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MCLEODUSA INC
Form 10-Q
May 15, 2001

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the Quarterly Period Ended March 31, 2001

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the transition period _____ to _____

Commission file number 0-20763

MCLEODUSA INCORPORATED
(Exact name of registrant as specified in its charter)

Delaware
(State of Incorporation)

42-1407240
(IRS Employer Identification No.)

McLeodUSA Technology Park
6400 C Street SW
P.O. Box 3177
Cedar Rapids, Iowa
(Address of principal executive office)

52406-3177
(Zip Code)

319-364-0000
(Registrant's telephone number,
including area code)

Indicate by check mark whether the registrant (1) has filed all reports
required to be filed by Section 13 or 15(d) of the Securities Exchange Act of
1934 during the preceding 12 months (or for such shorter period that the
registrant was required to file such reports), and (2) has been subject to such
filing requirements for the past 90 days. Yes [X] No

The number of shares outstanding of each class of the issuer's common stock
as of May 9, 2001:

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Common Stock Class A: (\$.01 par value)..... 613,292,978 shares
 Common Stock Class B: (\$.01 par value)..... None

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

MCLEODUSA INCORPORATED AND SUBSIDIARIES
 CONSOLIDATED BALANCE SHEETS
 (In millions, except shares)

ASSETS

Current Assets
 Cash and cash equivalents.....
 Investment in available-for-sale securities.....

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Trade receivables, net.....
 Inventory.....
 Deferred expenses.....
 Prepaid expenses and other.....

 TOTAL CURRENT ASSETS.....

Property and Equipment
 Land and building.....
 Communications networks.....
 Furniture, fixtures and equipment.....
 Networks in progress.....
 Building in progress.....

Less accumulated depreciation.....

Investments, Intangible and Other Assets
 Other investments.....
 Goodwill, net.....
 Other intangibles, net.....
 Other.....

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities
 Current maturities of long-term debt.....
 Accounts payable.....
 Accrued payroll and payroll related expenses.....
 Other accrued liabilities.....
 Deferred revenue, current portion.....
 Customer deposits.....

TOTAL CURRENT LIABILITIES.....
 Long-term Debt, less current maturities.....
 Deferred revenue, less current portion.....
 Other long-term liabilities.....

Redeemable convertible preferred stock
 Preferred, Series B, redeemable, convertible, \$.01 par value, authorized, issued and
 outstanding 2001 275,000 shares; 2000 275,000 shares.....

Preferred, Series C, redeemable, convertible, \$.01 par value, authorized, issued and
 outstanding 2001 125,000 shares; 2000 125,000 shares.....

Stockholders' Equity
 Capital Stock:
 Preferred, Series A, \$.01 par value: authorized, issued and outstanding 2001
 1,149,398 shares; 2000 1,149,400 shares.....

 Common, Class A, \$.01 par value; authorized 2,000,000,000 shares;
 issued and outstanding 2001 611,986,851 shares; 2000 606,596,945
 shares.....

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Common, Class B, convertible, \$.01 par value; authorized 22,000,000
 shares; issued and outstanding 2001 and 2000 none.....
 Additional paid-in capital.....
 Accumulated deficit.....
 Accumulated other comprehensive income.....

The accompanying notes are an integral part of these
 consolidated financial statements

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MCLEODUSA INCORPORATED AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME
 (In millions, except per share data)

	Thru
Revenues:	
Communications services.....	\$
Directory.....	
Local exchange services.....	
Other.....	
TOTAL REVENUE.....	
Operating expenses:	
Cost of service.....	
Selling, general and administrative.....	
Depreciation and amortization.....	
TOTAL OPERATING EXPENSES.....	
OPERATING LOSS.....	(
Nonoperating income (expense):	
Interest income.....	
Interest expense.....	
Other income (expense).....	
TOTAL NONOPERATING INCOME (EXPENSE).....	
NET LOSS.....	\$ (
Preferred stock dividend.....	
NET LOSS APPLICABLE TO COMMON SHARES.....	\$ (
Loss per common share.....	\$

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Basic and diluted weighted average common shares outstanding.....

Other comprehensive income (loss), net of tax:

Unrealized holding gains (losses) arising during the period.....

Comprehensive LOSS.....

The accompanying notes are an integral part of these consolidated financial statements

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MCLEODUSA INCORPORATED AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions)

Cash Flows from Operating Activities

Net loss.....
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:
Depreciation.....
Amortization.....
Accretion of interest on senior discount notes.....
Changes in assets and liabilities, net of effects of acquisitions:
Increase in trade receivables.....
Increase in inventory.....
(Increase) Decrease in deferred expenses.....
(Increase) Decrease in prepaid expenses and other.....
Increase in other assets.....
Decrease in accounts payable and accrued expenses.....
Increase in deferred revenue.....
(Decrease) Increase in customer deposits.....

NET CASH USED IN OPERATING ACTIVITIES.....

Cash Flows from Investing Activities

Purchases of property and equipment.....
Available-for-sale securities:
Purchases.....
Sales.....
Maturities.....
Business Acquisitions.....

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Other.....

NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES

Cash Flows from Financing Activities

Net proceeds from long-term debt.....
Payments on long-term debt.....
Payments of preferred stock dividends.....
Proceeds from issuance of common stock.....

NET CASH PROVIDED BY FINANCING ACTIVITIES.....

NET INCREASE IN CASH AND CASH EQUIVALENTS.....

Cash and cash equivalents:

Beginning.....

Ending.....

Supplemental Disclosure of Cash Flow Information:

Cash payment for interest.....

Supplemental Schedule of Noncash Investing and Financing Activities

Capital leases incurred for the acquisition of property and equipment.....

The accompanying notes are an integral part of these consolidated financial statements

MCLEODUSA INCORPORATED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Information as of and for the Three Months Ended
March 31, 2001 and 2000 is Unaudited)

Note 1: Basis of Presentation

Interim Financial Information (unaudited): The financial statements and related notes as of March 31, 2001, and for the three month periods ended March 31, 2001 and 2000, are unaudited, but in the opinion of management include all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of our financial position and results of operations. The operating results for the interim periods are not indicative of the operating results to be expected for a full year or for other interim periods. Certain information and footnote disclosure normally included in financial statements prepared in accordance with generally accepted accounting principles in the United States have been condensed or omitted pursuant to instructions, rules and regulations prescribed by the Securities and Exchange Commission ("SEC"). Although management believes that the disclosures provided are adequate to make the information presented not misleading, management recommends that you read these consolidated condensed financial statements in conjunction with the audited consolidated financial statements and the related footnotes included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2000, filed with the SEC on March 30, 2001.

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Reclassifications: Networks in progress at December 31, 2000 reflects a \$429.8 million reclassification for CapRock Communications Corp. assets previously recorded as Communications networks. Certain items in the unaudited statement of operations for the three month period ended March 31, 2000 have been reclassified to be consistent with the presentation in the March 31, 2001 unaudited financial statements.

In the McLeodUSA Incorporated Report on Form 10-K, the Company misreported the conversion ratio on the Series B Preferred Shares. The Series B Preferred Shares are convertible into shares of the Company's Class A common stock at a rate of (a) the liquidation preference divided by (b) approximately \$12.16667.

Note 2: Supplemental Asset Data

Trade Receivables: The composition of trade receivables, net is as follows:

	March 31, 2001 -----	December 31, 2000 -----
	(In millions)	
Trade Receivables:		
Billed.....	\$368.4	\$323.4
Unbilled.....	104.6	120.4
	-----	-----
	473.0	443.8
Allowance for doubtful accounts and discounts.....	(95.5)	(89.8)
	-----	-----
	\$377.5	\$354.0
	=====	=====

Note 3: Acquisitions

Splitrock Services, Inc. (Splitrock): On March 30, 2000, the Company acquired Splitrock pursuant to the Amended Plan of Merger dated February 11, 2000, in exchange for approximately 93.2 million shares of Class A common stock. The total purchase price was approximately \$2.3 billion based on the average closing price of the Company's Class A common stock five days before and after January 6, 2000, the initial date of the Merger Agreement. Approximately \$261 million in Splitrock debt remained outstanding after the closing. This debt has been retired.

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The following table summarizes the purchase price allocations for business acquisitions in the three months ended March 31, 2001 and 2000 (in millions):

Transaction Year:	2001 -----	2000 -----
Cash purchase price	\$ 21.8	\$ 10.8
Acquisition costs	--	41.7
Promissory notes	4.8	38.4
Stock issued	--	1,832.4
Option agreements	--	103.3
	-----	-----
	\$ 26.6	\$2,026.6
	=====	=====

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Working capital acquired, net	\$	--	\$	15.8
Fair value of other assets acquired		--		184.1
Intangibles		26.6		2,117.4
Liabilities assumed		--		(290.7)
		-----		-----
	\$	26.6		\$2,026.6
		=====		=====

These acquisitions have been accounted for as purchases and the results of operations are included in the consolidated financial statements since the dates of acquisition.

Note 4: Information by Business Segment

The Company operates predominantly in two reportable operating segments: (1) providing communications and related services, such as local and long distance service, providing end-to-end data communications, telecommunications network sales and expanding fiber optic network (communications services); and (2) selling advertising space in telephone directories, and publishing and distributing directories to local area subscribers (directory). These business segments have separate management teams and infrastructures that offer different products and services.

The Company previously reported under three operating segments after the acquisition of Splitrock on March 30, 2000. The former Splitrock entity operations were reported under the Data segment. Due to changes in the Company's structure and the way it evaluates performance the Data segment, representing the former Splitrock entity, has been merged into the Communications Services segment. The period ended March 31, 2000 has been restated for this change.

The Company evaluates the performance of its operating segments based on earnings before interest, taxes, depreciation and amortization, excluding general corporate expenses ("EBITDA"). The accounting policies of the reportable segments are the same as those described in Note 1 of Notes to Consolidated Financial Statements in the Company's Annual Report on 10-K. Intersegment transfers are accounted for on an arm's length pricing basis.

Identifiable assets (excluding intersegment receivables) are the Company's assets that are identified in each business segment. Other primarily includes cash and cash equivalents, investments in available-for-sale securities, administrative headquarters and goodwill recorded as a result of acquisitions.

In 2001 and 2000, no single customer or group under common control represented 10% or more of the Company's sales.

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Segment information for the three months ended March 31, 2001 and 2000 was as follows (in millions):

	Communications Services	Directory	Other	T

Three months ended March 31, 2001				
Revenues	\$ 361.3	\$ 71.8	\$ --	\$

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EBITDA	\$ 16.7	\$ 11.7	\$ (6.0)	\$
Depreciation and amortization	(83.2)	(9.0)	(49.8)	
Interest Revenue	0.1	--	6.6	
Interest Expense	(1.1)	--	(55.6)	
Taxes and Other	(2.7)	(0.3)	(0.6)	
Net Income (Loss)	\$ (70.2)	\$ 2.4	\$ (105.4)	\$
Total assets	\$3,552.8	\$518.9	\$3,746.7	\$7
Capital expenditures	\$ 217.5	\$ 29.7	\$ 4.2	\$

	Communications Services	Directory	Other	T
Three months ended March 31, 2000				
Revenues	\$ 222.8	\$ 65.5	\$ --	\$
EBITDA	\$ 10.3	\$ 13.0	\$ (5.3)	\$
Depreciation and amortization	(37.0)	(7.4)	(16.2)	
Interest Revenue	0.4	0.1	14.8	
Interest Expense	(1.0)	--	(30.0)	
Taxes and Other	(2.3)	--	2.1	
Net Income (Loss)	\$ (29.6)	\$ 5.7	\$ (34.6)	\$
Total assets	\$2,330.1	\$469.9	\$3,730.1	\$6
Capital expenditures	\$ 243.0	\$ 1.0	\$ 266.1	\$

Note 5: Long-term debt

On January 16, 2001, the Company completed a public offering of \$750 million aggregate principal amount of its 11 3/8% Senior Notes due January 1, 2009 (the "January Senior Notes"), yielding net proceeds of approximately \$734.3 million. Interest on the January Senior Notes will be payable in cash semi-annually in arrears on January 1 and July 1 of each year, commencing July 1, 2001.

Note 6: Effects of New Accounting Standards

Accounting for Derivative Instruments and Hedging

Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended, is effective for fiscal years beginning after June 15, 2000. SFAS No. 133 establishes accounting and reporting standards for derivative instruments and hedging activities by requiring that entities recognize all derivatives as either assets or liabilities at fair market value on the balance sheet. The Company does not currently hold any derivative instruments or engage in hedging activities. As such, the adoption of SFAS 133 as of January 1, 2001 had no effect on the Company's operations.

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Business Combinations and Intangible Assets--Accounting for Goodwill

On February 14, 2001, the FASB issued an Exposure Draft "Business Combinations and Intangible Assets - Accounting for Goodwill." The Exposure Draft requires the use of a non-amortization approach to account for purchased goodwill and for separately recognized (non-goodwill) intangible assets that have an indefinite useful economic life. Under this approach, goodwill and intangibles would not be amortized, but would be written down and expensed against earnings only in periods in which the recorded value exceeds the fair value. The Company has not yet quantified the impacts of adopting the new Exposure Draft, but it could result in significant changes to amortization expense and the classification and recording of intangibles currently on the books, as well as any future acquisitions.

Note 7: Subsequent events

Sale of PCS licenses

In May 2001, the Company announced the sale of two of its PCS licenses and entered into agreements to sell the remainder of its PCS licenses to four buyers for a combined total exceeding \$100 million, subject to regulatory approval.

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Statements included in this discussion relating, but not limited, to future revenues, operating expenses, capital requirements, growth rates, cash flows, operational performance, sources and uses of funds, acquisitions, and technological changes and developments, are forward-looking statements that involve certain risks and uncertainties. Factors that may cause the actual results, performance, achievements or investments expressed or implied by such forward-looking statements to differ materially from any future results, performance, achievements or investments expressed or implied by such forward-looking statements include, among other things, the availability of financing and regulatory approvals, the number of potential customers in a target market, the existence of strategic alliances and relationships, technological, regulatory or other developments in our business, changes in the competitive climate in which we operate and the emergence of future opportunities and other factors more fully described under the caption "Business--Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2000, filed with the Securities and Exchange Commission on March 30, 2001 and which section is incorporated herein by reference.

Unless otherwise indicated, all dollar amounts in the following Management's Discussion and Analysis of Financial Condition and Results of Operations that exceed \$1 million have been rounded to one decimal place and all dollar amounts less than \$1 million have been rounded to the nearest thousand.

