HERCULES OFFSHORE, INC.
Form PRE 14A
March 13, 2014
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# UNITED STATES

# SECURITIES AND EXCHANGE COMMISSION

**Washington, D.C. 20549**

# SCHEDULE 14A

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

Filed by the Registrant þ

Filed by a Party other than the Registrant ¨

Check the appropriate box:

þ Preliminary Proxy Statement
¨ **Confidential, for Use of the Commission only (as permitted by Rule 14a-6(e)(2))**
¨ Definitive Proxy Statement
¨ Definitive Additional Materials
¨ Soliciting Material under Rule 14a-12

## Hercules Offshore, Inc.

(Name of Registrant as Specified in Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

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

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

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

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

(4) Proposed maximum aggregate value of transaction:

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¨ Fee paid previously with preliminary materials.

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

(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

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**PRELIMINARY PROXY STATEMENT**

# HERCULES OFFSHORE, INC.

**9 Greenway Plaza, Suite 2200**

**Houston, Texas 77046**

## NOTICE OF 2014 ANNUAL MEETING OF STOCKHOLDERS

**To Be Held on May 14, 2014**

To the Stockholders

of Hercules Offshore, Inc.:

The annual meeting of stockholders of Hercules Offshore, Inc. (the Company or Hercules Offshore ) will be held on May 14, 2014, at 8:00 a.m., local time, at the Doubletree by Hilton Houston Greenway Plaza Hotel, 6 Greenway Plaza East, Houston, Texas, for the following purposes:

(1) To elect three directors to the class of directors whose term will expire at the 2017 Annual Meeting of Stockholders;

(2) To conduct a non-binding advisory vote on the compensation of the Company s named executive officers, as disclosed pursuant to Item 402 of Regulation S-K (the 2013 executive compensation );

(3) To ratify the appointment of Ernst & Young LLP as our independent registered public accounting firm for the year ending December 31, 2014;

(4) To approve the Hercules Offshore, Inc. 2014 Long-Term Incentive Plan and the material terms of the performance goals thereunder;

(5) To approve an amendment to our Amended and Restated Certificate of Incorporation (our charter ) to remove Article Fourth, Division B, Section 4 thereof containing limitations on foreign ownership of our capital stock; and

(6) To transact such other business as may properly come before the meeting or any adjournments or postponements thereof.

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

The board of directors has fixed the close of business on March 18, 2014 as the record date for the determination of stockholders entitled to notice of and to vote at the annual meeting or any adjournment or postponement thereof. Only holders of record of our common stock at the close of business on the record date are entitled to notice of and to vote at the meeting. For a period of ten (10) days prior to the meeting, a complete list of such stockholders will be available at our executive offices for inspection by stockholders during normal business hours for proper purposes.

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

By Order of the Board of Directors,

Beau M. Thompson

*General Counsel and Secretary*

Houston, Texas

March , 2014

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**Preliminary Proxy Statement for the**

**2014 Annual Meeting of Stockholders of**

**HERCULES OFFSHORE, INC.**

**To Be Held on May 14, 2014**

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# HERCULES OFFSHORE, INC.

**9 Greenway Plaza, Suite 2200**

**Houston, Texas 77046**

## PRELIMINARY PROXY STATEMENT

## For 2014 Annual Meeting of Stockholders

**To Be Held on May 14, 2014**

**GENERAL**

This proxy statement is furnished to stockholders of the Company in connection with the solicitation of proxies by our board of directors for use at the annual meeting of stockholders to be held on May 14, 2014, or at any adjournment or postponement thereof, at the time and place and for the purposes specified in the accompanying notice of annual meeting. The mailing of the Notice of Internet Availability of Proxy Materials to stockholders will commence on or about , 2014.

**Proxies and Voting Instructions**

If you hold shares of our common stock in your name, you may vote your shares in a number of ways:

- appearing and voting in person at the annual meeting;
- electronically via the Internet at *www.proxyvote.com*;
- by telephone, if you are in the U.S. or Canada, by calling 1-800-690-6903; or
- by completing, signing and dating your proxy card and mailing it in the postage-paid envelope provided.

If you hold shares of our common stock through someone else, such as a bank, broker or other nominee, you will receive voting instructions from the organization holding your account. You will receive a Notice Regarding the Availability of Proxy Materials that will tell you how to access our proxy materials and vote your shares via the Internet. It also will tell you how to request a paper or e-mail copy of our proxy material.

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

- giving written notice of the revocation to our corporate secretary;

appearing and voting in person at the annual meeting; or

delivering a later-dated proxy card to our corporate secretary at the address above.

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

**Voting Procedures and Tabulation**

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

All properly executed written proxies delivered pursuant to this solicitation, and not later revoked, will be voted at the annual meeting in accordance with the instructions given in the proxy. Stockholders should vote their shares on the enclosed proxy card. If no choice is indicated, proxies that are signed and returned will be voted FOR the election of all director nominees, FOR the approval, on an advisory basis, of 2013 executive compensation, FOR approval of the ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for the year ending December 31, 2014, FOR approval of our long-term incentive plan and the material terms of the performance goals thereunder, FOR approval of an amendment to our charter and in the discretion of the proxies as to all other matters properly brought before the meeting. All shares of our common stock represented by properly executed and unrevoked proxies will be voted if such proxies are received in time for the meeting.

The three nominees for director who receive the greatest number of votes cast at the meeting will be elected as directors. Cumulative voting is not permitted in the election of directors. However, as described in further detail on page 4 below, pursuant to our voting policy, if a nominee for director receives a greater number of votes withheld from his election than votes for such election, he shall, promptly after the certification of the shareholder vote by the inspector of elections, tender a written offer to resign from the board of directors, which offer of resignation shall be considered by the nominating and governance committee and ultimately the board.

Approval, on an advisory basis, of our 2013 executive compensation, approval of the ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for the year ending December 31, 2014, and approval of our long-term incentive plan and the material terms of the performance goals thereunder are each subject to the approval of a majority of the shares of common stock voting on the matter. Approval of the amendment to our charter is subject to the approval of a majority of the shares of common stock outstanding.

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

With regard to the election of directors, votes may be cast in favor of or withheld from each nominee. Votes that are withheld will be excluded entirely from the vote and will have no effect. With regard to the advisory vote on our 2013 executive compensation, the vote to approve our long-term incentive plan and the material terms of the performance goals thereunder, and the vote to amend our charter, votes may be cast in favor, against or abstain. Votes to abstain will be excluded entirely from the vote and will have no effect. Broker non-votes will be treated as set forth below in the section entitled Effect of Not Casting Your Vote.

With regard to the proposal to ratify the appointment of Ernst & Young LLP as our independent registered public accounting firm for 2014, abstentions and broker non-votes will not affect the outcome of the voting on the proposal.

**Effects of Not Casting Your Vote**

If you hold your shares in street name, it is critical that you cast your vote if you want it to count in the election of directors, approval, on an advisory basis, of 2013 executive compensation, approval of our long-term incentive plan and the material terms of the performance goals thereunder, and approval of an amendment to our charter (Items 1, 2, 4 and 5 of this Proxy Statement). Recent changes in regulation limit the ability of your bank or broker to vote your uninstructed shares on a discretionary basis. Thus, if you hold your shares in street name and you do not instruct your bank or broker how to vote, no votes will be cast on your behalf except on discretionary matters. If you are a shareholder of record and you do not cast your vote, no votes will be cast on your behalf on any of the items of business at the annual meeting.

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# VOTING SECURITIES

Our only outstanding voting securities are shares of our common stock. Only holders of record of our common stock at the close of business on March 18, 2014, the record date for the annual meeting, are entitled to notice of and to vote at the annual meeting. On the record date for the annual meeting, there were 162,266,619 shares outstanding and entitled to be voted at the annual meeting. A majority of such shares, present in person or represented by proxy, is necessary to constitute a quorum. Each share is entitled to one vote.

## IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS

## FOR THE STOCKHOLDERS MEETING TO BE HELD ON MAY 14, 2014

This proxy statement and our 2013 annual report to stockholders are available at the following address on the internet: *http://www.proxydocs.com/hero*. Pursuant to rules adopted by the Securities and Exchange Commission (the SEC ), we have elected to provide access to our proxy materials over the Internet. Accordingly, we are sending a Notice Regarding the Availability of Proxy Materials to certain of our stockholders of record and beneficial owners (excluding those record and beneficial owners who have previously requested that they receive electronic or paper copies of our proxy materials). All stockholders will have the ability to access our proxy materials on the website referred to above and in the Notice Regarding the Availability of Proxy Materials. In addition, stockholders may request to receive proxy materials in printed form by mail or electronically by email on an ongoing basis.

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# PROPOSAL 1: ELECTION OF DIRECTORS

**(Item 1 on Proxy Card)**

Our certificate of incorporation provides for three classes of directors serving staggered three-year terms. There are three Class III directors whose terms expire at the 2014 annual meeting: Thomas N. Amonett, Thomas J. Madonna, and F. Gardner Parker. The nominating and governance committee of our board of directors has approved (with each committee member abstaining as to himself), and our board has unanimously nominated, each of Messrs. Amonett, Madonna and Parker for reelection as directors of the Company to serve until the 2017 annual meeting of stockholders or until his successor is elected and qualified. If any of the nominees becomes unavailable for any reason, which is not anticipated, the board of directors in its discretion may designate a substitute nominee. If you have filled out the accompanying proxy card in favor of the unavailable nominee, your vote will be cast for the substitute nominee designated by the board of directors.

The three nominees for director who receive the greatest number of votes cast at the meeting will be elected as directors. However, our board of directors recently adopted a voting policy, whereby under the Company s Corporate Governance Guidelines, any nominee for director in an uncontested election (i.e., an election where the only nominees are those recommended by the board of directors) who receives a greater number of votes withheld from his or her election than votes for such election shall, promptly after the certification of the shareholder vote by the inspector of elections, tender a written offer to resign from the board of directors. The nominating and governance committee will promptly consider the resignation offer and recommend to the board of directors whether to accept or reject the resignation. The nominating and governance committee in making its recommendation, and the board of directors in making its decision to accept or reject the resignation offer, may consider any factors or other information it considers appropriate and relevant.

If a director s resignation is accepted, the board of directors, in its sole discretion, may fill the resulting vacancy on the board created by the resignation or reduce the size of the board. Any director who tenders his or her offer to resign pursuant to this policy cannot participate in the nominating and governance committee or board deliberations regarding whether to accept the resignation offer. The board will act on the nominating and governance committee s recommendation and will disclose its decision to accept the resignation offer or the reasons for rejecting the offer, if applicable, in a press release, on a Current Report on Form 8-K filed with the SEC, or other broadly disseminated means of communication, within 90 days following the certification of the election results.

All duly submitted and unrevoked proxies will be voted for the nominees selected by our board, except where authorization to do so has been withheld.

**Board Recommendation**

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

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**Board of Directors**

Information with respect to the directors nominated for election this year, and the directors whose terms do not expire at the 2014 annual meeting, is presented below.

***Nominees for Election as Class III Directors (Term Expiring in 2017)***

**CURRENT CLASS III**

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| **Thomas N. Amonett,**<br><br>age 70, director since 2007 | Mr. Amonett served as a director of TODCO from May 2004 until TODCO s acquisition by Hercules Offshore in July 2007. He was appointed lead independent director of TODCO in October 2004 and was appointed Chairman of TODCO in February 2005. He has been President and Chief Executive Officer of Athlon Solutions LLC, a manufacturer and distributor of specialty chemicals and related services, since April 2013, and served in the same roles for Athlon s predecessor company, Champion Technologies, Inc., from 1999 until April 2013. From November 1998 to June 1999, he was President, Chief Executive Officer and a director of American Residential Services, Inc., a company providing equipment and services relating to residential heating, ventilating, air-conditioning, plumbing, electrical and indoor air quality systems and appliances. From July 1996 until June 1997, Mr. Amonett was Interim President and Chief Executive Officer of Weatherford Enterra, Inc., an oilfield services and manufacturing company. Mr. Amonett also serves as a director and member of the audit committee and chairman of the nominating and governance committee of Orion Marine Group, Inc., a marine contractor, and a director and member of the executive compensation committee and the audit committee of Bristow Group Inc., a global provider of helicopter services.<br><br>As noted above, Mr. Amonett previously served as a director of TODCO. |
| **Thomas J. Madonna,**<br><br>age 67, director since 2005 | Mr. Madonna was Chief Financial Officer of Menil Foundation, Inc., a major art museum, from July 2007 to December 2011. From November 2002 until July 2007, he served as the Manager of Finance of Menil Foundation, Inc. From 1969 until December 2001, Mr. Madonna worked at PricewaterhouseCoopers LLP in a number of roles, including as Assurance Partner from 1982 until his retirement in 2001. |

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| **F. Gardner Parker,**<br><br>age 72, 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 served as Managing Outside Trust Manager with Camden Property Trust, a real estate investment trust, from 1998-2005 and still serves as Trust Manager and as chairman of the nominating committee and a member of the compensation committee of Camden Property Trust. He serves as a director and Chairman of the Board of Sharps Compliance Corp., as a director and member of the compensation committee, audit committee, and nominating and governance committee of Triangle Petroleum Corporation, and as lead independent director, chairman of the audit committee and member of the compensation committee of Carrizo Oil & Gas, Inc.<br><br>Mr. Parker previously served as a director of Pinnacle Gas Resources, Inc. from 2003 to 2011. |

***Directors Not Standing for Election***

**CLASS I DIRECTORS (TERM EXPIRING IN 2015)**

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| **Suzanne V. Baer,**<br><br>age 66, director since 2007 | Ms. Baer served as a director of TODCO from May 2005 until TODCO s acquisition by Hercules Offshore in July 2007. Ms. Baer served as Executive Vice President and Chief Financial Officer of Energy Partners Ltd., an independent oil and natural gas exploration and production company focused on the shallow-to-moderate depth waters of the Gulf of Mexico, from April 2000 until her retirement in April 2005. From July 1998 until March 2000, Ms. Baer was Vice President and Treasurer of Burlington Resources Inc., an independent oil and natural gas exploration and production company, and, from October 1997 to July 1998, was Vice President and Assistant Treasurer of Burlington Resources Inc.<br><br>Ms. Baer previously served as a director of TODCO and Lufkin Industries, Inc. |
| **John T. Rynd,**<br><br>age 56, director since 2008 | Mr. Rynd became Chief Executive Officer and President of Hercules Offshore in June 2008 and was appointed by the board as a director in June 2008. From July 2007 to June 2008, he was Executive Vice President and Chief Operating Officer of Hercules Offshore. From October 2005 to July 2007, he was Senior Vice President of Hercules Offshore and President of Hercules |

