratios		Exchange Ratio in the Merger
0.393	1.192	0.979

Table of Contents*Net Asset Valuation/Net Asset Replacement Cost Valuation*

Citi calculated a range of implied exchange ratios based on the NAV and NRV analyses discussed above. Citi first adjusted the NAV and NRV per share of TODCO common stock by subtracting \$16.00 from each statistic. Citi then determined the high and low ends of the range of implied exchange ratios, respectively, by (i) dividing the NRV per share of TODCO common stock (as adjusted) by the NRV per share of Hercules common stock and (ii) dividing the NAV per share of TODCO common stock (as adjusted) by the NAV per share of Hercules common stock. The analysis indicated the following implied exchange ratios based on the NAV per share and NRV per share, as compared to the exchange ratio in the merger:

Reference Range of Implied Exchange Ratios		Exchange Ratio in the Merger
0.700	1.136	0.979

Comparable Companies Analysis

Citi calculated a range of implied exchange ratios based on the comparable companies analyses of TODCO and Hercules discussed above. Citi first adjusted the high and low ends of the range indicated by the comparable companies analysis of TODCO by subtracting \$16.00 from each statistic. Citi then determined the high and low ends of the range of implied exchange ratios, respectively, by (i) dividing the high end of the range indicated by the comparable companies analysis of TODCO (as adjusted) by the low end of the range indicated by the comparable companies analysis of Hercules and (ii) dividing the low end of the range indicated by the comparable companies analysis of TODCO (as adjusted) by the high end of the range indicated by the comparable companies analysis of Hercules. The analysis indicated the following reference range of implied exchange ratios as compared to the exchange ratio in the merger:

Reference Range of Implied Exchange Ratios		Exchange Ratio in the Merger
0.462	0.755	0.979

Precedent Transactions Analysis

Citi calculated a range of implied exchange ratios based on the precedent transactions analysis of TODCO discussed above. Citi first adjusted the high and low ends of the range indicated by the precedent transactions analysis of TODCO by subtracting \$16.00 from each statistic. Citi then determined the high and low ends of the range of implied exchange ratios, respectively, by (i) dividing the high end of the range indicated by the precedent transactions analysis of TODCO (as adjusted) by the low end of the range indicated by the comparable companies analysis of Hercules and (ii) dividing the low end of the range indicated by the precedent transactions analysis of TODCO (as adjusted) by the high end of the range indicated by the comparable companies analysis of Hercules. The analysis indicated the following reference range of implied exchange ratios as compared to the exchange ratio in the merger:

Reference Range of Implied Exchange Ratios		Exchange Ratio in the Merger
0.708	1.057	0.979

Contribution Analysis

Citi reviewed the contribution percentages of TODCO and Hercules to the combined company, unaffected by any pro forma combination adjustments, based on EBITDA, EBITDA minus capital expenditures, cash flow and net income, in each case in both 2007 and 2008. Citi then derived adjusted implied contribution percentages by assuming that TODCO had paid a cash dividend of \$16.00 per share on its common stock, and funded that dividend with a combination of cash on hand and debt. Citi then calculated implied exchange ratios based on these adjusted implied contribution percentages. Citi performed these analyses using two sets of projections for TODCO and Hercules: a Street Case based on a consensus of publicly available research analysts estimates,

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and a Management Case based on projections provided by TODCO management. In both cases, capital expenditures were based on projections provided by TODCO management. The analysis indicated the following reference ranges of implied exchange ratios as compared to the exchange ratio in the merger:

Valuation Metric	Reference Range of Implied Exchange Ratios		Exchange Ratio in the Merger
Contribution Analysis (Street Case)	0.639	1.064	
Contribution Analysis (Management Case)	0.764	1.303	0.979

Miscellaneous

In performing its analyses, Citi made numerous assumptions with respect to TODCO, Hercules, industry performance, regulatory, general business, economic, market and financial conditions and other matters, many of which are beyond the control of TODCO and Hercules. Any estimates contained in Citi's analyses are not necessarily indicative of actual values or predictive of future results or values, which may be significantly more or less favorable than those suggested by these analyses. Estimates of values of companies do not purport to be appraisals or necessarily to reflect the prices at which companies may actually be sold. Because these estimates are inherently subject to uncertainty, being based upon numerous factors or events beyond the control of the parties or their respective advisers, none of TODCO, Hercules, Citi, their respective affiliates or any other person assumes responsibility if future results are materially different from those estimates.

Citi is an internationally recognized investment banking firm engaged in, among other things, the valuation of businesses and their securities in connection with mergers and acquisitions, restructurings, leveraged buyouts, negotiated underwritings, competitive biddings, secondary distributions of listed and unlisted securities, private placements and valuations for estate, corporate and other purposes. TODCO selected Citi to act as its financial adviser in connection with the proposed merger on the basis of Citi's international reputation and Citi's familiarity with TODCO.

Pursuant to a letter agreement dated May 8, 2006, as amended on March 11, 2007, Citi was retained as financial adviser to TODCO in connection with the merger. Citi received a fee of \$1.875 million upon delivery of its opinion and will receive a fee of \$5.625 million upon the consummation of the merger. In addition, TODCO has agreed that, if in connection with the termination or abandonment of the merger, TODCO receives any termination or similar fee (including any characterized as expense reimbursement), TODCO will pay Citi 20% of such fee, net of direct out-of-pocket expenses incurred by TODCO in connection with the merger, less the \$1.875 million previously paid to Citi upon delivery of its opinion. In addition, TODCO has agreed, subject to certain limitations, to reimburse Citi for its reasonable travel and other expenses, including attorneys' fees and expenses. TODCO has also agreed to indemnify Citi and related parties for certain liabilities that may arise out of the rendering of its opinion, including certain liabilities under the federal securities laws.

Citi and its affiliates in the past have provided, and currently provide, services to TODCO and Hercules unrelated to the proposed Merger, for which services Citi and such affiliates have received and expect to receive compensation, including, without limitation: (a) acting as sole bookrunner in the \$245 million offering of TODCO common stock in May 2005, executing TODCO's \$150 million open market share repurchase program in August 2006 and acting as administrative agent in the establishment of a \$60 million credit facility with TODCO in January 2005; and (b) acting as joint bookrunner in Hercules' \$212 million initial public offering in October 2005, acting as joint bookrunner in Hercules' \$331 million offering of Hercules common stock in April 2006, acting as co-manager of Hercules' \$248 million offering of Hercules common stock in November 2006 and acting as joint lead arranger, joint bookrunner and syndication agent in the establishment of a \$140 million term loan and a \$25 million revolving credit facility with Hercules in June 2005.

The aggregate fees received by Citi over the past two years for corporate and investment banking services it rendered to TODCO and its affiliates were approximately \$4 million (excluding fees in connection with the merger). The aggregate fees received by Citi over the past two years for corporate and investment banking services it rendered to Hercules and its affiliates were approximately \$13.5 million.

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In the ordinary course of its business, Citi and its affiliates may actively trade or hold the securities of TODCO and Hercules for its own account or for the account of its customers and, accordingly, may at any time hold a long or short position in such securities. In addition, Citi and its affiliates (including Citigroup Inc. and its affiliates) may maintain relationships with TODCO, Hercules and their respective affiliates.

Interests of Executive Officers of Hercules in the Merger

The Hercules board of directors has authorized salary increases for three of its executive officers contingent upon completion of the merger.

Interests of Directors and Executive Officers of TODCO in the Merger

In considering the recommendation of the TODCO board of directors with respect to the merger agreement, TODCO stockholders should be aware that some of TODCO's directors and executive officers have interests in the merger and have arrangements that may be different from, or in addition to, those of the TODCO stockholders generally. These interests and arrangements may create potential conflicts of interest. The TODCO board of directors was aware of these interests and considered them, among other matters, in making its recommendation.

Severance Arrangements of TODCO Executive Officers

All TODCO executive officers whose employment is terminated under certain circumstances after the effective time of the merger will be entitled to severance benefits under the agreements and plans described below.

Employment Agreements

TODCO is a party to employment agreements with each of Jan Rask, T. Scott O'Keefe and David J. Crowley. Under these employment agreements, if TODCO terminates the employment of these officers (except under limited circumstances defined as for cause in the agreements), or if these officers terminate their employment for specified reasons, such as removal from the position of President and Chief Executive Officer in the case of Mr. Rask, the position of Executive Vice President Finance and Administration in the case of Mr. O'Keefe, or the position of Senior Vice President Operations in the case of Mr. Crowley, or the assignment to any of them of duties materially inconsistent with their position with TODCO (for good reason), within the 18-month period immediately following a change in control as defined in the agreement (a change in control termination), which would include the merger, the officer will be entitled to receive (1) three times in the case of Mr. Rask, two and one half times in the case of Mr. O'Keefe, and two times in the case of Mr. Crowley, his annual compensation for the year of termination (which is the sum of his base salary and his annual target bonus, or, if greater, the highest bonus paid to him under the agreement during the most recent 36-month period), (2) any bonus payable for the relevant year, (3) continuation of specified welfare benefits for three years in the case of Mr. Rask, two and one half years in the case of Mr. O'Keefe, and two years in the case of Mr. Crowley, (4) full vesting of the option awarded to him, if any, and exercisability through its full term, and (5) full vesting of restricted shares awarded to him, if any. Mr. Rask and Mr. O'Keefe will not be continuing as employees of the combined company after the effective time of the merger, and thus, Mr. Rask will receive approximately \$7.2 million and Mr. O'Keefe will receive approximately \$2.8 million upon closing of the merger. In addition, all unvested options, deferred performance units and restricted stock automatically will vest and any other conditions to these awards will be deemed satisfied upon closing of the merger. Mr. Crowley is expected to become an employee of the combined company after the effective time of the merger, which means he would receive approximately \$2.3 million only if he is terminated or resigns for good reason within the 18-month period immediately following the closing of the merger. If Mr. Crowley does not in fact become an employee of the combined company after the effective time of the merger, he will be entitled to receive approximately \$2.3 million upon closing of the merger. In addition, all unvested options, deferred performance units and restricted stock automatically would vest and any other conditions to these awards would be deemed satisfied.

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Each of the employment agreements described in the preceding paragraph includes special provisions designed to keep the executive whole in the event any payment or distribution to the executive would be subject to the federal excise tax imposed by section 4999 of the Internal Revenue Code on excess parachute payments. If any payment or distribution to the executive, whether pursuant to his employment agreement or otherwise, would be subject to this excise tax, then, under his employment agreement, the executive would be entitled to receive an additional payment so that, after the payment of any income or excise tax on an additional payment, the executive retains an amount sufficient to pay all of the applicable excise taxes. As of the date of this joint proxy statement/prospectus, it is not anticipated that an additional payment described in this paragraph will be required to be made to Messrs. Rask or O Keefe. However, if Mr. Crowley does not become an employee of the combined company after the effective time of the merger or if he is terminated within the 18-month period immediately following the closing of the merger, he may be entitled to an excise tax gross up in the amount of approximately \$731,000.

In addition, at the effective time of the merger, the employment agreements of Messrs. Rask and O Keefe are expected to be amended to remove the non-competition provisions of those agreements that would otherwise continue to apply after the consummation of the merger.

Severance Policy

The TODCO board of directors adopted a Severance Policy for specified employees who are not entitled to change in control benefits under a written employment agreement. The benefits under this policy are not available to Messrs. Rask, O Keefe or Crowley because each of those executive officers is already entitled to change in control benefits under an employment agreement, but they are available to TODCO's other executive officers. In the event of a termination of the employment of TODCO's other executive officers by TODCO or by them for specified reasons, such as receipt of notification of salary reduction, reduction in job title, significant reduction of responsibilities or relocation of employment, within the eighteen month period immediately following a change in control as defined in the policy, which would include the merger, these executive officers will be entitled to receive an amount equal to (1) one or one and a half times the sum of the officer's annual base salary and annual target bonus for the year of termination plus (2) the annual target bonus in effect for the officer on the date of termination or receipt of notification of salary reduction, reduction in job title, significant reduction of responsibilities or relocation of employment prorated through that date.

401(k) Plan

TODCO maintains the TODCO Savings Plan for its employees. Under the TODCO Savings Plan, eligible employees may elect to contribute a portion of their compensation, as defined in the TODCO Savings Plan, on a before-tax basis in accordance with the limitations imposed under the Internal Revenue Code of 1986, as amended (the Code) to the plan in a plan year. TODCO matches 100% of each employee's before-tax deferrals up to 6% of the employee's deferrals under the plan in a plan year in accordance with the limitations imposed by the TODCO Savings Plan and the Code. The cash amounts contributed under the TODCO Savings Plan are held in a trust and invested among various investment funds in accordance with the directions of each participant. An employee's salary deferral contributions under the TODCO Savings Plan are 100% vested. TODCO's matching contributions are also 100% vested. Employees are entitled to payment of their vested account balances upon termination of employment. Under the merger agreement, the successor must maintain the TODCO Savings Plan as in effect or provide a successor plan that allows elective deferrals by participants up to an amount of compensation and provides for employer matching contributions on these elective deferrals at maximum rates at least equal to those allowed and provided under the TODCO Savings Plan in effect 30 days prior to the date of the merger agreement until the first anniversary of the calendar year end following the effective time of the merger.

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Insurance Benefits

Under the terms of the merger agreement, Hercules will provide certain life and disability insurance benefits to TODCO executives in lieu of the life and disability insurance benefits that they would otherwise have been entitled to pursuant to the terms of either their employment agreements or the TODCO Severance Policy.

Additionally, Hercules will make a lump sum payment to certain of TODCO's executive officers in lieu of the medical, dental and vision benefits to which these individuals and their dependents would otherwise be entitled under their employment agreements and the TODCO Severance Policy. The aggregate of such lump sum amounts is the lesser of (1) the aggregate commercially reasonable and adequately documented costs of such coverage divided by 65% and (2) \$5 million.

Stock Options, Deferred Stock Units, Deferred Performance Units and Restricted Stock

Certain directors and executive officers will benefit from the accelerated vesting of, and payment in the merger with respect to, certain stock options, deferred stock units and deferred performance units and lapse of restrictions on shares of restricted stock as described below. See The Merger Agreement Treatment of TODCO Stock Options and Other Equity Awards, beginning on page for more details.

Continuing Employment with Hercules

Certain of TODCO's current executive officers may be offered employment with Hercules after the effective time of the merger.

Continuing Directors

The merger agreement provides that as of the effective time, the Hercules board of directors will consist of ten members of which three will be designated by TODCO. Mr. Amonett, Ms. Baer and Mr. Hamilton, current members of the TODCO board of directors, will become members of the Hercules board of directors after the effective time of the merger. All members of the Hercules board of directors receive annual retainers and other benefits as described under the heading Proposals Being Submitted to a Vote of Hercules Stockholders at the Hercules Meeting Additional Information Regarding the Board of Directors Compensation Discussion and Analysis, beginning on page .

Indemnification and Insurance

The merger agreement provides that Hercules and Merger Sub will, jointly and severally, indemnify, defend and hold harmless the current and certain of the former directors and officers of TODCO and any of its subsidiaries in their capacities as directors and officers to the fullest extent permitted by law for claims and expenses occurring at or before the effective time of the merger. The same provisions of the merger agreement also require Hercules and Merger Sub to pay the expenses of the indemnified person in advance of the final disposition of any claim made against the indemnified person. These rights of indemnification and advancement of expenses are in addition to other, previously reported rights to indemnification and advancement of expenses provided under TODCO's bylaws and written indemnification agreements with TODCO's directors and officers.

Hercules will also maintain tail directors' and officers' liability insurance from an insurance carrier with the same or better credit rating as TODCO's current insurance carrier, with a claims period of six years from the effective time of the merger, with respect to the directors and officers of TODCO and its subsidiaries who are currently covered by TODCO's existing directors' and officers' liability insurance with respect to claims arising from facts or events that occurred before the effective time of the merger, in an amount and scope and on terms and conditions no less favorable to these TODCO directors and officers than those in effect on the date of the merger agreement. However, Hercules will not be obligated to make annual premium payments for this insurance to the extent that the premiums exceed 250% of the per annum rate of premium currently paid by TODCO for this insurance on the date of the merger agreement. In the event that the annual premium for this insurance

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exceeds the maximum amount, Hercules will purchase as much coverage per policy year as reasonably obtainable for the maximum amount.

Voting Agreements

Under the terms of the merger agreement, TODCO will use its best efforts to cause each executive officer of TODCO to execute a voting agreement prior to the mailing of this joint proxy statement/prospectus stating that the executive officer will vote all shares of TODCO common stock owned by him or her to approve the merger.

Under the terms of the merger agreement, Hercules will use its best efforts to cause LR Hercules Holdings, LP, a stockholder with which Mr. Reynolds, the chairman of the Hercules board of directors and Mr. Bates, a member of the Hercules board of directors are affiliated, and each executive officer of Hercules to execute a voting agreement prior to the mailing of this joint proxy statement/prospectus stating that each of them will vote the shares owned by him, her or it to approve the authorization of shares of Hercules common stock in connection with the merger.

The foregoing descriptions of the voting agreements are qualified in their entirety by reference to the full text of the voting agreements, each of which will be filed by Hercules or TODCO (as the case may be) with the Securities and Exchange Commission, and will be incorporated by reference herein.

Lock-up Agreements

Under the terms of the merger agreement, TODCO will use its best efforts to cause each executive officer of TODCO who will be offered employment by Hercules after the merger to execute a lock-up agreement prior to the mailing of this joint proxy statement/prospectus stating that the executive officer will not sell or otherwise dispose of any TODCO common stock except as permitted by the lock-up agreement.

Under the terms of the merger agreement, Hercules will use its best efforts to cause LR Hercules Holdings, LP and Mr. Stilley, Chief Executive Officer and President of Hercules, to execute a lock-up agreement prior to the mailing of this joint proxy statement/prospectus stating that he or it will not sell or otherwise dispose of any Hercules common stock except as permitted by the lock-up agreement.

The form of lock-up agreement to be executed by certain of TODCO's executive officers, L.R. Hercules Holdings, LP and Mr. Stilley provides that no sales will be made of Hercules common stock for 90 days after the merger, with certain limited exceptions applicable to gifts and dispositions to family trusts, unless consented to by Hercules and TODCO.

The foregoing descriptions of the lock-ups agreements are qualified in their entirety by reference to the full text of the lock-up agreements, each of which has previously been filed by Hercules or TODCO (as the case may be) with the Securities and Exchange Commission, and is incorporated by reference herein.

Regulatory Matters

Antitrust Approvals

Under the Hart-Scott-Rodino Act, the merger may not be consummated until notifications have been given and certain information has been furnished to the Antitrust Division of the U.S. Department of Justice and the Federal Trade Commission and the applicable waiting period has expired or been terminated.

Hercules and TODCO expect to file the requisite Pre-Merger Notification and Report Forms under the Hart-Scott-Rodino Act with the Antitrust Division and the Federal Trade Commission. The filing will be subject to an initial waiting period of 30 days, with the possibility of an extended waiting period if the merger is subject to more extensive antitrust review.

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Neither Hercules nor TODCO can assure you that the merger will not be challenged on antitrust or competition grounds or, if a challenge is made, what result will occur. The Antitrust Division, the Federal Trade Commission, any U.S. state and other applicable regulatory bodies may challenge the merger on antitrust or competition grounds at any time, including after the expiration or termination of the Hart-Scott-Rodino Act waiting period. Accordingly, at any time before or after the completion of the merger, any of these parties could take action under the antitrust laws, including, without limitation, by seeking to enjoin the effective time of the merger or permitting completion subject to regulatory concessions or conditions. Private parties may also seek to take legal action under antitrust laws under certain circumstances.

Other Regulatory Procedures

The merger may be subject to certain regulatory requirements of other municipal, state, federal and foreign governmental agencies and authorities, including those relating to the offer and sale of securities. Hercules and TODCO are currently working to evaluate and comply in all material respects with these requirements, as appropriate, and do not currently anticipate that they will hinder, delay or restrict completion of the merger.

It is possible that one or more of the regulatory approvals required to complete the merger will not be obtained on a timely basis or at all. In addition, it is possible that any of the governmental entities with which filings are made may seek regulatory concessions as conditions for granting approval of the merger. Under the merger agreement, Hercules and TODCO have each agreed to take all actions and do all things necessary to complete the merger, including to gain clearance from antitrust authorities and obtain other required approvals, except that neither Hercules or TODCO is required to sell any business or assets to obtain regulatory approval. See The Merger Agreement Covenants, beginning on page .

Although Hercules and TODCO do not expect regulatory authorities to raise any significant objections to the merger, Hercules and TODCO cannot be certain that all required regulatory approvals will be obtained or that these approvals will not contain terms, conditions or restrictions that would be detrimental to Hercules or the combined corporation after the effective time of the merger.

Hercules and TODCO have not yet obtained any of the governmental or regulatory approvals required to complete the merger.

Tax Sharing Agreement

Agreement with Transocean

Following the merger, Hercules will be bound by the amended and restated tax sharing agreement between TODCO and Transocean that is described in TODCO's Form 10-K for the year ended December 31, 2006, as amended, which is incorporated herein by reference. The tax sharing agreement was originally entered into in February 2004 in connection with TODCO's initial public offering and was amended and restated in November 2006 in a negotiated settlement of disputes between TODCO and Transocean over certain terms of the original tax sharing agreement. After the merger, Hercules will be entitled to indemnification from Transocean for substantially all of TODCO's income tax liabilities prior to February 2004.

Acceleration payment

The agreement provides that if any person other than Transocean or its subsidiaries becomes the beneficial owner of greater than 50% of the total voting power of TODCO common stock, TODCO will be deemed to have utilized tax benefits allocated to it prior to its IPO, or pre-IPO tax benefits, and TODCO will be required to pay Transocean an amount for the deemed utilization of the pre-IPO tax benefits adjusted by a specified discount factor. Therefore, as a result of the merger, Hercules will be required to pay Transocean an acceleration payment for the deemed utilization of the remaining pre-IPO tax benefits. If the merger had occurred on March 31, 2007, the acceleration payment would have been 80% of those remaining pre-IPO tax benefits, estimated to be \$180

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million, or a total acceleration payment of approximately \$144 million. The actual acceleration payment obligation owing to Transocean will be reduced by the amount of pre-IPO tax benefits used between March 31, 2007 and the date the merger closes, but TODCO will incur payment obligations owing to Transocean generally equal to the amount of pre-IPO tax benefits used during this period.

Payments related to options

Under the tax sharing agreement, Hercules will also be required to pay Transocean for 55% of the value of the tax deductions arising from the exercise of Transocean stock options by TODCO's current and former employees and directors following the merger. These option-related payments are not subject to the acceleration payment described above and are not affected by the merger but will continue to be an obligation of Hercules for the remaining term of the options, which range from six months to five years.

The estimated amount of future payment obligations to Transocean related to compensatory options that remain outstanding at March 31, 2007, assuming a Transocean stock price of \$81.70 per share at the time of exercise of the compensatory options (the actual price of Transocean's common stock at March 31, 2007), is approximately \$17.6 million.

Accounting Treatment

Hercules prepares its financial statements in accordance with GAAP. The merger will be accounted for using the purchase method of accounting. Statement of Financial Accounting Standards No. 141, Business Combinations, referred to as SFAS 141, provides guidance for determining the accounting acquirer in a business combination when equity interests are exchanged between two entities. SFAS 141 provides that in a business combination effected through an exchange of equity interests, such as the merger, the entity that issues the equity interests is generally the acquiring entity. In some business combinations, however, the acquired entity is treated as the entity that issues the equity interests. Commonly, the acquiring entity is the larger entity. However, the facts and circumstances surrounding a business combination sometimes indicate that a smaller entity acquires a larger one. SFAS 141 further provides that in identifying the acquiring entity in a combination effected through an exchange of equity interests, all pertinent facts and circumstances must be considered, including: the relative voting rights of the stockholders of the constituent companies in the combined entity, the composition of the board of directors and senior management of the combined company and the terms of the exchange of equity securities in the business combination, including payment of any premium.

Hercules will be considered to be the acquirer of TODCO for accounting purposes under SFAS 141 because the members of the Hercules board of directors and Hercules senior management will represent a majority of the board of directors and senior management of the combined company, and TODCO stockholders will receive a premium (as of the date preceding the merger announcement) over the fair market value of their shares on the date preceding the merger announcement. This means that Hercules will allocate the purchase price to the fair value of TODCO's assets and liabilities at the acquisition date, with the excess purchase price being recorded as goodwill. Under the purchase method of accounting, goodwill is not amortized but is tested for impairment annually.

Listing of Hercules Common Stock

Hercules will use its reasonable best efforts to cause the shares of Hercules common stock to be issued in connection with the merger to be approved for listing on NASDAQ upon the completion of the merger, subject to official notice of issuance. Approval of the listing on NASDAQ of the shares of Hercules common stock to be issued in the merger is a condition to each party's obligation to complete the merger.

Delisting and Deregistration of TODCO Common Stock

If the merger is completed, TODCO common stock will be delisted from the NYSE and deregistered under the Exchange Act.