Overview

We derive most of our revenue from our core business of providing communications services, including:

- . local and long distance services
- . dial and dedicated Internet access
- . higher bandwidth Internet access services, such as digital subscriber line (DSL) and cable modem
- . value-added services such as virtual private networks and web hosting

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- . bandwidth leasing and colocation services
- . facilities and services dedicated for a particular customer's use
- . telephone and computer sales, leasing, networking, service and installation
- . other communications services, including video, cellular, operator, payphone, mobile radio and paging services

We also derive revenue from the following services related to our core business:

- . sale of advertising in print and electronic telephone directories
- . traditional local telephone company services in east central Illinois and southeast South Dakota
- . telemarketing services

The table set forth below summarizes our percentage of revenues from these sources:

	Quarter Ended March 31,	
	2001	2000
	----	----
Communications services.....	77%	68%
Directory services.....	17	22
Local exchange services.....	5	8
Other.....	1	2
	----	----
	100%	100%
	====	====

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We provide integrated communications services, including local services, in 25 Midwest, Southwest, Northwest and Rocky Mountain states. We also provide long distance and advanced data services in all 50 states. We are a facilities-based telecommunications provider with, as of March 31, 2001, 396 ATM switches, 50 voice switches, nearly 30,000 route miles of fiber optic network and approximately 11,300 employees. Our fiber optic network is capable of transmitting integrated next-generation data, Internet, video and voice services, reaching 800 cities and approximately 90% of the U.S. population. In the next 12 months, we plan to distribute 34 million telephone directories in 26 states, serving a population of 56 million. McLeodUSA is a Nasdaq-100 company traded under the symbol "MCLD".

Our principal operating expenses consist of cost of service; selling, general and administrative expenses ("SG&A"); and depreciation and amortization. Cost of service primarily includes local and long distance services purchased from certain MegaBells and interexchange carriers, the cost of providing local exchange services in the independent local exchange service areas, and the cost of printing and distributing telephone directories. SG&A consists of sales and marketing, customer service and administrative expenses, including the costs associated with operating our communications network. Depreciation and amortization include depreciation of our communications network and equipment; amortization of goodwill and other intangibles related to our acquisitions; amortization expense related to the excess of estimated fair market value in aggregate of options over the aggregate exercise price of such options granted to some of our officers, other employees and directors; and amortization of one-time direct installation costs associated with transferring customers' local line service from the MegaBells to our local telecommunications service over the life of the customer contract.

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As we expand into new markets, both cost of service and SG&A will increase. We expect to incur cost of service and SG&A expenses before achieving significant revenues in new markets. Fixed costs related to leasing of central office facilities needed to provide telephone services must be incurred in most markets prior to generating revenue in new markets, while significant levels of marketing activity may be necessary in the new markets in order for us to build a customer base large enough to generate sufficient revenue to offset such fixed costs and marketing expenses.

We have experienced operating losses since our inception as a result of efforts to build our customer base, develop and construct our communications network infrastructure, build our internal staffing, develop our systems and expand into new markets. We expect to continue to focus on increasing our customer base and geographic coverage and bringing our customer base onto our communications network. Accordingly, we expect that our cost of service, SG&A and capital expenditures will continue to increase significantly, all of which may have a negative impact on operating results.

In addition, our projected additional capital expenditures will continue to generate negative cash flows from construction activities during the next several years while we install and expand our fiber optic communications network. We may also be forced to change our pricing policies to respond to a changing competitive environment, and we cannot assure you that we will be able to maintain our operating margin. We cannot assure you that growth in our revenue or customer base will continue or that we will be able to achieve or sustain profitability or positive cash flows.

We have generated net operating losses since our inception and, accordingly, have incurred no income tax expense. We have reduced the net deferred tax assets generated by these losses by a valuation allowance which offsets the net deferred tax asset due to the uncertainty of realizing the benefit of the tax loss carry forwards. We will reduce the valuation allowance when, based on the weight of available evidence, it is more likely than not that some portion or all of the deferred tax assets will be realized.

Three Months Ended March 31, 2001 Compared with Three Months Ended March 31, 2000

Total revenue increased from \$288.3 million for the three months ended March 31, 2000 to \$433.1 million for the three months ended March 31, 2001, representing an increase of \$144.8 million or 50%. Revenue from the sale of communications services accounted for \$138.2 million of this increase. The acquisition of Splitrock and CapRock completed on March 30, 2000 and December 7, 2000, respectively, accounted for \$76.6 million of the increase in communication services. The remaining increase in communication services revenue was driven by the growth of our competitive customer base excluding additional customers from acquisitions, to 314,700 customers, a 41% increase over March 31, 2000. Directory revenues increased by \$7.0 million or 11% to \$71.8 million in 2001 primarily due to acquisitions in 2000.

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Cost of service increased from \$148.1 million for the three months ended March 31, 2000, to \$246.1 million for the three months ended March 31, 2001, representing an increase of \$98.0 million or 66%. Cost of service primarily includes local and long distance services purchased from certain MegaBells and interexchange carriers, the cost of providing local exchange services in the independent local exchange service areas, and the cost of printing and distributing telephone directories. For the quarter ended March 31, 2001 the inclusion of Splitrock and CapRock contributed \$59.7 million to the increase. Excluding Splitrock and CapRock, margins have remained relatively consistent.

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SG&A increased from \$122.2 million for the three months ended March 31, 2000 to \$164.6 million for the three months ended March 31, 2001, an increase of \$42.4 million or 35%. The acquisition of Splitrock and CapRock accounted for approximately \$12.4 million of the increase. SG&A as a percentage of revenues dropped from 42% for the period ending March 31, 2000 to 38% in 2001. This decrease in SG&A as a percentage of revenues primarily resulted from the cost savings achieved in combining the general and administrative functions of the acquired companies with our own offset by increased sales and marketing and customer support expenses incurred to support our internal growth and the acquisitions. Our full-time equivalent employee base excluding Splitrock and CapRock increased 19% from approximately 8,800 at March 31, 2000 to 10,500 at March 31, 2001.

Depreciation and amortization expenses increased from \$60.6 million for the three months ended March 31, 2000 to \$142.0 million for the three months ended March 31, 2001, representing an increase of \$81.4 million or 134%. Depreciation and amortization related to the Splitrock and CapRock acquisitions contributed approximately \$45 million in the first quarter 2001. The remaining increase is attributed to a higher asset base as a result of continued infrastructure investment and increased assets placed in service. Capital expenditures totaled \$1,229.6 versus \$734.5 for the twelve months ended March 31, 2001 and March 31, 2000, respectively.

Interest income decreased from \$15.3 million for the three month period ended March 31, 2000, to \$6.7 million for the same period in 2001 as a result of a lower average investment balance during the first quarter 2001.

Gross interest expense increased from \$41.2 million for the first quarter of 2000 to \$87.8 million for the first quarter of 2001. This increase was primarily a result of interest on our Credit Facilities of \$15.7 million, interest on our 12% senior notes, 11 1/2% senior notes, and 11 3/8% senior notes totaling \$28.3 million and the increase in accretion of interest on our 10 1/2% senior discount notes of \$1.6 million. Interest expense of approximately \$31.1 and \$10.2 million was capitalized as part of our construction of fiber optic network during the first quarter of 2001 and 2000, respectively.

Net loss applicable to common shares increased from \$72.1 million for the three months ended March 31, 2000 to \$186.8 million for the three months ended March 31, 2001, an increase of \$114.7 million. This increase resulted primarily from the following four factors: (1) the expansion of our local and long distance services, which requires significant expenditures, a substantial portion of which is incurred before the realization of revenues; (2) the increased depreciation expense related to the construction and expansion of our communications networks and amortization of intangibles related to acquisitions; (3) net interest expense on indebtedness to fund market expansion, network development and acquisitions; and (4) dividends on preferred stock issued.

Liquidity and Capital Resources

Our total assets increased from \$7.4 billion at December 31, 2000 to \$7.8 billion at March 31, 2001. The increase is primarily due the proceeds from the issuance of our \$750 million senior notes offset by our net loss and payments of current liabilities. At March 31, 2001, our current assets of \$847.5 million exceeded our current liabilities of \$698.3 million, providing working capital of \$149.2 million, which represents an increase in working capital of \$432.8 million compared to December 31, 2000. At December 31, 2000, our current liabilities of \$846.4 million exceeded current assets of \$562.8 million, creating a working capital deficit of \$283.6 million.

The net cash used in operating activities totaled \$239.1 million for the three months ended March 31, 2001 and \$16.6 million for the three months ended March

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31, 2000. During the three months ended March 31, 2001, cash used in operating activities was used primarily to fund our net loss of \$186.8 million for such

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period, excluding the noncash impact of depreciation and amortization, to fund the increase in our trade receivables, and to pay CapRock liabilities for capital equipment assumed in the acquisition.

During the first quarter of 2001, we used \$295.9 million in our investing activities primarily to fund the expansion of our fiber optic network and the acquisition of a directory company.

Our financing activities provided net cash of \$745.7 million. On January 16, 2001, we completed an offering of \$750.0 million aggregate principal amount of our 11 3/8% senior notes due January 1, 2009, yielding net proceeds of approximately \$734.3 million. Interest on the notes is payable in cash semi-annually in arrears on January 1 and July 1 of each year, commencing July 1, 2001. We also received proceeds of \$21.3 million from the issuance of common stock, partially offset by payments on long-term debt and preferred stock dividends totaling \$9.9 million.

In May 2001, we announced the sale of two of our PCS licenses and entered into agreements to sell the remainder of our PCS licenses to four buyers for a combined total exceeding \$100 million, subject to regulatory approval.

On May 31, 2000, we entered into \$1.3 billion of Senior Secured Credit Facilities (together the "Credit Facilities") with a syndicate of financial institutions. The credit facilities consist of (1) a seven year Senior Secured Revolving Facility with an aggregate principal amount of \$450 million (the "Revolving Credit Facility"), (2) a seven year Senior Secured Multi-Draw Term Loan Facility with an aggregate principal amount of \$275 million ("Tranche A Term Facility"), and (3) an eight year single draw Senior Secured Term Loan with an aggregate principal amount of \$575 million ("Tranche B Term Facility"). The Tranche A Term Facility provides for multiple (\$50 million minimum) draws for the first 24 months of the agreement at which time any undrawn commitments expire. At March 31, 2001, the Tranche B Term Facility was drawn in full and the Tranche A Term Facility and Revolving Credit Facility remained undrawn. Interest on the Credit Facilities is payable quarterly at LIBOR plus 1% to LIBOR plus 3.25% based on the Company's debt rating. A commitment fee of 0.5% to 1.0% per annum is charged on the undrawn portion of the commitment relating to the Revolving Facility and the Tranche A Term Facility.

The Credit Facilities are secured by (1) a first priority pledge of all the capital stock owned by us and by each subsidiary, and (2) a perfected first priority security interest in substantially all our tangible and intangible assets and, to the extent of \$100 million, by the assets of each subsidiary. In addition, telecommunications assets acquired with proceeds or refinanced from the Credit Facilities serve as collateral.

The Credit Facilities impose operating and financial restrictions on us and our subsidiaries. These restrictions affect, and in certain cases significantly limit or prohibit, among other things, our ability and the ability of our subsidiaries to incur additional indebtedness, pay dividends or make distributions in respect of capital stock, make other restricted payments, enter into sale and leaseback transactions, create liens upon assets, enter into transactions with affiliates or related persons, sell assets, or consolidate, merge or sell all or substantially all of their assets. These covenants also require the maintenance of certain financial covenants and minimum access service lines. We cannot assure you that such covenants will not adversely affect our ability to finance our future operations or capital needs or to

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engage in other business activities that may be in our interests.

Our 12% senior notes, 11 1/2% senior notes, 11 3/8% senior notes, 10 1/2% senior discount notes, 9 1/2% senior notes, 9 1/4% senior notes, 8 3/8% senior notes, and 8 1/8% senior notes (collectively the "Senior Notes") are senior unsecured obligations of McLeodUSA, ranking pari passu in right of payment with all other existing and future senior unsecured obligations of McLeodUSA and senior to all existing and future subordinated debt of McLeodUSA. The Senior Notes are effectively subordinated to all existing and future secured indebtedness of McLeodUSA and our subsidiaries to the extent of the value of the assets securing such indebtedness. The Senior Notes also are effectively subordinated to all existing and future third-party indebtedness and other liabilities of our subsidiaries.

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The indentures governing our Senior Notes impose operating and financial restrictions on our subsidiaries and us. These restrictions affect, and in many cases significantly limit or prohibit, among other things, our subsidiaries' ability to:

- . incur additional indebtedness
- . pay dividends or make distributions in respect of our or our subsidiaries' capital stock
- . redeem capital stock
- . make other restricted payments
- . enter into sale and leaseback transactions
- . create liens upon assets
- . enter into transactions with affiliates or related persons
- . sell assets
- . consolidate, merge or sell all or substantially all of our assets

We cannot assure you that such covenants in our various indentures will not adversely affect our ability to finance our future operations or capital needs or to engage in other business activities that may be in our interests.

As of May 3, 2001 based on our business plan, capital requirements and growth projections as of that date, we estimate that we will require approximately \$900 million from April 1, 2001 through 2002 to fund our planned capital expenditures. Our estimated aggregate capital requirements include the projected costs of:

- . expanding our fiber optic communications network, including national and intra-city fiber optic networks
- . adding voice and data switches
- . constructing, acquiring, developing or improving telecommunications assets in existing and new markets

We expect to meet these funding needs through various sources, including existing cash balances, the existing McLeodUSA lines of credit, prospective sales of selected assets, exercises by employees of outstanding stock options and cash flow from future operations.

Our estimate of future capital requirements is a forward-looking statement within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. The actual amount and timing of our future capital requirements may differ substantially from our estimate due to factors such as:

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- . strategic acquisition costs and effects of acquisitions on our business plan, capital requirements and growth projections
- . unforeseen delays
- . cost overruns
- . engineering design changes
- . changes in demand for our services
- . regulatory, technological or competitive developments
- . new opportunities

We also expect to evaluate potential acquisitions, joint ventures and strategic alliances on an ongoing basis. We may require additional financing if we pursue any of these opportunities. We also require substantial funds for general corporate and other expenses and may require additional funds for working capital fluctuations.

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We may meet any additional capital needs by issuing additional debt or equity securities or borrowing funds from one or more lenders. In addition, in the event vendor financing arrangements are available on terms that allow rates of return comparable to current capital projects and are otherwise favorable to us, we may use such financing to accelerate or increment the development of our network. We cannot assure you that we will have timely access to additional financing sources on acceptable terms.

Failure to generate or raise sufficient funds may require us to delay or abandon some of our expansion plans or expenditures, which could have a material adverse effect on our business, results of operations or financial condition. See "Business--Risk Factors--Failure to Raise Necessary Capital Could Restrict Our Ability to Develop Our Network and Services and Engage in Strategic Acquisitions" in our Annual Report on Form 10-K.

Market Risk

At March 31, 2001, we recorded the marketable equity securities that we hold at a fair value of \$30.8 million. These securities have exposure to price risk. A hypothetical ten percent adverse change in quoted market prices would amount to a decrease in the recorded value of investments of approximately \$3.1 million. We believe our exposure to market price fluctuations on all other investments is nominal due to the short-term nature of our investment portfolio.