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| | Drilling Company, LLC. Prior to joining Hercules Offshore, Mr. Rynd worked at Noble Drilling Services Inc., a wholly-owned subsidiary of Noble Corporation, a contract drilling company, as Vice President Investor Relations from October 2000 to September 2005 and as Vice President Marketing and Contracts from September 1994 to September 2000. From June 1990 to September 1994, Mr. Rynd worked for Chiles Offshore Corporation, a contract drilling company, in various positions, including as Vice President Marketing. Mr. Rynd is also a director and member of the compensation committee of Hornbeck Offshore Services, Inc. |
| **Steven A. Webster,**<br><br>age 62, director since 2005 | Mr. Webster has been Co-Managing Partner of Avista Capital Partners LP, a partnership which he co-founded that focuses on private equity investments in energy, media, healthcare and other industries, since June 2005. From 2000 to June 2005, he served as Chairman of Global Energy Partners, an affiliate of Credit Suisse s private equity business. From 1998 to 1999, he served as President and Chief Executive Officer of R&B Falcon Corporation, a marine contract drilling company. From 1988 to 1997, Mr. Webster was Chairman and Chief Executive Officer of Falcon Drilling Company Inc., a company he founded. Mr. Webster has been a financial intermediary since 1979 and an active investor since 1984 in the energy sector. He serves as Chairman of Carrizo Oil & Gas, Inc. and Basic Energy Services, Inc. He is also a Trust Manager and member of the compensation committee and corporate governance committee of Camden Property Trust, a director of Hi-Crush Proppants LP, and a director and member of the compensation committee of ERA Group Inc.<br><br>Mr. Webster previously served as a director of Encore Bancshares from 2000-2009, Solitario Royalty & Exploration from 2006-2009, Pinnacle Gas Resources, Inc. from 2003-2009, SEACOR Holdings Inc. from 2005-2013, and Geokinetics Inc. from 2008-2013. |

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**CLASS II DIRECTORS (TERM EXPIRING IN 2016)**

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| **Thomas R. Bates, Jr.,**<br><br>age 64, director since 2004 | Mr. Bates has served as a director of Hercules Offshore since 2004 and has served as Chairman of our Board of Directors since 2009. Mr. Bates was a Senior Advisor at Lime Rock Management LP, an energy-focused private equity firm, from January 2010 until December 2012. From October 2001 until December 2009, Mr. Bates was a Managing Director at Lime Rock Management LP. From February 2000 through September 2001, Mr. Bates was a business consultant. From June 1998 through January 2000, Mr. Bates was President of the Discovery Group of Baker Hughes Incorporated, an oilfield services company. From June 1997 to May 1998, he was President and Chief Executive Officer of Weatherford Enterra, Inc., an oilfield services company. From March 1992 to May 1997, Mr. Bates was President of Anadrill at Schlumberger Limited, an oilfield services company. Mr. Bates was Vice President of Sedco Forex at Schlumberger from February 1986 to March 1992. Mr. Bates has been an Adjunct Professor in the Neeley School of Business at Texas Christian University since January 2011. Mr. Bates also serves on the board of directors of Tetra Technologies Inc.<br><br>Mr. Bates previously served as a director of NATCO Group, Inc. from 2003-2009, as a director of T-3 Energy Services, Inc. from 2007 until it was acquired in January 2011, and as a director of Reservoir Exploration Technology ASA from December 2008 until February 2011. |
| **Thomas M Hamilton,**<br><br>age 70, director since 2007 | Mr. Hamilton served as a director of TODCO from May 2004 until TODCO s acquisition by Hercules Offshore in July 2007. He served as the Chairman, President and Chief Executive Officer of EEX Corporation from January 1997 until his retirement in November 2002. From 1992 to 1997, Mr. Hamilton served as Executive Vice President of Pennzoil Company and as President of Pennzoil Exploration and Production Company. Mr. Hamilton was a director of BP Exploration, where he served as Chief Executive Officer of the Frontier and International Operating Company of BP Exploration from 1989 to 1991 and as the General Manager for East Asia/Australia/Latin America from 1988 to 1989. From 1985 to 1988, he held the position of Senior Vice President of Exploration at Standard Oil Company, prior to its |

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| | being merged into BP. Mr. Hamilton is also a director, member of the audit committee and chairman of the compensation committee of FMC Technologies Inc., Non-Executive Chairman of Methanex Corporation, and a director, member of the compensation committee and chairman of the nominating and governance committee of HCC Insurance Holdings Inc. |
| **Thierry Pilenko,**<br><br>age 56, director since 2006 | Mr. Pilenko has been Chairman and Chief Executive Officer of Technip, a provider of engineering, technologies and construction services for the oil, gas and petrochemical industries, since April 2007. From March 2004 to January 2007, Mr. Pilenko was Chairman and Chief Executive Officer of Veritas DGC Inc. From 2001 to March 2004, Mr. Pilenko served as managing director of SchlumbergerSema, a Schlumberger Ltd. company located in Paris. From 1998 to 2001, he was President of Geoquest, another Schlumberger Ltd. company located in Houston, Texas. Mr. Pilenko was employed by Schlumberger Ltd. and its affiliated companies in various parts of the world, beginning in 1984, in a variety of progressively more responsible operating positions. Mr. Pilenko also serves as a director and member of the audit committee of PSA, an automotive manufacturing company.<br><br>Mr. Pilenko previously served as a director of CGG Veritas from 2007-2010. |

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# ADDITIONAL INFORMATION REGARDING THE BOARD OF DIRECTORS

**Board Independence**

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

In determining that each such director is independent, the board considered that Hercules Offshore and its subsidiaries in the ordinary course of business sell services to, or purchase products and services from, companies in which some of the directors have a direct or indirect ownership interest, or are or have been employed as officers or serve as directors.

In determining Mr. Amonett s independence, our board considered Mr. Amonett s position as a director of Bristow Group, Inc. ( Bristow ). In 2013, Hercules Offshore purchased helicopter transportation services from Bristow.

In determining Mr. Bates independence, our board considered Mr. Bates position as a director of Independence Contract Drilling and Global Energy Services. In 2013, Hercules Offshore purchased operating supplies from a subsidiary of Global Energy Services and purchased equipment from a subsidiary of Independence Contract Drilling.

In determining Mr. Hamilton s independence, our board considered Mr. Hamilton s position as a director of HCC Insurance Holdings Inc. ( HCC ). In 2013, Hercules Offshore purchased director and officer liability insurance and rig package insurance from certain of HCC s subsidiaries.

In determining Mr. Pilenko s independence, our board considered Mr. Pilenko s position as Chairman and Chief Executive Officer of Technip. In 2013, Hercules Offshore provided liftboat services to Technip.

Hercules Offshore considers each of these business relationships to be at arms-length and in the ordinary course of business. The board determined that Messrs. Amonett, Bates, Hamilton and Pilenko do not have a material direct or material indirect interest in any of such business relationships.

**Board Committees and Meetings**

We have a standing audit committee, compensation committee, and nominating and governance committee of the board of directors. Each of these committees operates under a written charter that has been adopted by the respective committee and by our board. The charters are published under the Corporate Governance section of our website at *www.herculesoffshore.com*.

The current members of the committees, the number of meetings held by each committee in 2013, and a description of the functions performed by each committee are set forth below:

*Audit Committee (7 meetings)*. The current members of the audit committee are Suzanne V. Baer, Thomas J. Madonna (chair) and F. Gardner Parker. Mr. Madonna was appointed as chairman of the committee in June 2010. The committee s purpose is to assist the board of directors in overseeing our accounting and financial reporting

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

*Compensation Committee (6 meetings).* The current members of the compensation committee are Thomas M Hamilton (chair), F. Gardner Parker and Thierry Pilenko. The purposes of the committee are, among other things, to discharge the responsibilities of the board relating to the compensation of our chief executive officer and other executive officers, to administer our equity-based compensation plans, to review and approve the objectives and elements of our executive compensation, and to review and discuss with management the Company s Compensation Discussion & Analysis and recommend to the board that it be included in the Company s proxy statement for its annual meeting of stockholders.

The compensation committee annually reviews the performance of our chief executive officer and makes compensation decisions regarding the chief executive officer based on that review. The chief executive officer annually reviews the performance of each of the other executive officers and, based on this review, makes recommendations to the committee with respect to their compensation. The recommendations, including those made with respect to salary adjustments, bonus percentages, equity awards and perquisites, are presented to the committee by our chief executive officer and our vice president of human resources. The committee then determines the recommended salary, bonus percentages, perquisites and equity awards for each of the executive officers. The committee approves the elements of compensation relevant to chief executive officer and executive officer compensation after considering, among other information, advice from an independent compensation consultant, established corporate goals and objectives, Company performance targets, personal performance objectives, and the compensation paid by the Company s competitors.