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Restrictions on Sales of Shares of Hercules Common Stock Received in the Merger

The shares of Hercules common stock to be issued in connection with the merger will be registered under the Securities Act and will be freely transferable, except for shares of Hercules common stock issued to any person who is deemed to be an affiliate of TODCO under the Securities Act at the time of the TODCO Meeting. Persons who may be deemed to be affiliates of TODCO prior to the merger include individuals or entities that control, are controlled by, or are under common control with, TODCO prior to the merger, and may include officers and directors, as well as significant stockholders of TODCO prior to the merger. Affiliates of TODCO prior to the merger may not sell any of the shares of Hercules common stock received by them in connection with the merger except pursuant to:

an effective registration statement under the Securities Act covering the resale of those shares,

an exemption under paragraph (d) of Rule 145 under the Securities Act, or

any other applicable exemption under the Securities Act.

TODCO has agreed to use its reasonable best efforts to cause each person identified as an affiliate of TODCO at the time of the TODCO Meeting to deliver, on or prior to the effective time of the merger, a letter agreement providing, among other things, that the affiliate of TODCO agrees not to transfer any shares of Hercules common stock received pursuant to the merger in violation of the Securities Act.

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MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES

The following discussion summarizes material U.S. federal income tax consequences of the merger to U.S. holders and non-U.S. holders (as defined below) of TODCO common stock. This discussion is based upon the Internal Revenue Code of 1986, as amended, Treasury Regulations promulgated under the Internal Revenue Code, court decisions, published positions of the Internal Revenue Service and other applicable authorities, all as in effect on the date of this document and all of which are subject to change or differing interpretations, possibly with retroactive effect. This discussion is limited to holders who hold TODCO common stock as capital assets for U.S. federal income tax purposes (generally, assets held for investment). This discussion does not address all of the U.S. federal income tax consequences that may be relevant to holders in light of their particular circumstances or to holders who may be subject to special treatment under U.S. federal income tax laws, such as:

a financial institution,

a tax-exempt organization,

an S corporation or other pass-through entity,

an insurance company,

a mutual fund,

a dealer in stocks and securities, or foreign currencies,

a trader in securities who elects the mark-to-market method of accounting for its securities,

a holder of TODCO common stock subject to the alternative minimum tax provisions of the Internal Revenue Code,

a holder of TODCO common stock who received its TODCO common stock through the exercise of employee stock options or otherwise as compensation or through a tax-qualified retirement plan,

a holder of options granted under any TODCO benefit plan,

certain expatriates or a person that has a functional currency other than the U.S. dollar,

a regulated investment company,

a real estate investment trust,

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a controlled foreign corporation,

a passive foreign investment company, or

a holder of TODCO common stock who holds TODCO common stock as part of a hedge, straddle, wash sale, synthetic security, conversion transaction or other integrated transaction comprised of TODCO common stock and one or more investments.

Further, this discussion does not address any aspect of non-income taxation or state, local or foreign taxation. No ruling has been or will be obtained from the Internal Revenue Service regarding any matter relating to the merger. While receipt of opinions of counsel on the tax consequences of the merger are conditions to the closing, an opinion of counsel is not a guaranty of a result as it merely represents counsel's best legal judgment and is not binding on the Internal Revenue Service or the courts. As a result, no assurance can be given that the Internal Revenue Service will not assert, or that a court will not sustain, a position contrary to any of the tax aspects described below. Holders are urged to consult their own tax advisers as to the U.S. federal income tax consequences of the merger, as well as the effects of non-income tax and state, local and foreign tax laws.

As used in this summary, a U.S. holder is a beneficial owner of TODCO common stock who for U.S. federal income tax purposes is:

an individual U.S. citizen or resident alien,

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a corporation or other entity created or organized under U.S. law (federal or state) and treated as a corporation for U.S. federal income tax purposes,

an estate whose worldwide income is subject to U.S. federal income tax, or

a trust if a court within the United States of America is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust.

If a partnership (including for this purpose any entity or arrangement treated as a partnership for U.S. federal income tax purposes) is a beneficial owner of TODCO common stock, the tax treatment of a partner in that partnership will generally depend on the status of the partner and the activities of the partnership. Holders of TODCO common stock that are partnerships and partners in these partnerships are urged to consult their tax advisers regarding the U.S. federal income tax consequences of owning and disposing of TODCO common stock in the merger.

A non-U.S. holder of TODCO common stock is a holder, other than an entity or arrangement treated as a partnership for U.S. federal income tax purposes, that is not a U.S. holder. For purposes of this summary, holder means either a U.S. holder or a non-U.S. holder or both.

THIS SUMMARY IS NOT A SUBSTITUTE FOR AN INDIVIDUAL ANALYSIS OF THE TAX CONSEQUENCES OF THE MERGER TO YOU. WE URGE YOU TO CONSULT A TAX ADVISER REGARDING THE PARTICULAR FEDERAL, STATE, LOCAL AND FOREIGN TAX CONSEQUENCES OF THE MERGER IN LIGHT OF YOUR OWN SITUATION.

It is a condition to the closing of the merger that Andrews Kurth LLP and Porter & Hedges, L.L.P. deliver opinions, effective as of the date of closing, to Hercules and TODCO, respectively, to the effect that (i) the merger will be treated for U.S. federal income tax purposes as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code and (ii) each of Hercules and TODCO will be a party to the reorganization within the meaning of Section 368(b) of the Internal Revenue Code.

The opinions of Andrews Kurth LLP, counsel to Hercules, and Porter & Hedges, L.L.P., counsel to TODCO, which are required as a condition to closing the merger, are and will be based on U.S. federal income tax law in effect as of the date of these opinions. In rendering the opinions, Andrews Kurth LLP and Porter & Hedges, L.L.P. will rely on certain assumptions, including assumptions regarding the absence of changes in existing facts and the completion of the merger strictly in accordance with the merger agreement and this joint proxy statement/prospectus. The opinions will also rely upon certain representations and covenants in the merger agreement as well as representation letters provided by the management of Hercules and TODCO and will assume that these representations are true, correct and complete without regard to any knowledge limitation, and that these covenants will be complied with. If any of these assumptions or representations are inaccurate in any way, or any of the covenants are not complied with, the opinions could be adversely affected.

U.S. Holders

Assuming the merger qualifies as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code, the material U.S. federal income tax consequences of the merger to a U.S. holder are as follows:

If a U.S. holder exchanges all of its TODCO common stock solely for shares of Hercules common stock in the merger, that U.S. holder will not recognize gain or loss (except with respect to cash received in lieu of a fractional share of Hercules common stock, as discussed below).

If a U.S. holder exchanges all of its shares of TODCO common stock solely for cash in the merger, that U.S. holder generally will recognize capital gain or loss equal to the difference between the amount of cash received and its adjusted tax basis in the shares of TODCO common stock. For this purpose, U.S. holders must calculate gain or loss separately for each identifiable block (that is, stock acquired at the

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same time for the same price) of shares of TODCO common stock exchanged. The capital gain or loss will be long-term capital gain or loss if the holding period for the shares of TODCO common stock exchanged for cash is more than one year as of the date of the merger.

If a U.S. holder exchanges its shares of TODCO common stock for a combination of shares of Hercules common stock and cash, that U.S. holder will generally recognize gain (but not loss) in the merger. Any gain recognized will equal the lesser of (1) the excess, if any, of (a) the sum of the amount of cash (excluding any cash received in lieu of a fractional share of Hercules common stock, as discussed below) and the fair market value (as of the effective time of the merger) of the shares of Hercules common stock over (b) the U.S. holder's adjusted tax basis in the shares of TODCO common stock exchanged therefor and (2) the amount of cash received in the merger (excluding cash received in lieu of a fractional share of Hercules common stock, as discussed below). For this purpose, U.S. holders must calculate gain or loss separately for each identified block (that is, stock acquired at the same time for the same price) of shares of TODCO common stock exchanged.

Gain recognized upon the exchange generally will be capital gain, unless the receipt of cash by a U.S. holder has the effect of a distribution of a dividend, in which case the gain will be treated as dividend income to the extent of the U.S. holder's ratable share of TODCO's accumulated earnings and profits as calculated for U.S. federal income tax purposes. In general, the determination as to whether the receipt of cash has the effect of a distribution of a dividend depends upon whether and to what extent the transactions related to the merger will be deemed to reduce a U.S. holder's percentage ownership of TODCO following the merger. For purposes of that determination, a U.S. holder will be treated as if it first exchanged all of its TODCO common stock solely for Hercules common stock, and then a portion of that stock was immediately redeemed by Hercules for the cash that the U.S. holder actually received in the merger. The Internal Revenue Service has indicated that a reduction in the interest of a minority stockholder that owns a small number of shares in a publicly and widely held corporation and that exercises no control over corporate affairs would result in capital gain (as opposed to dividend) treatment. In determining whether or not the receipt of cash has the effect of a distribution of a dividend, certain constructive ownership rules must be taken into account. A U.S. holder is urged to consult its tax advisers about the possibility that all or a portion of any cash received in exchange for TODCO common stock will be treated as a dividend. Any recognized capital gain will be long-term capital gain if the U.S. holder has held the shares of TODCO common stock for more than one year.

If a U.S. holder receives cash in lieu of a fractional share of Hercules common stock, subject to the discussion above regarding possible dividend treatment, it will generally recognize capital gain or loss equal to the difference between the cash received in lieu of this fractional share and the portion of its adjusted tax basis in TODCO common stock surrendered that is allocable to this fractional share. The capital gain or loss will be long-term capital gain or loss if the holding period for TODCO common stock exchanged for cash in lieu of the fractional share of Hercules common stock is more than one year as of the date of the merger.

The aggregate tax basis of any shares of Hercules common stock received by a U.S. holder in the merger (before reduction for the basis in any fractional share of Hercules common stock) will be the same as the aggregate tax basis of the TODCO common stock exchanged in the merger, decreased by the amount of cash received (excluding any cash received in lieu of a fractional share) and increased by the amount of gain recognized in the merger (excluding any gain recognized as a result of cash received in lieu of a fractional share).

The holding period of the shares of Hercules common stock received by a TODCO stockholder pursuant to the merger will include the holding period of shares of TODCO common stock surrendered in exchange for these shares of Hercules common stock.

TODCO stockholders who hold shares of TODCO common stock with differing bases or holding periods are urged to consult their tax advisers with regard to identifying the bases or holding periods of the particular shares of Hercules common stock received in the merger.

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Non-U.S. Holders

In General

Assuming the merger qualifies as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code, as a result of the merger, a non-U.S. holder will recognize gain (all or part of which could be recharacterized as a dividend) in the same manner as a U.S. holder as described above under the heading U.S. Holders. Any gain a non-U.S. holder will recognize will generally not be subject to U.S. federal income tax unless:

the non-U.S. holder is an individual present in the United States for 183 days or more in the taxable year of the merger and certain other requirements are met, or

the gain is effectively connected with the conduct of a trade or business in the United States, and, if certain tax treaties apply, is attributable to a U.S. permanent establishment.

If a non-U.S. holder is described in the first bullet above, it will be subject to a flat 30% tax on any gain recognized, which may be offset by U.S. source capital losses. If a non-U.S. holder is described in the second bullet above, it will be subject to tax on any gain recognized at applicable U.S. federal income tax rates and, if it is treated as a corporation for U.S. federal income tax purposes, may be subject to a branch profits tax equal to 30% (or lower rate under an applicable income tax treaty) on its effectively connected earnings and profits for the taxable year, which would include the gain.

The material U.S. federal income tax consequences of the merger to a non-U.S. holder who is not described in either of the two bullets above are generally as follows:

Any gain recognized by the non-U.S. holder generally will not be subject to U.S. federal income tax, subject to the following sentence. If all or part of the gain recognized by a non-U.S. holder would be treated as a dividend rather than as capital gain pursuant to the rules described above under the heading U.S. Holders, then the non-U.S. holder would be subject to a U.S. income tax of 30% of the amount of the dividend, which rate may be reduced by an applicable income tax treaty. A non-U.S. holder is urged to consult its tax adviser about the possibility that all or a portion of any cash received in exchange for TODCO common stock will be treated as a dividend.

A non-U.S. holder will have an aggregate tax basis in the Hercules common stock received, if any, in the merger equal to the aggregate tax basis of its TODCO common stock surrendered, decreased (but not below zero) by the amount of cash received by the stockholder in the merger.

The non-U.S. holder's holding period for shares of Hercules common stock received in exchange for shares of TODCO common stock in the merger will include the holding period of the non-U.S. holder's TODCO common stock exchanged for Hercules common stock.

TODCO stockholders who hold shares of TODCO common stock with differing bases or holding periods are urged to consult their tax advisers with regard to identifying the bases or holding periods of the particular shares of Hercules common stock received in the merger.

Ownership of Hercules Common Stock

As a result of the merger, a non-U.S. holder may hold Hercules common stock. Dividends paid to a non-U.S. holder (to the extent paid out of Hercules' current or accumulated earnings and profits, as determined for U.S. federal income tax purposes) with respect to its shares of Hercules common stock will be subject to withholding at a 30% rate or lower rate as may be specified by an applicable income tax treaty. However,

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dividends that are effectively connected with the conduct of a trade or business within the United States and, if certain tax treaties apply, are attributable to a U.S. permanent establishment, are not subject to withholding tax, but instead are subject to U.S. federal income tax on a net income basis at applicable graduated rates. Special certification and disclosure requirements must be satisfied for effectively connected income to be exempt from withholding. If a

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non-U.S. holder is treated as a corporation for U.S. federal income tax purposes, any effectively connected dividend received may be subject to an additional branch profits tax at a 30% rate or lower rate as may be specified by an applicable income tax treaty.

If a non-U.S. holder wishes to claim the benefit of an applicable income tax treaty rate (and avoid backup withholding as discussed below) for dividends, it must provide the applicable withholding agent with a properly executed IRS Form W-8BEN or other applicable form claiming exemption from, or reduction in the rate of, withholding.

If a non-U.S. holder is eligible for a reduced rate of U.S. withholding tax pursuant to an income tax treaty, it may obtain a refund of any excess amount withheld by filing an appropriate claim for refund with the IRS.

Subject to the exceptions described above under the heading **Non-U.S. Holders In General**, beginning on page , a non-U.S. holder generally will not be subject to U.S. federal income tax with respect to gain recognized on a sale or other disposition of shares of Hercules common stock, including on a redemption by Hercules of a portion of the non-U.S. holder's shares after completion of the merger to prevent persons other than U.S. citizens from owning more than 20% of its common stock.

Appraisal Rights

Subject to the discussion under the heading **Appraisal Rights**, beginning on page , holders of TODCO common stock may be entitled to appraisal rights under Delaware law in connection with the merger. If a U.S. holder receives cash pursuant to the exercise of appraisal rights, that U.S. holder generally will recognize gain or loss measured by the difference between the cash received and its adjusted tax basis in its shares of TODCO common stock. This gain should be long-term capital gain or loss if the U.S. holder held the shares of TODCO common stock for more than one year. Any holder of TODCO common stock that plans to exercise appraisal rights in connection with the merger is urged to consult a tax adviser to determine the related tax consequences. If a non-U.S. holder receives cash pursuant to the exercise of appraisal rights, that non-U.S. holder generally will not be subject to U.S. federal income tax on any gain recognized, subject to the exceptions set forth above under the heading **Non-U.S. Holders In General**.

Backup Withholding

Certain holders of TODCO common stock may be subject to backup withholding (currently at a rate of 28%) on amounts received pursuant to the merger. Backup withholding will not apply, however, to a holder of TODCO common stock who provides a correct taxpayer identification number or a certificate of foreign status and certain other required information or comes within certain exempt categories and, in each case, complies with applicable certification requirements. In addition to being subject to backup withholding, if a holder of TODCO common stock does not provide Hercules (or the exchange agent) with its correct taxpayer identification number or a certificate of foreign status or other required information, the holder may be subject to penalties imposed by the Internal Revenue Service. Any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against the holder's U.S. federal income tax liability, provided that the holder furnishes certain required information to the Internal Revenue Service.

Information Reporting

TODCO stockholders receiving shares of Hercules common stock in the merger and who are required to file a U.S. federal income tax return should file a statement with their U.S. federal income tax return setting forth their adjusted tax basis in the shares of TODCO common stock exchanged in the merger, as well as the fair market value of the shares of Hercules common stock and the amount of cash received in the merger. In addition, TODCO stockholders will be required to retain permanent records of these facts relating to the merger.

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Failure to Qualify as a Reorganization

If the merger is not treated as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code, then (1) each U.S. holder would recognize gain or loss equal to the difference between the sum of the fair market value of the shares of Hercules common stock and the amount of cash received in the merger (including cash received in lieu of fractional shares of Hercules common stock) and its adjusted tax basis in the shares of TODCO common stock surrendered in exchange therefor and (2) each non-U.S. holder generally will not be subject to U.S. federal income tax on any gain recognized, subject to the exceptions set forth above under the heading Non-U.S. Holders In General. Further, if the merger is not treated as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code, TODCO would be subject to tax on the deemed sale of its assets to Hercules, with gain or loss for this purpose measured by the difference between TODCO's tax basis in its assets and the fair market value of the consideration deemed to be received therefor, or, in other words, the cash and shares of Hercules common stock. This gain or loss would be reported on TODCO's tax return, subject to the effect of any tax carryovers and the effect of its other income or loss for that period, and Hercules would become liable for any resulting tax liability by virtue of the merger.

Other Tax Consequences

This discussion does not address tax consequences that may vary with, or are contingent upon, the individual circumstances of holders of TODCO common stock. Moreover, it does not address any non-income tax or any foreign, state or local tax consequences of the merger. Tax matters are very complicated, and the tax consequences of the merger to holders of TODCO common stock will depend upon the facts of their particular situation. Accordingly, we strongly urge holders of TODCO common stock to consult with their tax advisers to determine the particular federal, state, local or foreign income or other tax consequences to them as a result of the merger.

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THE MERGER AGREEMENT

The following summary describes selected material provisions of the merger agreement, which is attached as Annex A to this joint proxy statement/prospectus and is incorporated by reference herein. This summary may not contain all of the information about the merger agreement that is important to Hercules stockholders and TODCO stockholders. You are encouraged to carefully read the full merger agreement.

The representations and warranties contained in the merger agreement are as of specified dates and were made only for purposes of the merger agreement. The representations and warranties are solely for the benefit of the parties to the merger agreement and may be subject to limitations agreed between the parties. Additionally, certain representations and warranties in the merger agreement were used for the purpose of allocating risk between Hercules and TODCO. Accordingly, investors should not rely on the representations and warranties in the merger agreement as characterizations of facts about Hercules or TODCO. None of the representations and warranties contained in the merger agreement will have any legal effect among the parties to the merger agreement after the closing of the merger.

Structure of the Merger

Subject to the conditions of the merger agreement, TODCO will merge with and into Merger Sub, with Merger Sub surviving the merger as a wholly-owned subsidiary of Hercules. Upon the effectiveness of the merger, the separate corporate existence of TODCO will cease.

Effective Time of the Merger

The closing of the merger and the other transactions contemplated by the merger agreement is expected to occur, subject to the satisfaction or waiver of all closing conditions, on the first business day following the day on which both the Hercules Meeting and the TODCO Meeting have been held. The merger will become effective immediately when the certificate of merger is accepted for filing by the Secretary of State of Delaware (or such later time as set forth in the certificate of merger and agreed to by the parties). In this summary, the time when the merger becomes effective is referred to as the effective time of the merger.

Merger Consideration

General

The total number of shares of Hercules common stock and cash paid as merger consideration is fixed based on the fully diluted outstanding shares of TODCO common stock as of March 18, 2007 plus an additional 50,000 TODCO shares for potential equity grants. Thus, while TODCO stockholders can request a different proportion of cash or Hercules common stock in the merger, any such request is subject to proration since the aggregate amount of cash and Hercules common stock delivered as merger consideration for all TODCO shares is fixed. The value of the aggregate consideration received for each TODCO share is intended to be approximately equal based on the average per share closing price of Hercules common stock during a ten consecutive trading day valuation period ending on the fifth calendar day immediately prior to the effective time of the merger. However, the mix of consideration requested by each TODCO stockholder may be adjusted since the aggregate number of Hercules shares and cash delivered in the merger is fixed and not variable.

Calculation of Consideration

As a result of the merger, shares of TODCO common stock issued and outstanding immediately prior to the merger will be converted into the right to receive an amount of consideration, on a per-share basis, equal to \$16.00 plus the product of (1) 0.979 times (2) the average closing price of Hercules common stock during a ten consecutive trading day valuation period ending on the fifth calendar day immediately prior to the effective time of the merger; or if the fifth calendar day is not a trading day, then ending on the immediately preceding trading

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day. The amount of cash that will be paid for one share of TODCO common stock is referred to in this summary as the per share cash consideration, and the number of shares of Hercules common stock to be issued for one share of TODCO common stock is referred to as the per share stock consideration. The number of shares of Hercules common stock issued for one share of TODCO common stock is equal to the value of the merger consideration described above divided by the average closing price of the Hercules common stock during the same ten-day period referred to above.

Subject to the proration provisions described below, TODCO stockholders will be entitled to elect the form of consideration they receive with respect to each of their shares of TODCO common stock. TODCO stockholders may elect to receive in return for each of their shares of TODCO common stock either cash equal to the per share cash consideration or Hercules common stock equal to the per share stock consideration.

Based upon the number of shares of TODCO common stock outstanding at the time the parties entered into the merger agreement, Hercules will issue to TODCO stockholders approximately 56.6 million shares of Hercules common stock and approximately \$924.4 million in cash, each of which is subject to adjustment as described below.

Stock Price Effects on Consideration

The total cash consideration and the number of shares of Hercules common stock comprising the total stock consideration will not change between the date of the merger agreement and the effective time of the merger (other than for minor changes due to a change in the number of outstanding shares of TODCO common stock, such as upon exercise or vesting of equity awards). However, since the price of Hercules common stock may change, the total value of the stock consideration and therefore the total merger consideration may increase or decrease.

Example: By way of example only and assuming an average Hercules common stock closing price of \$30.00 over the ten trading day valuation period and 57,772,039 shares of TODCO common stock outstanding as of the effective time of the merger,

the total cash consideration would still equal \$924 million (57,772,039 shares times \$16.00 per share),

the total stock consideration would equal \$1.7 billion (57,772,039 shares times (0.979 x \$30.00 per share)), and

the total merger consideration would equal \$2.6 billion (\$1.7 billion plus \$924 million).

In this example, the percentage of the total merger consideration that is cash consideration is 35% (\$924 million divided by \$2.6 billion). This is a lower percentage than in the first example.

It is important to note that two things occur if the price of Hercules common stock increases: (1) the total merger consideration will increase and (2) the percentage of total merger consideration that is total stock consideration will increase. The opposite is also true. If the price of Hercules common stock decreases between the date of the merger agreement and the effective time of the merger, then (1) the total merger consideration will decrease and (2) the percentage of total merger consideration that is stock consideration will decrease.

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Hypothetical Consideration Scenarios

The following table sets forth, based on various hypothetical average Hercules common stock prices, the per share cash consideration and the per share stock consideration, as well as the total stock consideration, total cash consideration and the sum of these two items, which is the total merger consideration. The table also shows the percentage of outstanding shares of TODCO common stock that would be converted into shares of Hercules common stock and cash, respectively, based on the average Hercules common stock prices. The table is based on the assumption that the number of exchangeable shares of TODCO common stock at the effective time of the merger is 57,772,039 and does not take into account the settlement of fractional shares for cash. This number of shares may change, but any such change would have no effect on the per share stock consideration or per share cash consideration.