Substantially all of our long-term debt obligations are fixed rate obligations which do not expose us to material future earnings or cash flow exposure from changes in interest rates. We have \$575 million of variable rate debt outstanding at March 31, 2001 under the Tranche B Term Facility. If market interest rates average 1% more in subsequent quarters than the rates during the quarter ended March 31, 2001, quarterly interest expense would increase by \$1.4 million. This amount was determined by calculating the effect of the hypothetical interest rate increase on our variable rate debt for the quarter and does not assume changes in our financial structure.

Effects of New Accounting Standards

Accounting for Derivative Instruments and Hedging Activities

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Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities", as amended, is effective for fiscal years beginning after June 15, 2000. SFAS No. 133 establishes accounting and reporting standards for derivative instruments and hedging activities by requiring that entities recognize all derivatives as either assets or liabilities at fair market value on the balance sheet. The Company does not currently hold any derivative instruments or engage in hedging activities. As such, the adoption of SFAS 133 as of January 1, 2001, had no effect on the Company's operations.

Business Combinations and Intangible Assets--Accounting for Goodwill

On February 14, 2001, the FASB issued an Exposure Draft "Business Combinations and Intangible Assets - Accounting for Goodwill." The Exposure Draft requires the use of a non-amortization approach to account for purchased goodwill and for separately recognized (non-goodwill) intangible assets that have an indefinite economic useful life. Under this approach, goodwill and intangibles would not be amortized, but would be written down and expensed against earnings only in periods in which the recorded value exceeds the fair value. We have not yet quantified the impacts of adopting the new Exposure Draft, but it could result in significant changes to amortization expense and the classification and recording of intangibles currently on the books, as well as any future acquisitions.

Inflation

We do not believe that inflation has had a significant impact on our consolidated operations.

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PART II

OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

Exhibit

Number	Exhibit Description
--------	---------------------

11.1	Statement regarding computation of loss per common share.
------	---

(b) Reports on Form 8-K

On May 7, 2001, we filed a Current Report on Form 8-K (1) to report our financial and operating results for the first quarter 2001 and (2) to report our sale of PCS licenses.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

MCLEODUSA INCORPORATED

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(registrant)

Date: May 15, 2001

By: /s/ Stephen C. Gray

Stephen C. Gray
President and Co-Chief
Executive Officer

Date: May 15, 2001

By: /s/ J. Lyle Patrick

J. Lyle Patrick
Chief Financial Officer

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INDEX TO EXHIBITS

Exhibit Number -----	Exhibit Description -----	Sequentially Numbered Page -----
11.1	Statement regarding computation of loss per common share.	

font-size:10.0pt;">

Rodney L. Waller

\$ 70,500

\$ 141,000

\$ 282,000

02/27/06

12,250

(2)

\$ 297,920

02/27/06

29,400

\$ 24.32

\$ 298,016

06/08/06

4,218

(3)

\$ 102,076

06/08/06

10,027

24.20

\$ 101,138

02/24/06

896

21

(4)

\$ 22,525

07/21/06

22

(4)

\$ 541

12/19/06

321

(5)

\$ 9,427

-
- (1) All awards in this column are SARs.
 - (2) The grant date closing price of the Company's common stock on February 27, 2006 was \$24.32 for the Annual Stock Awards.
 - (3) The grant date closing price of the Company's common stock on June 8, 2006 was \$24.20 for the Annual Stock Awards.
 - (4) Number of shares of common stock applicable to the Active Deferred Compensation Plan match, Matching Stock Awards. The match is payable in cash or shares of common stock as elected by each Named Executive Officer. This match resulted from the designation by the Compensation Committee that 25% of each Named Executive Officer's 2005 cash incentive award be placed into the Active Deferred Compensation Plan on February 24, 2006 when the closing price of the Company's common stock was \$25.10. Mr. Whitley's deferral into the plan was made from biweekly payroll deductions valued at the closing price of the common stock on each payroll date.
 - (5) Number of shares of common stock applicable to the 401(k) profit sharing contribution, the 401(k) Stock Awards, made by the Company in common stock on December 19, 2006 at a closing price of \$29.40.
 - (6) Matching Stock Awards granted at each 26 pay periods during 2006 based on the closing stock price on the date of the payroll period. The fair value is a composite of the grant date fair values on each pay date.

Columns (f), (g) and (h) covering Estimated Future Payments Under Equity Incentive Plan Awards have been deleted from the SEC-prescribed table format since the Company did not have any such awards granted during 2006.

The shares of common stock granted on February 24, 2006 are Matching Stock Awards under the Company's Active Deferred Compensation Plan associated with those Named Executive Officers who elected to receive a Bonus Stock Award for a portion of their Annual Incentive Award. The values of such shares are included in the Summary Compensation Table under column (i) as All Other Compensation for each Named Executive Officer. For a detailed description of matching contributions under the Active Deferred Compensation Plan see the section of the Proxy Statement entitled Non-Qualified Deferred Compensation Plans. The shares of common stock granted on December 19, 2006 are 401(k) Stock Awards granted as the 401 (k) profit sharing contribution for 2006. Likewise, the values of such shares are included in the Summary Compensation Table under column (i) as All Other Compensation for each Named Executive Officer. Dividends are payable with respect to all awards reported in column (i).

Outstanding Equity Awards

The Outstanding Equity Awards Table reflects each Named Executive Officer's unvested long-term equity incentive awards at December 31, 2006 on an individual award basis. The market values of Stock Awards in column (h) were determined using the closing price of \$27.46 of the Company's common stock on December 29, 2006, which is the last trading day in 2006. The Compensation Committee has not approved any repricing or any modification of any outstanding award during 2006.

Outstanding Equity Awards at Fiscal Year-End

Name (a)	Option Awards (1)				Stock Awards		
	Number of Securities Underlying Unexercised Options (#) Exercisable (b)	Number of Securities Underlying Unexercised Options (#) Unexercisable (c)	Option Exercise Price (\$) (e)	Option Expiration Date (f)	Number of Shares or Units of Stock That Have Not Vested (#) (g)		Market Value of Shares or Units of Stock That Have Not Vested (\$) (h)
John H. Pinkerton	106,829		\$ 1.7500	03/11/09			
	90,000		\$ 1.2917	04/10/10			
	89,999		\$ 4.4467	02/12/11			
	262,499		\$ 3.4600	04/01/12			
	262,500		\$ 3.8867	02/12/08			
	161,999	108,000	\$ 6.9867	02/11/09			
	42,187	98,437	\$ 15.5200	02/15/10			
	42,188	98,437	\$ 17.9333	07/01/10			
		100,800	\$ 24.3200	02/27/11			
		81,344	\$ 24.2000	06/08/11			
				972	M	\$ 26,691	
				1,275	M	\$ 35,012	
				5,737	B	\$ 157,538	
				5,640	S	\$ 154,874	
				6,169	S	\$ 169,401	
				42,000	S	\$ 1,153,320	
				34,238	S	\$ 940,175	
Jeffrey L. Ventura	150,000		\$ 4.3333	07/14/08			
	84,599	56,400	\$ 6.9867	02/11/09			
	21,599	50,400	\$ 15.5200	02/15/10			
	21,600	50,400	\$ 17.9333	07/01/10			
		52,726	\$ 24.3200	02/27/11			
		49,645	\$ 24.2000	06/08/11			
					704	M	\$ 19,332
				956	M	\$ 26,252	

Name (a)	Option Awards (1)				Stock Awards		
	Number of Securities Underlying Unexercised Options (#) Exercisable (b)	Number of Securities Underlying Unexercised Options (#) Unexercisable (c)	Option Exercise Price (\$) (e)	Option Expiration Date (f)	Number of Shares or Units of Stock That Have Not Vested (#) (g)		Market Value of Shares or Units of Stock That Have Not Vested (\$) (h)
					3,585	B	\$ 98,444
					3,780	S	\$ 103,799
					4,136	S	\$ 113,575
					21,969	S	\$ 603,269
					20,897	S	\$ 573,832
Mark D. Whitley (hired 12/28/05)	18,000	42,000	\$ 25.9100	12/28/10			
					75,000	E	\$ 2,059,500
					623	M	\$ 17,108
Roger S. Manny	89,999		\$ 4.6667	10/01/08			
	48,599	32,400	\$ 6.9867	02/11/09			
	12,487	29,137	\$ 15.5200	02/15/10			
	12,488	29,137	\$ 17.9333	07/01/10			
		30,150	\$ 24.3200	02/27/11			
		16,642	\$ 24.2000	06/08/11			
					503	M	\$ 13,812
					709	M	\$ 19,469
					1,992	B	\$ 54,700
					1,920	S	\$ 52,723
					2,100	S	\$ 57,666
					12,563	S	\$ 344,980
					7,003	S	\$ 192,302
Rodney L. Waller		31,320	\$ 6.9867	02/11/09			
	12,149	28,350	\$ 15.5200	02/15/10			
	12,150	28,350	\$ 17.9333	07/01/10			
		29,400	\$ 24.3200	02/27/11			
		10,027	\$ 24.2000	06/08/11			
					461	M	\$ 12,659
					612	M	\$ 16,806
					1,920	S	\$ 52,723
					2,100	S	\$ 57,666
					12,250	S	\$ 336,385
					4,218	S	\$ 115,826

(1) Option Awards disclosed in the above table represent both Option Awards issued prior to June 2005 and SARs issued in and after June 2005.

Columns (d), (i) and (j) covering unearned equity incentive plan awards have been deleted from the SEC-prescribed table format since the Company did not have any such awards outstanding as of December 31, 2006.

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Annual Stock Awards (designated as S in the table), Option Awards and SARs vest over a three-year period at the rate of 30% over the first two years and 40% over the third year. One grant of Annual Stock Awards was made in 2004 and 2005 to each Named Executive Officer and two grants in 2006. The Annual Stock Awards are listed in sequential order as granted. Option Awards and SARs have a term of five years. Bonus Stock Awards (designated as B in the table) do not

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vest until January 2, 2007. Mr. Whitley received Initial Employment Stock Awards of 100,000 shares (designated as E in the table) in 2005 as part of his initial compensation arrangement which vests ratably over four years. Matching Stock Awards designated as M in the table are Deferred Compensation Plan matches which vest ratably over a three-year period beginning with the initial year of the match. Matching Stock Awards are listed in sequential order for the matches made in 2005 and 2006.

Option Exercise and Stock Vested During 2006

The Option Exercises and Stock Vested Table reflects Options Awards actually exercised and Annual Stock Awards, Bonus Stock Awards, Initial Employment Stock Awards and Matching Stock Awards vested for each of the Named Executive Officers during 2006. No SARs were exercised during 2006.

Option Exercises and Stock Vested

Name (a)	Option Awards	Value Realized on Exercise (\$) (c)	Stock Awards (1)	Value Realized on Vesting (\$) (e)
	Number of Shares Acquired on Exercise (#) (b)		Number of Shares Acquired on Vesting (#) (d)	
John H. Pinkerton	1,920	50,016	23,986	\$ 616,840
Jeffrey L. Ventura			25,444	\$ 647,794
Mark D. Whitley			25,312	\$ 705,308
Roger S. Manny			10,580	\$ 272,673
Rodney L. Waller (2)	379,078	\$ 8,536,289	6,914	\$ 175,669

(1) The Stock Awards included in the vesting amounts shown in this table are from (i) Annual Stock Awards granted during 2003 through 2005, (ii) Matching Stock Awards for 2004 through 2006 and (iii) Bonus Stock Awards subject to additional vesting until January 3, 2006. In addition, Mr. Ventura had 10,000 shares which vested on July 14, 2006 from his Initial Employment Stock Awards in 2003 which vested ratably over three years. Mr. Manny had 5,000 shares which vested on October 1, 2006 from his Initial Employment Stock Awards in 2003 which vested ratably over three years. Mr. Whitley had 25,000 shares which vested on December 28, 2006 from his Initial Employment Stock Awards in 2005 which vested ratably over four years. Since the Summary Compensation Table reflects the FAS 123R value of the Stock Awards over the period of time that such awards vests, a significant portion of the dollar amounts shown as realized on vesting is duplicative to the amounts shown in the Summary Compensation Table but shown in the Summary Compensation Table for different periods of time. The table below reflects the vested value which is in excess of the actual values on the date of grant which would have been reflected in the Summary Compensation Tables for the calendar periods 2003 through 2006.

(2) The exercised Option Awards by Mr. Waller during 2006 represent options granted from August 5, 1999, his initial date of employment, through February 11, 2004. Such Option Awards carried exercise prices that ranged from \$1.29 to \$6.99 per option share. Of the 379,078 Option Awards exercised during 2006, Mr. Waller retained ownership of 215,058 shares as of December 31, 2006. The remaining shares were sold upon exercise to pay for the exercise price and tax withholding generated upon the exercise along with certain tax planning strategies. The pro forma value under FAS 123R of the 379,078 Option Awards exercised that would have been reflected in the Summary Compensation Table for the years 1999 through 2006 was \$806,577.

All of the vesting of awards reflected in the table as Stock Awards during 2006 would be reflected in the Summary Compensation Table for the years 2003 through 2006 if all the years were presented. The table below reflects the total appreciation realized upon vesting that was in excess of the amount of the Stock Awards upon the date of grant for each of the Named Executive Officers, (i.e., the difference between the price of the Company's common stock on the date of vesting and the date of grant of each award). Due to the Company's increasing stock price since the end of 2002 when the common stock price was \$3.56, the Named Executive Officers have been able to realize additional amounts in their Deferred

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Compensation Plan accounts from electing to receive Annual Stock Awards, Bonus Stock Awards, Initial Employment Stock Awards and Matching Stock Awards, as described more fully below in the section entitled Non-Qualified Deferred Compensation Plan.

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	Value Realized on Vesting in 2006 (1)	Value on Date of Grant (2)	Appreciation Realized in Excess of Date of Grant
John H. Pinkerton	\$ 616,840	\$ 240,191	\$ 376,649
Jeffrey L. Ventura	\$ 647,794	\$ 195,680	\$ 452,114
Mark D. Whitley	\$ 705,308	\$ 655,572	\$ 49,736
Roger S. Manny	\$ 272,673	\$ 98,620	\$ 174,053
Rodney L. Waller	\$ 175,669	\$ 61,952	\$ 113,717

(1) The total fair market value of the Stock Awards on the dates such Stock Awards vested during 2006 and as shown in the Option Exercise and Stock Vested Table.

(2) This amount of the vested Stock Awards would have already been reflected in various other compensation tables. This is the fair market value of the Stock Awards on the date of grant during 2003 to 2005 when granted. This amount would have been reflected on the Grants of Plan Based Awards Table historically for awards granted in 2003 to 2005 if such table had historically been presented. The value on the date of grant is the value of the Stock Awards being amortized under FAS 123R. A portion of the date of grant fair value of the Stock Awards is reflected in the Summary Compensation Table during the period which the Stock Awards vest, in these cases, years 2003 to 2006.