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

*Nominating and Governance Committee (3 meetings).* The current members of the nominating and governance committee are Thomas N. Amonett (chair), Thomas J. Madonna and Steven A. Webster. Mr. Amonett was appointed as chairman of the committee in June 2010. The purposes of the committee are, among other things, to identify and recommend individuals qualified to become board members consistent with criteria approved by the board and to recommend that the board select the director nominees for election at the annual meeting of stockholders or for appointment to fill vacancies, to assist the board in determining the composition of the board and its committees, to develop, implement and review our corporate governance guidelines, practices and procedures, and to oversee a process to assess board and committee effectiveness. The committee is also responsible for overseeing the Company s international anti-corruption, ethics and compliance programs.

In assessing the qualifications of prospective nominees to our board of directors, the nominating and governance committee considers factors it deems relevant, including each nominee s general understanding of marketing, finance, accounting, or other elements relevant to the success of a publicly traded company in the current business environment, understanding of our business on an operational level, integrity, education and professional background, willingness to devote time to the board of directors duties, past board and committee meeting attendance and performance, commitment to the Company s core values, and independence under applicable standards. In addition, the committee evaluates each individual in the context of the board of directors as a whole, with the objective of recommending individuals that can best perpetuate the success of our business and represent stockholder interests through the exercise of sound business judgment using their diversity of experience in these various areas. The nominating and governance committee does not specifically consider diversity in regards to ethnicity, gender, race, or age in assessing the qualifications of director nominees nor does

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it have a policy regarding diversity of nominee candidates. However, as stated above, the committee does consider the diversity of professional experiences and background of nominees, both individually, and in the context of the whole board.

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

- The name and address of the stockholder making the recommendation;
- The number of shares of each class or series of capital stock of the Company beneficially owned by the recommending stockholder;
- The name and address of each person with whom the recommending stockholder is acting in concert;
- The number of shares of each class or series of capital stock of the Company beneficially owned by such person with whom the recommending stockholder is acting in concert; and
- A description of all arrangements and understandings between the recommending stockholder and each nominee and any other persons with whom the recommending stockholder is acting in concert pursuant to which the nomination is being made.

The recommending stockholder shall also submit, with the recommendation, a signed statement including the following information:

- The name, age, business address and residence address of the candidate;
- The principal occupation or employment of the candidate;
- The number of shares of each class or series of capital stock of the Company beneficially owned by the candidate;
- The written consent of the candidate to have such candidate s name placed in nomination at the meeting and to serve as a director if elected;
- Any other information relating to such candidate as is required to be disclosed in solicitations for proxies for election of directors, or is otherwise required pursuant to Regulation 14A under the Securities Exchange Act of 1934; and
- A notarized affidavit executed by each candidate to the effect that he is eligible for election as a member of the board of directors and, if elected, he will serve as a member of the board of directors.

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

Directors are expected to attend meetings of the board of directors and meetings of committees on which they serve and to spend as much time and meet as frequently as necessary to properly discharge their responsibilities. In addition, directors are expected to attend annual meetings of our stockholders. In 2013, our 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 on which he or she served except for Mr. Pilenko, who attended 73% of total meetings and was unable to attend two board meetings and two compensation committee meetings due to his participation in urgent international business on the dates of these meetings. All of our directors who were serving as directors at our 2013 annual meeting of stockholders attended that meeting.

**Structure of the Board of Directors and Role in Risk Oversight**

***Board Leadership Structure***

Our board is comprised of individuals who possess substantial experience in the oil and gas and oilfield services industries, as well as significant financial, management, capital markets and board experience. Our chairman is the presiding director at each of our board meetings.

Since our inception, the roles of our chief executive officer (who is also our president) and our chairman of the board have been separated, which we believe is the best governance model for the Company at this time. Our chief executive officer is primarily responsible for managing our day-to-day operations and implementing our strategic initiatives. Our board chairman is an independent director who interfaces with our other board members to provide objective guidance on our strategy and performance, approves the agendas for all board meetings and communicates the objectives of the board to management.

Under this model, we believe that separating these positions enables our chief executive officer to concentrate his efforts on managing our operations and strengthening our business, while the chairman oversees whether our overall performance and strategy objectives are being met and management has the support it needs from the board to carry out the Company s strategic initiatives. The separation of these roles has enabled our chairman and chief executive officer to efficiently and effectively work toward achieving their respective strategic and operational objectives to the benefit of our shareholders.

***Director Qualifications***

Each of our directors possesses certain experience, qualifications, attributes and skills, as further described below, that led to our conclusion that he or she should serve as a member of our board of directors.

Mr. Bates was appointed chairman of the board in 2009. In connection with his appointment, Mr. Bates resigned from each of the committees on which he served to focus on his role as chairman. Mr. Bates has extensive management experience during his long career in the oilfield services industry, having served as President of the Discovery Group of Baker Hughes Inc., President and Chief Executive Officer of Weatherford Enterra, Inc., and as President of Anadrill at Schlumberger Limited, among other positions. Mr. Bates also lends significant investment and capital markets experience gained from his time as a managing director and senior advisor of Lime Rock Management LP. He also currently serves as a director of one other public company and previously served as a director of three other public companies. We believe that Mr. Bates vast and diverse professional experience provides great benefit to the board and to the Company in his role as chairman.

Our committees are designed to leverage the relevant knowledge and expertise of our directors. The chairman of our audit committee, Mr. Madonna, has significant experience in both the public and private accounting sector, specializing in the international energy and oilfield industries. He worked for more than thirty years for a major accounting firm, including twenty years as a partner, and for nine years held senior finance positions with a Houston-based foundation. We believe Mr. Madonna s varied experience in both public and private sector accounting allows him to effectively oversee the audit process of the Company and facilitate the accomplishment of the audit committee s purposes.

Ms. Baer, also a member of our audit committee, has spent her entire career in investor relations, finance and accounting positions, most recently serving as chief financial officer of an independent oil and gas company. Ms. Baer also has been a director and has served on the audit committee (including as chairperson) of another public company from August 2005 until June 2013.

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The third member of our audit committee, Mr. Parker, also has significant experience in the public accounting sector, working for fifteen years (six as a partner) for a major accounting firm. In addition, he serves as chairman of the board of two public companies and on the audit committee of two public companies (including as chairman of one) and until June 2010 served as the chairman of our audit committee. In addition, Mr. Parker was a 2011 National Association of Corporate Directors (NACD) Board Leadership Fellow. He has demonstrated his commitment to boardroom excellence by completing NACD s comprehensive program of study for experienced corporate directors, a rigorous suite of courses spanning leading practices for boards and committees. He supplements his skill sets through ongoing engagement with the director community.

All three members of our audit committee have been determined by the board to qualify as financial experts.

Two members of our compensation committee have served or are currently serving as chief executive officer of a publicly traded company in industries related to ours. Mr. Hamilton, the chairman of our compensation committee, has extensive executive management experience in the energy industry, including serving as chief executive officer and president of an exploration and production company for almost six years. In addition, he currently serves as a director of three other public companies (including as non-executive chairman of one) and on the compensation committee of two of these companies (including as chairman of one). We believe that Mr. Hamilton s leadership roles in these other organizations provide him with the background to oversee our compensation program and to use the compensation program to effectively motivate and incentivize our executive officers and other employees.

Mr. Pilenko has worked in executive management positions across the globe throughout his career. He has been the chairman and chief executive officer of two companies and currently serves in these roles at Technip. Mr. Pilenko s international management experience provides our board and the compensation committee with important insight from a broader global perspective.

Mr. Parker is the third member of our compensation committee and, as described above, has significant experience as a director and committee member of publicly traded companies, including currently serving on the compensation committee of three other public companies.