Final Hercules Stock Price(2)	Merger Consideration Per Share of TODCO Common Stock(1) Stock Election			Total Merger Consideration (in thousands) Hercules Common Stock			Total Cash Consideration and Implied Value of Shares(9) (in thousands)	Percentage of Merger Consideration In Stock	
	Cash Election Value(3)	Number of Shares(4)	Implied Value(5)	Cash Consideration (6)	Number of Shares(7)	Implied Value of Shares(8)		(10)	In Cash (11)
\$15.00	\$ 30.69	2.046	\$ 30.69	\$ 924,352.6	56,558.8	\$ 848,382.4	\$ 1,772,735.0	47.9%	52.1%
\$16.00	\$ 31.66	1.979	\$ 31.66	\$ 924,352.6	56,558.8	\$ 904,941.2	\$ 1,829,293.8	49.5%	50.5%
\$17.00	\$ 32.64	1.920	\$ 32.64	\$ 924,352.6	56,558.8	\$ 961,500.0	\$ 1,885,852.7	51.0%	49.0%
\$18.00	\$ 33.62	1.868	\$ 33.62	\$ 924,352.6	56,558.8	\$ 1,018,058.9	\$ 1,942,411.5	52.4%	47.6%
\$19.00	\$ 34.60	1.821	\$ 34.60	\$ 924,352.6	56,558.8	\$ 1,074,617.7	\$ 1,998,970.3	53.8%	46.2%
\$20.00	\$ 35.58	1.779	\$ 35.58	\$ 924,352.6	56,558.8	\$ 1,131,176.5	\$ 2,055,529.1	55.0%	45.0%
\$21.00	\$ 36.56	1.741	\$ 36.56	\$ 924,352.6	56,558.8	\$ 1,187,735.3	\$ 2,112,088.0	56.2%	43.8%
\$22.00	\$ 37.54	1.706	\$ 37.54	\$ 924,352.6	56,558.8	\$ 1,244,294.2	\$ 2,168,646.8	57.4%	42.6%
\$23.00	\$ 38.52	1.675	\$ 38.52	\$ 924,352.6	56,558.8	\$ 1,300,853.0	\$ 2,225,205.6	58.5%	41.5%
\$24.00	\$ 39.50	1.646	\$ 39.50	\$ 924,352.6	56,558.8	\$ 1,357,411.8	\$ 2,281,764.5	59.5%	40.5%
\$25.00	\$ 40.48	1.619	\$ 40.48	\$ 924,352.6	56,558.8	\$ 1,413,970.7	\$ 2,338,323.3	60.5%	39.5%
\$26.00	\$ 41.45	1.594	\$ 41.45	\$ 924,352.6	56,558.8	\$ 1,470,529.5	\$ 2,394,882.1	61.4%	38.6%
\$27.00	\$ 42.43	1.572	\$ 42.43	\$ 924,352.6	56,558.8	\$ 1,527,088.3	\$ 2,451,440.9	62.3%	37.7%
\$28.00	\$ 43.41	1.550	\$ 43.41	\$ 924,352.6	56,558.8	\$ 1,583,647.1	\$ 2,507,999.8	63.1%	36.9%
\$29.00	\$ 44.39	1.531	\$ 44.39	\$ 924,352.6	56,558.8	\$ 1,640,206.0	\$ 2,564,558.6	64.0%	36.0%
\$30.00	\$ 45.37	1.512	\$ 45.37	\$ 924,352.6	56,558.8	\$ 1,696,764.8	\$ 2,621,117.4	64.7%	35.3%
\$31.00	\$ 46.35	1.495	\$ 46.35	\$ 924,352.6	56,558.8	\$ 1,753,323.6	\$ 2,677,676.2	65.5%	34.5%
\$32.00	\$ 47.33	1.479	\$ 47.33	\$ 924,352.6	56,558.8	\$ 1,809,882.4	\$ 2,734,235.1	66.2%	33.8%
\$33.00	\$ 48.31	1.464	\$ 48.31	\$ 924,352.6	56,558.8	\$ 1,866,441.3	\$ 2,790,793.9	66.9%	33.1%
\$34.00	\$ 49.29	1.450	\$ 49.29	\$ 924,352.6	56,558.8	\$ 1,923,000.1	\$ 2,847,352.7	67.5%	32.5%
\$35.00	\$ 50.27	1.436	\$ 50.27	\$ 924,352.6	56,558.8	\$ 1,979,558.9	\$ 2,903,911.5	68.2%	31.8%

- (1) In all cases, (a) the amount of cash that a TODCO stockholder may receive will be subject to proration in the event the total cash elections by all TODCO stockholders would exceed the total cash consideration in the merger of \$924,352,624, and (b) the number of shares of Hercules common stock that a TODCO stockholder receives in the merger will be subject to proration in the event the total stock elections by all TODCO stockholders would exceed the total stock consideration in the merger of approximately 56,558,800 shares of Hercules common stock.
- (2) The Final Hercules Stock Price is the average closing price of Hercules common stock on NASDAQ as reported by the Wall Street Journal during a ten consecutive trading day valuation period ending on the fifth calendar day immediately prior to the effective date of the merger, or if the fifth calendar day is not a trading day then on the immediately preceding trading day.
- (3) Calculated as the sum of: (1) in all cases, \$16 per share of TODCO, plus (2) in each particular case, the cash equivalent value of 0.979 shares of Hercules common stock per share of TODCO common stock based on the Final Hercules Stock Price for the particular case. To illustrate this computation assuming a Final Hercules Stock Price of \$25.00, the amount of cash that a TODCO stockholder would receive for each share of TODCO common stock would be: $\$16 + (0.979 \times \$25.00) = \$40.48$.
- (4) Calculated as the ratio of the Cash Election Value (column 2) divided by the Final Hercules Stock Price (column 1).

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- (5) Computed as the product of (a) the corresponding Final Hercules Stock Price (column 1), multiplied by (b) the corresponding number of shares of Hercules common stock that would be received for each share of TODCO common stock by a TODCO stockholder making a stock election (column 3).
- (6) The total amount of cash to be paid to all TODCO stockholders in the merger is fixed at approximately \$924,352,624, regardless of changes in the value of Hercules common stock. This maximum amount of cash is computed as the product of \$16.00 multiplied by the total number of shares of TODCO common stock assumed to be outstanding on the effective date of the merger, or 57,772,039 shares. This figure does not give effect to settlement of fractional shares for cash.
- (7) The total amount of Hercules common stock to be received by all TODCO stockholders in the merger is fixed at approximately 56,558,800 shares, regardless of changes in the value of Hercules common stock. This maximum number of shares is computed as the product of (a) 0.979 (the fixed number of shares of Hercules common stock to be issued for each share of TODCO common stock) multiplied by (b) the total number of shares of TODCO common stock assumed to be outstanding on the effective date of the merger, or 57,772,039 share number does not give effect to settlement of fractional shares for cash.
- (8) Calculated as the total number of shares of Hercules common stock issued in the merger (column 6) multiplied by the Final Hercules Stock Price (column 1).
- (9) Calculated as the sum of the Cash Consideration (column 5) plus the Implied Value of Shares (column 7).
- (10) Calculated as the percentage from the Implied Value of Shares (column 7) divided by the Total Cash Consideration and Implied Value of Shares (column 8).
- (11) Calculated as the percentage from the Cash Consideration (column 5) divided by the Total Cash Consideration and Implied Value of Shares (column 8).

The actual value of the shares of Hercules common stock received by TODCO stockholders will depend upon the value of shares of Hercules common stock upon receipt, which may be higher or lower than the average Hercules common stock price as calculated over the ten trading day valuation period or the market price of shares of Hercules common stock on the date the merger was announced or any other day.

If, between the date of the merger agreement and the effective time of the merger, the shares of Hercules common stock are changed into a different number or class of shares by reason of reclassification, split-up, combination, exchange of shares or similar readjustment, or a stock dividend is declared with a record date within that period, appropriate adjustments will be made to the per share stock consideration and per share cash consideration.

No fractional shares of Hercules common stock will be issued to any holder of TODCO common stock in connection with the merger. Hercules will convert into cash each fractional share that would otherwise be issued. No interest will be paid or accrued on cash payable in lieu of fractional shares of Hercules common stock.

Treatment of TODCO Common Stock and Awards

Conversion of Shares

The conversion of shares of TODCO common stock into the right to receive the merger consideration will occur automatically at the effective time of the merger. As soon as reasonably practicable after the effective time of the merger, _____, or _____, as exchange agent, will exchange certificates formerly representing shares of TODCO common stock for merger consideration.

Dividends and Distributions with Respect to Unexchanged TODCO Common Stock

TODCO stockholders prior to the effective time of the merger will not be paid any dividends or other distributions on shares of Hercules common stock they receive as merger consideration until they surrender their shares of TODCO common stock to the exchange agent (upon surrender of certificates a holder of TODCO common stock will receive any accrued but unpaid dividends, without interest). After the close of business on the

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date on which the effective time of the merger occurs, there will be no transfers on the stock transfer books of TODCO of any shares of TODCO common stock.

Withholding

Each of Hercules, the combined company and the exchange agent will be entitled to deduct and withhold from the merger consideration payable to any TODCO stockholder the amounts it is required to deduct and withhold under the Internal Revenue Code or any state, local or foreign tax law. Withheld amounts will be treated for all purposes as having been paid to the TODCO stockholders from whom they were withheld.

Election Procedures

Subject to the proration mechanism described below, each TODCO stockholder may elect to receive cash or shares of Hercules common stock with respect to each and every share of TODCO common stock.

Cash Election Shares

Stockholders who elect to receive cash for some or all of their shares of TODCO common stock will receive the per share cash consideration for those shares, subject to the proration mechanism described below. In this summary, the shares of TODCO common stock for which cash elections have been made are referred to as cash election shares.

Stock Election Shares

Stockholders who elect to receive shares of Hercules common stock for some or all of their shares of TODCO common stock will receive the per share stock consideration, subject to the proration mechanism described below. In this summary, the shares for which stock elections have been made are referred to as stock election shares.

No Election Shares

TODCO stockholders who do not make a valid election will be deemed to have made no election with respect to those shares of TODCO common stock. TODCO stockholders who are deemed to have made no election with respect to some or all of their shares will receive the per share stock consideration unless there is an oversubscription of the stock consideration, in which case they may receive the per share cash consideration for some or all of those shares of TODCO common stock. In this summary, the shares of TODCO common stock with respect to which stockholders have made no election are referred to as no election shares.

Example: By way of example only, assuming a TODCO stockholder holds 100 shares of TODCO common stock and that the average Hercules common stock price during the ten trading day valuation period is \$25.00, if such stockholder made:

a cash election with respect to all the shares, he or she would receive approximately \$4,047.50 in cash,

a stock election with respect to all of the shares, he or she would receive 161 shares of Hercules common stock valued that day at \$4,025.00 and \$22.50 of cash in lieu of a fractional share, or

a cash election with respect to some of the shares and a stock election with respect to some of the shares, he or she would receive approximately \$40.48 for each cash election share and 1.619 shares of Hercules common stock for each stock election share. Assuming 50 cash election shares and 50 stock election shares, the TODCO stockholder would receive \$2,023.75 in cash, 80 shares of Hercules common stock and \$23.75 cash in lieu of a fractional share of Hercules common stock.

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The actual proration of cash and common stock would be subject, in each case, to the proration procedures described under the heading "The Merger Agreement Proration," beginning on page .

Election Form

Each TODCO stockholder will receive an election form and other appropriate and customary transmittal materials. TODCO stockholders who wish to elect the type of merger consideration they will receive should carefully review and follow the instructions set forth in the election form. The election deadline is 5:00 p.m., New York City time, on the 33rd day following the day on which the election forms are mailed. If you have not received an election form, please contact the information agent, , at 1- - .

The election form and letter of transmittal will instruct every holder of a certificate to specify whether he, she or it is a citizen of the United States, within the meaning of Section 2 of the Shipping Act of 1916.

Upon surrender to the exchange agent of a TODCO certificate, properly completed letter of transmittal and any required additional items, the former holder of the surrendered TODCO certificate will be entitled to receive the merger consideration.

Foreign Ownership

To the extent there is an excess percentage of foreign owners of TODCO common stock according to the election forms received by the exchange agent, so that application of Article 4 of Division B of Hercules' certificate of incorporation would be triggered, the provisions of Hercules' certificate of incorporation will control. See "Questions and Answers About the Merger" "If I am not a U.S. Citizen will I receive the same shares of Hercules common stock as a U.S. Citizen?," beginning on page .

Proration

A fixed total number of shares of Hercules common stock will be issued and a fixed total amount of cash will be paid pursuant to the merger, in each case subject to upward adjustment due to the total outstanding shares of TODCO common stock. If the elections of all of the TODCO stockholders result in an oversubscription of the total cash consideration or the total stock consideration, the total cash consideration or the total stock consideration will not be increased. Rather, the exchange agent will allocate between cash and shares of Hercules common stock in the manner described below. Accordingly, neither Hercules nor TODCO can assure you that TODCO stockholders will receive the form or combination of merger consideration that they elect. See "Risk Factors" "Risk Factors Relating to the Merger" "Because the merger consideration is fixed and the market price of shares of Hercules common stock will fluctuate, TODCO stockholders cannot be sure of the value of the merger consideration they will receive" beginning on page .

Oversubscription of the Cash Consideration

If the total cash amount that would be paid upon the conversion of the cash election shares is more than the total cash consideration, then the exchange agent will select pro rata from among the cash election shares, a sufficient number of cash election shares and switch them to stock election shares so that the total cash amount that will be paid equals as closely as practicable the total cash consideration.

Oversubscription of the Stock Consideration

If the total number of shares of Hercules common stock that would be paid upon the conversion of the stock election shares is more than the total stock consideration, then the exchange agent will select first from among the no election shares and then, if necessary, pro rata from among the stock election shares, a sufficient number

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of stock election shares and switch them to cash election shares such that the total number of shares of Hercules common stock that will be paid equals as closely as practicable the total stock consideration.

The pro rata selection process to be used by the exchange agent will be a process mutually determined by Hercules and TODCO.

Because the U.S. federal income tax consequences of receiving cash or shares of Hercules common stock, or both cash and shares of Hercules common stock, will differ, TODCO stockholders are urged to read carefully the information set forth under the heading **Material U.S. Federal Income Tax Consequences**, beginning on page and to consult their tax advisers for a full understanding of the merger's tax consequences to them.

Treatment of TODCO Stock Options and Other Equity Awards

Treatment of Employee Stock Options and Other Equity Awards

The following summarizes the treatment of TODCO stock options and other equity awards held by TODCO employees:

Stock Options

continuing employees: Each TODCO stock option outstanding immediately prior to the effective time of the merger that is held by an employee of TODCO who will continue to be an employee of the combined company will be assumed by Hercules. Each of these holders of TODCO stock options will thereafter have the right to purchase the same number of shares that they would have received if they had exercised the option immediately before the effective time of the merger and received only Hercules common stock as a stock elector, with a corresponding adjustment to the exercise price. All of these stock options assumed by Hercules will be fully vested, except that TODCO stock options granted in 2007 to these continuing employees will continue to vest in accordance with the agreement under which they were awarded, and

non-continuing employees: Employees who do not continue with the combined company will have the right to elect that Hercules assume their stock options as a stock elector (as described below) or retire each of their stock options for cash as a cash elector for the per share cash consideration less the exercise price under such stock option. If no election is made, then employees who do not continue with the combined company will be deemed to have elected to have Hercules assume their stock options. Each of these holders of TODCO stock options that are or become stock electors will thereafter have the right to purchase the same number of shares that they would have received if they had exercised the option immediately before the effective time of the merger and received only Hercules common stock as a stock elector, with a corresponding adjustment to the exercise price. All of these stock options assumed by Hercules will be fully vested.

Restricted Shares

The restrictions on each restricted share of TODCO common stock outstanding under the TODCO stock plans will lapse immediately prior to the effective time of the merger and will be treated in the merger the same as each share of TODCO common stock not subject to any restrictions. Upon vesting, the holder may satisfy the applicable withholding tax obligation by returning shares of TODCO common stock.

Deferred Performance Units

Immediately prior to the effective time of the merger, each employee deferred performance unit award outstanding under the TODCO stock plans will be treated as follows:

awards granted before 2007: each holder of a deferred performance unit that was awarded prior to 2007 will be issued 0.5 of a share of TODCO common stock for each deferred performance unit, which

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shares will then be converted into Hercules common stock at the effective time of the merger in the same manner as other shares of TODCO common stock,

awards granted in 2007 to non-continuing employees: each holder of a deferred performance unit that was awarded in 2007 to an employee who will not continue as an employee of the combined company after the effective time of the merger will be issued 0.5 of a share of TODCO common stock for each deferred performance unit, which shares will then be converted into Hercules common stock in the same manner as other shares of TODCO common stock,

awards granted in 2007 to continuing employees that are assumed by Hercules: for deferred performance units that are awarded in 2007 to holders who will continue as employees of the combined company after the effective time of the merger, if Hercules assumes the obligations of TODCO under the award letter, the deferred performance units will be converted into TODCO restricted stock at the rate of 0.5 of a share of TODCO restricted stock per deferred performance unit. These shares of TODCO restricted stock will, in turn, be converted into shares of Hercules restricted stock at the same exchange ratio applicable to stock election shares in the merger for each share of TODCO restricted common stock. The restrictions and vesting conditions of those converted shares will remain the same as those contained in the applicable TODCO incentive plan and award letter, and

awards granted in 2007 to continuing employees that are not assumed by Hercules: for deferred performance units that are awarded in 2007 to holders who will continue as employees of the combined company after the effective time of the merger, if Hercules does not assume the obligations of TODCO under the award letter, then the deferred performance units will be converted into TODCO restricted stock at the rate of 0.5 of a share of TODCO restricted stock per deferred performance unit, which shares will then be converted into Hercules common stock at the effective time of the merger in the same manner as other shares of TODCO common stock.

No further awards will be made under the TODCO stock plans after the effective time of the merger.

Treatment of Non-Employee Director and Former Director Stock Options and Other Equity Awards

The following summarizes the treatment of TODCO stock options and other equity awards held by TODCO non-employee directors and former directors:

Stock Options

Each TODCO stock option outstanding immediately prior to the effective time of the merger that is held by a non-employee director or former director of TODCO will be assumed by Hercules. Each of these non-employee directors or former directors will thereafter have the right to purchase the same number of shares that they would have received if they had exercised the option immediately before the effective time of the merger and received only Hercules common stock as a stock elector, with a corresponding adjustment to the exercise price. All of these stock options assumed by Hercules will be fully vested.

Restricted Shares

The restrictions on each restricted share of TODCO common stock outstanding under the TODCO stock plans that is held by a non-employee director or former director of TODCO will lapse immediately prior to the effective time of the merger and will be treated in the merger the same as each share of TODCO common stock not subject to any restrictions. Upon vesting, the holder may satisfy the applicable withholding tax obligation by returning shares of TODCO common stock.

Deferred Stock Units

TODCO awards deferred stock units under its stock plans to its non-employee directors. Immediately prior to the effective time of the merger, each director deferred stock unit award outstanding under the TODCO stock plans

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will be fully vested and the underlying shares of TODCO common stock will be treated in the merger the same as other shares of TODCO common stock. Upon vesting and issuance, the director holding a deferred stock unit may satisfy the applicable withholding tax obligation by returning shares of TODCO common stock.

Representations and Warranties

The merger agreement contains representations and warranties made by each of the parties regarding aspects of their respective businesses, financial condition and structure, as well as other facts pertinent to the merger. Each of TODCO, on the one hand, and Hercules and Merger Sub, on the other hand, has made representations and warranties to the other in the merger agreement with respect to all of the following subject matters:

corporate existence, good standing and qualification to conduct business,

capitalization,

corporate power and authorization and the enforceability of the merger agreement,

absence of any conflict or violation of corporate organizational documents, third party agreements or laws,

governmental, third party and regulatory approvals or consents required to complete the merger,

filings and reports with the SEC and financial information,

ownership and condition of drilling rigs and marine vessels,

absence of certain changes, events or circumstances,

absence of undisclosed liabilities,

employee benefit plans and ERISA,

litigation and compliance with laws,

intellectual property,

material agreements,

tax matters,

environmental matters,

insurance,

labor matters and employees,

foreign ownership of its respective shares of common stock,

disclosure controls and procedures,

ownership of the other party's capital stock,

required vote by stockholders,

opinions of financial advisers,

recommendations of merger by boards of directors,

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fees payable to brokers in connection with the merger,

inapplicability of state takeover statutes,

valid existence, good standing and qualification to do business of all subsidiaries,

no rights granted to any person under its respective rights agreement,

no improper payments, and

no other representations or warranties.

Hercules has made additional representations and warranties to TODCO with respect to its receipt of a commitment letter for financing and the business conducted by Merger Sub.

Certain representations and warranties of Hercules, TODCO and Merger Sub are qualified as to materiality or as to material adverse effect, which means the existence of a materially adverse change to (1) the ability of the party to complete the merger or (2) the business, assets, financial condition or results of operations of the party and its subsidiaries, taken as a whole, except for any materially adverse change that is caused by or arises from a discrete list of certain causes, including among others, changes to general economic conditions due to natural disasters or changes that affect generally the industry in which the parties operate so long as not disproportionate to that party.

Conditions to the Completion of the Merger

The completion of the merger is subject to various conditions. While it is anticipated that all of these conditions will be satisfied, there can be no assurance as to whether or when all of the conditions will be satisfied or, where permissible, waived.

Conditions to Each Party's Obligations

Each party's obligation to complete the merger is subject to the satisfaction or waiver of the following conditions:

approval by TODCO stockholders of the merger agreement,

approval by Hercules stockholders of the issuance of Hercules common stock pursuant to the merger,

absence of any action taken by any governmental entity, which restrains or otherwise prohibits the consummation of the merger or makes it illegal,

receipt of all authorizations required to be obtained prior to the effective time of the merger except authorizations which would be unlikely to have, in the aggregate, a material adverse effect on Hercules or Merger Sub,

expiration or termination of the waiting period (and any extension thereof) applicable to the consummation of the merger under the Hart-Scott-Rodino Act (which occurred on _____),

effectiveness of the S-4 registration statement, of which this joint proxy statement/prospectus constitutes a part, and the absence of any stop order or proceedings for that purpose pending before or threatened by the Securities and Exchange Commission, and

authorization for listing on NASDAQ of the shares of Hercules common stock issuable to TODCO stockholders pursuant to the merger, subject to official notice of issuance.

Additional Conditions to TODCO's Obligations

The obligation of TODCO to complete the merger is subject to the satisfaction or waiver of the following conditions:

subject to certain limitations, Hercules and Merger Subs representations and warranties set forth in the merger agreement will be true and correct at and as of the closing date of the merger,

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the performance or compliance in all material respects by Hercules and Merger Sub of each of their respective obligations contained in the merger agreement,

there has been no change constituting a material adverse effect with respect to Hercules or its subsidiaries,

Mr. Stilley continues to serve as Chief Executive Officer and President and as a director of Hercules,

Hercules has delivered to the exchange agent satisfactory transfer instructions,

TODCO has been provided D&O insurance policies as required,

Hercules has provided to TODCO waivers from certain Hercules officers of the change of control provisions in their employment agreements,

Hercules has provided to TODCO lock-up agreements signed by each of LR Hercules Holdings, LP and Mr. Stilley, and

the receipt by TODCO of an opinion of its counsel, dated the closing date of the merger, to the effect that the merger will qualify as a reorganization under section 368(a) of the Internal Revenue Code.

Additional Conditions to the Obligations of Hercules and Merger Sub

The obligations of Hercules and Merger Sub to complete the merger are subject to the satisfaction or waiver of the following conditions:

subject to certain limitations, TODCO's representations and warranties set forth in the merger agreement will be true and correct both at and as of the closing date of the merger,

the performance or compliance in all material respects by TODCO of each of its obligations contained in the merger agreement,

there has been no change constituting a material adverse effect with respect to TODCO or its subsidiaries,

TODCO has provided to Hercules lock-up agreements signed by each executive officer of TODCO who will be employed by Hercules after the merger,

the receipt by Hercules of an opinion of its counsel, dated the closing date of the merger, to the effect that the merger will qualify as a reorganization under section 368(a) of the Internal Revenue Code, and

the number of appraisal shares for which demands for appraisal have not been withdrawn does not exceed 5% of the outstanding shares of TODCO common stock.

Covenants

Conduct of Business Pending the Merger

Each of Hercules and TODCO has agreed that it will, and will cause its subsidiaries to, during the period from the date of the merger agreement until the effective time of the merger or until the earlier termination of the merger agreement, except as disclosed in its disclosure letter, expressly permitted by the merger agreement or agreed to in writing by the other party (which consent will not be unreasonably withheld, delayed or conditioned):

conduct its business and that of its subsidiaries only in the ordinary course consistent with past practices,

use its reasonable best efforts to preserve intact its business organization and goodwill,

use its reasonable best efforts to keep available the services of its current officers, directors and key employees, and

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use its reasonable best efforts to preserve and maintain existing relationships with customers, suppliers, agents and creditors. Each of Hercules and TODCO (and their subsidiaries) has also agreed during the period from the date of the merger agreement until the effective time of the merger or until the earlier termination of the merger agreement, except as disclosed in its disclosure letter, expressly permitted by the merger agreement or agreed to in writing by the other party (which consent will not be unreasonably withheld, delayed or conditioned) to limitations or prohibitions on the following activities:

entering into any material new line of business,

incurring or committing to any capital expenditures, except those incurred in the ordinary course of its business and in an amount not exceeding \$20 million or as may be reasonably required to conduct emergency operations on any drilling rig, liftboat, or marine vessels,

amending its certificate of incorporation or bylaws or similar organizational documents,

declaring or paying dividends or other distributions with respect to its equity interests,

adjusting, splitting or redeeming any of its outstanding equity interests,

subject to certain exceptions, merging or consolidating with, or transferring all or a substantial portion of its assets, to any other person,

liquidating, winding up or dissolving,

acquiring or agreeing to acquire the business of any other person,

selling, leasing or otherwise disposing of any drilling rigs, marine vessels or liftboats that have a value in excess of \$1.5 million individually or \$4.5 million in the aggregate,

selling, transferring or otherwise disposing of or encumbering any equity interests of any other person, except for permitted liens,

making any loans or investments in any person, other than advances to its wholly-owned subsidiaries or from its wholly-owned subsidiaries, customer loans and advances to employees consistent with past practices or short-term investment of cash in the ordinary course of business in accordance with its cash management procedures,

terminating any material contract or waiving or assigning any of its rights under a material contract in a manner that would be materially adverse to it, or entering into any material contract other than customer contracts entered into in the ordinary course of business and to be performed in the Gulf of Mexico,

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incurring or assuming any indebtedness, except indebtedness incurred under its respective credit agreement, letters of credit or similar arrangement incurred in the ordinary course of business and consistent with its past practices,

assuming, endorsing, guaranteeing or otherwise becoming liable for the liabilities, obligations or performance of any other person, except under its credit agreements or in the ordinary course of its business consistent with past practices,

granting any increase in compensation or benefits other than consistent with past practice,

adopting, entering into, amending or otherwise increasing or accelerating the payment or vesting of the amounts, benefits or rights payable or accrued or to become accrued or payable under its respective benefit plan,

creating or permitting to exist any lien on any of its assets, except for permitted liens,

making or rescinding any material election relating to taxes, settling or compromising any material claim or investigation relating to taxes, or changing in any material respect any of its methods of reporting any item for tax purposes except as may be required by law,

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taking any action that is likely to materially delay or impair completion of the merger,

entering into any contract that subjects Hercules or the combined company to any material non-compete agreement,

entering into any contract the effect of which would be to grant a third party following the merger any right or potential right of license to any material intellectual property,

issuing or selling any of its common stock or options, except pursuant to the exercise of any current outstanding equity options and other contractual obligations,

increasing any compensation or benefits to, or amending, modifying or extending any employment or consulting agreement or benefit plan with, former, present or future representatives (as defined in the merger agreement) of either party,

changing any of its material accounting principles, estimates, or practices,

subject to certain exceptions, compromising or granting any waiver or release related to litigation,

subject to certain exceptions, engaging in any transaction or entering into any agreement with its affiliates, and

entering into any contract or obligation with respect to any of the foregoing.