Non-Qualified Deferred Compensation Plans

Generally, the Named Executive Officers elect at the time they make their compensation deferrals into the Deferred Compensation Plans (including the deferral of the unvested portion of annual bonuses) whether to receive the Company's matching contribution under such plans in cash or in the form of Company common stock. There are two types of matching contributions that may be made under the Active Deferred Compensation Plan: (i) matching contributions that would have been made to the Company's 401(k) Plan except for the limits applicable to such contributions under the Code (Qualified Plan Excess Matching Contributions) and (ii) discretionary matching contributions (Discretionary Matching Contributions) declared by the Company. Qualified Plan Excess Matching Contributions equal 50% of the first 6% of the Named Executive Officer's elective deferrals to the Company's section 401(k) Plan and vest over a three-year period at the rate of 40% for the first two years and 20% for the final year. Discretionary Matching Contributions equal up to 10% of the Named Executive Officer's compensation paid during the calendar year and each year's match vests over a three-year period, commencing with the year the matching contribution is made, at the rate of 33-1/3% each year. Therefore, to the extent that a Named Executive Officer elected to receive his matching contribution in the form of common stock, vesting of the matching contribution for the 2004 through 2006 calendar periods is reflected as to each respective Named Executive Officer in the Options Exercised and Stock Vested Table above.

All Annual Stock Awards, Bonus Stock Awards, Initial Employment Stock Awards, and Matching Stock Awards are automatically contributed as a discretionary contribution to the Company's Active Deferred Compensation Plan for the account of the Named Executive Officer. Therefore, upon the vesting of any such awards, any amounts that would otherwise be realized are deferred under the terms of the Active Deferred Compensation Plan and will be distributed pursuant to the terms of the Active Deferred Compensation Plan as described below.

As discussed previously, the Company's Deferred Compensation Plans consist of an Active Deferred Compensation Plan and a Frozen Deferred Compensation Plan. The Frozen Deferred Compensation Plan holds amounts contributed to such plan and vested prior to January 1, 2005 and is not subject to the terms of section 409A of the Code as enacted by the American Jobs Creation Act of 2004. The Active Deferred Compensation Plan was adopted by the Compensation Committee in late 2004 and is subject to the terms of Section 409A of the Code. The Active Deferred Compensation Plan currently conforms to the regulations and guidance issued to date under section 409A of the Code. The Internal Revenue Service is expected to issue final regulations under section 409A of the Code during 2007 that will likely require modifications to the Active Deferred Compensation Plan. Any amendments to the Active Deferred Compensation Plan will have to be approved by the Compensation Committee.

Named Executive Officers may elect to make two types of deferrals under the Active Deferred Compensation Plan (i) Non-Qualified Plan Deferrals and (ii) Qualified Plan Excess Deferrals. Generally, such deferral elections must be made prior to the beginning of the calendar year and are irrevocable for the duration of such calendar year.

Non-Qualified Plan Deferrals may be made as a dollar or percentage amount of the Named Executive Officer's Compensation. Compensation is defined as the Named Executive Officer's gross salary including any commissions, bonuses or awards paid by the Company after the Named Executive Officer becomes eligible to participate in the Active Deferred Compensation Plan. Separate deferral elections may be made with respect to the Named Executive Officer's bonus and remaining salary. Named Executive Officers are fully vested in their Non-Qualified Plan Deferrals.

Qualified Plan Excess Deferrals consist of elective deferrals and employer matching contributions that may not be made under the Company's 401(k) Plan due to the limits on such contributions under sections 401(k)(3) or 401(m)(2) of the Code (regarding the actual deferral percentage test and the actual contribution percentage tests). Qualified Plan Excess Deferrals are subject to the compensation limit applicable to the Company's 401(k) Plan under section 401(a)(17) of the Code, which was \$220,000 for 2006. In order to be eligible to make Qualified Plan Excess Deferrals, the Named Executive Officer must have made to the Company's 401(k) Plan the maximum contributions permissible. A Named Executive Officer will be fully vested in that portion of his Qualified Plan Excess Deferrals that are attributable to excess elective deferrals under the Company's 401(k) Plan and will vest in that portion of his Qualified Plan Excess Deferrals that are attributable to excess matching contributions under the Company's 401(k) Plan (*i.e.*, the Qualified Plan Excess Matching Contributions described above) over a three year period at the rate of 40% for each of the first two years and 20% for the third year. After three years of employment with Company, all current and future Qualified Plan Excess Deferrals are fully vested.

The Company may also elect to make discretionary contributions to the Active Deferred Compensation Plan on behalf of Named Executive Officers. These contributions may be made in the form of matching contributions (*i.e.*, the Discretionary Matching Contributions described previously). Any such discretionary contributions will be subject to vesting and any other terms specified by the Compensation Committee. Company Discretionary Matching Contributions will vest on a class-year basis over a three-year period at the rate of 33-1/3% each year, commencing with the year in which the contribution is made. A Named Executive Officer will become fully vested in his Discretionary Matching Contributions upon reaching age 65, death or disability (as defined in the Active Deferred Compensation Plan). A Named Executive Officer will forfeit all Company discretionary or matching contributions, irrespective of the attainment of age 65, disability or death, if his employment with the Company terminates for gross misconduct or engages in unlawful business competition with the Company.

Amounts contributed to the Deferred Compensation Plans and earnings thereon are contributed to a rabbi trust, which is a grantor trust the assets of which may only be used to pay benefits under the Deferred Compensation Plans or to satisfy the claims of the Company's creditors in the event of the Company's insolvency. Thus, the Company has a reserve set aside to fund the benefits payable under the Deferred Compensation Plans. Named Executive Officers are generally entitled to direct the investment of their Deferred Compensation Plan accounts on a daily basis in the same investment funds as are offered under the Company's 401(k) Plan. However, Annual Stock Awards, Bonus Stock Awards, Initial Employment Stock Awards and Matching Stock Awards may not be invested out of the Company's common stock until the later of vesting or the date that is one year from the date such awards were made to the plan. If the Named Executive Officer fails to specify the manner in which his Deferred Compensation Accounts will be invested, such accounts will be invested in the same manner as his contributions under the 401(k) Plan. The table below shows the investment funds available under the 401(k) Plan and their annual rate of return for the calendar year ended December 31, 2006, as reported by the administrator of the 401(k) Plan.

Investment Fund	Rate of Return
Allianz NFS Small Cap Value Fund	18.60 %
American Funds Growth	10.60 %
Lord Abbett Mid Cap Value	12.20 %
Oppenheimer Global Fund	16.90 %
PIMCO Real Return Fund	-0.40 %
Dreman High Return Fund	17.40 %
Equity 500 Index Fund	15.60 %
Fixed Income Fund	3.90 %
Value Builder Fund	10.20 %
International Select Equity Fund	24.80 %
Micro Cap Fund	8.40 %
Stable Value Fund	4.30 %
Mid Cap Growth Fund	10.80 %
RREEF Real Estate Fund	37.70 %
Company Common Stock	(1)

(1) Range Resources Corporation common stock price activity for 2006 was as follows: closing price on December 29, 2006 was \$27.46, closing price on September 30, 2006 was \$25.24, closing price on June 30, 2006 was \$27.19; closing price on March 31, 2006 was \$27.31.

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Benefits under the Active Deferred Compensation Plan will be paid at the time and form specified by the Named Executive Officer in accordance with the requirements of section 409A of the Code. Such amounts may be paid in the form of a single lump sum payment or annual installments over a period of up to 10 years. Amounts invested in Company common stock and Annual Stock Awards, Bonus Stock Awards, Initial Employment Stock Awards, and Matching Stock Awards contributed to the Active Deferred Compensation Plan may be paid in shares of Company common stock, with fractional shares in cash at the election of a participant. If the Named Executive Officer fails to specify a time or form of distribution, such amounts will be paid upon his termination of employment in the form of a single lump sum payment. A Named Executive Officer may change the time and/or form of payment, by making an election with the Plan Administrator at least one year before the date his Active Deferred Compensation Accounts would be paid in accordance with the requirements of section 409A of the Code. Any such subsequent deferral election must delay the Named Executive Officer's benefit commencement date by at least five years. In addition, the Active Deferred Compensation Plan permits a Named Executive Officer to obtain an earlier distribution in the event of an unforeseeable emergency as defined under the Active Deferred Compensation Plan.

Benefits under the Frozen Deferred Compensation Plan will be paid at the time and form specified by the Named Executive Officer. Such amounts may be paid in the form of a single lump sum payment or annual installments over a period of up to 10 years. Amounts invested in Company common stock may be paid in shares of Company common stock with fractional shares in cash at the election of a participant. If the Named Executive Officer fails to specify a time or form of distribution, such amounts will be paid upon his termination of employment in the form of a single lump sum payment. A Named Executive Officer may change the time and/or form of payment, by making an election with the Plan Administrator at least one year before the date his Frozen Deferred Compensation Accounts would be paid. In addition, the Frozen Deferred Compensation Plan permits a Named Executive Officer to obtain an earlier distribution in the event of an unforeseeable emergency as defined under the Frozen Deferred Compensation Plan. All of the Named Executive Officers have elected a time of distribution. None of the Named Executive Officers have elected payment of their benefits under the Deferred Compensation Plan at termination of employment.

The accompanying table reflects the activity during the 2006 calendar year for each of the Named Executive Officers for the Frozen Deferred Compensation Plan shown as F in table and the Active Deferred Compensation Plan shown as A in the table.

Non-Qualified Deferred Compensation

Name (a)	Plan	Executive Contributions in Last FY (\$)		Registrant Contributio ns in Last FY (\$) (c)(2)(3)	Aggregate Earnings in Last FY (\$) (d)(4)	Aggregate Withdrawals/ Distributions (\$) (e)	Aggregate Balance at Last FYE (\$) (f)
		Cash (\$) (b1)(1)	Common Stock (\$) (b2)(2)				
John H. Pinkerton	F				\$ 422,147		\$ 9,396,992
	A	\$ 1,917 (5)	\$ 144,000 (6)	\$ 1,850,000 (7)	\$ 329,738 (8)		\$ 3,778,715
Total		\$ 145,917		\$ 1,897,991	\$ 751,885		\$ 13,175,707
Jeffrey L. Ventura	F				\$ 29,636		\$ 625,324
	A	\$ 1,964 (5)	\$ 90,000 (6)	\$ 1,039,993 (7)	\$ 219,059 (8)		\$ 2,815,189
Total		\$ 91,964		\$ 1,075,986	\$ 248,695		\$ 3,440,513
Mark D. Whitley	F				\$ 166,979		\$ 2,808,035
	A	\$ 25,000 (5)		\$ 25,056 (6)	\$ 82,994 (7)		\$ 1,051,641
Total		\$ 25,000		\$ 25,056	\$ 166,979		\$ 2,808,035
Roger S. Manny	F				\$ 19,212		\$ 289,802
	A	\$ 2,011 (5)	\$ 50,000 (6)	\$ 475,005 (7)	\$ 99,807 (8)		\$ 1,265,594
Total		\$ 52,011		\$ 501,686	\$ 119,019		\$ 1,555,396
Rodney L. Waller	F				\$ 264,392		\$ 5,164,582
	A	\$ 2,034 (5)		\$ 399,996 (6)	\$ 82,994 (7)		\$ 1,051,641

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	\$ 45,000	(6)	23,066	(8)				
Total	\$	47,034	\$	423,062	\$	347,386	\$	6,216,223

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- (1) Column (b1) has been added to the table to reflect the amounts voluntarily deferred from cash compensation (i.e., salary or bonus) by the Named Executive Officers and Qualified Plan Excess Deferrals from the 401(k) Plan during 2006.
 - (2) Column (b2) has been added to the table to reflect the value of Bonus Stock Awards awarded in February 2006. The Named Executive Officer can, at the time of making his compensation deferral elections under the Active Deferred Compensation Plan for the coming calendar year, elect that the Company matching contribution be made in common stock or cash. The Bonus Stock Awards vest January 2, 2007. During 2006, all the Named Executive Officers elected for their match to be made as Matching Stock Awards. The dollar equivalent value of the Matching Stock Awards is shown in column (c) of the table. Matching Stock Awards vest one third at each of the calendar year ends starting with 2006.
 - (3) As explained above, the Compensation Committee grants each year certain Annual Stock Awards to each Named Executive Officer as part of their annual compensation. Such shares are contributed to each Named Executive Officer's account under the Active Deferred Compensation Plan. Such shares vest over a three year period at the rate of 30% for each of the first two years and 40% the last year.
 - (4) The earnings from each Named Executive Officer's Deferred Compensation Plan account shown in column (d) represents the cash earnings or appreciation in market value from the mutual funds or Company common stock elected as investments by the Named Executive Officer under the Deferred Compensation Plans. Such contributions and earnings are held in a rabbi trust. As such, the investments attributable to each Named Executive Officer's account are fully funded and do not employ tracking investments. Since the Named Executive Officers Deferred Compensation Plan accounts have significant investments in Company common stock, the plan earnings each year for each Named Executive Officer are significantly impacted by the change in the Company's common stock during that period.
 - (5) Qualified Plan Excess Deferrals from the Company's 401(k) Plan.
 - (6) This amount is also reflected in column (g) of the Summary Compensation Table.
 - (7) Dollar value of Annual Stock Awards contributed to the Active Deferred Compensation Plan during 2006 subject to vesting.
 - (8) Dollar value of Matching Stock Awards.

The voluntary contributions by the Named Executive Officers from salary, bonus and cash incentive awards from prior years have been reported in the Summary Compensation Tables for such prior years. Mr. Pinkerton has been a participant in the Deferred Compensation Plans since 1996. Mr. Waller has been a participant since 1999. Messrs. Ventura and Manny began participating with their employment with the Company in 2003 and Mr. Whitley in 2005. Therefore all the contributions made by the Named Executives Officers have been reflected in a Summary Compensation Table.

In the Non-Qualified Deferred Compensation Table, the Annual Stock Awards and Bonus Stock Awards granted during 2006 are valued at the date of grant value in accordance with FAS 123R. Such amounts do not conform to the Stock Awards value shown in the Summary Compensation Table for 2006 because, among other reasons, the Summary Compensation Table reflects the date of grant value of the Stock Awards vested under FAS 123R during 2006 granted in prior periods. Matching Stock Awards are reflected in the Summary Compensation Table during the year of match although still subject to future vesting. The difference in the amounts that are reflected in the Summary Compensation Table currently or in the future and the amounts shown as the ending fair market values of the Named Executive Officers accounts in the Deferred Compensation Plans in the following table is the appreciation of the Company's common stock and the earnings and appreciation of investments held in the account. The following table summarized the difference in the historical amounts contributed to the Deferred Compensation Plans as valued under FAS 123R that would be reflected in the Summary Compensation Table over time and the fair market value of the accounts as of December 31, 2006 for each Named Executive Officer.