Mr. Amonett, who was appointed as chair of our nominating and governance committee in June 2010, has served as president and chief executive officer of Athlon Solutions LLC since April 2013, and served in the same roles for Athlon s predecessor, Champion Technologies, Inc., from 1999 until April 2013. In addition, he was the chairman of TODCO for over two years prior to it being acquired by Hercules Offshore in 2007 and was the chief executive officer of Weatherford Enterra Inc. from 1996-1997. He also is a director of two other publicly traded companies, serving on the audit committee of both of these companies, on the compensation committee of one of these companies and as chairman of the nominating and governance committee of one of these companies.

Mr. Webster has a long career in our industry, having founded and served as the chairman and chief executive officer of one of TODCO s predecessor entities. He also co-founded a private equity investment firm and serves as a director of five other public companies, including as chairman of two of these companies, which are both in the oil and gas industry. Mr. Webster s experience provides our board specific expertise about our drilling rigs and industry, as well as valuable insight into the capital markets.

The third member of our nominating and governance committee, Mr. Madonna, previously served as the chairman of our nominating and governance committee and has significant committee experience, as noted above.

As a whole, the structure of our board lends knowledge specific to our industry and to our assets, and is composed of directors that provide a wealth of experience both from a management and director, as well as a customer and an investor, perspective. In addition, our board members provide a balance of individual experience in the financial, legal, operational, accounting and marketing functions. Our committees are structured to take advantage of the diverse individual experiences of their respective members in order to accomplish the purposes of each committee and the board.

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The nominating and governance committee reviewed the composition of the board and each of the committees at its meeting in the fourth quarter of 2013 and determined not to make any changes to the composition of any of the committees for 2014.

***Board s Role in Risk Oversight***

Our board, primarily through our committees, plays an important role in assessing and overseeing the various risks to which the Company is exposed. On an annual basis, our compliance counsel makes a comprehensive presentation to the nominating and governance committee regarding the governance and compliance risks that are impacting or that could potentially impact our business. Included in this presentation is an overview and analysis of our anti-corruption compliance program, a review of the levels and adequacy of our insurance policies, and a discussion of enforcement trends relevant to our company. In addition to this annual update, our compliance counsel also provides updates on compliance matters relevant to the Company during the executive session held at the end of each nominating and governance committee meeting, and our management also provides periodic updates throughout the year as issues arise. Furthermore, the nominating and governance committee evaluates the board leadership and overall composition of the board.

Our audit committee, with input from our internal audit group and our finance and accounting personnel, oversees our financial reporting and Sarbanes-Oxley and Dodd-Frank compliance processes. Additionally, the committee monitors the human resources function through the internal audit group s activities. The committee also meets periodically with management to discuss our major financial risk exposures and the steps management has taken to monitor and control these exposures. In addition, our compliance counsel provides updates on compliance matters during the executive session held at the end of each audit committee meeting.

Our compensation committee assesses risks associated with the Company s compensation program. As discussed in Compensation Discussion and Analysis below, the compensation committee establishes and monitors our compensation program in order to incentivize and motivate our officers and employees, while taking into account potential risks associated with such compensation program.

Our board, with input from management, also assesses and oversees our operational risks. The board receives reports on Health, Safety and Environmental ( HSE ) issues at each board meeting from senior operations and HSE managers. In addition, the board receives reports on operational issues at each board meeting from senior operations personnel and receives and reviews contract status and marketing reports at each board meeting from senior marketing personnel. We have a risk department who reports to our general counsel. These individuals manage and monitor our claims and litigation and provide periodic reports to the board. Included in these updates are annual presentations about our insurance packages and management s discussions with our underwriters. Given the dynamic nature of the insurance market in our industry, the board plays an active role in oversight of our insurance packages to address our operational risks.

Our board also assesses transactional and capital structure risks. The board receives periodic updates from management on our capital structure and compliance with our debt instruments. Additionally, the board considers the risks associated with merger and acquisition and capital markets transactions that are contemplated in the execution of the strategy of the Company.

Each of the committees communicates directly with our management team to implement the Company s risk management objectives. At the regularly scheduled committee meetings, management provides feedback on the achievement of these objectives and receives input from the respective committees regarding future actions. Management also keeps the full board apprised of any significant risks that the Company is encountering or expects to encounter as such risks arise.

The committees report their respective assessments of risks to the full board of directors. We believe our board and committee structure, and the communication among the committees and between the board and our management team, allows the board to effectively oversee the management of our risks by our officers.

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***Corporate Governance***

*Corporate Governance Guidelines*. The board of directors has established Corporate Governance Guidelines to assist the board in the exercise of its responsibilities under applicable law. The guidelines provide a framework for the governance of our company and the board, covering such matters as determining director independence; director orientation and continuing education; director responsibilities; director access to officers, management and advisors; annual evaluations of the board; and other corporate governance practices and principles. The guidelines are available on our website at *www.herculesoffshore.com* under the Corporate Governance section. In addition, the guidelines, as well as the charters of the audit committee, the compensation committee and the nominating and governance committee, and our Code of Conduct, are available in print to any investor requesting a copy. Requests should be directed to our Investor Relations Department.

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

*Policy Regarding the Granting of Equity-Based Compensation Awards*. We make equity grants to our employees and directors in accordance with our Policy Regarding the Granting of Equity-Based Compensation Awards. This policy establishes guidelines and procedures for the granting of equity compensation, including the timing of making annual grants and the approval process for such grants. In addition, this policy requires that all equity-based compensation awards granted to our officers have a vesting period of at least one year. The policy is intended to ensure that we comply with applicable laws and regulations as well as leading governance practices with respect to the granting of equity compensation.

*Clawback Policy*. In February 2009, our board adopted a clawback policy applicable to our executive officers and directors. The clawback policy provides that, in the event that an executive officer or director of ours, while employed by us, is found to have engaged in fraud or misconduct that resulted in a material restatement of our financial statements or caused us to violate in any material respect the United States securities laws and regulations or the FCPA, we shall have the right to (i) receive reimbursement of any bonus or retainer previously paid to such executive officer or director, (ii) cause such executive officer or director to forfeit or cancel any unvested equity compensation award and receive reimbursement of the fair market value of any vested equity compensation award granted to such executive officer or director, and (iii) receive reimbursement of any gains or profits realized from the exercise of stock options or from any other disposition of securities attributable to an award of equity compensation, in each case awarded to, paid to or realized by the executive officer or director, or vested, within the two-year period prior to such restatement or violation. In addition, the board may terminate the employment of such executive officer or demand the resignation of such director and take any other lawful actions as it deems appropriate to enforce the executive officers and directors obligations to us.

*Executive Sessions*. The independent directors meet regularly in executive sessions, both with the participation of our chief executive officer for a portion of the executive session and without management participation, before and/or after, each regular non-telephonic board and committee meeting. Currently, the director who presides at these meetings is the chairman of the board. If the chairman ceases to be independent, then the presiding director will be chosen by a vote of the independent directors.

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

# EXECUTIVE OFFICERS

We have presented below information about our executive officers as of March 10, 2014. Officers are appointed annually by the board of directors and serve until their successors are chosen or until their resignation or removal.

| Name | Age | Position |
|---|---|---|
| John T. Rynd | 56 | Chief Executive Officer and President (1) |
| Stephen M. Butz | 42 | Executive Vice President and Chief Financial Officer |
| James W. Noe | 41 | Executive Vice President |
| Terrell L. Carr | 59 | Senior Vice President, Worldwide Drilling Operations |
| Troy L. Carson | 38 | Senior Vice President and Chief Accounting Officer |
| Todd A. Pellegrin | 48 | Senior Vice President, Worldwide Liftboat Operations |
| Claus E. Feyling | 61 | Vice President, International Business Development; President of Hercules International Holdings, Ltd. |
| Kimberly A. Riddle | 48 | Vice President, Human Resources |
| Beau M. Thompson | 36 | General Counsel and Secretary |

(1) For biographical information on Mr. Rynd, see Election of Directors Board of Directors beginning on page 5.