Access to Information and Properties

Subject to certain exceptions, during the period prior to the effective time of the merger, Hercules and TODCO and their respective subsidiaries will provide each other reasonable access to their books and records and copies of these materials. The parties will also provide each other a copy of any report or communication with the SEC related to the merger.

Additional Arrangements

Each of Hercules and TODCO also agrees to do the following:

take all actions necessary to enable the closing to occur as soon as reasonably practicable,

provide to the other party information and reasonable assistance as the other party may reasonably request in connection with its preparation of any regulatory filings,

take all action to cause the covenants and conditions in the merger agreement to be performed or satisfied as soon as practicable,

use its reasonable best efforts to avoid the entry of, or to have vacated or terminated, any decree or judgment that would restrain or delay the closing, and if any order, decree, ruling or other action has been taken by a governmental authority that would restrain or

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otherwise prohibit or delay closing, Hercules and TODCO must use their reasonable best efforts to have the action declared ineffective as soon as practicable,

promptly notify each other of any communication concerning the merger from any governmental authority and permit the other party to review in advance any proposed communication to any governmental authority concerning the merger,

allow the other party to participate in any substantive meeting with any governmental authority relating to any filings or inquiry concerning the merger, and

provide the other party's counsel with copies of all correspondence, filings and communications between it and any governmental authority with respect to the merger.

However, nothing contained in the merger agreement will be interpreted so as to require any of the parties or its subsidiaries, without its written consent, to sell or otherwise dispose of any of its businesses or assets.

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The TODCO board of directors will recommend approval and adoption of the merger agreement to its stockholders and the Hercules board of directors will recommend to its stockholders the approval of the issuance of common stock in connection with the merger.

Unless the merger agreement is terminated in accordance with its terms, TODCO will present the merger agreement to its stockholders. The obligation of each party to call its stockholder meeting will not be limited or affected by the disclosure of another acquisition proposal (as defined in the merger agreement).

Notification of Requirements

Each of Hercules and TODCO will give prompt notice to the other party of any occurrence that would be reasonably likely to result in the inaccuracy of a representation or any failure by Hercules or TODCO, as the case may be, to comply with or satisfy any covenant, condition or agreement to be complied with under the terms of the merger agreement.

Directors and Officers Insurance and Indemnification

The merger agreement provides that for a period of six years after the effective time of the merger, Hercules and Merger Sub will, jointly and severally, indemnify, defend and hold harmless the present and former officers and directors of TODCO and any of its subsidiaries to the fullest extent permitted by law for losses, claims and expenses occurring at or before the effective time of the merger due to the person being an officer or director of TODCO. An indemnified party will also be entitled to an advancement of expenses within ten days of a request therefor, provided that the party indemnified undertakes to the extent required by law to repay any expenses that are advanced in the event it is ultimately determined that the indemnified party is not entitled to indemnification of expenses.

For a period of six years, Hercules will also maintain directors and officers liability insurance with respect to claims arising from facts or events that occurred prior to the effective time of the merger from an insurance carrier with the same or better credit rating as TODCO's current insurance carrier, with a claims period of six years from the effective time of the merger for all directors and officers of TODCO and its subsidiaries who are currently covered by TODCO's existing directors and officers liability insurance. The insurance will be no less advantageous to the directors and officers than the coverage they currently have. However, Hercules will not be obligated to make annual premium payments for this insurance to the extent that the premiums exceed 250% of the per annum rate of the premium currently paid by TODCO for similar insurance as of the date of the merger agreement.

Stock Exchange Listing

Hercules will use its reasonable best efforts to cause the shares of Hercules common stock to be issued in connection with the merger to be listed on NASDAQ, as of the effective time of the merger, subject to official notice of issuance.

Employee Matters

Hercules will give TODCO employees full credit for their years of service with TODCO and TODCO's subsidiaries and past participation in TODCO benefit plans for purposes of eligibility, benefit accrual and vesting under all employee benefit plans maintained by Hercules or any of its subsidiaries, including waiving any waiting periods or pre-existing exclusion requirements that would otherwise apply. Hercules will give TODCO employees credit toward deductibles and out-of-pocket requirements for any payments made during the current year under the old TODCO employee benefit plans.

The value of benefits provided to TODCO employees after the merger along with all other compensation will be substantially similar to the value of the benefits and compensation taken as a whole provided to similarly situated employees under the current Hercules benefit plans.

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At the effective time of the merger, certain of TODCO's executive employment agreements may be amended so that the executives will not be bound by any of the noncompetition provisions in the employment agreements.

Hercules will continue and maintain the TODCO Severance Policy for a period of not less than 18 months after the effective time of the merger and will not terminate or reduce any benefits or rights under the TODCO Severance Policy for a period of not less than 18 months after the effective time of the merger.

Until the first anniversary of the calendar year-end following the effective time of the merger, Hercules will either maintain and continue the TODCO 401(k) plan or provide a Hercules 401(k) plan that allows elective deferrals by participants up to an amount of compensation, and provides for employer matching contributions on these elective deferrals at maximum rates, at least equal to those allowed and provided under the current TODCO 401(k).

Other than with respect to the employee benefits matters referenced in the two immediately preceding paragraphs, no third party will have any rights with respect to Hercules' agreements in the merger agreement regarding employee benefits after the merger.

Subject to certain limitations, Hercules will provide to certain executives benefits similar to the disability and life insurance benefits they were entitled to under their employment agreements or the TODCO Severance Policy as well as lump sum payments to those executives in lieu of the medical, dental and vision benefits to which the executives and their dependants would otherwise be entitled under their employment agreements or the TODCO Severance Policy.

Hercules will use its reasonable best efforts to cause certain of its executive officers to waive and cause to be ineffective, the change of control provisions under their executive employment agreements and equity grants under Hercules' 2004 Long-Term Incentive Plan.

All as more fully described under "The Merger" Interests of Directors and Executive Officers of TODCO in the Merger, beginning on page .

Certain Tax Matters

The merger agreement is intended to constitute a plan of reorganization within the meaning of Treasury Regulation Section 1.368-2(g). Each of TODCO, Hercules and Merger Sub have agreed that they will file all tax returns and take other actions as are consistent with the treatment of the merger as a reorganization within the meaning of section 368(a) of the Internal Revenue Code.

Section 16 Matters

Prior to the effective time of the merger, Hercules and TODCO will take all required actions to cause any dispositions of shares of TODCO common stock (or derivatives thereof) or acquisitions of Hercules common stock (or derivatives thereof) resulting from the transactions contemplated by the merger agreement by each individual who is subject to the reporting requirements of Section 16(a) of the Securities Exchange Act of 1934 to be exempt from Section 16(b) of the Securities Exchange Act of 1934 under Rule 16b-3 promulgated under the Exchange Act.

Hercules Board of Directors

At the effective time, TODCO will deliver to Hercules written resignations of all members of the board of directors and officers of TODCO and its subsidiaries.

At the effective time, Hercules will comply with provisions of the merger agreement intended to maintain a ratio on the Hercules board of directors of seven directors nominated by Hercules and three directors nominated by

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TODCO. Additionally, Hercules will use its reasonable best efforts consistent with the DGCL and NASDAQ rules to appoint a director nominated by TODCO to be the chair of Hercules' compensation committee and to appoint directors nominated by Hercules to be the chairs of Hercules' nominating governance and audit committees.

The provisions of the merger agreement related to composition of the Hercules board of directors will be set forth in the bylaws of Hercules and the charter of the special governance committee. Until the third anniversary of the effective time of the merger, any amendments to the bylaws of Hercules or the charter of the special governance committee relating to these provisions will require the affirmative vote of at least 75% of the full Hercules board of directors.

Agreements of Executive Officers

Under the terms of the merger agreement, TODCO will use its best efforts to cause each executive officer of TODCO to execute and deliver to Hercules prior to the mailing of this joint proxy statement/prospectus an agreement to the effect that each executive officer will vote any and all shares of TODCO owned by him or her in favor of the merger agreement.

Under the terms of the merger agreement, Hercules will use its best efforts to cause LR Hercules Holdings, LP and each executive officer of Hercules to execute and deliver to TODCO prior to the mailing of this joint proxy statement/prospectus an agreement to the effect that LR Hercules Holdings, LP or each executive officer will vote any and all shares of Hercules common stock owned by him, her or it to approve the issuance of the shares of Hercules common stock contemplated by the merger agreement.

Under the terms of the merger agreement, TODCO will use its best efforts to cause each executive officer of TODCO who will be employed by Hercules after the merger to execute and deliver to Hercules prior to the mailing of this joint proxy statement/prospectus a lock-up agreement with respect to his shares of TODCO common stock.

Under the terms of the merger agreement, Hercules will use its best efforts to cause LR Hercules Holdings, LP and Mr. Stilley to deliver to TODCO prior to the mailing of this joint proxy statement/prospectus a lock-up agreement with respect to his, her or its shares of Hercules common stock.

The form of lock-up agreement to be executed by certain of TODCO's executive officers, L.R. Hercules Holdings, LP and Mr. Stilley provides that no sales will be made of Hercules common stock for 90 days after the merger, with certain limited exceptions applicable to gifts and dispositions to family trusts, unless consented to by Hercules and TODCO.

No Solicitation of Alternative Transactions

The merger agreement provides that during the period from the date of the merger agreement until the effective time of the merger or the earlier termination of the merger agreement, subject to limited exceptions described below, each of TODCO and Hercules will not, and will cause its subsidiaries and representatives not to:

solicit, initiate, encourage or facilitate any inquiries, offers or proposals that constitute, or are reasonably likely to lead to, another acquisition proposal,

engage in any discussions with, or disclose any non-public information relating to itself or the other party or any subsidiary of either party to any person that has made or may be considering making another acquisition proposal,

approve or recommend another acquisition proposal, or

enter into any agreement in principle, letter of intent, arrangement or understanding relating to another acquisition proposal.

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Each of Hercules and TODCO will cease all discussions with any person with respect to another acquisition proposal and will inform its subsidiaries to do the same.

Nothing in the merger agreement prevents either Hercules or TODCO, prior to obtaining its required stockholder approval, from doing any of the following provided its board of directors believes (1) after consultation with its financial advisers, the acquisition proposal is likely to be a superior proposal (as defined in the merger agreement) and, (2) after consultation with its outside counsel, it would be inconsistent with the board of directors' fiduciary duties to not take action:

engaging in discussions or negotiations with, or disclosing information to, a third party who has made a bona fide written and unsolicited acquisition proposal, but only so long as the Hercules or the TODCO board of directors (as the case may be), acting in good faith, has also determined that the third party has the financial and legal capacity to consummate the proposed acquisition and the third party executes a confidentiality agreement with material terms that are no more favorable to the third party than those contained in the confidentiality agreement between Hercules and TODCO,

subject to provisions requiring notification to the other party of the existence of a superior proposal and negotiating in good faith exclusively with the other party for three business days to enable the other party to submit a revised offer, (1) recommending, or proposing publicly to recommend, another acquisition proposal or (2) entering into any agreement related to another acquisition proposal, provided that prior to taking either of these actions, the party concurrently terminates the merger agreement, or

subject to provisions requiring notification to the other party of the existence of a superior proposal and negotiating in good faith exclusively with the other party for three business days to enable the other party to submit a revised offer, withdrawing or amending the recommendation by its board of directors of the merger or the transactions contemplated by the merger.

In addition, either Hercules or TODCO, prior to obtaining its required stockholder approval may withdraw its recommendation or declaration of advisability of the merger agreement if its board of directors believes, after consultation with its outside counsel, it would be inconsistent with its fiduciary duty not to make such withdrawal, but subject to payment of the termination fee described below.

Each of Hercules and TODCO, upon receiving an unsolicited bona fide written acquisition proposal from a third party, will inform the other party of the acquisition proposal, the identity of the third party making the acquisition proposal and the material terms of the acquisition proposal. Each of Hercules and TODCO will keep the other party informed as to any changes to acquisition proposals and provide the other party a copy of any material correspondence with any third party regarding another acquisition proposal.

Nothing contained in the no-solicitation provisions of the merger agreement prohibits Hercules or TODCO or their respective boards of directors from taking and disclosing to its stockholders a position with respect to another acquisition proposal pursuant to Rule 14d-9 and 14e-2(a) of the Securities Exchange Act of 1934 or from making any similar disclosure, in either case to the extent required by applicable law.

Termination of the Merger Agreement and Termination Fees

Termination of the Merger Agreement

The merger agreement may be terminated by written notice at any time prior to the effective time of the merger in any of the following ways:

by mutual written consent of Hercules and TODCO,

by either Hercules or TODCO (provided the terminating party is not the cause of the failure or action described) if:

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- (1) the merger is not completed by December 31, 2007,
- (2) any governmental entity has issued an order, decree or ruling or taken any other action prohibiting the consummation of the merger or making the merger illegal and the order, decree or ruling or other action will have become final and non-appealable,
- (3) the TODCO stockholders fail to adopt the merger agreement by the requisite vote, or
- (4) the Hercules stockholders fail to approve the issuance of additional shares of Hercules common stock pursuant to the merger.

by Hercules if:

- (1) there has been a material breach by TODCO of any of its representations and warranties which is incapable of being cured before December 31, 2007 or has not been cured within 30 days following receipt of written notice of the breach from Hercules,
- (2) TODCO has failed to comply in any material respect with any of its covenants or other agreements and the failure is incapable of being cured before December 31, 2007 or has not been cured within 30 days following receipt of written notice of the failure from Hercules,
- (3) Hercules receives a superior proposal and complies with all provisions of the merger agreement applying to dealing with the superior proposal,
- (4) the TODCO board of directors has resolved to withdraw or change adversely its recommendation of the merger,
- (5) TODCO has entered into another acquisition proposal,
- (6) TODCO has breached its no-solicitation covenant, or
- (7) TODCO has announced its intention to take any of the actions described in the foregoing.

by TODCO if:

- (1) there has been a material breach by Hercules or Merger Sub of any of its representations and warranties which is incapable of being cured before December 31, 2007 or has not been cured within 30 days following receipt of written notice of the breach from TODCO,
- (2)

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Hercules or Merger Sub has failed to comply in any material respect with any of its covenants or other agreements and the failure is incapable of being cured before December 31, 2007 or has not been cured within 30 days following receipt of written notice of the failure from TODCO,

- (3) TODCO receives a superior proposal and complies with all provisions of the merger agreement applying to dealing with the superior proposal,
- (4) the Hercules board of directors has resolved to withdraw or change adversely its recommendation of the merger,
- (5) Hercules has entered into another acquisition proposal,
- (6) Hercules has breached its no-solicitation covenant,
- (7) Hercules has announced its intention to take any of the actions described in the foregoing, or
- (8) upon written notice of termination to Hercules, provided that certain conditions to each party's obligations to effect the merger (and certain conditions relevant only to Hercules' obligations to effect the merger) have been satisfied and Hercules has not waived the condition that the number of dissenting shares may not exceed 5% of the outstanding shares of TODCO common stock within five days after written notice from TODCO that TODCO is prepared to close.

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Termination Fees and Expenses

Except for the termination fees set forth in the merger agreement and as described below, all costs and expenses incurred in connection with the merger agreement and the transactions contemplated thereby (other than certain costs related to filings with the Securities and Exchange Commission and filing fees with respect to the Hart-Scott-Rodino Act) will be paid by the party incurring the costs or expenses.

TODCO must pay Hercules a termination fee of \$70 million upon termination of the merger agreement for any of the following reasons:

a breach by TODCO of its no-solicitation covenant,

the withdrawal or adverse change by the TODCO board of directors of its recommendation of the merger,

TODCO or its subsidiaries enters into another acquisition agreement,

public announcement by TODCO or its board of directors of its intention to do any of the foregoing,

TODCO has taken all actions necessary and consistent with moving forward with a superior proposal, or

failure to close the merger on or before December 31, 2007 (but only if Hercules would have met the condition relating to its representations and warranties as of the termination date) or because the TODCO stockholders failed to adopt the merger agreement by the required vote and

- (1) prior to the termination, an acquisition proposal with respect to TODCO has been publicly proposed by any person (other than by Hercules or any of its respective affiliates) or any person has publicly announced its intention to make an acquisition proposal, and
- (2) within 12 months after termination of the merger agreement, TODCO or any of its subsidiaries enters into any definitive agreement providing for an acquisition proposal or an acquisition proposal is consummated.

TODCO must pay an expense reimbursement payment of up to \$5 million to Hercules if TODCO stockholders fail to adopt the merger agreement by the requisite vote and the merger agreement is terminated as a result. Any expense reimbursement fee will be credited toward the payment of any termination fee.

Hercules must pay TODCO a termination fee of \$30 million upon termination of the merger agreement for any of the following reasons:

a breach by Hercules of its no-solicitation covenant,

the withdrawal or adverse change by the Hercules board of directors of its recommendation of the merger,

Hercules or its subsidiaries enters into another acquisition agreement,

public announcement by Hercules or its board of directors of its intention to do any of the foregoing,

Hercules has taken all actions necessary and consistent with moving forward with a superior proposal, and

failure to close the merger on or before December 31, 2007 (but only if TODCO would have met the condition relating to its representations and warranties as of the termination date) or because the Hercules stockholders failed to adopt the merger agreement by the required vote,

- (1) prior to the termination, an acquisition proposal with respect to Hercules has been publicly proposed by any person (other than by TODCO or any of its respective affiliates) or any person has publicly announced its intention to make an acquisition proposal, and

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- (2) within 12 months after termination of the merger agreement, Hercules or any of its subsidiaries enters into any definitive agreement providing for an acquisition proposal or an acquisition proposal is consummated.

Hercules must pay an expense reimbursement payment of up to \$5 million to TODCO if Hercules stockholders fail to approve the issuance of the Hercules common stock in the merger by the requisite vote and the merger agreement is terminated as a result. Any expense reimbursement fee will be credited toward the payment of any termination fee.

Effect of Termination

In the event of the termination of the merger agreement as described above, the merger agreement will become null and void and there will be no liability on the part of Hercules or Merger Sub, on the one hand, or TODCO, on the other hand, except as described above under Termination of the Merger Agreement, and except with respect to the requirement to comply with the terms of the confidentiality agreement executed between Hercules and TODCO as well as certain provisions in the merger agreement related to confidentiality, filings with the Securities and Exchange Commission and expenses; provided, that no party will be relieved from any liability with respect to any willful or intentional breach of any representation, warranty, covenant or other obligation under the merger agreement.

Amendment

Hercules, Merger Sub and TODCO may amend the merger agreement in writing at any time before the effective time of the merger. However, after the approval and adoption of the merger agreement by the TODCO stockholders, no amendment may be made that would require further approval by the TODCO stockholders without first obtaining their approval.

Extension; Waiver

Hercules, Merger Sub and TODCO may at any time before the effective time of the merger and to the extent legally allowed:

extend the time for the performance of any of the obligations or the other acts of the other parties,

waive any inaccuracies in the representations and warranties contained in the merger agreement or in any document delivered pursuant to the merger agreement, or

waive performance or satisfaction of any of the covenants or agreements.

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APPRAISAL RIGHTS

If, pursuant to the terms of the merger agreement, including the equalization and proration provisions, any TODCO stockholders who elected stock consideration are required to accept cash consideration (other than cash in lieu of fractional shares of Hercules common stock) in the merger in exchange for their stock election shares, appraisal rights will be available to all TODCO stockholders. It is not clear, however, whether appraisal rights will be available under Delaware law if no TODCO stockholders who elect stock consideration are in fact required to accept cash consideration (other than cash in lieu of fractional shares of TODCO common stock) in the merger in exchange for their stock election shares. TODCO stockholders who wish to seek appraisal are in any case urged to seek the advice of counsel with respect to the availability of appraisal rights. If appraisal rights are available, TODCO stockholders who do not vote in favor of the adoption of the merger agreement and who properly demand appraisal of their shares will be entitled to appraisal rights in connection with the merger under Section 262 of the DGCL. Hercules reserves the right to take the position in connection with any demand for appraisal or in any appraisal proceeding, that, in the event the TODCO stockholders are not required to receive any portion of the merger consideration in cash (other than cash in lieu of fractional shares of Hercules common stock), they will not be entitled to assert appraisal rights under Section 262.

The following discussion is not a complete statement of the law pertaining to appraisal rights under the DGCL and is qualified in its entirety by the full text of Section 262, which is attached to this joint proxy statement/prospectus as Annex D. The following summary does not constitute any legal or other advice nor does it constitute a recommendation that stockholders exercise their appraisal rights, if any, under Section 262. All references in Section 262 and in this summary to a stockholder are to the record holder of the shares of TODCO common stock as to which appraisal rights are asserted. A person having a beneficial interest in shares of TODCO common stock held of record in the name of another person, such as a broker, fiduciary, depository or other nominee, must act promptly to cause the record holder to follow the steps summarized below properly and in a timely manner to perfect appraisal rights, if available.

In the event that appraisal rights are available, under Section 262, holders of shares of TODCO common stock who do not vote in favor of the adoption of the merger agreement and who otherwise follow the procedures set forth in Section 262 will be entitled to have their shares appraised by the Delaware Court of Chancery and to receive payment in cash of the fair value of the shares, exclusive of any element of value arising from the accomplishment or expectation of the merger, together with a fair rate of interest, if any, as determined by the court. **The stockholder must not vote in favor of the adoption of the merger agreement. A proxy that is submitted and does not contain voting instructions will, unless revoked, be voted in favor of the adoption of the merger agreement, and it will constitute a waiver of the stockholder's right of appraisal and will nullify any previously delivered written demand for appraisal. Therefore, a stockholder who submits a proxy and who wishes to exercise appraisal rights must submit a proxy containing instructions to vote against the adoption of the merger agreement or abstain from voting on the adoption of the merger agreement.**

Under Section 262, where a merger agreement is to be submitted for adoption at a meeting of stockholders, the corporation, not less than 20 days prior to the meeting, must notify each of its stockholders entitled to appraisal rights that appraisal rights are available and include in the notice a copy of Section 262. To the extent appraisal rights are available in connection with the merger, this joint proxy statement/prospectus will constitute the notice, and the full text of Section 262 is attached as Annex D. In the event appraisal rights are available in connection with the merger, any holder of shares of TODCO common stock who wishes to exercise appraisal rights, or who wishes to preserve his or her right to do so, should review the following discussion and Annex D carefully because failure to timely and properly comply with the procedures specified will result in the loss of appraisal rights. Moreover, because of the complexity of the procedures for exercising the right to seek appraisal of shares of common stock, TODCO believes that if a stockholder considers exercising appraisal rights, the stockholder should seek the advice of legal counsel.

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Filing Written Demand

Any holder of shares of TODCO common stock wishing to exercise appraisal rights must deliver to TODCO, before the vote on the adoption of the merger agreement at the TODCO Meeting at which the proposal to adopt the merger agreement will be submitted to the stockholders, a written demand for the appraisal of the stockholder's shares, and that stockholder must not vote in favor of the adoption of the merger agreement. A holder of shares of TODCO common stock wishing to exercise appraisal rights must hold of record the shares on the date the written demand for appraisal is made and must continue to hold the shares of record through the effective time of the merger. The stockholder must not vote in favor of the adoption of the merger agreement. A proxy that is submitted and does not contain voting instructions will, unless revoked, be voted in favor of the adoption of the merger agreement, and it will constitute a waiver of the stockholder's right of appraisal and will nullify any previously delivered written demand for appraisal. Therefore, a stockholder who submits a proxy and who wishes to exercise appraisal rights must submit a proxy containing instructions to vote against the adoption of the merger agreement or abstain from voting on the adoption of the merger agreement. Neither voting against the adoption of the merger agreement nor abstaining from voting or failing to vote on the proposal to adopt the merger agreement will, in and of itself, constitute a written demand for appraisal satisfying the requirements of Section 262. The written demand for appraisal must be in addition to and separate from any proxy or vote on the adoption of the merger agreement. The demand must reasonably inform TODCO of the identity of the holder, as well as the intention of the holder to demand an appraisal of the fair value of the shares held by the holder. A stockholder's failure to make the written demand prior to the taking of the vote on the adoption of the merger agreement at the TODCO Meeting will constitute a waiver of appraisal rights.