		Historic Values of Contributions to the Deferred Compensation Plans	Fair Market Value of Deferred Compensation Account as of Year end	Net Appreciation in the Account
John H. Pinkerton	1996	\$ 4,198,306	\$ 13,175,707	\$ 8,977,401
Jeffrey L. Ventura	2003	\$ 1,895,491	\$ 3,440,513	\$ 1,545,022
Mark D. Whitley	2005	\$ 2,641,020	\$ 2,808,035	\$ 167,015
Roger S. Manny	2003	\$ 953,129	\$ 1,555,396	\$ 602,267
Rodney L. Waller	1999	\$ 1,457,688	\$ 6,216,223	\$ 4,758,535

Potential Payments upon Termination and Change in Control

There are no employment agreements currently in effect between the Company and any Named Executive Officer and the Named Executive Officers are not covered under a general severance plan of the Company. In the event a Named Executive Officer is terminated, any severance benefits payable to him would be determined by the Compensation Committee at its discretion, unless such Named Executive Officer is terminated following a Change in Control, in which case severance may be payable to him pursuant to the Management CIC Plan.

Effective March 2005, the Board of Directors adopted the Management CIC Plan pursuant to which all members of the Management Group, including the Named Executive Officers, may be entitled to receive certain payments and benefits if there is a Change in Control and the individual is terminated other than for Cause or resigns for Good Reason. Specifically under the Management CIC Plan, if a member of the Management Group is terminated without Cause or for Good Reason during the Protection Period, such individual will receive (a) a lump sum cash payment equal to (i) such person's Benefit Multiple (which is set forth in the table below with respect to each Named Executive Officer) multiplied by (ii) the sum of (A) the average of such person's Base Salary (as defined below) plus (B) such person's Bonus (the Cash Payment), and (b) for a period of years equal to such person's Benefit Multiple, continued participation in any medical, dental, life, disability or any other insurance arrangement for the benefit of such person (and his spouse and minor children, if applicable) in which such person(s) were participating immediately prior to (x) the date of such person's termination as determined under the Management CIC Plan, or, if greater, (y) the occurrence of the Change in Control (the Continued Benefits).

The Cash Payment will be paid as soon as practicable following a member of the Management Group's termination unless payment is required to be delayed under Section 409A of the Tax Code. Further, the receipt of Continued Benefits is conditioned on the member of the Management Group paying to the Company the same premium amount for such benefits as such person was required to pay prior to his termination, and the Continued Benefits will be limited and reduced to the extent that comparable coverage that does not result in greater out-of-pocket expenses to such person is provided to such person. The Management CIC Plan does not provide for any Cash Payments or Continued Benefits in the event a member of the Management Group is terminated due to death or Disability (as defined below). A discussion of the Benefit Multiple selected for each Named Executive Officer can be found in the Compensation Discussion and Analysis section of this Proxy Statement.

The Management CIC Plan also provides that, upon a Change in Control, all non-vested long-term equity incentive awards held by members of the Management Group, including the Named Executive Officers, automatically vest, regardless of whether or why any such persons terminate employment thereafter. In addition, any long-term equity incentive awards that so automatically vest and that provide for exercise by the recipient will remain exercisable, in the event a person's employment is terminated, as follows: (i) in the case of long-term equity incentive awards granted on or after December 20, 2005, the long-term equity incentive awards will remain exercisable for the remaining term of such awards (except in the case of a termination for Cause) or (ii) in the case of long-term equity incentive awards granted prior to December 20, 2005, (A) if the termination of employment is without Cause, for Good Reason, or due to such person's death or Disability on or after a Change in Control, the long-term equity incentive awards will remain exercisable for the lesser of (x) the remaining term of the award or (y) one year following the termination of employment or (ii) upon any voluntary termination of employment (other than for Good Reason) the long-term equity incentive awards will remain exercisable for the lesser of (x) the remaining term of the award, or (y) 30 days following the termination of employment. Upon any termination of employment for Cause, the long-term equity incentive awards that otherwise would have vested under the Management CIC Plan will terminate.

In connection with the delivery of the Cash Payments under the Management CIC Plan, each member of the Management Group is required to execute and deliver to the Company a release that generally releases and discharges the Company (and its related entities and agents) from any and all claims (with certain limited exceptions) existing at any time prior to execution of the release. The Management CIC Plan also contains non-disparagement provisions pursuant to which each member of the Management Group and the Company have agreed not to disparage one another during the term of such person's employment and thereafter. Violation of the non-disparagement provisions entitles the wronged party to complete relief including injunctive relief, damages, and/or termination or return of payments made under the Management CIC Plan.

The Management CIC Plan also provides for the payment of a tax-gross up to members of the Management Group, including the Named Executive Officers, in the event that Change in Control Payments would result in excess parachute payments under Section 280G of the Tax Code. This tax gross-up entitles members of the Management Group to additional payments in an amount equal to (i) any 4999 Excise Tax with respect to the Change in Control Payments, (ii) all federal, state, and local taxes applicable to the Company's payment of any 4999 Excise Taxes, and (iii) any additional 4999 Excise Tax amounts that are assessed by reason of the Company's payment of the tax gross-up. The intent of the tax gross-up is to provide members of the Management Group, after deduction of any 4999 Excise Tax on the Change in Control Payments and of any income, payroll, or excise taxes on the Company's payment of the 4999 Excise Tax, with a net payment equal to the total Change in Control Payments.

For purposes of the Management CIC Plan, the following terms have been assigned the meanings set forth below:

(i) **Change in Control** means (A) a person or group of persons becomes the beneficial owner of 35% or more of the then outstanding shares of the Company's common stock or the combined voting power of the outstanding securities of the Company that are eligible to vote in the election of the Board of Directors, (B) a majority of the members of the Board of Directors is replaced during a 12-month period by directors who were not endorsed by a majority of the board members prior to their appointment, (C) the stockholders of the Company approve a reorganization, merger, consolidation, or disposition of all or substantially all of the Company's assets or an acquisition of the assets of another corporation which is consummated (or, if stockholder approval is not required, the consummation of such a transaction), (D) approval by the stockholders of a complete liquidation or dissolution of the Company (or if stockholder approval is not required, the consummation of such a transaction), or (E) the public announcement or commencement of a tender or exchange offer by a person or group of persons for 50% or more of the outstanding voting securities of the Company, provided that one of the events described in (A)-(D) above occurs within one year thereof; in the event a member of the Management Group is terminated without Cause or for Good Reason in anticipation of a Change in Control and a Change in Control actually occurs, a Change in Control shall be deemed to have occurred on the date immediately prior to such person's termination;

(ii) **Cause** means (A) an act of dishonesty that constitutes a felony, or (B) an act that results or that is intended to result in gain to or personal enrichment of the member of the Management Group at the Company's expense;

(iii) **Good Reason** means (A) the assignment of duties to a member of the Management Group that are inconsistent with, or an action by the Company that results in the material diminution of, his position, authority, functions, duties or responsibilities immediately prior to the Change in Control without such person's consent, (B) reduction of such person's Base Salary or target opportunity under any bonus or incentive arrangement; (C) failure to permit such person to participate in any compensation plans, or to receive any employee benefits or perquisites, substantially equivalent to what other Company corporate officers in comparable positions participate in or receive, or (D) a change in a member of the Management Group's principal place of employment, without consent, to a location more than 30 miles from his principal place of employment prior to the Change in Control;

(iv) **Protection Period** means, generally, the period beginning on the date of the occurrence of a Change in Control and ending on the last day of the twelfth full calendar month following the calendar month in which the Change in Control occurred;

(v) **Base Salary** means the member of the Management Group's annual gross rate of pay, including vacation and holiday pay, sick leave compensation, and any amounts deferred to an employee benefit plan of the Company, but does not include any bonus, incentive pay, overtime, auto or travel allowance, or any other benefits or special allowances;

(vi) **Bonus** means the average of the annual bonus awards paid to the member of the Management Group for the three prior fiscal years; and

(vii) **Disability** means a disability under the Company's long-term disability plan, if the member of the Management Group participates therein, or a determination by the plan administrator that such person is not able to perform the essential functions of his job (with or without reasonable accommodation) due to mental or physical incapacity for 180 consecutive days.

The following table reflects the estimated payments due to each Named Executive Officer as of December 31, 2006, assuming, as applicable, that a Change in Control occurred and such Named Executive Officers were terminated without Cause effective December 31, 2006. For these purposes, the Company's common stock price was assumed to be \$27.46, which was the closing price of the Company's common stock on December 29, 2006. The amounts below have been calculated using numerous assumptions that the Company believes are reasonable. For purposes of the 280G calculation, it is assumed that no amounts will be treated as attributable to reasonable compensation and no value will be attributed to a Named Executive Officer executing a non-compete agreement. The amount of the 4999 Excise Tax gross-up will change based upon when a Named Executive Officer's employment with the Company is terminated because the amount of compensation subject to Section 280G of the Tax Code will change. Any actual payments that may be made pursuant to the arrangements described above are dependent on various factors, which may or may not exist at the time a Change in Control actually occurs and a Named Executive Officer is actually terminated. Therefore, such amounts and disclosures should be considered forward looking statements.

Potential Change in Control Payments

	Change in Control Multiple	Cash Payments (1)	Value of Accelerated Awards (2)	Value of Welfare Benefits (3)	Potential Excise Tax Gross Up (4)	Total
John H. Pinkerton	3X	\$ 2,866,000	\$ 7,542,939	\$ 48,321	\$ 1,550,802	\$ 12,008,062
Jeffrey L. Ventura	3X	\$ 1,800,000	\$ 4,102,519	\$ 48,321	\$ 974,029	\$ 6,924,869
Mark D. Whitley	2X	\$ 500,000	\$ 2,141,708	\$ 30,920	\$ 491,618	\$ 3,164,246
Roger S. Manny	2.5X	\$ 991,667	\$ 2,173,387	\$ 39,872	\$ 511,101	\$ 3,716,027
Rodney L. Waller	2X	\$ 773,333	\$ 2,011,874	\$ 31,422	\$ 394,135	\$ 3,210,764

(1) Represents cash payments equal to Base Salary and Bonus, determined as of December 31, 2006, multiplied by the applicable Benefit Multiple. Such calculation averages the three bonuses paid as of December 31, 2006 which would be for the years 2003, 2004 and 2005. Payments under the Change in Control plan do not allow for double dips to Named Executive Officers. A double dip would only occur if a Named Executive Officer had in place an election to distribute deferred compensation balances upon termination.

(2) Represents the difference in value between the grant price and the 2006 year-end price of the common stock of \$27.46 of the unvested Annual Stock Awards, Bonus Stock Awards, Initial Employment Stock Awards, Matching Stock Awards, Option Awards and SARs granted under any benefit plan of the Company vesting upon a Change in Control as of December 31, 2006.

(3) Represents the value of the continuation of medical, dental, life, disability, and other insurance benefits for the length of one year multiplied by the applicable Benefit Multiple assuming a 5% increase per year.

(4) Represents that amount of the 4999 Excise Tax gross-up payment necessary to result in the Named Executive Officers receiving the total Change in Control Payments. If a Change in Control occurred causing the vesting of all awards to the Named Executive Officers, but none of the Named Executive Officers were terminated during the Protective Period, the only 4999 Excise Tax gross-up payment necessary would be for Mr. Whitley at an amount estimated at \$241,773.

Company employees who are not covered in the Management CIC Plan (the Employee Group) may be entitled to receive more limited change in control payments under the Range Resources Corporation Employee Change in Control Severance Benefit Plan (the Employee CIC Plan) upon an involuntary termination of employment by the Company for other than Cause. If any person in the Employee Group is terminated by the Company, other than for Cause, within the Protection Period, the employee will receive a lump sum payment (the Employee Payment) equal to (i) six months of their total annual base salary, plus (ii) one-half of the average of the past two annual bonuses paid or awarded to the employee. The same definitions used in the Management CIC Plan are used in the Employee CIC Plan.

As indicated above, none of the Named Executive Officers have elected payment of their benefits under the Deferred Compensation Plans at termination of employment. Consequently, none of the Named Executive Officers could simultaneously receive benefits under the Management CIC Plan and the Deferred Compensation Plans. However, the Deferred Compensation Plans do provide for certain tax gross-up payments. Specifically, if all or a portion of a participant's Deferred Compensation Plan account is paid prior to the date the participant otherwise elected to receive such payment (without the consent of the participant or his or her beneficiary) as a result of (i) the participant's termination of employment other than for cause within 24 months of a Change in Control (as defined in the Management CIC Plan), (ii) the amendment of

either of the Deferred Compensation Plans in connection with a Change in Control, or (iii) the termination of either of the Deferred Compensation Plans in connection with a Change in Control. The balance of the accounts of the Named Executive Officers under the Deferred Compensation Plans as of December 31, 2006 is set forth in column (f) of the Non-Qualified Deferred Compensation Table in the Compensation Discussion and Analysis section. The calculation of the tax gross-ups assume, pursuant to the terms of the Deferred Compensation Plans, a 35% federal income tax rate, a 1.45% Medicare tax rate, and 20% in additional taxes under Section 409A of the Tax Code (with respect to amounts accelerated under the Active Deferred Compensation Plan). The potential tax gross-ups for the Named Executive Officers with respect to their Frozen Deferred Compensation Plan accounts (identified by an "F") and their Active Deferred Compensation Plan accounts (identified by an "A") with respect to an accelerated distribution as of December 31, 2006, are as follows: Mr. Pinkerton \$5,389,780 (F), \$4,898,013 (A); Mr. Ventura \$358,664 (F), \$3,649,080 (A); Mr. Whitley \$3,639,807 (A); Mr. Manny \$166,221 (F), \$1,640,477 (A); Mr. Waller \$2,962,220 (F), \$1,363,149 (A).

Other Post-Employment Payments

Upon the death, Disability (which definition is the same as the definition under the Management CIC Plan) or retirement of a Named Executive Officer or any other Company employee, certain unvested stock awards and SARs vest under the terms of the award grant. Unvested Option Awards under the 1999 Stock Option Plan were not granted with the acceleration of vesting upon death, Disability or retirement feature. Upon Disability, all employees are covered under a

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group compensation continuation plan. The group disability coverage provides for compensation continuance of 60% of an employee's salary and bonus up to a maximum of \$180,000 per year until their 65th birthday. Certain of the Named Executive Officers are also covered under supplemental individual executive disability policies. Coverage under these policies would increase the disability coverage from the maximum of \$180,000 per year under the group plan to the coverage amounts shown below for each Named Executive Officer. The percent of coverage vary depending on when the policy was put in place for each Named Executive Officer. The executive disability coverage premium is shown as a perquisite in the Summary Compensation Table in column (i) All Other Compensation. The following table summarizes the value of the compensation continuation which would be available to each Named Executive Officer assuming that he became disabled as of December 31, 2006 under the policies currently in effect until he attained the age of 65 years old. Mr. Whitley's executive disability coverage is not effective as of December 31, 2006 and he currently has coverage only under the group disability plan. The table also summarizes the value of the unvested SARs and Annual Stock Awards, Bonus Stock Awards, Initial Employment Stock Awards and Matching Stock Awards which would vest upon the death, disability or retirement assuming that such events occurred on December 31, 2006 based on the value of the Company's common stock on that date of \$27.46. Retirement is defined as reaching the age of 65 years old.