*Stephen M. Butz* was appointed Executive Vice President and Chief Financial Officer in January 2013, after serving as Senior Vice President and Chief Financial Officer since May 2010, and as Vice President, Finance and Treasurer since October 2006. He joined the Company in February 2005 as the Director of Corporate Development. During 2004, Mr. Butz served as a consultant to Noble Corporation. From 1996-2004, he worked in the investment banking industry as an equity research analyst at Deutsche Bank, RBC Capital Markets and Jefferies & Company. Before joining Jefferies & Company, Mr. Butz held positions in corporate lending.

*James W. Noe* was appointed Executive Vice President in November 2012, after serving as Senior Vice President, General Counsel and Chief Compliance Officer since April 2007 (and as Secretary until February 2010) and as Chief Executive Officer and President of our Delta Towing division from December 2008 until it was sold in May 2011. From October 2005 to April 2007, Mr. Noe served as Vice President, General Counsel, Chief Compliance Officer and Secretary of Hercules Offshore. From July 2002 to October 2005, Mr. Noe was Corporate Counsel for BJ Services Company, a worldwide oilfield services company. He was in private legal practice from October 1997 to July 2002.

*Terrell L. Carr* joined Hercules Drilling Company, LLC as Vice President of Operations in January 2007. He was named Hercules Offshore s Senior Vice President of Worldwide Drilling Operations in January 2013 and is responsible for Hercules Offshore s day-to-day drilling operations. From 2006 to January 2007, Mr. Carr served as Operations Manager for the Asia Pacific Region of Ensco International Incorporated and from 2001-2006, he served as a Rig Manager and Country Manager in various international locations for Ensco International Incorporated. Prior to joining Ensco, from 1982 to 2001, Mr. Carr was employed by Reading & Bates Corporation (later R&B Falcon Corporation) in various key international operations and marketing roles.

*Troy L. Carson* was named Senior Vice President and Chief Accounting Officer in January 2013, after serving as Chief Accounting Officer since May 2010. He joined the Company in March 2007 as Vice President and Corporate Controller and was appointed Principal Accounting Officer in July 2008. Previously, Mr. Carson served in a variety of roles, including as the Assistant Corporate Controller at Weatherford International Ltd., an international oilfield services company, from June 2002 to March 2007. In addition, he was a member of the Commercial Assurance Practice of Arthur Andersen LLP from 1997 to 2002.

*Todd A. Pellegrin* was appointed Senior Vice President of Worldwide Liftboat Operations in January 2013, after serving as Vice President of Worldwide Liftboat Operations since December 2008. From June 2008 to December 2008, Mr. Pellegrin served as Vice President of International Liftboats. From July 2007 to June 2008, Mr. Pellegrin served as the Managing Director for the West Africa Region. Prior to this appointment, Mr. Pellegrin held the position of Managing Director of Hercules Offshore Nigeria from March 2006 to July 2007. Mr. Pellegrin was the Managing Director of Danos & Curole Nigeria, Ltd. from January 2004 to February 2006. From August 1998 to December 2003, he served in several capacities for Danos & Curole, including International Business Development Representative.

*Claus E. Feyling* was appointed Vice President, International Business Development of Hercules Offshore in July 2007 upon the acquisition of TODCO, where he held the same position since April 2006. In December 2011, he was named President of Hercules International Holdings Ltd. Previously, he served as Director, Business Development and Manager, Marketing and Business Development for Pride International, Inc. from 2001-2005. Mr. Feyling was previously employed as Vice President, Marketing and General Manager Asia Pacific for Marine Drilling, and held numerous rig operations management positions for Odfjell Drilling Asia.

*Kimberly A. Riddle* was named Vice President, Human Resources of Hercules Offshore in May 2011. She joined the Company in March 2008 as Compensation Manager. Prior to joining Hercules Offshore, Ms. Riddle served as a Human Capital Consultant at Deloitte Consulting and has over 20 years of experience in human resources, specializing in compensation management.

*Beau M. Thompson* was named General Counsel and Secretary in November 2012. Mr. Thompson joined the Company in May 2007 as Associate General Counsel and Assistant Secretary. In 2010, he became the Assistant General Counsel and Secretary. Prior to joining the Company, he was in private legal practice.

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# SECURITY OWNERSHIP

The following table sets forth information as of March 4, 2014 with respect to the beneficial ownership of our common stock by (1) each stockholder who is known to us to be a beneficial owner of more than 5% of our common stock, (2) our directors and director nominees and the persons named in the Summary Compensation Table below, and (3) all current executive officers and directors as a group. To our knowledge, except as indicated in the footnotes to this table or as provided by applicable community property laws, the persons named in the table have sole investment and voting power with respect to the shares of common stock indicated.

| Name and Address of Beneficial Owner(1) | Number of Shares(2) | Percent of Class |
|---|---|---|
| Dimensional Fund Advisors LP(3) | 13,471,163 | 8.3% |
| BlackRock, Inc.(4) | 9,544,513 | 5.9% |
| The Vanguard Group(5) | 8,666,384 | 5.3% |
| John T. Rynd | 1,893,644 | 1.2% |
| Stephen M. Butz | 533,762 | * |
| James W. Noe | 732,721 | * |
| Terrell L. Carr | 577,745 | * |
| Troy L. Carson | 334,473 | * |
| Thomas N. Amonett | 90,926 | * |
| Suzanne V. Baer | 82,771 | * |
| Thomas R. Bates, Jr. | 220,000 | * |
| Thomas M Hamilton | 88,801 | * |
| Thomas J. Madonna | 112,200 | * |
| F. Gardner Parker(6) | 86,100 | * |
| Thierry Pilenko | 69,000 | * |
| Steven A. Webster(7) | 2,105,654 | 1.3% |
| All current executive officers and directors as a group (17 persons) | 7,596,734 | 4.7% |

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

(1) The address of each director and executive officer is 9 Greenway Plaza, Suite 2200, Houston, Texas 77046.

(2) The number of shares beneficially owned by the directors and executive officers includes shares that may be acquired within 60 days of March 4, 2014 by exercise of stock options as follows: Mr. Rynd 890,000 shares; Mr. Butz 211,900 shares; Mr. Noe 385,250 shares; Mr. Carr 315,000 shares; Mr. Carson 180,100 shares; Mr. Amonett 17,308 shares; Ms. Baer 10,000 shares; Mr. Bates 0 shares; Mr. Hamilton 17,308 shares; Mr. Madonna 10,000 shares; Mr. Parker 10,000 shares; Mr. Pilenko 10,000 shares; Mr. Webster 10,000 shares; and all current executive officers and directors as a group 2,218,034 shares.

(3) Based on a Schedule 13G filed February 10, 2014 with the SEC by Dimensional Fund Advisors LP, Dimensional Fund Advisors LP, an investment adviser registered under Section 203 of the Investment Advisors Act of 1940, furnishes investment advice to four investment companies registered under the Investment Company Act of 1940, and serves as investment manager to certain other commingled group trusts and separate accounts (such investment companies, trusts and accounts, collectively referred to as the Funds ). In certain cases, subsidiaries of Dimensional Fund Advisors LP may act as an adviser or sub-adviser to certain Funds. In its role as investment advisor, sub-adviser and/or manager, Dimensional Fund Advisors LP or its subsidiaries (collectively, Dimensional ) possess voting and/or investment power over

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the securities of the Issuer that are owned by the Funds, and may be deemed to be the beneficial owner of the shares of the Issuer held by the Funds. However, all securities reported herein are owned by the Funds. Dimensional disclaims beneficial ownership of such securities. The address for this entity is Palisades West, Building One, 6300 Bee Cave Road, Austin, Texas 78746.

(4) Based on a Schedule 13G/A filed January 29, 2014 with the SEC by BlackRock, Inc. BlackRock, Inc. reported sole dispositive power with respect to 9,544,513 shares of common stock. The address for this entity is 40 East 52nd Street, New York, New York 10022.