If appraisal rights are available in connection with the merger, only a holder of record of shares of TODCO common stock is entitled to assert appraisal rights for the shares registered in that holder's name. A demand for appraisal in respect of shares of TODCO common stock should be executed by or on behalf of the holder of record and must state that the person intends thereby to demand appraisal of the holder's shares in connection with the merger. If the shares are owned of record in a fiduciary capacity, such as by a trustee, guardian or custodian, execution of the demand should be made in that capacity, and if the shares are owned of record by more than one person, as in a joint tenancy and tenancy in common, the demand should be executed by or on behalf of all joint owners. An authorized agent, including an agent for two or more joint owners, may execute a demand for appraisal on behalf of a holder of record; however, the agent must identify the record owner or owners and expressly disclose that, in executing the demand, the agent is acting as agent for the record owner or owners. If the shares are held in street name by a broker, bank or nominee, the broker, bank or nominee may exercise appraisal rights with respect to the shares held for one or more beneficial owners while not exercising the rights with respect to the shares held for other beneficial owners; in such case, however, the written demand should set forth the number of shares as to which appraisal is sought, and where no number of shares is expressly mentioned, the demand will be presumed to cover all shares of TODCO common stock held in the name of the record owner. Stockholders who hold their shares in brokerage accounts or other nominee forms and who wish to exercise appraisal rights are urged to consult with their brokers to determine the appropriate procedures for the making of a demand for appraisal by such a nominee.

All written demands for appraisal pursuant to Section 262 should be sent or delivered to TODCO at 2000 W. Sam Houston Parkway, Suite 800, Houston, Texas 77042-3615, Attention: Corporate Secretary.

Any holder of shares of TODCO common stock may withdraw his, her or its demand for appraisal and accept the consideration offered pursuant to the merger agreement by delivering to Merger Sub, as the surviving corporation, a written withdrawal of the demand for appraisal. However, any attempt to withdraw the demand made more than 60 days after the effective date of the merger will require written approval of the surviving corporation. No appraisal proceeding in the Delaware Court of Chancery will be dismissed without the approval of the Delaware Court of Chancery, and this approval may be conditioned upon the terms as the Court deems just.

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Notice by the Surviving Corporation

If appraisal rights are available in connection with the merger, within ten days after the effective time of the merger, the surviving corporation must notify each holder of shares of TODCO common stock who has made a written demand for appraisal pursuant to Section 262, and who has not voted in favor of the adoption of the merger agreement, that the merger has become effective.

Filing a Petition for Appraisal

Within 120 days after the effective time of the merger, but not thereafter, the surviving corporation or any holder of shares of TODCO common stock who has so complied with Section 262 and is entitled to appraisal rights under Section 262 may file a petition in the Delaware Court of Chancery demanding a determination of the fair value of the shares held by all dissenting holders. The surviving corporation is under no obligation to and has no present intention to file a petition, and holders should not assume that the surviving corporation will file a petition. Accordingly, it is the obligation of the holders of shares of TODCO common stock to initiate all necessary action to perfect their appraisal rights in respect of shares of TODCO common stock within the time prescribed in Section 262.

Within 120 days after the effective time of the merger, any holder of shares of TODCO common stock who has complied with the requirements for exercise of appraisal rights will be entitled, upon written request, to receive from the surviving corporation a statement setting forth the aggregate number of shares not voted in favor of the adoption of the merger agreement and with respect to which demands for appraisal have been received and the aggregate number of holders of those shares. The statement must be mailed within ten days after a written request therefor has been received by the surviving corporation or within ten days after expiration of the period for delivery of demands for appraisal, whichever is later.

If a petition for an appraisal is timely filed by a holder of shares of TODCO common stock and a copy thereof is served upon the surviving corporation, the surviving corporation will then be obligated within 20 days to file with the Delaware Register in Chancery a duly verified list containing the names and addresses of all stockholders who have demanded an appraisal of their shares and with whom agreements as to the value of their shares have not been reached. After notice to the stockholders as required by the court, the Delaware Court of Chancery is empowered to conduct a hearing on the petition to determine those stockholders who have complied with Section 262 and who have become entitled to appraisal rights thereunder. The Delaware Court of Chancery may require the stockholders who demanded payment for their shares to submit their stock certificates to the Register in Chancery for notation thereon of the pendency of the appraisal proceeding, and if any stockholder fails to comply with the direction, the Court of Chancery may dismiss the proceedings as to that stockholder.

Determination of Fair Value

After determining the holders of shares of TODCO common stock entitled to appraisal, the Delaware Court of Chancery will appraise the fair value of their shares, exclusive of any element of value arising from the accomplishment or expectation of the merger, together with a fair rate of interest, if any, to be paid upon the amount determined to be the fair value. In determining fair value and, if applicable, a fair rate of interest, the Delaware Court of Chancery will take into account all relevant factors. In *Weinberger v. UOP, Inc.*, the Supreme Court of Delaware discussed the factors that could be considered in determining fair value in an appraisal proceeding, stating that proof of value by any techniques or methods that are generally considered acceptable in the financial community and otherwise admissible in court should be considered, and that fair price obviously requires consideration of all relevant factors involving the value of a company. The Delaware Supreme Court stated that, in making this determination of fair value, the court must consider market value, asset value, dividends, earnings prospects, the nature of the enterprise and any other facts that could be ascertained as of the date of the merger that throw any light on future prospects of the merged corporation. Section 262 provides that fair value is to be exclusive of any element of value arising from the accomplishment or expectation of the

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merger. In *Cede & Co. v. Technicolor, Inc.*, the Delaware Supreme Court stated that the exclusion is a narrow exclusion [that] does not encompass known elements of value, but which rather applies only to the speculative elements of value arising from the accomplishment or expectation. In *Weinberger*, the Supreme Court of Delaware also stated that elements of future value, including the nature of the enterprise, which are known or susceptible of proof as of the date of the merger and not the product of speculation, may be considered.

Stockholders considering seeking appraisal should be aware that the fair value of their shares as so determined could be more than, the same as or less than the consideration they would receive pursuant to the merger if they did not seek appraisal of their shares and that an investment banking opinion as to the fairness from a financial point of view of the consideration payable in a merger is not an opinion as to fair value under Section 262. Although TODCO believes that the merger consideration is fair, no representation is made as to the outcome of the appraisal of fair value as determined by the Delaware Court of Chancery, and stockholders should recognize that an appraisal could result in a determination of a value higher or lower than, or the same as, the merger consideration. Neither TODCO, Hercules nor Merger Sub anticipates offering more than the applicable merger consideration to any TODCO stockholder exercising appraisal rights, and each of TODCO, Hercules and Merger Sub reserves the right to assert, in any appraisal proceeding, that for purposes of Section 262, the fair value of a share of TODCO common stock is less than the applicable merger consideration, and that the methods which are generally considered acceptable in the financial community and otherwise admissible in court should be considered in the appraisal proceedings. The Delaware Court of Chancery will also determine the amount of interest, if any, to be paid upon the amounts to be received by persons whose shares of TODCO common stock have been appraised. If a petition for appraisal is not timely filed, then the right to an appraisal will cease. The costs of the action (which do not include attorneys' fees or the fees and expenses of experts) may be determined by the Court and taxed upon the parties as the Court deems equitable under the circumstances. The Court may also order that all or a portion of the expenses incurred by a stockholder in connection with an appraisal, including, without limitation, reasonable attorneys' fees and the fees and expenses of experts utilized in the appraisal proceeding, be charged pro rata against the value of all the shares entitled to be appraised.

If any stockholder who demands appraisal of shares of TODCO common stock under Section 262 fails to perfect, or successfully withdraws or loses, the holder's right to appraisal, the stockholder's shares of TODCO common stock will be deemed to have been converted at the effective time of the merger into the right to receive the merger consideration applicable to no election shares, subject to the right of Hercules to treat the shares as cash election shares, without interest or dividends thereon. A stockholder will fail to perfect, or lose or withdraw, the holder's right to appraisal if no petition for appraisal is filed within 120 days after the effective time of the merger or if the stockholder delivers to the surviving corporation a written withdrawal of the holder's demand for appraisal and an acceptance of the merger consideration in accordance with Section 262.

From and after the effective time of the merger, no dissenting stockholder will have any rights of a TODCO stockholder with respect to that holder's shares for any purpose, except to receive payment of fair value and to receive payment of dividends or other distributions on the holder's shares of TODCO common stock, if any, payable to TODCO stockholders of record as of a time prior to the effective time of the merger; provided, however, that if a dissenting stockholder delivers to the surviving company a written withdrawal of the demand for an appraisal within 60 days after the effective time of the merger, or subsequently with the written approval of the surviving company, then the right of that dissenting stockholder to an appraisal will cease and the dissenting stockholder will be entitled to receive only the merger consideration in accordance with the terms of the merger agreement. Once a petition for appraisal is filed with the Delaware court, however, the appraisal proceeding may not be dismissed as to any stockholder of TODCO without the approval of the court.

Failure to comply strictly with all of the procedures set forth in Section 262 of the DGCL may result in the loss of a stockholder's statutory appraisal rights. Consequently, any stockholder wishing to exercise appraisal rights is urged to consult legal counsel before attempting to exercise those rights.

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FINANCING OF THE MERGER

In order to finance the cash portion of the merger consideration and to refinance a portion of TODCO's debt, Hercules expects to incur incremental indebtedness of up to \$1.1 billion. Hercules intends to finance some or all of this cash component of the merger consideration and to refinance a portion of TODCO's debt through a new syndicated senior secured credit facility, referred to herein as the facility, to be arranged by UBS Securities LLC. Pursuant to a Bank Facility Commitment Letter between Hercules and UBS dated March 18, 2007 (as amended to include Amegy Bank National Association, Comerica Bank, Credit Suisse, Deutsche Bank AG, Jefferies Finance LLC and JPMorgan Chase Bank, N.A., together with UBS referred to as the lenders, as partial providers of the commitments thereunder) and subject to the conditions set forth therein, Hercules and the lenders expect to enter into the facility upon the closing of the merger, so long as it occurs prior to October 31, 2007. Hercules expects the facility to include up to a \$1.1 billion six-year term loan, referred to as the term loan facility, and a \$150.0 million five-year revolving credit facility, referred to as the revolving credit facility. In addition to funding the cash component of the merger consideration payable to TODCO stockholders, Hercules expects to use the proceeds of the term loan facility to repay in full and terminate Hercules' existing syndicated secured term loan facility, to satisfy obligations under TODCO's tax sharing agreement with its former parent, and to fund payments related to the settlement of certain amounts. As a condition to entering into the facility, Hercules must repay and terminate its existing credit facilities and agree to repay and terminate TODCO's revolving credit facility. If the merger is not completed, Hercules will not enter into the facility and its existing facility will not be terminated. Hercules' obligation to complete the merger is not conditioned upon Hercules obtaining financing.

The term loan facility is expected to amortize in equal quarterly installments in annual amounts equal to 1.0% of the original principal amount of the term loan facility, with the balance due on the sixth anniversary of the closing date. In addition, Hercules is required to prepay the term loan facility with 50% of any excess cash flow until the outstanding principal balance of the term loan facility has been reduced to \$550.0 million.

Other than these mandatory prepayments, Hercules expects the term loan facility will require interest only payments on a quarterly basis until maturity and that Hercules will be permitted to prepay amounts outstanding under the term loan facility at any time without penalty. Amounts outstanding under the term loan facility are expected to bear interest at either the eurodollar rate or the base prime rate plus a margin based on Hercules' credit rating at closing. The applicable margin for term loans bearing interest at the eurodollar rate are expected to range between 1.75% and 2.50% per annum, while the applicable margin for term loans bearing interest at the base prime rate are expected to range between 0.75% and 1.50% per annum.

After the closing of the merger, Hercules may use the facility for working capital and general corporate purposes, including the issuance of letters of credit.

Hercules' obligations under the facility are expected to be secured by substantially all of the combined companies' marine vessels, drilling rigs and substantially all of their other personal property (other than a portion of the equity of foreign subsidiaries and other exclusions to be agreed upon). All of the combined companies' subsidiaries will guarantee Hercules' obligations under the facility and grant similar liens in substantially all of their assets subject to certain exceptions for foreign subsidiaries to the extent such guarantees would be prohibited by applicable law or would result in adverse tax consequences.

The facility is expected to contain financial covenants to be tested quarterly relating to maximum leverage and fixed charge coverage. Other covenants contained in the facility are expected to restrict, among other things, asset dispositions, mergers and acquisitions, dividends, stock repurchases and redemptions, other restricted payments, debt, liens, investments and affiliate transactions. Hercules anticipates that the facility will contain customary events of default.

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The table below sets forth, for the calendar quarters indicated, the high and low intraday sale prices per share of Hercules common stock on NASDAQ and TODCO common stock on the NYSE. No cash dividends have been declared on shares of Hercules common stock for the calendar quarters indicated. Other than the special cash dividend of \$1.00 per share of TODCO common stock paid in August 2005, no other cash dividends have been declared on shares of TODCO common stock for the calendar quarters indicated.

Hercules' present or future ability to pay dividends is governed by (1) the provisions of the DGCL, (2) Hercules' certificate of incorporation and bylaws, and (3) Hercules' bank credit facilities. Hercules' existing bank credit facilities limit Hercules' ability to make restricted payments, which include dividend payments. The future payment of cash dividends, if any, on the Hercules common stock is within the discretion of the Hercules board of directors and will depend on Hercules' earnings, capital requirements, financial condition and other relevant factors. The merger agreement generally provides that TODCO may not declare, set aside or pay any dividend prior to the effective time of the merger or the termination of the merger agreement. In addition, TODCO's existing credit facility limits TODCO's ability to make restricted payments, which include dividend payments.

Calendar Year	Hercules Common Stock		TODCO Common Stock	
	High	Low	High	Low
2004 First Quarter			\$ 16.45	\$ 13.10
Second Quarter			16.05	13.38
Third Quarter			17.86	13.40
Fourth Quarter			19.05	16.15
2005 First Quarter			28.55	16.84
Second Quarter			27.45	19.67
Third Quarter			43.03	25.85
Fourth Quarter(1)	\$ 29.26	\$ 20.60	49.75	35.53
2006 First Quarter	36.70	27.68	47.20	32.40
Second Quarter	43.89	29.14	53.86	33.00
Third Quarter	36.23	28.72	41.00	31.81
Fourth Quarter	36.97	28.14	40.91	30.05
2007 First Quarter	29.24	23.80	41.37	30.86

(1) The first day of trading of Hercules common stock was October 27, 2005.

The following table presents closing prices for shares of Hercules common stock and TODCO common stock on March 16, 2007, the last trading day before the public announcement of the execution of the merger agreement by Hercules and TODCO, and , 2007, the latest practicable trading day before the date of this joint proxy statement/prospectus. The following table also shows the merger consideration equivalent proposed for each share of TODCO common stock. These illustrative values are calculated by first multiplying the closing price of Hercules common stock on those dates by 0.979, which is the total Hercules common stock consideration in the merger per share of TODCO common stock. To this, we added \$16.00 per share, which is the total cash consideration in the merger per share of TODCO common stock, without giving effect to any TODCO stockholder election.

	Hercules Common Stock	TODCO Common Stock	Merger Consideration Equivalent Per Share of TODCO Common Stock
March 16, 2007	\$ 26.57	\$ 32.78	\$ 42.01
, 2007			

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The market value of the Hercules common stock that will be issued in the merger will not be known at the time TODCO stockholders vote to approve and adopt the merger agreement or at the time Hercules stockholders vote to approve the issuance of Hercules common stock in the merger. The above tables show only historical comparisons. Hercules stockholders and TODCO stockholders are encouraged to obtain current market quotations for shares of Hercules and TODCO common stock and to review carefully the other information contained or incorporated by reference in this joint proxy statement/prospectus in considering whether to approve the applicable merger proposals. See the section entitled "Where You Can Find More Information" on page .

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COMPARISON OF RIGHTS OF HERCULES AND TODCO STOCKHOLDERS

As a result of the merger, the stockholders of TODCO may become stockholders of Hercules. As Hercules stockholders, their rights will be governed by the DGCL and by Hercules' certificate of incorporation and bylaws.

The following is a summary of the material differences between the rights of Hercules stockholders and the rights of TODCO stockholders under each company's respective certificate of incorporation and bylaws. While Hercules and TODCO believe that this summary covers the material differences between the two, this summary may not contain all of the information that is important to you. This summary is not intended to be a complete discussion of the respective rights of Hercules and TODCO stockholders and is qualified in its entirety by reference to the DGCL and the various documents of Hercules and TODCO that are referred to in this summary. You should carefully read this entire joint proxy statement/prospectus and the other documents referred to in this joint proxy statement/prospectus for a more complete understanding of the differences between being a stockholder of Hercules and being a stockholder of TODCO. Hercules has filed copies of its certificate of incorporation and bylaws with the Securities and Exchange Commission, which are exhibits to the registration statement of which this joint proxy statement/prospectus is a part, and will send copies of these documents to you upon your request. TODCO will also send copies of its documents referred to herein to you upon your request. See the section entitled "Where You Can Find More Information," beginning on page of this joint proxy statement/prospectus.

Authorized Capital

Hercules. The total number of authorized shares of capital stock of Hercules is 250,000,000, consisting of 200,000,000 shares of common stock, par value \$0.01 per share, and 50,000,000 shares of preferred stock, par value \$0.01 per share.

TODCO. The total number of authorized shares of capital stock of TODCO is 550,000,000, consisting of 500,000,000 shares of common stock, par value \$0.01 per share, and 50,000,000 shares of preferred stock, par value \$0.01 per share. Of the 50,000,000 shares of preferred stock, 760,000 shares are designated as Series A Junior Participating Preferred Stock.

Number and Election of Directors

Hercules. The Hercules board of directors has seven members. The Hercules certificate of incorporation provides that the board of directors will consist of a number of directors, not less than one nor more than 16, plus a number of directors who may be elected by the holders of preferred stock.

TODCO. The TODCO board of directors has seven members. The TODCO certificate of incorporation provides that the board of directors will consist of a number of directors, not less than one nor more than 12, plus a number of directors who may be elected by the holders of preferred stock.

Stockholder Meetings and Provisions for Notices

Hercules. The Hercules bylaws provide that, unless otherwise provided by the DGCL, the certificate of incorporation or any provisions established pursuant thereto regarding preferred stockholders' rights, a special meeting of stockholders may be called at any time only by the chairman of the board of directors, or by the board of directors pursuant to a resolution approved by a majority of the board of directors.

TODCO. The TODCO bylaws also provide that, unless otherwise provided by the DGCL, the certificate of incorporation or any provisions established pursuant thereto regarding preferred stockholders' rights, a special meeting of stockholders may be called at any time only by the chairman of the board of directors, the president,

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the chief executive officer or by the board of directors pursuant to a resolution approved by a majority of the board of directors.

Voting by Stockholders

Hercules. The Hercules bylaws are silent with respect to the stockholder voting requirement for all matters other than ones approved by the board of directors. The DGCL provides that, unless otherwise specified in the certificate of incorporation or bylaws, in all matters other than the election of directors, the required vote is the affirmative vote of the majority of shares present in person or represented by proxy at the meeting and entitled to vote on that matter. The Hercules bylaws state that directors will be elected by plurality vote.

TODCO. The TODCO bylaws state that, unless otherwise provided by applicable law, the certificate of incorporation or the bylaws, all matters other than matters approved by the board of directors will be decided by the affirmative vote of a majority of the voting power of the outstanding shares of capital stock entitled to vote generally on the election of directors. The TODCO bylaws state that directors will generally be elected by a majority of the votes cast. A majority of votes cast means that the number of shares of TODCO common stock entitled to vote on the election of directors and represented in person or by proxy at a meeting casting their vote for a nominee must exceed 50% of the total number of votes cast with respect to that nominee. Votes cast with respect to a director will not include abstentions (including broker non-votes) but will include votes for a director, votes against or no votes and votes to withhold authority.

Foreign Ownership of Common Stock

Hercules. The Hercules certificate of incorporation provides that, if at any time ownership of shares of Hercules common stock by non-U.S. citizens reaches a percentage that is in excess of 5% less than the percentage that would cause Hercules to no longer be a U.S. citizen qualified to engage in coastwise trade under maritime laws, Hercules will have the power to take actions to assure compliance with those maritime laws, including:

causing any stock transfer to be ineffective that would cause the non-U.S. citizen ownership of shares of Hercules common stock to exceed the maximum percentage,

withholding voting rights, outstanding status and the payment of dividends or other distributions for any shares of Hercules common stock owned by non-U.S. citizens in excess of the maximum percentage, and

redeeming any shares of Hercules common stock owned by non-U.S. citizens in excess of the maximum percentage.

The certificate of incorporation also allows Hercules to institute a dual stock certificate program whereby stock certificates owned by U.S. citizens and non-U.S. citizens will be marked U.S. Citizen and Non-U.S. Citizen, respectively. The dual stock certificate program will allow Hercules to confirm the percentage of stock owned by non-U.S. citizens and may require stockholders to further confirm their citizenship status from time to time, with voting rights, dividends and other distributions being withheld until confirmation is received by Hercules.

TODCO. The TODCO bylaws provide that, if at any time ownership of shares of TODCO common stock by non-U.S. citizens reaches a level that would cause TODCO to no longer be a U.S. citizen qualified to engage in coastwise trade under maritime laws, TODCO will have the power to cause any stock transfer to be ineffective that would cause the non-U.S. citizen ownership of shares of TODCO common stock to exceed 25%. The TODCO bylaws allow TODCO to institute a dual stock certificate program whereby stock certificates owned by U.S. citizens and non-U.S. citizens will be marked U.S. Citizen and Non-U.S. Citizen, respectively. This program allows TODCO to confirm the percentage of stock owned by non-U.S. citizens and may require stockholders to further confirm their citizenship from time to time.

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Amendment of Certificate of Incorporation

Hercules. The Hercules certificate of incorporation provides that, in addition to any other vote required by applicable law, the affirmative vote of 75% of the stockholders generally entitled to vote in the election of directors is required to amend, modify or repeal certain portions of the certificate of incorporation. Specifically, this relates to those portions regarding (1) the number, classification, terms, removal of and vacancies of directors, (2) action by written consent and special meetings or (3) the power to adopt, amend or repeal the Hercules bylaws.

TODCO. Neither TODCO's certificate of incorporation nor its bylaws specify a procedure for the amendment of the certificate of incorporation. Under the DGCL, unless the certificate of incorporation requires a greater vote, a proposed amendment to the certificate of incorporation requires a declaration by the board of directors of the amendment's advisability and the affirmative vote of a majority of the outstanding stock entitled to vote.

Amendment of Bylaws

Hercules. The Hercules bylaws may, except as otherwise required by law or the certificate of incorporation, be amended (1) by the affirmative vote of not less than 75% of the outstanding shares generally entitled to vote in the election of directors, or (2) by action of the board of directors, provided that proposed alterations, amendments or repeals of, or the adoption of any bylaw inconsistent with the provisions of the bylaws relating to indemnification, special meetings of Hercules stockholders or the Hercules board of directors, proper business of annual or special meetings of Hercules stockholders, actions that may be taken by unanimous written consent without a meeting of the Hercules stockholders, classification of the Hercules board of directors, nomination of directors to the Hercules board of directors, removal of directors, committees of the Hercules board of directors, or amendment of the bylaws require the affirmative vote of not less than 75% of all directors then in office at a regular or special meeting of the board of directors called for that purpose.

TODCO. Under the TODCO bylaws, the bylaws may be adopted, amended or repealed by the affirmative vote of a majority of the then outstanding shares entitled to vote generally on the election of directors. The TODCO certificate of incorporation empowers the directors to adopt, amend or repeal the bylaws.

Exchange Listing of Common Stock

Hercules common stock:

Hercules common stock is listed on the NASDAQ Global Select Market under the symbol **HERO**, and the rights of Hercules stockholders are determined in part by NASDAQ listing requirements.

TODCO common stock:

TODCO Class A common stock is listed on the New York Stock Exchange under the symbol **THE**, and the rights of TODCO stockholders are determined in part by NYSE listing requirements.

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DIRECTORS AND EXECUTIVE OFFICERS OF HERCULES AFTER THE MERGER

Directors

Upon consummation of the merger, the directors of Hercules are expected to be as follows:

Class I Directors with term expiring in 2009

Randall D. Stilley (current Hercules director)

Steven A. Webster (current Hercules director)

Thomas N. Amonett (current TODCO director)

Class II Directors with term expiring in 2010

Thomas R. Bates, Jr. (current Hercules director)

Thomas J. Madonna, (current Hercules director)

Thierry Pilenko (current Hercules director)

Suzanne V. Baer (current TODCO director)

Thomas M Hamilton (current TODCO director)

Class III Directors with term expiring in 2008

F. Gardner Parker (current Hercules director)

John T. Reynolds (current Hercules director)

Information with respect to the directors of TODCO that are nominated to be directors of Hercules following the merger is presented below. For information with respect to continuing directors of Hercules, see *Proposals Being Submitted to a Vote of Hercules Stockholders at the Hercules Meeting Hercules Proposal No. 2: Election of Directors*.