	Annual Salary	Benefit Continuance Under Executive Disability Plan	Value of Accelerated Vesting of SARs (1)	Value of Accelerated Vesting of Stock Awards (1)
John H. Pinkerton	\$ 480,000	\$ 274,400	\$ 1,519,470	\$ 2,637,011
Jeffrey L. Ventura	\$ 360,000	\$ 215,250	\$ 807,546	\$ 1,538,501
Mark D. Whitley	\$ 250,000	\$ 180,000	\$ 65,100	\$ 2,076,608
Roger S. Manny	\$ 270,000	\$ 207,000	\$ 426,502	\$ 735,653
Rodney L. Waller	\$ 235,000	\$ 211,000	\$ 395,085	\$ 637,065

- (1) The difference in the sum of the values of acceleration of vesting of Option Awards/SARs and Stock Awards as compared to the value upon a Change in Control as shown in the Potential Change in Control Payments table is unvested Option Awards previously awarded under the 1999 Stock Option Plan that do not accelerate upon death, Disability or retirement.

Director Compensation

Director compensation is set by the Compensation Committee after working with its independent compensation consultants and a review of the Peer Group. Compensation for directors generally is approved by the Compensation Committee just prior to the Board of Directors' meeting following the election of directors at the annual meeting of stockholders. Compensation arrangements for directors are effective with each election to the Board of Directors at the annual meeting. Option Awards or SARs are granted under the 2004 Non-Employee Director Stock Option Plan, which was approved by stockholders and specifies that 12,000 Option Awards or SARs are granted to each director upon their election to the Board of Directors. In the past several years, the Compensation Committee has also approved the payment of Annual Stock Awards to the directors for a portion of their overall director compensation.

Since director long-term equity incentive awards are granted upon their election at the annual meeting, the timing of director long-term equity incentive awards is not a subjective matter. On May 24, 2006, each director was granted (a) 2,500 Annual Stock Awards valued at \$24.33 and (b) 12,000 SARs having a grant date fair value of \$10.14 per share determined in accordance with FAS 123R using a grant price of \$24.33 per share. Please refer to Footnote (12) Employee Benefits and Equity Plans to the Company's December 31, 2006 financial statements contained in Form 10-K as to the assumptions used in determining the grant date fair value of the SARs. Since the SARs and Annual Stock Awards are fully vested upon grant, the amounts shown in the Director Compensation Table reflect the grant date fair value of the awards actually granted during calendar year 2006. All the directors have elected to take Annual Stock Awards in lieu of cash and have elected to defer such compensation in the Company's Active Deferred Compensation Plan. Certain directors voluntarily elect to defer all or a portion of their cash fees in the Company's Active Deferred Compensation Plan. Portions of those deferrals are used to purchase the Company's common stock on the open market. Directors have the power to change their investment options in the Deferred Compensation Plans just as any participant, choosing to invest in or diversify out of the Company's common stock.

Summary Director Compensation

Name (a)	Fees Earned or Paid in Cash (\$) (b)	Stock Awards (\$) (c)	SARs (\$) (d)	All Other Compen- sation (g)	Total (\$) (h)
Charles L. Blackburn	\$ 152,000	\$ 60,825	\$ 121,680	\$ 1,792	\$ 336,297
Anthony V. Dub	\$ 48,500	\$ 60,825	\$ 121,680	\$ 2,432	\$ 233,437
V. Richard Eales	\$ 49,500	\$ 60,825	\$ 121,680	\$ 2,935	\$ 234,940
Allen Finkelson	\$ 52,500	\$ 60,825	\$ 121,680	\$ 2,884	\$ 237,889
Jonathan S. Linker	\$ 53,500	\$ 60,825	\$ 121,680	\$ 3,025	\$ 239,030
Kevin S. McCarthy	\$ 56,500	\$ 60,825	\$ 121,680	\$ 2,240	\$ 241,245

Columns (e) and (f) covering Non-Equity Incentive Plan Compensation and Changes in Pension Values, respectively, have been deleted from the SEC-prescribed table format since the directors do not receive any such compensation. The amounts reflected in column (g) for All Other Compensation is associated with reimbursed spousal travel.

The following table reflects the compensation arrangements for the last two fiscal years. Director compensation was reviewed by the Compensation Committee just prior to the annual meeting and established the compensation arrangements for the 2006 - 2007 director terms.

Non-Employee Director Forms of Compensation	Rates in Effect	
	2005 - 2006 Term	2006 - 2007 Term
Non-Executive Chairman cash annual retainer	\$ 135,000	\$ 135,000
Non-Employee directors cash annual retainer	\$ 35,000	\$ 40,000
Board or Committee cash fee for each meeting	\$ 1,000	\$ 1,000
Annual SARs each	12,000	12,000
Grant date fair value of SARs (as determined under FAS 123R)	\$ 7.24	\$ 10.14
Annual Stock Awards each	3,750	2,500
Grant date fair value of Annual Stock Awards	\$ 14.47	\$ 24.33

The following table provides summary information of the compensation paid to each director during 2006 based upon the rates of compensation in effect for the respective fiscal years shown in the table above. Messrs. Pinkerton and Ventura as employee directors did not receive any separate compensation for their participation on the Board of Directors.

Director	Cash Compensation	
	Annual Retainer (\$)	Meeting Fees (\$)
Charles L. Blackburn	\$ 135,000	\$ 17,000
Anthony V. Dub	\$ 37,500	\$ 11,000
V. Richard Eales	\$ 37,500	\$ 12,000
Allen Finkelson	\$ 37,500	\$ 15,000
Jonathan S. Linker	\$ 37,500	\$ 16,000
Kevin S. McCarthy	\$ 37,500	\$ 19,000

The Compensation Committee has not awarded additional fees to the Chairs of the Audit, Compensation or Governance and Nominating Committee other than the regular meeting fees paid to all directors. After a discussion with the Board of Directors, the Compensation Committee concluded that the preparation time for each meeting and carrying out each committee's responsibilities generally was shared by all the directors on the committee. In addition, since the Chair responsibilities and significant roles, such as the financial expert for the Audit Committee, for the Board of Directors were shared among the directors as a whole, no special fees associated with chairing a committee or serving in a special capacity would be granted. The Compensation Committee continues to monitor the activities and time responsibilities of each director to determine if a change in circumstances would warrant a change in the director fee structure. Mr. Blackburn's fee for serving as a non-executive Chairman of the Board of Directors is determined and reviewed each year by the other two members of the Compensation Committee along with the Compensation Committee's compensation consultant. Mr. Blackburn's annual retainer is based upon current market conditions and review of other energy companies and the Peer Group where individuals serve in similar capacities. Mr. Blackburn waived any increase in his retainer for the 2006-2007 term. One-half of Mr. Blackburn's annual retainer and meeting fees are voluntarily deferred in the Company's Deferred Compensation Plans and invested in Company common stock.

The following table reflects the number of Option Awards and SARs held by each director as of December 31, 2006 and the corresponding weighted average grant price of the awards. The awards are fully vested upon grant and carry a five-year expiration term.

	Option Awards / SARs	
	Outstanding	Weighted Average Grant Price
	Number	
Charles L. Blackburn	36,000	\$ 15.45
Anthony V. Dub	96,000	\$ 7.86
V. Richard Eales	84,000	\$ 8.78
Allen Finkelson	96,000	\$ 7.86
Jonathan S. Linker	60,000	\$ 10.75
Kevin S. McCarthy	24,000	\$ 19.40

The directors are reimbursed for their travel and out-of-pocket expenses in connection with their duties as a director. In addition, the directors are allowed to participate in the Company's Deferred Compensation Plan but their voluntary deferrals are not subject to the Company match. The Company does not provide to directors any legacy awards or charitable awards programs for directors upon retirement, no tax reimbursement arrangements, no payments in connection with a Change in Control, no securities or products purchased at a discount and no life insurance arrangements. Subject to the approval of the Board of Directors, the Company reimburses directors for spouses to attend certain Board of Directors functions each year.

COMPENSATION COMMITTEE INTERLOCK AND INSIDER PARTICIPATION

The Compensation Committee of the Board of Directors, during the last fiscal year ended December 31, 2006, consisted of Messrs. Blackburn, Finkelson and McCarthy. During the last fiscal year, there were no compensation committee interlocks or insider participation.

REPORT OF THE AUDIT COMMITTEE

The Audit Committee of the Board of Directors is responsible for the engagement of the Company's independent registered public accountants, monitoring the integrity of the Company's consolidated financial statements, its system of internal controls and the independence and performance of its independent registered public accountants. This Committee also reviews internal audit activities, the scope of the audit coverage, the annual financial statements and such other matters with respect to the accounting, auditing and financial reporting practices and procedures as it may find appropriate or as have been brought to its attention. The Committee is composed of three non-employee directors and operates under a written charter adopted and approved by the Board of Directors. The Board, in its business judgment, has determined that all

members of the Committee are independent as required by the NYSE. Mr. V. Richard Eales was designated as the audit committee financial expert primarily, but not solely, due to his prior experience with public reporting companies.

Management is responsible for the financial reporting process, including the system of internal controls, and for the preparation of consolidated financial statements in accordance with generally accepted accounting principles. The Company's independent registered public accounting firm for 2006, Ernst & Young LLP, is responsible for performing an audit of the consolidated financial statements in accordance with generally accepted auditing standards.

The Committee held six meetings during 2006. The meetings involved the discussion of the audited consolidated financial statements of the year ended December 31, 2005, discussion of the 2006 quarterly consolidated financial statements of the Company and various aspects of the Company's internal controls and financial reporting. The meetings were also designed to facilitate and encourage communication and gain a better understanding of the issues involved in the preparation of the financial statements between the Committee, management and Ernst & Young. We discussed with the auditors the overall scope and plans for their audit. We met with the auditors, with and without management present, to discuss the results of their examinations and their evaluations of the Company's internal controls. We have reviewed and discussed the audited consolidated financial statements for the year ended December 31, 2006 with management and Ernst & Young. We also discussed with the auditors matters required to be discussed with audit committees under generally accepted auditing standards, including, among other things, matters related to the conduct of the audit of the Company's consolidated financial statements and the matters required to be discussed by Statement on Auditing Standards No. 61, as amended, Communication with Audit Committees. The auditors provided to us the written disclosures and the letter required by Independence Standards Board Standard No. 1, Independence Discussions with Audit Committees, and we discussed with them their independence from the Company. When considering Ernst & Young's independence, we considered whether their provision of services to the Company beyond those rendered in connection with their audit and review of the consolidated financial statements was compatible with maintaining their independence. We also reviewed, among other things, the amount of fees paid to Ernst & Young for audit, tax and non-audit services.

Based on our review and these meetings, discussions and reports, and subject to the limitations on our role and responsibilities discussed in this report and in the Audit Committee Charter, we recommended to the Board of Directors that the Company's audited consolidated financial statements for the year ended December 31, 2006 be included in the Company's Annual Report on Form 10-K filed with the SEC.

The members of the Audit Committee are not professionally engaged in the practice of auditing or accounting and are not experts in the fields of auditing or accounting, including in respect to auditor independence. Members of the Committee rely without independent verification on the information provided to them and on the representations made by management and the independent auditors. Accordingly, the Audit Committee's oversight does not provide an independent basis to determine that management has maintained appropriate accounting and financial reporting principles or appropriate internal controls and procedures designed to assure compliance with accounting standards and applicable laws and regulations. Furthermore, the Audit Committee's considerations and discussions referred to above do not assure that the audit of Range Resources Corporation's financial statements has been carried out in accordance with generally accepted auditing standards, that the financial statements are presented in accordance with generally accepted accounting principles or that Ernst & Young LLP is in fact independent.

This report has been furnished by the members of the Audit Committee.

Anthony V. Dub, Chair

V. Richard Eales

Jonathan S. Linker

Independent Registered Public Accountants

The Audit Committee has appointed Ernst & Young LLP as the Company's independent registered public accounting firm to audit the Company's consolidated financial statements as of and for the fiscal year ending December 31, 2007 and the Company's internal controls over financial reporting. Stockholders are being asked to ratify the appointment of Ernst & Young LLP at the annual meeting, pursuant to proposal 3.

Representatives of Ernst & Young LLP are expected to be present at the meeting. Ernst & Young representatives will have an opportunity to make a statement if they desire and are expected to be available to respond to appropriate questions at the meeting.

Audit Fees

The Company's independent registered public accounting firm for 2006 and 2005 was Ernst & Young LLP. The fees billed to the Company by Ernst & Young LLP are shown in the table below.

	Year Ended December 31,	
	2006	2005
Audit fees	\$ 761,773	\$ 690,770
Audit-related fees	2,706	16,724
Tax fees	27,145	11,217
All other fees		
	\$ 791,624	\$ 718,711

Audit fees consist of fees billed for professional services rendered for the audit of the Company's annual financial statements and the Company's internal controls over financial reporting, reviews of the financial statements included in the Company's quarterly reports and services that are normally provided in connection with statutory and regulatory filings.

Audit-related fees consist of fees billed for assurance and related services that are reasonably related to the performance of the audit or review of the Company's consolidated financial statements and are not reported under Audit Fees. These services include accounting consultations in connection with acquisitions, attest services that are not required by statute or regulation, and consultations concerning financial accounting and reporting standards.

Tax fees consist of fees billed for professional services for tax compliance, tax advice and tax planning. These services include tax assistance regarding federal and state compliance, tax audit defense, mergers and acquisitions.

All other fees consist of fees for products and services other than services reported above.

Pre-Approval Policy and Procedures

The Audit Committee must give prior approval to any management request for any amount or type of service (audit, audit-related and tax services or to the extent permitted by law, non-audit services) the Company's independent auditor provides. All audit, audit-related and tax services rendered by Ernst & Young in 2006 were approved by the Audit Committee before Ernst & Young was engaged for such services. No services of any kind were approved pursuant to a waiver permitted pursuant to 17 CFR 210.2-01(c)(7)(i)(C). Consultation and approval of such services for 2006 occurred during the regularly scheduled meetings of the Audit Committee.

SECURITY OWNERSHIP

The following table reflects the beneficial ownership of the Company's common stock based upon the 139,588,426 common shares outstanding as of April 2, 2007 by (i) each person known to the Company to be the beneficial owner of more than 5% of the outstanding shares of the common stock, and (ii) all directors and executive officers as a group. The business address of each individual listed below is: c/o Range Resources Corporation, 100 Throckmorton Street, Suite 1200, Fort Worth, Texas 76102. Unless otherwise indicated, to the Company's knowledge, each stockholder has sole voting and dispositive power with respect to the securities beneficially owned by that stockholder.