(5) Based on a Schedule 13G filed February 11, 2014 with the SEC by The Vanguard Group, The Vanguard Group reported beneficial ownership with respect to 8,666,384 shares of common stock. The address for this entity is 100 Vanguard Blvd., Malvern, Pennsylvania 19355.

(6) Mr. Parker reports 7,000 shares owned by his wife.

(7) Mr. Webster directly owns 1,417,140 shares of our common stock and is the beneficial owner of 588,767 shares of our common stock through Kestrel Capital, LP, over which Mr. Webster shares voting and investment power, 44,747 shares of our common stock as Trustee of the Steven A. Webster Defined Benefit Pension Plan, 5,000 shares of our common stock as Trustee of the Elizabeth Anne Webster Trust, and 40,000 shares of our common stock through San Felipe Resources Company, of which he and his wife are the general partners.

## SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934 requires our executive officers and directors and beneficial owners of more than ten percent (10%) of any class of equity securities to file initial reports of ownership and reports of changes in ownership of our common stock with the SEC and, pursuant to rules promulgated under Section 16(a), such individuals are required to furnish us with copies of Section 16(a) reports they file. Based solely on a review of the copies of such reports furnished to us during the year ended December 31, 2013 and written representations from our officers and directors, all Section 16(a) reports applicable to our officers and directors and any beneficial owners of ten percent (10%) or more of a class of equity securities were filed on a timely basis.

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# EXECUTIVE SUMMARY

## COMPANY PERFORMANCE HIGHLIGHTS AND SHAREHOLDER OUTREACH

***Hercules Offshore Pays for Performance and Responds to Shareholders***

Hercules Offshore is committed to providing value to our shareholders. We dedicate significant efforts to our executive compensation program and directly engage our shareholders to solicit their thoughts and suggestions. Following a program of shareholder engagement, shareholders approved our say on pay vote proposal in 2013. We are confident that through the discussions below, our shareholders will see that we continue to understand our responsibility to maintain an executive compensation program that fairly and appropriately compensates our executive officers.

***Hercules Offshore Performance***

Hercules Offshore has been one of the highest performing companies in its sector over the past three years. Our 3-year Total Shareholder Return ( TSR ) ranked second in our peer group through 2013 (94th percentile). Hercules Offshore shares delivered a total return of 87.36% over the three-year period ending December 31, 2013, and our shares substantially outperformed the S&P 500 Index, by over 40 percentage points.

Hercules Offshore TSR Ranking provided by Longnecker & Associates

***Pay for Performance***

Hercules Offshore targets total direct compensation at the 50th percentile of its peer group for our executive officers. Despite strong financial performance the past three years, on average, the total direct compensation paid to our executive officers has remained below the 50th percentile of our peer group, and our Chief Executive Officer s total direct compensation decreased by 34.4% since 2011. In 2013, Hercules Offshore continued its strong performance, however, the compensation committee elected to maintain the base salaries of its executive officers at current levels and instead focus compensation on the potential value that can be realized through performance-based short-term and long-term incentives.

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Hercules Offshore executive pay vs. market provided by Longnecker & Associates

***2012 Executive Compensation Say on Pay Vote***

Our advisory vote on 2012 executive compensation passed by a vote of 97% to 3%. Hercules Offshore, its board of directors, and compensation committee were extremely satisfied with this outcome. We believe the successful vote was in response to the changes we made after our robust outreach effort to our shareholders. Our board chairman and compensation committee chairman, along with members of senior management, engage in valuable discussions with many of our institutional investors, as well as Institutional Shareholder Services, Inc. and Glass Lewis & Co., regarding our executive compensation program, corporate governance and strategic accomplishments. As we evaluated our executive compensation and governance programs in 2012 and 2013, we considered and incorporated the feedback we received from these sources, which resulted in significant changes to these programs. Our program modifications are discussed in detail throughout the CD&A. Some noteworthy features of our program are as follows:

**Our Response to Shareholder Feedback:**

1. Chief Executive Officer long-term incentive awards targeted at 70% performance-based in 2013 and 2014, up from 55% in prior years
2. Adopted a three-year performance period for performance awards
3. Adopted a relative performance metric (stock price performance ranking) for long-term incentive awards
4. Consolidated all Hercules Offshore executives under the same metrics for annual incentive plan
5. Eliminated overlapping performance metrics for annual and long-term incentive plans
6. Moved from six-month to one-year performance period under our annual incentive plan
7. Terminated our poison pill
8. Adopted a no excise tax gross-up policy
9. Amended existing employment agreements to eliminate excise tax gross-ups and provide for a definite term, with only double-trigger change in control benefits
10. Amended long-term incentive plan to eliminate share recycling for tax withholding and option exercises
11. Instituted minimum vesting requirements for all equity-based compensation awards to executive officers
12. Discontinued guaranteed bonuses and retention bonuses
13. Adopted anti-hedging policy
14. Adopted Director Resignation voting policy

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***Our Executive Compensation Programs: We Pay for Performance***

The core principle of our executive compensation philosophy is to pay for performance. Accordingly, our executive compensation program is heavily weighted toward at-risk performance-based compensation. We have three elements of total direct compensation: base salary, annual incentive compensation and long-term incentive compensation. These elements provide our compensation committee with a platform to reinforce our pay-for-performance philosophy while addressing our business needs and goals with appropriate flexibility. As illustrated in the chart below, in 2013, 82% of total direct compensation to our chief executive officer was performance-based and not guaranteed.

***Our Relationship between Company Performance and CEO Compensation***

Our executive compensation programs closely tie pay to performance and motivate our executive officers to create long-term value for Hercules Offshore and its shareholders. The charts below demonstrate the relationship between Company performance, based on key company performance measures, and the compensation of our chief executive officer from 2011 to 2013. These key performance measures (i) revenue; (ii) earnings before interest, taxes, depreciation and amortization, as adjusted, defined and reconciled in Item 7 of our 2013 Form 10-K ( EBITDA ); and (iii) revenue backlog were chosen because they drive earnings growth and the creation of long-term shareholder value.

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***Our Relationship between Company Stock Price and CEO Compensation***

Our executive compensation programs are designed to motivate our executive officers to create long-term value for Hercules Offshore and its shareholders. The chart below demonstrates the relationship between Company stock price and the compensation of our chief executive officer from 2011 to 2013.

**CEO Pay-For-Performance: Company Stock Price vs. CEO Compensation**

***Our 2013 Business Highlights***

The improvement in the Company s financial results during 2013 reflects prior steps taken to capitalize on the strong market conditions in the offshore industry. Beyond improvements to our financial results, the Company experienced several significant achievements in 2013, including acquiring assets that broaden our service offerings to customers and closing a refinancing that lowered our borrowing cost and extended our debt maturities. We continue to refine our procedures with the goal to further improve our safety and operational performance. Business highlights included:

- Modernized fleet through the acquisitions of Discovery Offshore S.A. and liftboat *Bull Ray*;
- Divested of non-core and low performing Domestic Liftboats and Inland segments;

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- Increased revenue backlog by 54% to over $1 billion;

- Secured five-year contract extensions for the *Hercules 261* and *Hercules 262* at dayrates that are approximately 56% above current dayrates for the rigs combined;

- Increased revenue across each of our operating segments through higher dayrates and utilization;

- Obtained the ISO 14001:2004 certification;

- Improved our Lost Time Incident Rate by approximately 50% and Total Recordable Incident Rate by 21%; and

- Refinanced our 10.5% Senior Notes, lowering borrowing cost and extending maturity of our debt, resulting in improved financial flexibility.

The strategic actions taken during 2013 better position the Company for long-term sustainability and enhance our competitive position.

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*Our Executive Compensation Practices*

Below we highlight certain executive compensation practices, both the practices we have implemented to drive performance and the practices we have not implemented because we do not believe they would serve our shareholders interests.

