

MEMORANDUM

To: All Option Members, Member Organizations and ROTs

From: Market Watch

Date: July 2, 2007

Subject: Todco (THE) Pending Merger With Hercules Offshore Inc. (HERO)

On Wednesday, July 11, 2007, the shareholders of TODCO (THE) will vote to approve the proposed merger with Hercules Offshore, Inc. (HERO). Pursuant to the merger terms each THE share will be converted as follows:

Stock Consideration: An amount of all outstanding THE Common shares will be converted into an amount of HERO Common Shares equal to the quotient of \$16.00 plus 0.979 times the HERO average closing price (as described in the prospectus) divided by that closing price, subject to proration. Cash will be paid in lieu of fractional HERO Common Shares.

Cash Consideration: An amount of all outstanding THE Common shares will be converted into an amount of cash equal to the quotient of \$16.00 plus 0.979 times the HERO average closing price (as described in the prospectus), subject to proration.

Within the terms of the merger, THE shareholders may choose one of the following:

Cash Election: Elect to receive an amount of cash for each THE Common Share; OR

Stock Election: Elect to receive an amount of Common Shares for each THE Common Share; OR

Mixed Election: Elect to receive a combination of cash and HERO Common Shares; OR

Non-Election: Register no preference with no respect to cash or HERO Common Shares

All elections will be subject to prorations as described in the Proxy Statement. Electing THE shareholders may receive cash, HERO Common Shares or a combination of cash and stock; while non-electing THE shareholders may receive cash, stock or a combination of cash and stock (as described above).

ELECTION DEADLINE:

Elections must be submitted to the Exchange Agent prior to the election deadline, which is 5:00 P.M., New York City Time, Thursday, July 5, 2007. THE shares MAY be delivered under "Notices of Guaranteed Delivery", which allows delivery of such shares within three (3) NYSE trading days of submission of the notice. Elections may be made under "Notices of Guaranteed Delivery", on or before the election deadline. Call option holders wishing to participate in the election must exercise their options in advance of the election deadline.

The merger is ANTICIPATED to become effective on Wednesday, July 11, 2007.

***The foregoing is an unofficial summary of the terms of the Merger, prepared by the PHLX for the convenience of its members. PHLX accepts no responsibility for the accuracy or completeness of the summary. Members should refer to the proxy statement for the authoritative description of the merger terms and conditions.*

Pursuant to Options Clearing Corporation (OCC) By-Laws, all outstanding THE options will be adjusted as follows:

EFFECTIVE DATE:	Option changes are expected to become effective on Thursday, July 12, 2007
SYMBOL(s):	THE/YTH/ZYU becomes FKT/YKB/XDU respectively
STRIKE PRICE:	No Change
POS/EXERCISE LIMIT:	No Change
MULTIPLIER:	100*(eg., Premium of 1.00 = \$100)
NEW DELIVERABLE:	The deliverable for adjusted FKT options will be based on the merger consideration which accrues to Non-Electing shareholders.

Todco (THE)
(Before a date to be announced)
 100 shares THE

			Calls	Puts
THE	JUL	40	GH	SH
THE	JUL	45	GI	SI
THE	JUL	50	GJ	SJ
THE	JUL	55	GK	SK
THE	AUG	45	HI	TI
THE	AUG	50	HJ	TJ
THE	AUG	55	HK	TK
THE	SEP	22 1/2	IX	UX
THE	SEP	25	IE	UE
THE	SEP	30	IF	UF
THE	SEP	35	IG	UG
THE	SEP	40	IH	UH
THE	SEP	45	II	UI
THE	SEP	50	IJ	UJ
THE	SEP	55	IK	UK
THE	DEC	35	LG	XG
THE	DEC	40	LH	XH
THE	DEC	45	LI	XI
THE	DEC	50	LJ	XJ
THE	DEC	55	LK	XK

Todco (FKT)
(Beginning on a date to be announced)
 (See New Deliverable Above)

			Calls	Puts
FKT	JUL	40	GH	SH
FKT	JUL	45	GI	SI
FKT	JUL	50	GJ	SJ
FKT	JUL	55	GK	SK
FKT	AUG	45	HI	TI
FKT	AUG	50	HJ	TJ
FKT	AUG	55	HK	TK
FKT	SEP	22 1/2	IX	UX
FKT	SEP	25	IE	UE
FKT	SEP	30	IF	UF
FKT	SEP	35	IG	UG
FKT	SEP	40	IH	UH
FKT	SEP	45	II	UI
FKT	SEP	50	IJ	UJ
FKT	SEP	55	IK	UK
FKT	DEC	35	LG	XG
FKT	DEC	40	LH	XH
FKT	DEC	45	LI	XI
FKT	DEC	50	LJ	XJ
FKT	DEC	55	LK	XK

Todco - 2008 Leap (THE/YTH)
(Before a date to be announced)
 100 shares THE

			Call	Put
YTH	JAN	20	AD	MD
YTH	JAN	25	AE	ME
YTH	JAN	30	AF	MF
YTH	JAN	35	AG	MG
YTH	JAN	40	AH	MH
YTH	JAN	45	AI	MI
YTH	JAN	50	AJ	MJ
YTH	JAN	55	AK	MK

Todco - 2008 Leap (THE/YKB)
(Beginning on a date to be announced)
 (See New Deliverable Above)

			Call	Put
YKB	JAN	20	AD	MD
YKB	JAN	25	AE	ME
YKB	JAN	30	AF	MF
YKB	JAN	35	AG	MG
YKB	JAN	40	AH	MH
YKB	JAN	45	AI	MI
YKB	JAN	50	AJ	MJ
YKB	JAN	55	AK	MK

Todco - 2009 Leap (THE/ZYU)
(Before a date to be announced)
 100 shares THE

			Call	Put
ZYU	JAN	25	AE	ME
ZYU	JAN	30	AF	MF
ZYU	JAN	35	AG	MG
ZYU	JAN	40	AH	MH
ZYU	JAN	45	AI	MI
ZYU	JAN	50	AJ	MJ
ZYU	JAN	55	AK	MK

Todco - 2009 Leap (THE/XDU)
(Beginning on a date to be announced)
 (See New Deliverable Above)

			Call	Put
XDU	JAN	25	AE	ME
XDU	JAN	30	AF	MF
XDU	JAN	35	AG	MG
XDU	JAN	40	AH	MH
XDU	JAN	45	AI	MI
XDU	JAN	50	AJ	MJ
XDU	JAN	55	AK	MK

Customers should be advised that all Good-til-Cancelled (GTC) orders not on AUTOM must be cancelled and re-entered prior to the effective date. GTC AUTOM orders will be deleted by PHLX Service Desk/AUTOM personnel.

Questions regarding this release may be directed to Market Watch at 1-800-THE-PHLX, choice #2, or (215) 496-5380.