Thomas N. Amonett, 63, Chairman of TODCO, has served as a director of TODCO since May 2004. He was appointed as lead independent director in October 2004 and was appointed Chairman 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 energy services and

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manufacturing company. Mr. Amonett also serves as a director and member of the executive compensation committee and the audit committee of Reunion Industries Inc., a specialty manufacturing company, and a director and member of the executive compensation committee and the audit committee of Bristow Group Inc., a global provider of helicopter services.

Suzanne V. Baer, 59, has served as a director of TODCO since May 2005 and 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 Shelf, 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 of Lufkin Industries, Inc. and Davis Petroleum Corporation.

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Thomas M Hamilton, 63, has served as a director of TODCO since May 2004. 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 nominee to the board of directors of Methanex Corporation.

Executive Officers

The following individuals are expected to be the executive officers of Hercules with the following titles following the merger:

Randall D. Stilley, Chief Executive Officer and President

John T. Rynd, Executive Vice President and Chief Operating Officer

Lisa W. Rodriguez, Senior Vice President and Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)

David J. Crowley, Senior Vice President, Marketing and Technical Services

Steven A. Manz, Senior Vice President, Planning and Corporate Development

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

Stephen M. Butz, Vice President and Treasurer

All of the executive officers listed above are currently executive officers of Hercules, except Mr. Crowley who is an executive officer of TODCO and is expected to become an executive officer of Hercules following the merger. Additionally, certain other executive officers of TODCO may become non-executive officers of Hercules following the merger.

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**PROPOSALS BEING SUBMITTED TO A VOTE OF
HERCULES STOCKHOLDERS AT THE HERCULES MEETING**

Hercules Proposal No. 1:

APPROVAL OF THE ISSUANCE OF COMMON STOCK PURSUANT TO THE MERGER

At the Hercules Meeting, as previously described in this joint proxy statement/prospectus, Hercules stockholders will be asked to approve the issuance of Hercules common stock pursuant to the merger agreement.

Vote Required

The affirmative vote of the holders of a majority of votes cast at the Hercules Meeting at which a majority of the outstanding shares of Hercules common stock are present in person or represented by proxy will be required for approval of Hercules Proposal No. 1. Abstentions and broker non-votes will not be counted either in favor of or against approval of Hercules Proposal No. 1.

Board Recommendation

The Hercules board of directors unanimously recommends that the Hercules stockholders vote FOR the proposal to approve the issuance of Hercules common stock pursuant to the merger agreement.

Hercules Proposal No. 2:

ELECTION OF DIRECTORS

Hercules certificate of incorporation provides for three classes of directors serving staggered three-year terms. There are three Class II directors whose terms expire at the 2007 Annual Meeting: Thomas R. Bates, Jr., Thomas J. Madonna and Thierry Pilenko. The nominating, governance and compensation committee of the Hercules board of directors has approved, the Hercules board of directors has unanimously nominated, Messrs. Bates, Madonna and Pilenko for re-election as directors of Hercules to serve until the 2010 Annual Meeting 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, your vote will be cast for the substitute nominee.

Vote Required

The directors nominated for election this year will be elected by a plurality of the shares of Hercules common stock present in person or represented by proxy at the Annual Meeting and entitled to vote. All duly submitted and unrevoked proxies will be voted for the nominees selected by the Hercules board of directors, except where authorization so to vote is withheld. Abstentions and broker non-votes will not be counted either in favor of or against approval of Hercules Proposal No. 1.

Board Recommendation

The Hercules board of directors recommends that the Hercules 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 2007 Annual Meeting, is presented below.

Nominees for Election as Class II Directors

Thomas R. Bates, Jr., age 57, director since 2004

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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

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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.

Thomas J. Madonna, age 60, director since 2005

Mr. Madonna has been Manager of Finance of Menil Foundation, Inc., a major art museum, since November 2002. 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 49, director since 2006

Mr. Pilenko was appointed Deputy General Manager of Technip in January 2007. From March 2004 to January 2007, Mr. Pilenko was chairman and Chief Executive Officer and a director 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.

Directors Not Standing for Election

Class III Directors (Term Expiring in 2008)

F. Gardner Parker, age 65, 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 director of Carrizo Oil and Gas, Inc., Crown Resources Corporation and Sharps Compliance Corp.

John T. Reynolds, age 36, director since 2004

Mr. Reynolds has served as Chairman of the Hercules board of directors since August 2004. 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.

Class I Directors (Term Expiring in 2009)

Randall D. Stilley, age 53, director since 2004

Mr. Stilley has served as Chief Executive Officer and President since October 2004. Prior to joining Hercules, 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. Mr. Stilley is a member of the Energy Steering Committee at the Houston Technology Center. He is a registered professional engineer in the state of Texas and a member of the Society of Petroleum Engineers.

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Steven A. Webster, age 55, director since 2005

Mr. Webster has been President and Co-Managing Partner of Avista Capital Partners LP, a partnership focusing 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. 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. and Basic Energy Services. He is also a trust manager of Camden Property Trust and a director of Geokinetics Inc., Grey Wolf, Inc. and SEACOR Holdings Inc.

Additional Information Regarding the Hercules Board of Directors

Board Independence

It is the policy of the Hercules board of directors that a substantial majority of the members of the Hercules board of directors qualify as independent directors in accordance with the qualification requirements of NASDAQ. It is also the policy of the Hercules board of directors that all of the members of Hercules audit committee and nominating, governance and compensation committee qualify as independent directors in accordance with the qualification requirements of NASDAQ, 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. The Hercules board of directors has determined that all of the directors, except Mr. Stilley, who is employed by Hercules, satisfy the independence standards of NASDAQ. The Hercules 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.

Board Committees and Meetings

Hercules has a standing audit committee and nominating, governance and compensation committee of the Hercules board of directors. Each of these committees operates under a written charter that has been adopted by the respective committee and by the Hercules board of directors. The charters are published under the investor relations section of Hercules website at www.herculesoffshore.com.

The current members of the committees, the number of meetings held by each committee in 2006 and a description of the functions performed by each committee are set forth below:

Audit Committee (six meetings). The current members of the audit committee are Thomas J. Madonna, F. Gardner Parker (chair) and Thierry Pilenko. The committee's purpose is to assist the board of directors in overseeing Hercules accounting and financial reporting processes and the audits of Hercules financial statements. In addition, the audit committee is directly responsible for the appointment, compensation, retention and oversight of the work of Hercules 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 Hercules 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.

Nominating, Governance and Compensation Committee (six meetings). The current members of the nominating, governance and compensation committee are Thomas R. Bates, Jr., Thomas J. Madonna (chair) and F. Gardner Parker. The committee is responsible for, among other things, identifying and recommending candidates to fill vacancies on the board of directors and for election by the stockholders; recommending committee assignments for directors to the board of directors; overseeing the Hercules board of directors annual

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evaluation of the performance of the board of directors, its committees and individual directors; reviewing compensation received by non-employee directors for service on the board of directors and its committees; and developing and recommending to the board of directors appropriate corporate governance policies, practices and procedures for Hercules.

In assessing the qualifications of prospective nominees to the board of directors, the nominating, governance and compensation 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 Hercules' business on an operational level, integrity, education and professional background and willingness to devote time to the Hercules board of directors' duties. In addition, the committee evaluates each individual in the context of the Hercules board of directors as a whole, with the objective of recommending individuals that can best perpetuate the success of Hercules' business and represent stockholder interests through the exercise of sound business judgment using their diversity of experience in these various areas.

The nominating, governance and compensation 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, Governance and Compensation Committee, in care of the Secretary, Hercules Offshore, Inc., 11 Greenway Plaza, Suite 2950, Houston, Texas 77046. 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 Hercules common stock beneficially owned by the nominee and the stockholder and the period for which those shares have been owned, 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 Hercules board of directors, executive officers, third-party search firms or other sources.

The nominating, governance and compensation committee annually reviews the performance of the 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 named 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 and equity awards, are presented to the committee by Hercules' Chief Executive Officer and Hercules' Vice President - Human Resources. The committee can exercise its discretion in modifying any recommended adjustments or awards to the named executive officers.

In addition, the nominating, governance and compensation committee is responsible for overseeing the performance evaluation of senior management and administering and making recommendations to the board of directors with respect to Hercules' incentive compensation plan, equity-based compensation plan, benefit plans and perquisites. The authority and responsibilities of the nominating, governance and compensation committee include:

to review and approve corporate goals and objectives relevant to Chief Executive Officer compensation,

to evaluate the Chief Executive Officer's performance in light of those goals and objectives,

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to either as a committee or together with other independent directors (as directed by the board of directors), determine and approve the Chief Executive Officer's compensation based on that evaluation,

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to review and approve, or make recommendations to the Hercules board of directors with respect to, the compensation of other executive officers, and oversee the periodic assessment of the performance of such officers,

to consider and take action on the establishment of, and changes to, the Hercules annual incentive compensation plan, equity-based compensation plan and other benefit plans, including making recommendations to the board of directors on plans, goals or amendments to be submitted for action by Hercules stockholders,

to administer Hercules compensation plans that it is assigned responsibility to administer, including authorizing the issuance of Hercules common stock and taking other action on grants and awards, determinations with respect to achievement of performance goals, and other matters provided in the respective plans,

to review the compensation and benefits of non-employee directors, including compensation pursuant to equity-based plans, and approve, or make recommendations to the board of directors with respect to, any changes in such compensation and benefits, and

to review and approve any equity-based plans and awards that are not subject to stockholder approval pursuant to applicable law, rules and regulations.

The nominating, governance and compensation committee may delegate specific responsibilities to one or more individual committee members to the extent permitted by law, NASDAQ listing standards and Hercules governing documents.

In 2006, the Hercules board of directors held nine 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 of directors 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 Hercules stockholders. All of the Hercules directors attended the 2006 Annual Meeting of Hercules stockholders.

Compensation Committee Interlocks and Insider Participation. None of Hercules 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 the Hercules board of directors.

Corporate Governance

Corporate Governance Guidelines. The Hercules board of directors has established Corporate Governance Guidelines, sometimes referred to herein as the guidelines, to assist the Hercules board of directors in the exercise of its responsibilities under applicable law. The guidelines provide a framework for governance of Hercules and its board of directors, covering such matters as determining director independence; director orientation and continuing education; director responsibilities; director access to officers, management and advisers; annual evaluations of the board of directors; and other corporate governance practices and principles. The guidelines are available on Hercules website at www.herculesoffshore.com under Corporate Governance in the Investors Relations section. In addition, the guidelines, as well as the charters of the audit committee and the nominating, governance and compensation committee and the Code of Business Conduct and Ethics, sometimes referred to herein as the code, are available in print to any investor requesting a copy. Requests should be directed to Hercules Investor Relations Department.

Code of Business Conduct and Ethics. All directors and employees of Hercules must act ethically at all times and in accordance with the policies comprising the code. The code is a reaffirmation that Hercules expects all directors and employees to uphold its standards of honesty, integrity, ethical behavior and compliance with the

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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 establishes procedures for the confidential and anonymous reporting of a violation of the code. Hercules prohibits 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 Hercules' website at www.herculesoffshore.com as described above or by requesting a copy in writing from the Corporate Secretary at 11 Greenway Plaza, Suite 2950, Houston, Texas 77046.

Executive Sessions. The independent directors meet regularly in executive session without management participation after each regular non-telephonic meeting of the Hercules board of directors. 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 the 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.

Certain Relationships and Related Party Transactions

Policies and Procedures for Approval of Related Party Transactions.

Hercules requires that all transactions with related persons (as contemplated by Item 404 of Regulation S-K) be approved by the audit committee of the board of directors, in compliance with Hercules' audit committee charter. The audit committee intends to approve only those related-party transactions or other transactions involving actual or apparent conflicts of interest that are in, or are not inconsistent with, the best interests of Hercules or its stockholders. The code and the guidelines prohibit actual or apparent conflicts of interest between the interest of any of Hercules' directors or officers and Hercules or its stockholders. The guidelines require that any actual or apparent conflict of interest be reported to the chairman of the nominating, governance and compensation committee for evaluation. The nominating, governance and compensation committee, with the assistance of Hercules' general counsel, is responsible for evaluating conflicts of interest.

Public Offerings of Common Stock

Hercules paid the expenses of the selling stockholders in connection with the public offerings of its common stock in April and November 2006, including a single firm of attorneys for the selling stockholders, other than the underwriting discounts, commissions and taxes with respect to shares of common stock sold by the selling stockholders and the fees and expenses of any other attorneys, accountants and other advisers separately retained by them. Mr. Webster and Mr. Hord were selling stockholders in the April 2006 offering. LR Hercules Holdings, LP and Greenhill & Co., Inc. and its affiliates were selling stockholders in the April and November 2006 offerings. The total fees Hercules paid with respect to the offerings, including expenses paid on behalf of the selling stockholders, were approximately \$1.2 million.

Registration Rights Agreement

Hercules entered into a registration rights agreement with the members of Hercules at the time of its conversion to a Delaware corporation. Under the agreement, holders of at least 25% of the registrable securities subject to the agreement may require Hercules to file a registration statement under the Securities Act to register the sale of shares of Hercules common stock, subject to certain limitations, including that the reasonably anticipated gross

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proceeds must be at least \$15.0 million. These stockholders may request a total of three of these demand registrations and only one in any six-month period. These holders also have the right to cause Hercules to register their registrable securities on Form S-3 if the reasonably anticipated gross proceeds would be at least \$10.0 million. In addition, if Hercules proposes to register securities under the Securities Act, then the holders who are party to the agreement will have piggy-back registration rights, subject to quantity limitations determined by underwriters if the offering involves an underwriting, to request that Hercules register their registrable securities. There is no limit to the number of these piggy-back registrations in which these holders may request their shares be included. Hercules generally will bear the registration expenses incurred in connection with registrations. Hercules has agreed to indemnify these stockholders against certain liabilities, including liabilities under the Securities Act, in connection with any registration effected under the agreement. These registration rights will terminate at the earlier of (a) seven years from the closing date of the Hercules initial public offering or (b) with respect to any holder, the date that all registrable securities held by that holder may be sold in a three-month period without registration under Rule 144 of the Securities Act and those registrable securities then represent less than one percent of all outstanding shares of Hercules common stock.

Other

During 2006, we purchased an aggregate of approximately \$345,000 in rig equipment monitoring products and services from MBH Datasource, Inc. Thomas E. Hord, a former executive officer who retired effective November 2006, holds a 50% ownership interest in MBH Datasource, Inc.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires Hercules' executive officers and directors and beneficial owners of more than 10% of any class of equity securities to file initial reports of ownership and reports of changes in ownership of Hercules common stock with the SEC and, pursuant to rules promulgated under Section 16(a), these persons are required to furnish Hercules with copies of Section 16(a) reports they file. Based solely on a review of the copies of the reports furnished to Hercules during the year ended December 31, 2006 and written representations from Hercules officers and directors, all Section 16(a) reports applicable to Hercules' officers and directors and any beneficial owners of 10% or more of a class of equity securities were filed on a timely basis.

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The following table sets forth information as of April 5, 2007 with respect to the beneficial ownership of Hercules common stock by (1) each stockholder who Hercules knows to be a beneficial owner of more than 5% of its common stock, (2) Hercules directors and the persons named in the Summary Compensation Table for 2006 on page and (3) all current executive officers and directors as a group. To Hercules 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
AMVESCAP PLC(3)	1,669,641	5.2%
John T. Reynolds(4)	1,597,127	5.0%
Randall D. Stillely	959,400	3.0%
Steven A. Manz	146,500	*
John T. Rynd	120,616	*
James W. Noe	11,250	*
Randal R. Reed	145,900	*
Thomas E. Hord	246,790	*
Don P. Rodney	104,150	*
Thomas R. Bates, Jr.(4)	1,597,127	5.0%
Thomas J. Madonna	5,000	*
F. Gardner Parker	7,000	*
Thierry Pilenko	866	*
Steven A. Webster(5)	745,400	2.3%
All current executive officers and directors as a group (15 persons)	5,790,140	18.0%

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

- (1) The address of each director and executive officer is 11 Greenway Plaza, Suite 2950, 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 April 5, 2007 by exercise of stock options as follows: Mr. Stillely 715,000; Mr. Manz 105,000; Mr. Rynd 30,000; Mr. Noe 6,250; Mr. Reed 142,500; Mr. Rodney 72,500 and all current executive officers and directors as a group 1,071,250.
- (3) Based on a Schedule 13G dated February 14, 2007 filed by AMVESCAP PLC (AMVESCAP) with the SEC. Includes 1,180,000 shares owned by AIM Advisers, Inc., 8,300 shares owned by AIM Private Asset Management, Inc., 241,341 shares owned by PowerShares Capital Management LLC and 240,000 shares owned by AIM Capital Management, Inc., each of which is a subsidiary of AMVESCAP. Executive officers and directors of AMVESCAP or its subsidiaries may beneficially own shares of Hercules common stock and such shares are not reported on its Schedule 13G. AMVESCAP and its subsidiaries disclaim beneficial ownership of shares beneficially owned by any of their executive officers and directors. Each of AMVESCAP s direct and indirect subsidiaries also disclaims beneficial ownership of shares beneficially owned by AMVESCAP and any other subsidiary. The address of AMVESCAP is 30 Finsbury Square, London EC2A 1AG, England.
- (4) 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.
- (5) Mr. Webster directly owns 156,633 shares of Hercules common stock and is the beneficial owner of 588,767 shares of Hercules common stock through Kestrel Capital, LP, over which Mr. Webster shares voting and investment power.

Table of Contents**Hercules Proposal No. 3:****APPROVAL OF AN AMENDMENT TO THE 2004 LONG-TERM INCENTIVE PLAN****Description of the Proposal**

The Hercules board of directors has approved an amendment and restatement of the 2004 Long-Term Incentive Plan, referred to as the plan, to (i) increase the number of shares of Hercules common stock reserved for issuance under the plan from 3,450,000 shares to 10,250,000 shares, (ii) provide for performance-based awards that are intended to qualify as performance-based compensation deductible under Section 162(m) of the Internal Revenue Code, (iii) allow for the grant of stock appreciation rights and (iv) make other conforming changes. The board of directors is requesting stockholders to approve the amendment and restatement.

Increase in Shares. The purpose of the plan is to provide an incentive to retain and attract persons of training, experience and ability to serve as employees, consultants and directors of Hercules, to encourage the sense of proprietorship of those persons and to stimulate the active interest of those persons in Hercules' development and financial success. The Hercules board of directors believes that the plan is achieving its purpose and desires to have sufficient shares authorized for issuance under the plan to continue this achievement. Accordingly, Hercules is proposing that the plan be amended to increase the number of shares of Hercules common stock reserved for issuance by 6,800,000 or 1,200,000 by shares if the merger is not consummated shares.

The plan, as approved by the board of managers and members of Hercules prior to the initial public offering in 2005, originally authorized 2,450,000 shares for issuance. An additional 1,000,000 shares were authorized for issuance at the stockholders meeting in May 2006, for a total of 3,450,000 shares. As of [redacted], 2007, Hercules had issued a total of [redacted] shares of restricted stock and options to purchase an additional [redacted] shares, leaving [redacted] shares remaining available for issuance under the plan. If the proposed amendment and restatement is approved and the merger consummated, approximately [redacted] shares will be available for future grants under the plan (which includes the [redacted] shares currently available under the plan and [redacted] additional shares which are requested pursuant to this proposal). However, if the proposed amendment and restatement is approved but the merger is not consummated, the number of shares of common stock available for future grants under the plan would be [redacted] (which includes the shares currently available and [redacted] additional shares). (If the merger is consummated, no additional awards will be issued pursuant to the TODCO long-term incentive or other TODCO plans).

Performance Based Awards. Section 162(m) of the Internal Revenue Code denies a tax deduction for certain compensation in excess of \$1 million paid to covered employees of a publicly held corporation, unless the compensation meets the exception for qualified performance-based compensation. Performance based awards are those which are designed to vest or pay out based on the achievement of one or more performance goals. Hercules proposes to amend the terms of the plan to allow the committee to grant performance based awards to qualify for this exception. The Hercules board of directors believes the addition of these provisions will allow awards under the plan to meet the plan's objectives on a more tax efficient basis.

Accordingly, if the Hercules stockholders approve the amendment and restatement of the plan, awards of options and stock appreciation rights should be exempt from the \$1 million annual deduction limit as qualified performance based compensation, and other awards, including restricted stock, phantom stock and cash awards may, in the discretion of the nominating, governance and compensation committee, be designed to be exempt as well.

Treasury regulations under Section 162(m) of the Internal Revenue Code generally require that stockholders approve the material terms of the performance awards, including the per person annual limits on certain types of awards. Accordingly, the amendment and restatement to the plan provides that awards of restricted stock, phantom stock or other stock awards made to an individual employee in any calendar year cannot cover an aggregate of more than [redacted] shares of Hercules common stock, and awards of stock options or stock

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appreciation rights made to an individual employee in any calendar year cannot cover an aggregate of more than _____ shares of Hercules common stock. The maximum aggregate amount of any cash award that may be paid to an individual employee in respect of any calendar year is \$ _____.

The amendment and restatement of the plan would permit the following performance-based objectives for any grant or award intended to be granted as qualified performance-based compensation under Section 162(m) of the Internal Revenue Code:

revenue,

net income,

stock price,

market share,

earnings per share,

other earnings measures,

return on equity,

return on assets,

costs,

shareholder value,

EBIT,

EBITDA,

funds from operations,

cash flow,

cash from operations,

net cash flow,

net cash flow before financing activities,

other cash flow measures,

total shareholder return,

return on capital,

return on invested capital,

operating income,

after-tax operating income,

utilization rates,

successful closing of transactions,

total market value, or

safety and environmental performance measures.

The amendment and restatement of the plan would further provide that Hercules may designate a single goal criterion or multiple goal criteria for performance measurement purposes with the measurement based on absolute company or business unit performances and/or on performance as compared with that of its peers. A

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performance goal need not be based upon an increase or positive result under a particular business criterion and could include, for example, maintaining the status quo or limiting economic losses (measured, in each case, by reference to specific business criteria).

Stock Appreciation Rights. The amendment and restatement of the plan would also permit Hercules to make grants of stock appreciation rights, or SARs, to employees and directors. A SAR is a form of grant that entitles the holder, upon exercise of the SAR, to receive cash or shares of common stock with a value equal to the excess of the fair market value of a specified number of shares of Hercules common stock at the time of exercise, over the exercise price specified for that SAR (which may be no less than the fair market value of a share of Hercules common stock on the date of grant).

The Hercules board of directors believes that having the ability to make SAR awards will increase flexibility in designing incentive compensation that aligns the interests of plan participants with the interests of the Hercules stockholders.

In addition to the changes discussed above, the amendment and restatement includes certain other conforming changes as necessary to reflect the completion of the initial public offering, update the plan for current legal requirements and other changes designed to enhance ease of administration.

Vote Required

The affirmative vote of the holders of a majority of votes cast at the Hercules Meeting at which a majority of the outstanding shares of Hercules common stock are present in person or represented by proxy will be required for approval of the amendment and restatement of the 2004 long-term incentive plan. Abstentions and broker non-votes will not be counted either in favor of or against approval of Hercules Proposal No. 3.

Board Recommendation

The Hercules board of directors recommends that stockholders vote FOR the approval of the amendment and restatement of the 2004 long-term incentive plan.

Principal Provisions of the 2004 Long-Term Incentive Plan

Hercules has adopted the long-term incentive plan for its employees, consultants and directors. The number of employees, consultants and directors participating in the plan will vary from year to year. In 2006, current employees (including executive officers) participated in the plan, and Hercules currently has non-employee directors who participate. The plan authorizes the granting of awards in any combination of the following:

options to purchase shares of Hercules common stock, which may be incentive stock options within the meaning of Section 422 of the Internal Revenue Code or options that are not incentive stock options (sometimes called nonqualified stock options, as well as stock appreciation rights (if the amendment and restatement is approved),

restricted stock and other stock-based awards, such as restricted stock units and phantom stock, and

cash awards.

Administration. The plan is administered by the nominating, governance and compensation committee of the Hercules board of directors referred to as the committee, which has the authority to determine the terms and conditions of each award and to adopt rules, regulations and guidelines regarding the plan. The committee may delegate its duties under the plan to the chief executive officer or other executive officers of Hercules. The committee may, in its discretion, provide for the extension of the exercisability of an award, accelerate the

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vesting or exercisability of an award, eliminate or make less restrictive any restrictions contained in an award agreement, waive any restriction or other provision of the plan or an award agreement or otherwise amend or modify an award in any manner that is either (a) not adverse to the participant holding the award or (b) consented to by such participant.

Number of Shares. By this proposal Hercules is seeking shareholder approval to increase the number of shares reserved for issuance under the plan to 10,250,000 shares, an increase of 6,800,000 shares (or 1,200,000 shares if the merger is not consummated). Up to shares may be issued as incentive stock options within the meaning of Section 422 of the Internal Revenue Code, and up to shares may be issued as stock awards, including restricted stock or phantom stock. As of , 2007, the closing price of Hercules common stock as reported on NASDAQ was \$.