**Compensation Best Practices We Follow**

**Pay for Performance** We tie pay to performance. 82% of our chief executive officer s direct compensation is not guaranteed. We set clear financial goals for corporate performance and differentiate based on individual achievement. In establishing goals, we select performance metrics that drive both our short-term and long-term corporate strategy in accordance with our strategic plan *Execute for Success*, which emphasizes performance in the areas of Safety, Financial and Marketing, Operations and People.

**Mitigate Undue Risk** We seek to mitigate undue risk associated with compensation, including utilizing caps on potential payments, clawback provisions, retention provisions, multiple performance targets and robust board and management processes to identify risk.

**Independent Compensation Consulting Firm** The compensation committee benefits from its utilization of an independent compensation consulting firm which provides no other services to the Company.

**Double Trigger** Under our executive employment agreements, we provide for accelerated vesting of equity awards after a change in control only in the event that an executive is terminated within two years of the change in control (a double trigger).

**Minimal Perquisites** We provide only minimal perquisites to our executive officers.

**Regular Review of Share Utilization** We evaluate share utilization by reviewing overhang levels (dilutive impact of equity compensation on our shareholders) and annual run rates (the aggregate shares awarded as a percentage of total outstanding shares).

**Equity Ownership Guidelines** We require our directors and executive officers to acquire and maintain prescribed levels of ownership of our stock in order to align their interest with those of our stockholders.

**Review Tally Sheets** We review historical annual base salary, short-term and long-term incentive awards for our named executive officers prior to making executive compensation decisions.

**Clawback Policy** We have a clawback policy that allows the Company to take back, under certain circumstances, compensation paid to directors and executive officers.

**Minimum Vesting Requirements** We have instituted a one-year minimum vesting requirement for all equity-based compensation awards to executive officers.

**Disfavored Compensation Practices We Do Not Follow**

No share recycling for tax withholding and option exercises

No excise tax gross-ups upon change in control

No repricing of underwater stock options

No hedging transactions or short sales by executive officers or directors permitted

No guaranteed bonus or retention bonus for executive officers

Severance multipliers greater than 3.0 times

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# COMPENSATION DISCUSSION AND ANALYSIS

## Our Executive Compensation Structure

This Compensation Discussion and Analysis, or CD&A , describes Hercules Offshore s executive compensation philosophy and program for 2013 and certain elements of the 2014 program. This CD&A explains how the compensation committee of the board of directors made compensation decisions with respect to our executives, including the following named executive officers:

| Executive | Position |
|---|---|
| John T. Rynd | Chief Executive Officer and President |
| Stephen M. Butz | Executive Vice President and Chief Financial Officer |
| James W. Noe | Executive Vice President |
| Terrell L. Carr | Senior Vice President, Worldwide Drilling Operations |
| Troy L. Carson | Senior Vice President and Chief Accounting Officer |

***Philosophy, Goals and Core Principles***

Our compensation philosophy, which is set by the compensation committee, is to align executive compensation with short-term and long-term performance and to provide the compensation and incentives needed to attract, motivate and retain executives who are crucial to our long-term success. A significant portion of the total compensation opportunity for our executive officers is directly related to the Company s stock price and other performance factors that measure our progress against strategic and operating goals, as well as performance against our peer group. Our compensation program is designed to reward employees for producing sustainable growth consistent with our strategic plan *Execute for Success*, which sets forth a common set of strategies, *Accountability for Safety, Operate to Win, Fund the Future* and *Work as HEROES*, that guide us to succeed in the ever challenging offshore drilling industry. The committee has identified four core principles (listed below) that drive our executive compensation philosophy and motivate our executives to continually improve the financial and operating position of the Company and deliver long-term shareholder value.

**We seek to implement our philosophy and achieve the goals of our program by following four core principles:**

1. Support, communicate and execute Hercules Offshore s strategic plan and goals.
2. Motivate and reward executives when they deliver desired business results and reduce rewards for underperformance.
3. Attract and retain the most talented executives to succeed in a competitive market place.
4. Closely align the interest of executive officers with shareholders interest and support an equity ownership environment.

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The compensation committee believes each of the direct components of our executive compensation program must contribute to the furtherance of our core principles, as outlined in the following chart:

| Compensation Element | Objective | Key Features |
|---|---|---|
| *Base Salary* | Attract and retain high-caliber talent | Reviewed annually |
| | Provide a minimum, fixed level of cash compensation | Targeted at median compensation of peer group |
| | | Adjustments based on accomplishment of individual performance goals |
| *Annual Incentive Award* | Motivate high performance | Targets set at market percentage of base salary |
| | Reward the achievement of short-term Company performance objectives | Payments based on performance against operating and strategic plan goals |
| | | No payment if performance is below threshold |
| *Long-Term Incentive Awards* | Reward multi-year financial success which supports the Company s long-term strategic objectives | Awards are primarily equity based |
| | Encourage stock ownership and reinforce an alignment of executives interests with those of stockholders | A majority of the awards are tied to the achievement of pre-established performance goals |
| | Promote retention of key talent | No payment for performance awards if performance is below threshold |

***2013 Compensation for our Executive Officers***

In the first quarter of 2013, the compensation committee elected to maintain the base salaries of its executive officers at current levels and instead focus compensation on the potential value that can be realized through performance-based short-term and long-term incentives. Our pay-for-performance approach for our named executive officers provides that:

1. A large portion of their total compensation be at risk in the form of annual and long-term incentive awards.
2. A large portion of their incentive awards be focused on long-term awards to drive sustainable shareholder value.
3. A majority of the long-term incentive awards granted each year be based on the achievement of Company performance objectives.

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The following chart illustrates the allocation of all fiscal 2013 total direct compensation components for each named executive officer. This chart highlights the Company s emphasis on long-term and at-risk compensation:

***Competitive Positioning***

In support of our compensation philosophy, we target the median compensation of our peer group for each of our named executive officers. In consultation with our independent executive compensation consultant, Longnecker and Associates ( Longnecker ), the compensation committee reviews the peer group against which financial performance and competitive positioning programs are assessed. The compensation committee compares each element of total compensation against a peer group of publicly traded offshore drilling and oilfield services companies. The principal criteria used to determine membership in our peer group are the business of the companies, geographic locations of the companies operations, company size, and the extent to which we compete with such companies for executive talent. Market data was taken from companies that operate in the oil and gas industry and included companies that had median revenues of approximately $1.07 billion, a median market cap of $1.81 billion and median enterprise values of $2.41 billion.

For the peer group that we used to determine 2013 compensation, the compensation committee and Longnecker noted few companies of a similar size that compete in the same geographic and water-depth areas as the Company. Accordingly, the compensation committee selected companies who share certain similar characteristics with the Company. Specifically, the compensation committee thought it appropriate to add operators of a similar size that have substantial operations in the Gulf of Mexico and other drilling contractors of varying sizes that also operate in shallow water. For example, our peer group contains the owners of the majority of jackup rigs operating in the Gulf of Mexico, including Ensco and Rowan Companies, Inc., despite the fact that these companies are significantly larger than us. We compete with these larger companies both on an operational level and for executive talent. Simply put, our peer group consists of companies against which we

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compete for talent, business and stockholder investment. The companies that the committee selected to comprise our peer group in informing 2013 compensation were ($ in 000 s):

| Company | Offshore Driller | Onshore Driller | Energy Services | Gulf of Mexico | Enterprise Value(1) |
|---|---|---|---|---|---|
| Atwood Oceanics | X | | | X | $ 3,390 |
| Basic Energy Services | | | X | | $ 1,180 |
| Dresser-Rand | | | X | | $ 4,480 |
| Ensco PLC | X | | X | X | $ 17,410 |
| Gulfmark Offshore | | | X | X | $ 1,140 |
| Helmerich & Payne | X | X | | X | |