Name of Beneficial Owner	Common Stock Number of Shares Beneficially Owned		Percent of Class	
All directors and executive officers as a group (14 individuals)	3,786,956	(1)	2.7	%
FMR Corp. 82 Devonshire Street Boston, Massachusetts 02109	20,379,267	(2)	14.6	%
Goldman Sachs Asset Management, L.P. 32 Old Slip New York, New York 10005	15,198,400	(3)	10.9	%

- (1) The following table describes the nature of the common shares owned by each director and each of the five Named Executive Officers (as defined under Executive Compensation - Summary Compensation Table) and all directors and executive officers as a group. The common stock owned by these individuals within the Company's deferred compensation plans are not considered beneficially owned under the SEC regulations covering the disclosure of beneficial ownership in this section due to the shares being held in a rabbi trust. Beneficial ownership does include those shares that may be purchased under currently exercisable stock options, options that are exercisable within 60 days and those shares that would be obtainable with the exercise of vested SAR grants within 60 days based upon the closing common stock price of \$33.40 as of March 30, 2007.

	Number of Common Shares Beneficially Owned				Percent of Class	Shares in Deferred Compen- sation Plan	Total Common Shares Controlled	Percent of Out- standing Shares
	Shares Directly Owned	Shares in IRA/ 401(k) Accounts	Options/ SARs (a)	Shares Owned by Family (b)				
Charles L. Blackburn	6,500		27,259	5,000	*	36,694	75,453	*
Anthony V. Dub	155,000		75,259		*	2,500	232,759	*
V. Richard Eales	82,500		75,259		*	4,945	162,704	*
Allen Finkelson	97,500		87,259		*	21,250	206,009	*
Jonathan S. Linker	37,500		39,259		*	21,250	98,009	*
Kevin S. McCarthy			15,259		*	6,250	21,509	*
John H. Pinkerton (c)	362,192	35,496	1,161,028	12,406	1.1 %	482,963	2,054,085	1.5 %
Jeffrey L. Ventura		3,239	358,503		*	129,972	491,714	*
Roger S. Manny		1,861	209,996		*	56,368	268,225	*
Rodney L. Waller	216,482	81,263	69,269		*	211,706	578,720	*
Mark D. Whitley		321	4,037		*	78,799	83,157	*
All directors and executive officers as a group (14 individuals)	1,006,766	140,929	2,566,537	72,724	2.7 %	1,277,461	5,064,417	3.6 %

* Less than one percent

- (a) Includes shares that may be purchased under currently exercisable stock options / SAR awards or options / SARs awards exercisable within 60 days.
- (b) Individuals disclaim beneficial ownership
- (c) Mr. Pinkerton's directly owned shares include 100,000 shares which serve as collateral for 3 credit lines under Regulation U with a financial services company and 85,555 shares which are held together with other securities in a brokerage account with margin lending arrangements.

(2)

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Based on Schedule 13G/A filed with the SEC on February 14, 2007, FMR Corp. is the beneficial owner of 20,379,267 shares as a result of being the parent holding company of subsidiaries and affiliates acting as investment advisers to various investment companies registered under Section 8 of the Investment Company Act of 1940. Fidelity Management & Research Company, a wholly owned subsidiary of FMR Corp. and an investment advisor registered under Section 203 of the Investment Advisers Act of 1940, is the beneficial owner of 17,123,692 shares as a result of acting as investment adviser to various investment companies registered under Section 8 of the Investment Company Act of 1940. Edward C. Johnson 3d and FMR Corp., through its control of Fidelity Management Trust Company, each has sole power to dispose of the

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17,123,692 shares owned by the Funds and the institutional accounts. Fidelity Management Trust Company, a wholly owned subsidiary of FMR Corp. and a bank as defined in Section 3(a)(6) of the Securities Exchange Act of 1934, is the beneficial owner of 91,800 shares as a result of its serving as investment manager of certain institutional accounts. Fidelity International Limited (FIL) and various foreign-based subsidiaries provide investment advisory and management services to a number of non-US investment companies and certain institutional investors. FIL, which is a qualified institution under section 240313d-1(b)(1) pursuant to an SEC No-Action letter dated October 5, 2000, is the beneficial owner of 1,808,920 shares. Pyramis Global Advisors Trust Company, an indirect wholly-owned subsidiary of FMR Corp. and a bank as defined in Section 3(a)(6) of the Securities Exchange Act of 1934, is the beneficial owner of 1,354,707 shares as a result of its serving as investment manager of institutional accounts owning such shares. Neither FMR Corp. nor Edward C. Johnson 3d, Chairman of FMR Corp., has the sole power to vote or direct the voting of the shares owned directly by the Fidelity Funds, which power resides with the Funds' Boards of Trustees. Mr. Johnson 3d is Chairman of FMR Corp. and the members of Mr. Johnson 3d family own 49% of the voting power of FMR Corp. Accordingly, through their ownership of voting common stock and the execution of the stockholders' voting agreement, members of the Johnson family may be deemed, under the Investment Company Act of 1940, to form a controlling group with respect to FMR Corp.

- (3) Based on Schedule 13G/A filed with the SEC on February 8, 2007. Goldman Sachs Asset Management, L.P., as an investment adviser in accordance with Rule 13d-1(b)(1)(ii)(E), reported a total aggregate amount beneficially owned of 15,198,400 shares, sole voting power of 14,943,377 shares and sole dispositive power of 15,198,400 shares.

SECURITY HOLDERS SHARING AN ADDRESS

Only a single copy of the Proxy Statement is being delivered to multiple stockholders sharing a common address unless the Company receives contrary instructions from stockholders sharing a common address. Upon a written request to the Secretary of the Company at 100 Throckmorton Street, Suite 1200, Fort Worth, Texas 76102, or an oral request made to Karen Giles at (817) 870-2601, the Company will deliver promptly a separate copy of the proxy statement to a stockholder at a shared address to which a single copy of this proxy statement was delivered. By written request to the same address or an oral request to the above telephone extension (i) a stockholder may direct a notification to the Company that the stockholder wishes to receive a separate annual report or proxy statement in the future or (ii) stockholders who are sharing an address and who are receiving delivery of multiple copies of the Company's annual reports or proxy statements can request delivery of only a single copy of these documents to their shared address.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

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Section 16(a) of the Securities Exchange Act of 1934 requires executive officers, directors and persons who beneficially own more than ten percent of the Company's stock to file initial reports of ownership and reports of changes of ownership with the SEC. Copies of such reports are required to be furnished to the Company.

Based solely on a review of such forms furnished to the Company and certain written representations from the executive officers and directors, the Company believes that all Section 16(a) filing requirements applicable to its executive officers, directors and greater than 10% beneficial owners were complied with on a timely basis during 2006.

OTHER BUSINESS

Management knows of no other business that will be presented for consideration at the meeting, but should any other matters be brought before the meeting, it is intended that the persons named in the accompanying proxy will vote such proxy at their discretion.

ANNUAL REPORT

The Annual Report for the year-ended December 31, 2006 accompanies this Proxy Statement. The Annual Report is not a part of the proxy soliciting material.

STOCKHOLDER PROPOSALS FOR 2008 ANNUAL MEETING

Any stockholder desiring to present a stockholder proposal at the 2008 Annual Meeting and to have the proposal included in our proxy statement must send it to the Secretary of the Company at 100 Throckmorton Street, Suite 1200, Fort Worth, Texas 76102 so that it is received on or before December 24, 2007. All such proposals should be in compliance with the SEC regulations. We will only include in the proxy materials those stockholder proposals that we receive prior to the deadline and that are proper for stockholder action.

In addition, in accordance with the Bylaws of the Company, any stockholder entitled to vote at the Company's 2008 annual meeting of stockholders may propose business (other than proposals to be included in the Company's proxy statement and proxy as discussed in the preceding paragraph) to be included on the agenda of, and properly presented for action at, the 2008 annual meeting only if written notice of such stockholder's intent is given in accordance with the requirements of the Company's Bylaws. Such proposals must be submitted in writing and addressed to the attention of the Secretary of the Company at 100 Throckmorton Street, Suite 1200, Fort Worth, Texas 76102, no later than December 24, 2007. Pursuant to Rule 14a-4(c) of the Securities Exchange Act, the Board may exercise discretionary voting authority under proxies solicited by it with respect to any matter properly presented by a stockholder at the 2008 annual meeting that the stockholder does not seek to have included in the Company's proxy statement if (except as described in the following sentence) the proxy statement discloses the nature of the matter and how the Board intends to exercise its discretion to vote on such matter, unless the Company is notified of the proposal on or prior to December 24, 2007, and the stockholder satisfies the other requirements of Rule 14a-4(c)(2). If the Company first receives notice of such matter after December 24, 2007, and the matter nonetheless is permitted to be presented at the 2008 annual meeting, the Board may exercise discretionary voting authority with respect to any such matter without including any discussion of the matter in the proxy statement for the 2008 annual meeting. The Company reserves the right to reject, rule out of order or take other appropriate action with respect to any proposal that does not comply with the requirements described above and other applicable requirements.

BY ORDER OF THE BOARD OF DIRECTORS

Rodney L. Waller
Secretary

**FOURTH AMENDMENT
TO THE
RANGE RESOURCES CORPORATION
2005 EQUITY-BASED COMPENSATION PLAN**

This Fourth Amendment to the Range Resources Corporation 2005 Equity-Based Compensation Plan (the Plan) is effective as provided herein and is made by Range Resources Corporation, a Delaware corporation (the Company):

WHEREAS, the Company has established the Plan in order to attract able persons to serve as directors or to enter the employ of the Company and its affiliates, and to provide a means whereby those individuals upon whom the responsibilities of the successful administration and management of the Company rest, and whose present and potential contributions to the welfare of the Company and its affiliates are of importance, can acquire and maintain stock ownership thereby strengthening their concern for the welfare of the Company and its affiliates and, further, to provide such individuals with additional incentive and reward opportunities designed to enhance the profitable growth of the Company and its affiliates;

WHEREAS, an increase in the aggregate number of shares of stock that may be used in connection with the Plan must be approved by the stockholders of the Company, pursuant to Section 10(c) of the Plan and section 422(b) of the Internal Revenue Code of 1986, as amended;

WHEREAS, this Fourth Amendment is subject to stockholder approval.

NOW, THEREFORE, the Plan is amended as provided herein, effective as of May 23, 2007, provided that the terms of this Fourth Amendment are approved by the Company's stockholders, and, except as provided below, the Plan shall continue to read in its current state:

Section 4(a) of the 2005 Equity-Based Compensation Plan will be amended to read in its entirety as follows:

4. Stock Subject to Plan.

(a) Overall Number of Shares Available for Delivery. Subject to adjustment in a manner consistent with any adjustment made pursuant to Section 9, the total number of shares of Stock reserved and available for delivery in connection with Awards under this Plan shall not exceed the sum of (i) 3,025,000 shares (the 162(m) Covered Shares), plus (ii) 13,875,000 shares of Stock, less (iii) the number of shares of Stock issued under the Range Resources Corporation 1999 Stock Option Plan (the 1999 Plan) prior to the Effective Date and the number of shares of Stock issuable pursuant to awards outstanding under the 1999 Plan as of the Effective Date, plus (iv) the number of shares that become available for delivery under the 1999 Plan after the Effective Date with respect to awards that lapse or are terminated and with respect to which shares are not issued.

IN WITNESS WHEREOF, a duly authorized officer of the Company has executed this Fourth Amendment as set forth below.

RANGE RESOURCES CORPORATION

By:
Name:
Title:

Date:

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Appendix

RANGE RESOURCES CORPORATION

2005 EQUITY-BASED COMPENSATION PLAN

**(As Amended for the Second and Third Amendments
effective May 24, 2006)**

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RANGE RESOURCES CORPORATION

AS AMENDED 2005 EQUITY-BASED COMPENSATION PLAN

1. **Purpose.** The purpose of the Range Resources Corporation 2005 Equity-Based Compensation Plan (the **Plan**) is to provide a means through which Range Resources Corporation, a Delaware corporation (the **Company**), and its subsidiaries may attract and retain able persons as employees, directors and consultants of the Company and to provide a means whereby those persons upon whom the responsibilities of the successful administration and management of the Company rest, and whose present and potential contributions to the welfare of the Company are of importance, can acquire and maintain stock ownership, or awards the value of which is tied to the performance of the Company's stock, thereby strengthening their concern for the welfare of the Company and their desire to remain in its employ. A further purpose of this Plan is to provide such employees and directors with additional incentive and reward opportunities designed to enhance the profitable growth of the Company. Accordingly, this Plan primarily provides for granting Incentive Stock Options, options which do not constitute Incentive Stock Options, Restricted Stock Awards, Stock Appreciation Rights, Phantom Stock Awards or any combination of the foregoing, as is best suited to the circumstances of the particular individual as provided herein.

2. **Definitions.** For purposes of this Plan, the following terms shall be defined as set forth below, in addition to such terms defined in Section 1 hereof:

(a) **Acquiring Person** means (i) any Person other than the Company, any Subsidiary, any employee benefit plan of the Company or any Subsidiary or any trustee or other fiduciary holding securities under an employee benefit plan of the Company or any Subsidiary of the Company, and (ii) all members of a group (within the meaning of Section 13(d)(3) or Section 14(d)(2) of the Securities Exchange Act of 1934) of which any Person described in clause (i) is a member with respect to the Company's securities.

(b) **Annual Incentive Award** means a conditional right granted to a Participant under Section 8(c) hereof to receive a cash payment, Stock or other Award, unless otherwise determined by the Committee, after the end of a specified fiscal year.

(c) **Award** means any Option, SAR (including Limited SAR), Restricted Stock Award, Phantom Stock Award, Stock granted as a bonus or in lieu of another award, Dividend Equivalent, Other Stock-Based Award, Performance Award or Annual Incentive Award, together with any other right or interest granted to a Participant under this Plan.

(d) **Beneficiary** means one or more persons, trusts or other entities which have been designated by a Participant in his or her most recent written beneficiary designation filed with the Committee to receive the benefits specified under this Plan upon such Participant's death or to which Awards or other rights are transferred if and to the extent permitted under Section 10(a) hereof. If, upon a Participant's death, there is no designated Beneficiary or surviving designated Beneficiary, then the term Beneficiary means the persons, trusts or other entities entitled by will or the laws of descent and distribution to receive such benefits.

(e) **Beneficial Owner** shall have the meaning ascribed to such term in Rule 13d-3 under the Exchange Act and any successor to such Rule.

(f) **Board** means the Company's Board of Directors.

(g) **Business Day** means any day other than a Saturday, a Sunday, or a day on which banking institutions in the state of Texas are authorized or obligated by law or executive order to close.