Stock Options. The committee is authorized under the plan to grant options to purchase shares of Hercules common stock, which may be incentive stock options or nonqualified stock options. Options will be evidenced by a written award agreement with the participant, which will include any provisions that the committee may specify, in accordance with the terms of the plan. The exercise price of an option may not be less than the fair market value of Hercules common stock on the date of grant. All incentive stock options granted under the plan must have a term of no more than ten years, and no participant may be granted an incentive stock option to the extent that, upon the grant of that option, the aggregate fair market value (as defined in the plan) of the common stock with respect to which incentive stock options are exercisable for the first time by the participant during any calendar year would exceed \$100,000. The grant price, number of shares, terms and conditions of exercise, whether a stock option may qualify as an incentive stock option under the Internal Revenue Code, and other terms of a stock option grant will be fixed by the committee as of the grant date.

The grant price of any stock option must be paid in full at the time the stock is delivered to the participant. The price must be paid in cash or, if permitted by the committee and elected by the participant, by means of a broker- assisted cashless exercise, by tendering previously owned shares of Hercules common stock or shares issued pursuant to an award under the long-term incentive plan or any combination of the foregoing.

Stock Appreciation Rights. If the proposed amendment and restatement of the plan is approved by stockholders, the committee will be authorized to grant stock appreciation rights, or SARs, to employees and directors. The base amount against which the appreciation of Hercules common stock is measured to determine the amount payable on the exercise of stock appreciation right may not be less than the fair market value of Hercules common stock as the date of grant. For more information on SARs and the proposal to amend the plan to allow the committee to grant them, see Description of the Proposal Stock Appreciation Rights above. If approved, the term of any SAR that is awarded by the committee will not exceed ten years from the date of grant. Subject to the foregoing, a SAR may be granted subject to such terms and restrictions as established by the committee.

Restricted Stock Awards. The committee may make awards consisting of common stock subject to restrictions on transferability and other restrictions that the committee chooses to impose, including limitations on the right to vote or receive dividends, if any, with respect to the common stock to which the award relates. These awards may be subject to forfeiture upon termination of employment, upon a failure to satisfy performance goals during an applicable restriction period, or any other comparable measurement of performance.

Other Stock-Based Awards. The committee may, subject to limitations under applicable law, grant other awards that are payable in or valued relative to shares of Hercules common stock, such as restricted stock units and phantom stock, as it deems to be consistent with the purposes of the long-term incentive plan, including shares of common stock awarded purely as a bonus and not subject to any restrictions or conditions. The committee will determine the terms and conditions of any other stock-based awards.

Cash Awards. The committee may grant awards that are payable in cash, subject to such terms and conditions as the committee may determine.

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Performance Awards. If the proposed amendment and restatement of the plan is approved by stockholders, the committee will be authorized to grant performance based awards. For a description of the performance goals that may be utilized in structuring a performance award intended to satisfy the requirements of qualified performance based compensation, please see Description of the Proposal Performance Based Awards above.

Deferred Payment. The committee may permit a participant to defer the payment of an award in certain circumstances. The payment of awards that have been deferred may be paid in installments or in a single future lump-sum payment, and may, in the discretion of the committee, be credited with interest and dividend equivalents, depending upon the nature of the award that has been deferred.

Amendment, Modification and Termination. Subject to applicable stock exchange or NASDAQ rules, the committee may at any time amend or terminate the plan without stockholder approval, unless such approval is required by applicable law. The committee may amend or terminate any outstanding award without approval of the participant; however, no amendment or termination may be made that would otherwise adversely impact a participant, without the consent of the participant.

Change of Control. Except as otherwise provided in an option award agreement, if a change of control (as defined in the plan) occurs and the agreements effectuating the change of control do not provide for the assumption or substitution of all options granted under the plan, then with respect to any option that is not so assumed or substituted, the committee, in its sole and absolute discretion, may take any or all of the following actions to be effective as of the date of the change of control (or as of any other date fixed by the committee occurring within the 30-day period before the date of the change of control): (1) accelerate the vesting and/or exercisability of the option, (2) cancel the option in exchange for shares of common stock, cash or other property with a value based on the excess of the fair market value of the shares subject to the option over the aggregate exercise price of the option, or (3) cancel the option after providing the holder of the option with an opportunity to exercise the option to the extent vested within a specified period prior to the date of the change of control. With respect to other stock incentive agreements, if a change of control occurs, then, except to the extent otherwise provided in the related award agreement or as otherwise provided in the plan, each award will be governed by applicable law and the documents effectuating the change of control.

Assignability. In general, awards granted under the plan may not be sold, transferred, pledged, assigned or otherwise alienated or hypothecated by a participant other than by will or the laws of descent and distribution, and during the lifetime of a participant, any award may be exercisable only by him, or in the case of a participant who is mentally incapacitated, by his guardian or legal representative. The committee may prescribe and include in applicable award agreements other restrictions on transfer, and may allow limited transfers to entities controlled by the participant or his or her family.

Adjustments. In the event of a corporate transaction involving Hercules (such as split, recapitalization, extraordinary distribution, merger, consolidation, combination or exchange of shares of common stock or similar change), or upon the occurrence of any other event that the committee, in its sole discretion, deems appropriate, the committee shall adjust: the number of shares of common stock reserved under the long-term incentive plan and covered by outstanding awards; (ii) the exercise price in respect of such awards; (iii) the appropriate fair market value and other price determinations for such awards and (iv) the per person award limitations described above. Outside of a corporate transaction context, no award under the plan may be repriced, replaced, regranted or modified without shareholder approval if the effect would be to reduce the exercise price for the shares underlying the award.

The foregoing description of the amended and restated plan is qualified by reference to the terms of the plan, a copy of which is attached hereto as Annex E and is incorporated by reference in this joint proxy statement/prospectus.

Table of Contents**U.S. Federal Income Tax Consequences**

Set forth below is a brief summary of the U.S. federal income tax consequences of awards under the plan. This summary is not a complete description of the applicable tax consequences, and it is subject to any changes in applicable tax rules.

Nonqualified Stock Options. Nonqualified stock options granted under the plan will generally not be taxable to a recipient at the time of grant if the exercise price under the option is not less than the fair market value of the underlying shares of common stock on the grant date of the option and the option otherwise complies with Section 409A of the Internal Revenue Code. Upon the exercise of a nonqualified stock option, the amount by which the fair market value of the shares of common stock received, determined as of the date of exercise, exceeds the exercise price will be treated as taxable income to the recipient of the option in the year of exercise. Generally, Hercules will be entitled to a deduction for compensation paid in the same amount treated as compensation received by the recipient of the option.

Incentive Stock Options. A recipient of an incentive stock option under the plan will not generally recognize any taxable income for U.S. federal income tax purposes upon receipt of an incentive stock option or, generally, at the time of exercise of an incentive stock option, except possibly under the alternative minimum income tax rules. If the recipient exercises an incentive stock option and does not dispose of the shares received in a subsequent disqualifying disposition (generally, a sale, gift or other transfer within two years after the date of grant of the stock option or within one year after the shares are transferred to the recipient of the option), the recipient receives long-term capital gains treatment on the difference between the price for which the recipient of the incentive stock option sells the shares of common stock and his or her tax basis in the shares (generally, the amount paid upon exercise of the options). In the event of a disqualifying disposition, the difference between the fair market value of the shares of common stock received on the date of exercise and the exercise price will generally be taxable as compensation income in the year of disposition, with any excess gain generally being treated as short- or long-term capital gain. Hercules would not be entitled to a deduction with respect to shares received by a recipient of an incentive stock option upon exercise if the common stock received is not disposed of in a disqualifying disposition. If, however, an amount is taxable as compensation income to the recipient of an incentive stock option due to a disqualifying disposition, Hercules would be entitled to a corresponding deduction in the same amount for compensation paid.

Restricted Stock Awards. Generally, a grant under the plan of shares of Hercules common stock which are subject to vesting and transfer restrictions will not result in taxable income to the recipient for U.S. federal income tax purposes or a tax deduction to Hercules in the year of the grant. Instead, the value of the shares will generally be taxable to the recipient as taxable income in the years in which the restrictions on the shares lapse. The value will be the fair market value of the shares on the dates the restrictions terminate. Any recipient, however, may elect pursuant to Section 83(b) of the Internal Revenue Code to treat the fair market value of the shares on the date of the grant as taxable income in the year of the grant, provided the recipient makes the election pursuant to that section within 30 days after the date of the grant. In any case, Hercules would receive a deduction for U.S. federal income tax purposes corresponding in amount to the amount of compensation included in the recipient's income in the year in which that amount is so included.

Unrestricted Stock Awards. A grant of shares of Hercules common stock or a cash equivalent that is not subject to vesting restrictions will result in taxable income for U.S. federal income tax purposes to the recipient at the time of grant in an amount equal to the fair market value of the shares or the amount of cash awarded. Subject to Section 162(m) of the Internal Revenue Code, Hercules would be entitled to a corresponding deduction at that time for the amount included in the recipient's income.

Cash Awards. Cash awards are taxable income to the recipient for U.S. federal income tax purposes at the time of payment. The recipient will have taxable income equal to the amount of cash paid, and, subject to Section 162(m) of the Internal Revenue Code, Hercules would have a corresponding deduction for U.S. federal income tax purposes.

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Phantom Stock, Restricted Stock Units and Stock Appreciation Rights. Generally, a recipient of phantom stock or restricted stock units will not recognize any taxable income for U.S. federal income tax purposes upon receipt or vesting of the phantom stock or restricted stock units if the terms of the awards comply with the requirements imposed by Section 409A of the Internal Revenue Code. To the extent that compliance with Section 409A has occurred, the value of any phantom stock, restricted stock units or stock appreciation rights will be taxable to the recipient as taxable income in the year of payment. Generally, subject to Section 162(m) of the Internal Revenue Code, Hercules would be entitled to a deduction for compensation paid in the same amount treated as compensation received by the recipient of phantom stock, restricted stock units or stock appreciation rights.

Deductibility of Awards. Section 162(m) of the Internal Revenue Code provides that certain compensation received in any year by a covered employee in excess of \$1 million is non-deductible by Hercules for U.S. federal income tax purposes. Section 162(m) provides an exception, however, for performance-based compensation. The nominating, governance and compensation committee may determine to designate awards granted to covered employees as performance-based compensation. However, the committee may award compensation that is or may become non-deductible.

Deferred Compensation. Any deferrals made under the plan, including awards granted under the plan that are considered to be deferred compensation (such as phantom stock, restricted stock units or stock appreciation rights) must satisfy the requirements of Section 409A to avoid adverse tax consequences to participating recipients. These requirements include limitations on election timing and acceleration of payments and distributions. Hercules intends to structure any deferrals and all awards under the plan to be exempt from or to meet the applicable tax law requirements.

Other Tax Consequences. State tax consequences may in some cases differ from those described above. In addition, awards made under the plan may be made to persons who are subject to tax in jurisdictions other than the United States and may result in tax consequences differing from those described above.

Plan Benefits

Any future awards granted to executive officers and non-executive officer employees under the plan are subject to the discretion of the committee and, therefore, are not determinable at this time. Each non-employee director will receive an annual grant of restricted stock under the plan having a fair market value (as defined in the plan) of \$40,000. Any additional awards to directors under the plan are subject to the discretion of the committee and are not determinable at this time. The following table sets forth with respect to each individual and group listed below (1) the number of shares of common stock issuable pursuant to stock options granted under the plan and (2) the number of shares of restricted stock awarded under the plan, in each case since the plan's inception through _____, 2007.

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Name and Principal Position	Shares of Restricted Stock	Shares Underlying Options
Randall D. Stillely		
Chief Executive Officer and President		
Steven A. Manz		
Senior Vice President, Planning and Corporate Development		
Thomas E. Hord		
Vice President, Operations and Chief Operating Officer, Hercules Drilling Company, LLC		
James W. Noe		
Senior Vice President, General Counsel and Secretary		
Randal R. Reed		
President, Hercules Liftboat Company, LLC		
Don P. Rodney		
President, Hercules International Holdings Ltd.		
All current executive officers as a group		
Non-employee directors as a group		
All non-executive officer employees as a group		

Equity Compensation Plan Information

The following table sets forth information about Hercules common stock that may be issued under all existing equity compensation plans as of December 31, 2006:

Plan Category	Number of Securities to be Issued upon Exercise of Outstanding Options, Warrants and Rights	Weighted Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance
Equity compensation plans approved by security holders(1)	1,659,922	\$ 11.27	1,504,734(2)
Equity compensation plans not approved by security holders			
Total	1,659,922	\$ 11.27	1,504,734

- (1) Consists of the 2004 Long-Term Incentive Plan, which was approved by the members of Hercules prior to the initial public offering.
(2) The securities available for issuance under the 2004 Long-Term Incentive Plan could be issued in the form of stock options, stock appreciation rights, stock awards and stock units.

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Hercules Proposal No. 4:

APPROVAL OF THE ADJOURNMENT OF THE HERCULES MEETING

Description of the Proposal

Hercules is asking its stockholders to vote on a proposal to adjourn the Hercules Meeting, if necessary or appropriate, in order to allow for the solicitation of additional proxies.

Vote Required

The affirmative vote of a majority of the votes cast on this matter is required to adjourn the Hercules Meeting, if necessary or appropriate, in order to allow for the solicitation of additional proxies. Abstentions and broker non-votes will not be counted either in favor of or against approval of Hercules Proposal No. 4.

Recommendation

The board of directors recommends a vote FOR approval of the adjournment of the Hercules Meeting, if necessary or appropriate, to solicit additional proxies. Proxies will be voted FOR adjournment unless a stockholder gives other instructions on the proxy card.

Compensation Discussion and Analysis

Overview of Compensation Program

The Nominating, Governance and Compensation Committee of the Hercules board of directors, sometimes referred to herein as the committee, has responsibility for establishing, implementing and monitoring adherence to Hercules' compensation philosophy. The committee seeks to provide total compensation paid to its executive officers that is fair, reasonable and competitive. Generally, the types of compensation and benefits Hercules provides to its executive officers are similar to those provided to executive officers of its peer companies, which are identified later in this compensation discussion and analysis. In this compensation discussion and analysis, Hercules executive officers named in the Summary Compensation Table for 2006 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 by Hercules and that aligns executives' interests with those of the stockholders by rewarding performance at and above established goals. The ultimate objective of Hercules' compensation program is to improve stockholder value. The committee evaluates both performance and compensation in an effort to ensure that Hercules maintains the ability to attract and retain the best available employees in key positions and that compensation provided to key employees remains competitive relative to the companies with whom Hercules competes. To that end, the committee believes the executive compensation packages Hercules provides to its executives, including the named executive officers, should include both cash and stock-based compensation that reward performance as measured against established goals.

Role of Executive Officers in Compensation Decisions

Hercules' Chief Executive Officer, Vice President of Human Resources and Senior Vice President, General Counsel, Chief Compliance Officer and Secretary each play a role in Hercules' compensation process. On an annual basis, its 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 of Human Resources and Senior Vice

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President, Chief Compliance Officer, General Counsel and Secretary provide general administrative support implementing the committee's decisions, such as providing legal and market updates to the committee and overseeing the documentation of equity plans and awards as approved by the committee.

Establishing Executive Compensation

Consistent with Hercules' compensation objectives, the committee has structured its annual and long-term incentive-based executive compensation to encourage executives to achieve its strategic goals and reward its executives for achieving these goals. To assist it in structuring Hercules' compensation program, the committee has engaged Towers Perrin, an outside compensation consulting firm, to conduct an annual review of Hercules' total compensation program for its key employees, including the named executive officers. Towers Perrin provides 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. Hercules' management did not engage Towers Perrin in any other capacity for 2006 and does not direct or oversee the retention or activities of Towers Perrin with respect to Hercules' 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, sometimes referred to herein as the peer group. The peer group consists of companies against which the committee believes Hercules competes for talent, business and stockholder investment. With Towers Perrin's assistance and input from senior management, the committee periodically reviews and adjusts the composition of the peer group. The companies currently comprising the peer group are:

Atwood Oceanics, Inc.	TODCO	Oil States International, Inc.
ENSCO International Incorporated	Helmerich & Payne, Inc.	Complete Production Services, Inc.
Global Industries, Ltd.	Grey Wolf, Inc.	Superior Energy Services, Inc.
Pride International, Inc.	Hornbeck Offshore Services, Inc.	Parker Drilling Company
Rowan Companies, Inc.	Tidewater Inc.	W-H Energy Services, Inc.

Although Hercules' revenues and market capitalization are below the median for the peer group, as a new company Hercules generally recruits its executives and key employees from much larger companies, including from companies in the peer group. The committee believes that Hercules' growth and financial returns over the past two years are attributable in a large degree to the combined efforts of its named executive officers and key employees who would not have joined Hercules without a compensation program that provides incentives for leaving larger, more established companies and accepting the risk associated with a start-up company.

Hercules continues to compete with many larger companies for top executive-level talent. As a result, the committee reviews total direct compensation for named executive officers, which includes salary, annual cash incentives and long-term equity incentives, within the range of the 50th to 75th percentile of total compensation paid to similarly situated executives within the peer group. Significant variations from this range of compensation may occur based on the experience level of the individual, individual and company performance, the unique roles played by the individual and the individual's total compensation relative to other executives. This review process reflects the committee's expectation that, over the long term, Hercules will generate growth and stockholder returns in excess of the average of the peer group. For 2006, actual total direct compensation for all of Hercules' named executive officers was below the 50th percentile of the peer group.

A significant percentage of total compensation is allocated to annual and long-term incentives and therefore is at risk. There is no pre-established policy or target for the allocation between either cash and non-cash or short-term and long-term incentive compensation. Rather, the committee reviews market data provided by Towers Perrin, prior pay history and individual and company performance and makes a subjective determination about the

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appropriate level and mix of incentive compensation. Income from such incentive compensation is realized as a result of the performance of Hercules and the individual, depending on the type of award, compared to established goals.

The committee reviews compensation matters throughout the year. For example, in 2006, the committee approved 2005 bonuses, approved the 2006 annual incentive plan and set 2006 performance objectives in the first quarter. During the second quarter, the committee increased the net income target for the annual incentive plan based upon a nonrecurring event. Towers Perrin presented the results of an executive compensation study covering trends in compensation as well as the regulatory environment regarding executive compensation and participated in a discussion regarding the uses of equity-based compensation at the meeting in the third quarter. At its meeting in the fourth quarter, the committee recommended a new contract for the Chief Executive Officer for consideration by the Hercules board of directors and approved new employment agreements for use by the Chief Executive Officer in connection with the retention of the other named executive officers.

2006 Executive Compensation Components

For 2006, the principal components of compensation for named executive officers were:

base salary,

incentive compensation:

annual cash awards,

long-term equity-based awards, and

retirement, perquisites and other personal benefits.

Base Salary

The committee believes base salary is a critical element of executive compensation because it provides executives with a base level of monthly income. The committee determines the base salary of each named executive officer based on his or her position and responsibility. During its review of base salaries for executives, the committee primarily considers:

market data provided by Hercules' outside compensation consultant;

the executive's total compensation, both individually and relative to other officers;

individual performance of the executive; and

for named executive officers other than the Chief Executive Officer, the recommendations of the Chief Executive Officer.

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The committee typically considers base salary levels annually as part of its review of Hercules' performance and from time to time upon a promotion or other change in job responsibilities. As a result of its 2006 review and in recognition of outstanding performance by the named executive officers and Hercules, in October 2006, the committee made significant base salary increases for the following named executive officers effective as of January 1, 2007. The committee determined base salaries following an extensive review of Hercules' outside compensation consultant's analysis of executive compensation levels within the peer group and, for the named executive officers other than Hercules' Chief Executive Officer, the Chief Executive Officer's recommendations. The following table reflects these increases:

Name	Salary Increases Effective January 2007	
	From	To
Randall D. Stilley	\$ 400,000	\$ 550,000
John T. Rynd	\$ 270,000	\$ 350,000
Steven A. Manz	\$ 240,000	\$ 300,000
James W. Noe	\$ 190,000	\$ 250,000
Randal R. Reed	\$ 170,000	\$ 200,000

The Chief Executive Officer's current base salary of \$550,000 was set at approximately the 50th percentile of the peer group. The base salaries of the other named executive officers are between approximately the 20th and 75th percentile of the peer group.

Incentive Compensation***Cash Program***

The Hercules Incentive Compensation Program, sometimes referred to herein as the HERO Plan, is an annual cash incentive program the committee approved for use beginning in 2006. The HERO Plan provides guidelines for the calculation of annual non-equity incentive based compensation, subject to committee oversight. At the beginning of 2006, the committee established a target range of eligibility for potential payouts for the named executive officers. The various incentive levels are based on the participant's responsibility for and impact on Hercules operations, with target award opportunities established as a percentage of base salary. For 2006, these targets ranged from 40% to 50% of base salary for the named executive officers. When targets were exceeded, the maximum potential award was 125% for the Chief Executive Officer, 100% for the Chief Financial Officer and the presidents of Hercules' drilling and liftboat companies and 80% for the Vice President and General Counsel. As a result of Hercules' success and growth and to establish bonus potentials that are competitive with the peer group, the committee increased the target and maximum awards for 2007 performance and results to 75% and 150% for the Chief Executive Officer, 55% and 110% for the Chief Financial Officer and the president of the drilling company and 50% and 100% for the president of the liftboat company and the Senior Vice President, General Counsel, Chief Compliance Officer and Secretary.

Along with these increases, the committee established more aggressive objectives that require the company and eligible participants to stretch performance beyond 2006 achievements.

In February 2006, the committee set threshold, target and stretch levels for each component of the corporate objectives of the HERO Plan. During 2006, the committee reviewed Hercules' performance relative to Hercules' compensation and strategic objectives and increased the net income targets to reflect the impact of special events such as the sale and acquisition of assets. Payment of awards under the HERO Plan for 2006 was based upon the achievement of these objectives. The named executive officers participating in the HERO Plan receive:

no payment for either of the corporate financial objective portions or the safety results component of the HERO Plan award unless Hercules achieves the threshold performance levels,

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a payment of at least 25% for the Chief Executive Officer and 20% for the other named executive officers but less than 100% of the target award opportunity for the objectives of the HERO award if Hercules achieves or exceeds the threshold performance level but does not achieve its target performance levels,

a payment of at least 100% but less than 200% of the target award opportunity for each of the corporate objectives of the HERO Plan award if Hercules achieves or exceeds the target performance level but does not attain the stretch performance levels, and

a payment of 200% of the target award opportunity for each of the corporate objectives of the HERO Plan award if Hercules achieves or exceeds the stretch performance levels.

Upon completion of the fiscal year, the committee assesses performance for each objective of the HERO Plan comparing the actual results to the pre-determined threshold, target and stretch levels for each objective and an overall percentage for each objective is calculated.

In making the determination of the threshold, target and stretch levels for 2007, the committee considered specific circumstances facing Hercules. The levels for net income and return on capital were based on the most current information available for a number of factors that have a bearing on potential financial performance, such as anticipated dayrates for Hercules rigs and liftboats, the utilization of Hercules rigs and liftboats during the year and expectations for capital investments.

For 2006, the named executive officers' HERO awards were based upon achievement of corporate financial objectives relating to net income, return on capital and safety results, with the components accounting for 45%, 45% and 10%, respectively. The following table shows the performance goals and the actual 2006 results:

2006 HERO Performance Objectives and Results

(dollars in millions)

	Threshold	Objective Target	Stretch	Weight	Actual
Net Income	\$ 78.2	\$ 94.2	\$ 105.7	45%	\$ 119.1
Return on Capital	20%	25%	30%	45%	30%
Safety Metric	0.66	0.52	0.33	10%	1.44(1)

(1) Threshold not reached

The named executive officers received the following payments, expressed as a percentage of base salary, in February 2007 under the HERO Plan based on 2006 performance set forth above. Because 90% of the stretch performance goal was achieved, the named executive officers received 90% of their maximum payouts. Mr. Hord's payout under the HERO Plan was pro-rated as of his retirement on November 1, 2006.

Name	2006 HERO Award (% of base salary)
Randall D. Stilley	112.5%
John T. Rynd	90.0%
Steven A. Manz	90.0%
James W. Noe	72.0%
Randal R. Reed	90.0%
Thomas E. Hord	66.7%

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The table below sets forth the potential threshold, target and maximum awards that each of the named executive officers are eligible to receive in 2008 based on 2007 performance:

Name	HERO Incentive Levels			HERO Potential Future Payouts		
	Threshold	for 2007	Maximum	Payable in 2008		
		Target		Based on April 2007 Salary		
(%)	(%)	(%)	Threshold	Target	Maximum	
Randall D. Stillely	37.5%	75%	150%	\$ 206,250	\$ 412,500	\$ 825,000
John T. Rynd	27.5%	55%	110%	\$ 96,250	\$ 195,500	\$ 385,000
Steven A. Manz	27.5%	55%	110%	\$ 82,500	\$ 165,000	\$ 330,000
James W. Noe	25.0%	50%	100%	\$ 62,500	\$ 125,000	\$ 250,000
Randal R. Reed	25.0%	50%	100%	\$ 50,000	\$ 100,000	\$ 200,000

Equity-Based Program

The Hercules Long-Term Incentive Plan (LTIP) encourages participants to focus on the long-term performance of Hercules and provides an opportunity for executive officers and certain designated key employees to increase their stake in Hercules through grants of restricted common stock and, for executives, stock options. When allocating long-term incentives, the committee's goal is that two-thirds of the total value consists of stock options, with the remaining one-third in the form of restricted stock grants. For this purpose, the committee valued stock options by using the Trinomial Lattice Option Pricing Model, consistent with the valuation model Hercules uses for financial statement reporting purposes. By using a mix of stock options and restricted stock grants, Hercules is able to compensate its executives for sustained increases in stock performance as well as long-term growth. By placing more emphasis on stock options, executives receive value in direct relation to the performance of Hercules' stock over time. Because Hercules made grants to its named executive officers and key employees in November 2005 in connection with the successful completion of its initial public offering, Hercules made no additional grants to the named executive officers in 2006.

The LTIP was designed prior to the initial public offering with an initial goal of attracting high caliber executives to build a company and take it public. As a result, most of the initial grants were part of employment agreements designed to encourage experienced executives to leave their positions with established employers and take the risks associated with a start-up company. Therefore, past grants were not related as much to industry norms as they were to what was necessary to adequately compensate an executive with a successful track record to leave other short-term bonus potential payouts, long-term incentives and service credits in various benefit programs. Beginning with 2007 awards, the committee reviewed comprehensive data prepared by Towers Perrin from published proxies and other publicly available information related to long-term incentive levels in place within the peer group. The committee recognizes that even though various accepted models for valuing long-term incentive awards must be relied on for making assumptions, predictions, and accounting treatments, restricted stock and especially stock options have uncertain values both at the time of award and over the life of the award. Therefore, the committee recognizes there may be years when awards appear to lead the competition, but there may also be years when the awards lag relative to the competition. With this in mind, and the fact that Hercules has only been public since November 2005, the committee makes subjective judgments about the level of long-term incentive awards.

The incentive plans, the HERO Plan and LTIP, give the committee the latitude to design cash and stock-based incentive compensation programs to promote high performance and achievement of corporate goals by executives and key employees, encourage the growth of stockholder value and allow key employees to participate in the long-term growth and profitability of Hercules. In total, Hercules currently has approximately 50 key employees, including the named executive officers, and non-employee directors who have received awards under the LTIP.

Under the LTIP, the committee may grant participants stock options, restricted stock, performance stock awards and other stock-based awards. In granting these awards, the committee may establish any conditions or

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restrictions it deems appropriate within the limits of the plan. In addition, the Hercules board of directors has delegated to the Chief Executive Officer, who is also a director, discretionary authority to grant restricted stock or stock options to certain high-performing key employees who are not officers. Awards of restricted stock or stock options issued to date vest within three years after the date of the grant. Awards to officers subject to Section 16(b) of the Securities Exchange Act of 1934, including the named executive officers, require the approval of the committee.

The exercise price of stock options equals the average of the high and low trading price of Hercules common stock on NASDAQ on the date of grant. The committee reviewed awards to each named executive officer under the LTIP in detail prior to its regularly scheduled meeting in the first quarter of the past year. However, on occasion the committee approves awards for newly hired employees or other key employees during other times of the year. On occasion, the committee may delegate its authority to approve awards of stock options or restricted stock to a committee consisting of one director in order to effectuate awards to newly hired employees. Grants of restricted stock to eligible newly hired executive officers and newly elected directors are approved at the next regularly scheduled committee meeting following their hire date or election.

Since becoming a publicly traded company, Hercules has not granted options with an exercise price that is less than the average of the high and low trading price of Hercules common stock on NASDAQ on the grant date, and Hercules has not made grants with a grant date that occurs before committee action. Hercules does not time the release of material non-public information for the purpose of affecting the value of executive compensation.

All of the options granted by the committee in 2007 vest one-third per year over the first three years and have a ten-year term. Vesting ceases upon termination of employment, except in the case of death (subject to a one year limitation), disability or retirement. Prior to the exercise of an option, the holder has no rights as a stockholder with respect to the shares subject to such option, including voting rights and the right to receive dividends or dividend equivalents. Exercise rights for vested options may extend for no more than three months following termination.

Retirement, Perquisites and Other Personal Benefits

401(k) Plan

All employees, including the named executive officers, are eligible to participate in the Hercules 401(k) plan, which is designed to assist them with saving for retirement. This is a tax-qualified retirement savings plan under which all employees, including the named executive officers, are able to contribute to the plan the lesser of up to 100% of their annual salary or the limits prescribed by the Internal Revenue Service on a before-tax basis. Hercules matches 100% of the first 3% of pay that is contributed to the plan and 50% of the next 2% of pay contributed. All contributions to the plan as well as matching contributions are fully vested upon contribution.

Deferred Compensation Plan

Beginning January 1, 2007, the named executive officers, in addition to other executives and certain other employees, are entitled to participate in Hercules' deferred compensation plan. Participating employees can defer up to 80% of their base salary and 100% of any annual bonus paid from the HERO Plan. Participants also receive the equivalent of 401(k) matching contributions in an amount equal to what Hercules would have contributed as matching contributions on employee deferrals into the deferred compensation plan. In addition, if a participant's compensation for purposes of the 401(k) plan exceeds the Internal Revenue Service limit on the amount of compensation that is eligible for match in the 401(k) plan (*i.e.*, \$225,000 in 2007), Hercules may contribute a restoration match to this plan equal to the additional amount, if any, that would have been credited to the participant as a match in the 401(k) plan had it been possible for Hercules to take into account the portion of the participant's compensation in excess of the Internal Revenue Service imposed limit. A purpose of the deferred compensation plan is to provide the participants with the ability to defer taxation on compensation that would otherwise be incurred currently. Please see [Tax Matters](#) below for additional information about tax considerations related to deferred compensation.

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Perquisites and Other Personal Benefits

Hercules provides named executive officers with perquisites and other personal benefits that Hercules and the committee believe are reasonable and consistent with the overall compensation program to better enable Hercules to attract and retain superior employees for key positions. The committee reviewed the levels of perquisites and other personal benefits provided to named executive officers in 2006 and endorsed a range of limited perquisites common among the peer group to be provided beginning in 2007.

The named executive officers are provided reimbursement for financial planning assistance (up to \$5,000 per year), an annual physical and club memberships, limited to one social club membership and one country club membership for each named executive officer. Beginning in 2007, Hercules also provides additional life insurance and disability benefits as follows:

life insurance two times annual earnings up to maximum benefit of \$750,000,

short-term disability 60% of weekly earnings up to a maximum benefit of \$2,500 per week for up to 24 weeks, and

long-term disability two-thirds of monthly earnings up to \$14,500 per month for up to five years.

Employment Agreements

In November 2006, Hercules has entered into new executive employment agreements with the named executive officers. The prior executive employment agreements with the named executive officers included various expiration dates beginning in October 2006. Hercules entered into the new agreements in order to avoid the expiration of the executive employment agreements and the loss of the ability to rely upon commitments from the named executive officers to continue their employment with Hercules. For additional information about these agreements and the payments that may be made under those agreements in the event of a termination or change in control, please read Summary Compensation Table for 2006 and Potential Payments Upon Termination or Change of Control on pages and respectively.

Executive Equity Ownership Guidelines

In order to align further the interests of Hercules management and Hercules stockholders and further promote the commitment to sound corporate governance, Hercules has established the following equity ownership guidelines applicable to executive officers:

Title	Ownership Guidelines
CEO	Four times annual base salary
CFO and any President reporting to the CEO	Two times annual base salary
Vice President reporting to the CEO	One time annual base salary
Vice President not reporting to the CEO and other designated executive officers	One-half times annual base salary

Executive officers are expected to attain these minimum levels of stock ownership by January 1, 2008, for executives employed on January 1, 2007, and, for any executive officer appointed after January 1, 2007, on the first January 1 that occurs at least one year following the date of appointment. Until an executive officer achieves the ownership guidelines, the executive officer is required to retain at least 50% of the net shares received under the LTIP. Net shares refer to the number of shares received after shares are sold or netted to pay the applicable exercise price and/or applicable taxes.

The value of shares of restricted stock and stock options granted under the LTIP are included in the calculation. For this purpose, restricted stock is valued based on the average closing price of Hercules common stock during 2006, and stock options are valued based on the grant date value of the option determined using the Trinomial Option Pricing Model.

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Tax Matters

Deductibility of Executive Compensation

As part of its role, the committee gives some consideration to the deductibility of executive compensation under Section 162(m) of the Internal Revenue Code, which provides that Hercules may not deduct certain compensation in excess of \$1,000,000 that is paid to certain individuals. Hercules believes that most of the compensation paid to date under the LTIP is generally exempt from this limitation under the transition rules for newly public companies. In this regard, for 2006, neither the Chief Executive Officer nor any of the named executive officers received any compensation that was not deductible for federal income tax purposes. However, it is possible that in certain situations, the committee may approve compensation that will be subject to and in excess of the deduction limitations under Section 162(m) of the Internal Revenue Code to ensure competitive levels of total compensation for its executive officers.

Non-Qualified Deferred Compensation

To the extent one or more elements of compensation provided to employees is subject to Section 409A of the Internal Revenue Code, Hercules intends that these elements be compliant so that the employees are not subject to increased income or penalty taxes imposed by Section 409A. Section 409A was added to the Internal Revenue Code by the American Jobs Creation Act of 2004 and requires that deferred compensation either comply with certain deferral election and payment rules or be subject to a 20% additional tax and in some circumstances penalties and interest imposed on the person who is to receive the deferred compensation. Hercules thinks that if the adverse tax consequences of Section 409A become applicable to its compensation arrangements, the arrangements would be less efficient and less effective in incentivizing and retaining employees. Hercules intends to operate its compensation arrangements so that they will be compliant with Section 409A and Hercules intends to amend or modify its compensation programs and awards to the extent necessary and reasonably practical to make them compliant.

Report of the Nominating, Governance and Compensation Committee

The Nominating, Governance and Compensation Committee has reviewed and discussed with Hercules management the Compensation Discussion and Analysis included in this joint proxy statement/prospectus. Based on that review and discussion, the Nominating, Governance and Compensation Committee has recommended to the Hercules board of directors that the Compensation Discussion and Analysis be included in this joint proxy statement/prospectus.

April 18, 2007

NOMINATING, GOVERNANCE AND COMPENSATION COMMITTEE

Thomas J. Madonna, Chairman

Thomas R. Bates, Jr.

F. Gardner Parker

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The table below summarizes the total compensation paid or earned by the Chief Executive Officer, the Chief Financial Officer, the three next most highly compensated executive officers for 2006 and one former executive officer who retired in November 2006. Hercules entered into employment agreements with all of the named executive officers currently employed by it.

Name and Principal Position	Year	Salary (\$)	Bonus (\$)(1)	Stock Awards (\$)(2)	Option Awards (\$)(3)	Non-Equity Incentive Plan Compensation (\$)(1)	Change in Pension Value and	All Other Compensation (\$)(4)	Total (\$)
							Non-Qualified Deferred Compensation Earnings (\$)		
Randall D. Stilley Chief Executive Officer and President	2006	\$ 396,154	\$	\$	\$ 897,750	\$ 450,000	\$	\$ 17,663	\$ 1,761,567
John T. Rynd Senior Vice President and President, Hercules Drilling Company, LLC	2006	\$ 270,000	\$	\$ 466,667	\$ 141,750	\$ 243,000	\$	\$ 3,637	\$ 1,125,054
Steven A. Manz(5) Senior Vice President, Planning and Corporate Development	2006	\$ 237,692	\$	\$	\$ 236,250	\$ 216,000	\$	\$ 10,516	\$ 700,458
James W. Noe Senior Vice President, General Counsel, Chief Compliance Officer and Secretary	2006	\$ 190,000	\$	\$	\$ 59,063	\$ 136,800	\$	\$ 9,342	\$ 395,205
Randal R. Reed President, Hercules Liftboat Company, LLC	2006	\$ 166,077	\$	\$	\$ 177,188	\$ 153,000	\$	\$ 21,622	\$ 517,887
Thomas E. Hord(6)	2006	\$ 215,480	\$	\$	\$ 153,563	\$ 150,000	\$	\$ 14,861	\$ 533,904

- (1) Cash bonuses paid under the HERO Plan for 2006 performance are listed under the column Non-Equity Incentive Plan Compensation.
- (2) The amounts in this column reflect the dollar amount recognized as expense with respect to restricted stock awards for financial statement reporting purposes during the twelve months ended December 31, 2006 in accordance with Statement of Financial Accounting Standards No. 123 (revised 2004) Share-based Payment (SFAS No. 123(R)) and thus include amounts from awards granted prior to 2006. Assumptions used in the calculation of these amounts are included in Note 1 to the audited financial statements included in the Hercules Form 10-K, as amended, for the year ended December 31, 2006, incorporated by reference herein.
- (3) The amounts in this column reflect the dollar amount recognized as expense with respect to stock options for financial statement reporting purposes during the twelve months ended December 31, 2006 in accordance with SFAS No. 123(R) and thus include amounts from awards granted prior to 2006. Assumptions used in the calculation of this amount are included in Note 1 to the audited financial statements included in the Hercules Form 10-K, as amended, for the year ended December 31, 2006, incorporated by reference herein.
- (4) The amount shown in this column reflects for each named executive officer:
 - matching contributions under the 401(K) plan,
 - club membership payment, and
 - an auto allowance payment in the amount of \$14,654 made to Mr. Reed and an auto allowance payment in the amount of \$6,002 made to Mr. Hord.
- (5) Served as Chief Financial Officer as of December 31, 2006.
- (6) Mr. Hord, the former Vice President, Operations and Chief Operating Officer of subsidiary Hercules Drilling Company, LLC, retired effective November 1, 2006. In connection with his retirement, his employment agreement and stock option agreement were amended to (i) provide that the term of the employment agreement expired on October 31, 2006, (ii) provide for a pro-rated bonus payment of \$150,000, and (iii) extend the exercise period relating to his outstanding stock options to March 14, 2007.

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Grants of Plan-Based Awards for 2006

The table below reports all grants of plan-based awards made during 2006. Because no stock-based awards were made to named executive officers during 2006, the table below reflects only cash awards made under the HERO Plan. For additional information about the HERO Plan, please read "Proposals Being Submitted to a Vote of Hercules Stockholders at the Hercules Meeting - Compensation Discussion and Analysis 2006 Executive Compensation Components - Incentive Compensation - Cash Program" beginning on page .

Name	Grant Date	Estimated Possible Payouts Under Non-Equity Incentive Plan Awards		
		Threshold (\$)	Target (\$)	Maximum (\$)
Randall D. Stilley	N/A	\$ 206,250	\$ 412,500	\$ 825,000
John T. Rynd	N/A	\$ 96,250	\$ 195,500	\$ 385,000
Steven A. Manz	N/A	\$ 82,500	\$ 165,000	\$ 330,000
James W. Noe	N/A	\$ 62,500	\$ 125,000	\$ 250,000
Randal R. Reed	N/A	\$ 50,000	\$ 100,000	\$ 200,000
Thomas E. Hord (1)	N/A	N/A	N/A	N/A

(1) Mr. Hord retired effective November 1, 2006.

Outstanding Equity Awards at Fiscal Year-End 2006

Name	Option Awards			Stock Awards			Equity Incentive Plan Awards: Equity Market or Incentive Payout Plan Awards: Value of Unearned Shares, Units or Other Rights That Have Not Vested
	Number of Securities Underlying Unexercised Options Exercisable (#)	Number of Securities Underlying Unexercised Options Unexercisable (#)	Number of Securities Underlying Unexercised Options (#)	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)	Number of Shares, Units or Other Rights That Have Not Vested (#)	

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Randall D. Stillely	525,000(1)		\$ 2.86	11/17/2014			\$
	190,000(2)	190,000(2)	\$ 20.00	11/1/2015			\$
John T. Rynd	30,000(2)	30,000(2)	\$ 20.00	11/1/2015	46,666(3)	\$ 1,348,647	\$
Steven A. Manz	55,000(1)		\$ 2.86	1/19/2015			\$
	50,000(2)	50,000(2)	\$ 20.00	11/1/2015			\$
James W. Noe	6,250(2)	12,500(2)	\$ 20.00	11/1/2015			\$
Randal R. Reed	105,000(1)		\$ 2.86	11/17/2014			\$
	37,500(2)	37,500(2)	\$ 20.00	11/1/2015			\$
Thomas E. Hord	87,500(1)		\$ 2.86	11/17/2014			\$
	32,500(2)	32,500(2)	\$ 20.00	11/1/2015			\$

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- (1) These options were granted prior to the initial public offering in November 2005 and became fully exercisable upon the consummation of the offering.
 - (2) These options were granted at the time of the initial public offering and become exercisable in four equal amounts on the grant date and on each of the first three anniversaries of the grant date.
 - (3) These shares represent restricted stock awarded at the time of the initial public offering and vest in three equal installments on each of the first three anniversaries of the grant date.

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Two of the named executive officers exercised stock options and one grant of restricted stock vested during 2006 as follows:

Name	Option Awards		Stock Awards	
	Number of Shares Acquired On Exercise	Value Realized on Exercise	Number of Shares Acquired on Vesting	Value Realized on Vesting
	(#)	(\$)	(#)	(\$)
Randall D. Stilley				
John T. Rynd			23,334	\$ 824,974
Steven A. Manz	50,000	\$ 1,662,508		
James W. Noe	6,250	\$ 100,417		
Randal R. Reed				
Thomas E. Hord				

Pension Benefits and Non-Qualified Deferred Compensation

Prior to adopting the deferred compensation plan in January 2007, Hercules did not have any tax-qualified defined benefit plans or supplemental executive retirement plans required to be presented in the Pension Benefits table or any non-qualified defined contribution or other non-qualified deferred compensation plans required to be presented in the Non-Qualified Deferred Compensation table. Accordingly, these tables have been omitted.

Potential Payments Upon Termination or Change of Control

The tables below reflect the amount of compensation that would be payable to each of the named executive officers in the event of termination of the executive's employment without cause, termination by the executive for good reason and termination in the event of disability or death of the executive, and in the event of a termination following a change of control. The amounts shown assume that termination was effective as of December 31, 2006, and thus include amounts earned through such time and are estimates of the amounts which would be paid out to the executives upon their termination. The actual amounts to be paid out can only be determined at the time of the executive's separation from Hercules.

Payment or Benefit Upon Change of Control

Name	Cash Severance Amount	Welfare Benefit Continuation	Excise Tax Payment	Accelerated Vesting of Options and Restricted Shares (1)(2)	Total
Randall D. Stilley	\$ 2,550,000	\$ 15,601	\$ 1,166,261	\$ 1,691,000	\$ 5,422,862
John T. Rynd	\$ 1,026,000	\$ 22,934	\$ 565,078	\$ 1,615,647	\$ 3,229,659
Steven A. Manz	\$ 912,000	\$ 22,934	\$ 298,075	\$ 445,000	\$ 1,678,009
James W. Noe	\$ 490,200	\$ 22,934	\$ 165,845	\$ 111,250	\$ 790,229
Randal R. Reed	\$ 323,000	\$ 22,934	\$ 150,503	\$ 333,750	\$ 830,187
Thomas E. Hord(3)	N/A	N/A	N/A	N/A	N/A

- (1) The aggregate value of the accelerated vesting of unvested options at December 31, 2006 (computed by multiplying \$28.90, the closing market price of shares of Hercules common stock on the last trading day of 2006, times the number of shares subject to the options and subtracting the aggregate exercise price for the options) were as follows: Mr. Stilley 190,000 shares valued at \$1,691,000; Mr. Rynd 30,000 shares valued at \$267,000; Mr. Manz 50,000 shares valued at \$445,000; Mr. Noe 12,500 shares valued at \$111,250; and Mr. Reed 37,500

shares valued at \$333,750.

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(2) The aggregate value of the accelerated vesting of restricted shares at December 31, 2006 (computed by multiplying \$28.90, the closing market price of shares of Hercules common stock on the last trading day of 2006, times the total number of restricted shares held), were as follows: Mr. Rynd 46,666 valued at \$1,348,647.

(3) Mr. Hord retired effective November 1, 2006.

Payment or Benefit Outside of Change of Control

Name	Cash Severance Amount	Welfare Benefit Continuation	Excise Tax Payment	Accelerated Vesting of Options and Restricted Shares	Total
Randall D. Stillely	\$ 1,700,000	\$ 15,601	\$	\$	\$ 1,715,601
John T. Rynd	\$ 769,500	\$ 22,934	\$	\$	\$ 792,434
Steven A. Manz	\$ 684,000	\$ 22,934	\$	\$	\$ 706,934
James W. Noe	\$ 490,200	\$ 22,934	\$	\$	\$ 513,134
Randal R. Reed	\$ 323,000	\$ 22,934	\$	\$	\$ 345,934
Thomas E. Hord(1)	N/A	N/A	N/A	N/A	N/A

(1) Mr. Hord retired effective November 1, 2006.

Employment Agreements

In November 2006, Hercules entered into new executive employment agreements with Messrs. Stillely, Rynd, Manz, Reed and Noe. These agreements superseded and replaced the employment agreements each of these individuals had in place at the time. The new employment agreements have terms ending in February 2010 for Mr. Stillely, February 2009 for Messrs. Rynd, Manz and Noe and February 2008 for Mr. Reed. Each agreement is subject to automatic renewals for successive two-year terms (one-year term for Mr. Reed) until either party terminates the contract effective upon the anniversary date of the respective agreement, with at least one year's advance notice (six month's advance notice for Mr. Reed).

Each agreement provides a noncompete clause for one year after any termination other than by the executive for good reason. In the event of a termination by the executive for good reason, the noncompete clause does not apply.

Under the employment agreements, each of the named executive officers is entitled to health benefits and participation in Hercules' incentive, savings and retirement plans, in each case equal to those benefits provided to similarly situated senior executives of Hercules and its affiliated companies, and to the severance benefits described below.

Payments Made upon Termination. Regardless of the manner in which a named executive officer's employment terminates, he is entitled to receive amounts earned during his term of employment. Such amounts include:

any unpaid base salary through the date of termination,

any compensation previously deferred by the executive, to the extent permitted by the plan under which the deferral was made (together with any accrued interest or earnings thereon),

any earned but unpaid bonus awarded to the executive,

the vested portion of grants pursuant to the long-term incentive program,

amounts contributed under the deferred compensation program, and

unused vacation pay.

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Termination Other Than Upon Change of Control. Under the employment agreements with each named executive officer, if employment is terminated (other than termination by Hercules for cause) or if the executive terminates his employment in certain circumstances defined in the agreement which constitute good reason, in addition to the benefits listed under the heading Payments Made Upon Termination, the named executive officer will receive:

a lump sum severance payment of the sum of the executive's base salary and the highest annual bonus earned by the executive pursuant to incentive compensation plans maintained by Hercules in any of the two prior fiscal years multiplied by,

for Mr. Stilley, two,

for Messrs. Rynd, Manz and Noe, one and one-half, and

for Mr. Reed, one, and

a lump sum amount representing any earned but unpaid bonus awarded to the executive.

Retirement. In the event of the retirement of a named executive officer, no additional compensation or benefits are applicable.

Death or Disability. In the event of the death or disability of a named executive officer, in addition to the benefits listed under the headings Payments Made Upon Termination, above, the named executive officer or beneficiary will receive benefits under Hercules' disability plan or payments under its life insurance plan, as applicable.

Change of Control. Under the employment agreements with each named executive officer, if an executive's employment is terminated following a change of control (other than termination by Hercules for cause or by reason of death or disability) in addition to the benefits listed under the heading Payments Made Upon Termination, the named executive officer will receive:

a lump sum severance payment of the sum of the executive's base salary and the highest annual bonus earned by the executive pursuant to incentive compensation plans maintained by Hercules in any of the two prior fiscal years multiplied by:

for Mr. Stilley, three,

for Messrs. Rynd and Manz, two,

for Mr. Noe, one and one-half, and

for Mr. Reed, one;

a lump sum amount representing any earned but unpaid bonus awarded to the executive;

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an amount equal to the excise tax charged to the named executive officer as a result of the receipt of any change-of-control payments, and

all stock options and restricted stock held by the executive will automatically vest and become exercisable.

Generally, under the agreements, a change of control is deemed to occur:

upon the consummation of a reorganization, merger, consolidation or other transaction, in any case, with respect to which persons who were Hercules stockholders immediately prior to such transaction do not, immediately thereafter, own equity interests representing at least 51% of the total combined voting power of Hercules or the resulting reorganized, merged or consolidated entity, as applicable,

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the sale, lease, transfer or other disposition of all or substantially all of the assets of Hercules and its subsidiaries, taken as a whole (other than to one or more of its subsidiaries), or

the occurrence of:

the consummation of a transaction or series of related transactions in which Hercules issues, as consideration for the acquisition of the assets or capital stock of an unaffiliated third party, equity in Hercules representing more than 35% of the outstanding equity of Hercules calculated as of the consummation of such transaction or transactions, in conjunction with

a change in the composition of the Hercules board of directors, as a result of which fewer than 50% of the incumbent directors are directors who had been directors of Hercules at the time of the approval by the board of directors of the issuance of