(h) **Change in Control** means the occurrence of any of the following events:

(i) Any Acquiring Person becomes the beneficial owner (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 35% or more of either (x) the then outstanding shares of Stock (the **Outstanding Stock**) or (y) the combined voting power of the then outstanding Voting Securities of the Company (the **Outstanding Company Voting Securities**); provided, however, that for purposes of this subsection (i), the following acquisitions shall not constitute a Change in Control: (A) any acquisition directly from the Company, or

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(B) any acquisition by any Person pursuant to a transaction which complies with clauses (A), (B) and (C) of paragraph (iii) of this Section 2(h);

(ii) A majority of members of the Board is replaced during any 12-month period by directors whose appointment or election is not endorsed by a majority of the members of the Board prior to the date of the appointment or election;

(iii) The stockholders of the Company approve a reorganization, merger or consolidation or sale or other disposition (in one or a series of related transactions) of all or substantially all of the assets of the Company or an acquisition of assets of another corporation which is consummated (a Business Combination) (or, if no such approval is required, the consummation of such a Business Combination), in each case, unless, immediately following such Business Combination, (A) individuals and entities who were the beneficial owners, respectively, of the Outstanding Stock and Outstanding Company Voting Securities immediately prior to such Business Combination beneficially own, upon consummation of such Business Combination, directly or indirectly, more than 50% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding Voting Securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination (including, without limitation, a corporation which as a result of such transaction owns the Company, or all or substantially all of the Company's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Business Combination, of the Outstanding Company Common Stock and Outstanding Company Voting Securities, as the case may be, (B) no Person (excluding any employee benefit plan (or related trust) of the Company or the corporation resulting from such Business Combination) beneficially owns, directly or indirectly, 35% or more of, respectively, the then outstanding shares of common stock of the corporation resulting from such Business Combination or the combined voting power of the then outstanding Voting Securities of such corporation except to the extent that such ownership of the Company existed prior to the Business Combination and (C) at least a majority of the members of the board of directors of the corporation resulting from such Business Combination were members of the Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such Business Combination;

(iv) Approval by the stockholders of the Company of a complete liquidation or dissolution of the Company (or, if no such approval is required, the consummation of such a liquidation or dissolution); or

(v) A public announcement or commencement is made of a tender or exchange offer by any Acquiring Person for, or upon completion of which any Acquiring Person would beneficially own, 50% or more of the outstanding Voting Securities of the Company, and the Board approves or fails to oppose that tender or exchange offer in its statements in Schedule 14D-9 under the Exchange Act; provided, that, within one year after the occurrence of such event, an event described in clauses (i), (ii), (iii) or (iv) of this Section 2(h) shall have occurred (in which case a Change in Control shall be deemed to have occurred on the date of the occurrence of the event described above in this clause (v)).

(i) Change in Control Price means the amount calculated in accordance with Section 9 of this Plan.

(j) Code means the Internal Revenue Code of 1986, as amended from time to time, including regulations thereunder and successor provisions and regulations thereto.

(k) Committee means a committee of two or more directors designated by the Board to administer this Plan; provided, however, that, unless otherwise determined by the Board, the Committee shall consist solely of two or more directors, each of whom shall be (i) a nonemployee director within the meaning of Rule 16b-3 under the Exchange Act, and (ii) an outside director as defined under section 162(m) of the Code, unless administration of this Plan by outside directors is not then required in order to qualify for tax deductibility under section 162(m) of the Code.

(l) Covered Employee means an Eligible Person who is a Covered Employee as specified in Section 8(e) of this Plan.

(m) Dividend Equivalent means a right, granted to a Participant under Section 6(g), to receive cash, Stock, other Awards or other property equal in value to dividends paid with respect to a specified number of shares of Stock, or other periodic payments.

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- (n) Effective Date means May 18, 2005.
- (o) Eligible Person means all officers and employees of the Company or of any Subsidiary, and other persons who provide services to the Company or any of its Subsidiaries, including directors of the Company. An employee on leave of absence may be considered as still in the employ of the Company or a Subsidiary for purposes of eligibility for participation in this Plan.
- (p) Exchange Act means the Securities Exchange Act of 1934, as amended from time to time, including rules thereunder and successor provisions and rules thereto.
- (q) Executive Officer means an executive officer of the Company as defined under the Exchange Act.
- (r) Fair Market Value means, for a particular day:
- (i) if shares of Stock of the same class are listed or admitted to unlisted trading privileges on any national or regional securities exchange at the date of determining the Fair Market Value, then the last reported sale price, regular way, on the composite tape of that exchange on that business day or, if no such sale takes place on that business day, the average of the closing bid and asked prices, regular way, in either case as reported in the principal consolidated transaction reporting system with respect to securities listed or admitted to unlisted trading privileges on that securities exchange or, if no such closing prices are available for that day, the last reported sale price, regular way, on the composite tape of that exchange on the last business day before the date in question; or
- (ii) if shares of Stock of the same class are not listed or admitted to unlisted trading privileges as provided in subparagraph (i) and if sales prices for shares of Stock of the same class in the over-the-counter market are reported by the National Association of Securities Dealers, Inc. Automated Quotations, Inc. (NASDAQ) National Market System as of the date of determining the Fair Market Value, then the last reported sales price so reported on that business day or, if no such sale takes place on that business day, the average of the high bid and low asked prices so reported or, if no such prices are available for that day, the last reported sale price so reported on the last business day before the date in question; or
- (iii) if shares of Stock of the same class are not listed or admitted to unlisted trading privileges as provided in subparagraph (i) and sales prices for shares of Stock of the same class are not reported by the NASDAQ National Market System (or a similar system then in use) as provided in subparagraph (ii), and if bid and asked prices for shares of Stock of the same class in the over-the-counter market are reported by NASDAQ (or, if not so reported, by the National Quotation Bureau Incorporated) as of the date of determining the Fair Market Value, then the average of the high bid and low asked prices on that business day or, if no such prices are available for that day, the average of the high bid and low asked prices on the last business day before the date in question; or
- (iv) if shares of Stock of the same class are not listed or admitted to unlisted trading privileges as provided in subparagraph (i) and sales prices or bid and asked prices therefor are not reported by NASDAQ (or the National Quotation Bureau Incorporated) as provided in subparagraph (ii) or subparagraph (iii) as of the date of determining the Fair Market Value, then the value determined in good faith by the Committee, which determination shall be conclusive for all purposes; or
- (v) if shares of Stock of the same class are listed or admitted to unlisted trading privileges as provided in subparagraph (i) or sales prices or bid and asked prices therefor are reported by NASDAQ (or the National Quotation Bureau Incorporated) as provided in subparagraph (ii) or subparagraph (iii) as of the date of determining the Fair Market Value, but the volume of trading is so low that the Board of Directors determines in good faith that such prices are not indicative of the fair value of the Stock, then the value determined in good faith by the Committee, which determination shall be conclusive for all purposes notwithstanding the provisions of subparagraphs (i), (ii) or (iii).

For purposes of valuing Incentive Stock Options, the Fair Market Value of Stock shall be determined without regard to any restriction other than one that, by its terms, will never lapse.

- (s) Incentive Stock Option or ISO means any Option intended to be and designated as an incentive stock option within the meaning of section 422 of the Code or any successor provision thereto.

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- (t) **Limited SAR** means a right granted to a Participant under Section 6(c) hereof.
- (u) **Option** means a right, granted to a Participant under Section 6(b) hereof, to purchase Stock or other Awards at a specified price during specified time periods.
- (v) **Other Stock-Based Awards** means Awards granted to a Participant under Section 6(h) hereof.
- (w) **Participant** means a person who has been granted an Award under this Plan which remains outstanding, including a person who is no longer an Eligible Person.
- (x) **Performance Award** means a right, granted to a Participant under Section 8 hereof, to receive Awards based upon performance criteria specified by the Committee.
- (y) **Person** shall mean any individual, group, partnership, limited liability company, corporation, association, trust, or other entity or organization.
- (z) **Phantom Stock** means a right, granted to a Participant under Section 6(e) hereof, to receive Stock, cash or a combination thereof at the end of a specified deferral period.
- (aa) **Qualified Member** means a member of the Committee who is a **Non-Employee Director** within the meaning of Rule 16b-3(b)(3) and an **outside director** within the meaning of regulation 1.162-27 under section 162(m) of the Code.
- (bb) **Restricted Stock** means Stock granted to a Participant under Section 6(d) hereof, that is subject to certain restrictions and to a risk of forfeiture.
- (cc) **Rule 16b-3** means Rule 16b-3, promulgated by the Securities and Exchange Commission under section 16 of the Exchange Act, as from time to time in effect and applicable to this Plan and Participants.
- (dd) **Securities Act** means the Securities Act of 1933 and the rules and regulations promulgated thereunder, or any successor law, as it may be amended from time to time.
- (ee) **Stock** means the Company's Common Stock, par value \$.01 per share, and such other securities as may be substituted (or resubstituted) for Stock pursuant to Section 9.
- (ff) **Stock Appreciation Rights** or **SAR** means a right granted to a Participant under Section 6(c) hereof.
- (gg) **Subsidiary** means any corporation or other entity of which a majority of the combined voting power of the outstanding Voting Securities is owned, directly or indirectly, by the Company.
- (hh) **Voting Securities** means with respect to any Person any securities or interests that vote generally in the election of directors, in the admission of general partners or members, or in the selection of any other similar governing body of such Person.

3. **Administration.**

- (a) **Authority of the Committee.** This Plan shall be administered by the Committee except to the extent the Board elects, in order to comply with Rule 16b-3 or for any other reason, to administer this Plan, in which case references herein to the **Committee** shall be deemed to include references to the **Board**. Subject to the express provisions of the Plan and Rule 16b-3, the Committee shall have the authority, in its sole and absolute discretion, to (i) adopt, amend, and rescind administrative and interpretive rules and regulations relating to the Plan; (ii) determine the Eligible Persons to whom, and the time or times at which, Awards shall be granted; (iii) determine the amount of cash and the number of shares of Stock, Stock Appreciation Rights, Phantom Stock Rights, or Restricted Stock Awards, or any combination thereof, that shall be the subject of each Award; (iv) determine the terms and provisions of each Award agreement (which need not be identical), including provisions defining or otherwise relating to (A) the term and the period or periods and extent of exercisability of the Options, (B) the extent to which the transferability of shares of Stock issued or transferred pursuant to

any Award is restricted, (C) the effect of termination of employment of a Participant on the Award, and (D) the effect of approved leaves of absence (consistent with any applicable regulations of the Internal Revenue Service); (v) accelerate the time of exercisability of any Option that has been granted; (vi) construe the respective Award agreements and the Plan; (vii) make determinations of the Fair Market Value of the Stock pursuant to the Plan; (viii) delegate its duties under the Plan to such agents as it may appoint from time to time, provided that the Committee may not delegate its duties with respect to making Awards to, or otherwise with respect to Awards granted to, Eligible Persons who are subject to section 16(b) of the Exchange Act or section 162(m) of the Code; (ix) subject to ratification by the Board, terminate, modify, or amend the Plan; and (x) make all other determinations, perform all other acts, and exercise all other powers and authority necessary or advisable for administering the Plan, including the delegation of those ministerial acts and responsibilities as the Committee deems appropriate. Subject to Rule 16b-3 and section 162(m) of the Code, the Committee may correct any defect, supply any omission, or reconcile any inconsistency in the Plan, in any Award, or in any Award agreement in the manner and to the extent it deems necessary or desirable to carry the Plan into effect, and the Committee shall be the sole and final judge of that necessity or desirability. The determinations of the Committee on the matters referred to in this Section 3(a) shall be final and conclusive.

(b) Manner of Exercise of Committee Authority. At any time that a member of the Committee is not a Qualified Member, any action of the Committee relating to an Award granted or to be granted to a Participant who is then subject to section 16 of the Exchange Act in respect of the Company, or relating to an Award intended by the Committee to qualify as performance-based compensation within the meaning of section 162(m) of the Code and regulations thereunder, may be taken either (i) by a subcommittee, designated by the Committee, composed solely of two or more Qualified Members, or (ii) by the Committee but with each such member who is not a Qualified Member abstaining or recusing himself or herself from such action; provided, however, that, upon such abstention or recusal, the Committee remains composed solely of two or more Qualified Members. Such action, authorized by such a subcommittee or by the Committee upon the abstention or recusal of such non-Qualified Member(s), shall be the action of the Committee for purposes of this Plan. Any action of the Committee shall be final, conclusive and binding on all persons, including the Company, its subsidiaries, stockholders, Participants, Beneficiaries, and transferees under Section 10(a) hereof or other persons claiming rights from or through a Participant. The express grant of any specific power to the Committee, and the taking of any action by the Committee, shall not be construed as limiting any power or authority of the Committee. The Committee may delegate to officers or managers of the Company or any Subsidiary, or committees thereof, the authority, subject to such terms as the Committee shall determine, to perform such functions, including administrative functions, as the Committee may determine, to the extent that such delegation will not result in the loss of an exemption under Rule 16b-3(d)(1) for Awards granted to Participants subject to section 16 of the Exchange Act in respect of the Company and will not cause Awards intended to qualify as performance-based compensation under section 162(m) of the Code to fail to so qualify. The Committee may appoint agents to assist it in administering this Plan.

(c) Limitation of Liability. The Committee and each member thereof shall be entitled to, in good faith, rely or act upon any report or other information furnished to him or her by any officer or employee of the Company or a Subsidiary, the Company's legal counsel, independent auditors, consultants or any other agents assisting in the administration of this Plan. Members of the Committee and any officer or employee of the Company or a Subsidiary acting at the direction or on behalf of the Committee shall not be personally liable for any action or determination taken or made in good faith with respect to this Plan, and shall, to the fullest extent permitted by law, be indemnified and held harmless by the Company with respect to any such action or determination.

4. **Stock Subject to Plan.**

(a) Overall Number of Shares Available for Delivery. Subject to adjustment in a manner consistent with any adjustment made pursuant to Section 9, the total number of shares of Stock reserved and available for delivery in connection with Awards under this Plan shall not exceed the sum of (i) 2,075,000 shares (the 162(m) Covered Shares), plus (ii) 13,875,000 shares of Stock, less (iii) the number of shares of Stock issued under the Range Resources Corporation 1999 Stock Option Plan (the 1999 Plan) prior to the Effective Date and less the number of shares of Stock issuable pursuant to awards outstanding under the 1999 Plan as of the Effective Date, plus (iv) the number of shares that become available for delivery under the 1999 Plan after the Effective Date with respect to awards that lapse or are terminated and with respect to which shares are not issued.

(b) Application of Limitation to Grants of Awards. No Award may be granted if (i)(A) the number of shares of Stock to be delivered in connection with such Award or, (B) in the case of an Award relating to shares of Stock but settleable only in cash (such as cash-only SARs), the number of shares to which such Award relates exceeds (ii) the number of shares of Stock remaining available under this Plan minus the number of shares of Stock issuable in settlement of or

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relating to then-outstanding Awards. The Committee may adopt reasonable counting procedures to ensure appropriate counting, avoid double counting (as, for example, in the case of tandem or substitute awards) and make adjustments if the number of shares of Stock actually delivered differs from the number of shares previously counted in connection with an Award.

(c) Availability of Shares Not Delivered under Awards. Shares of Stock subject to an Award under this Plan that expire or are canceled, forfeited, settled in cash or otherwise terminated without a delivery of shares to the Participant, including (i) the number of shares withheld in payment of any exercise or purchase price of an Award or taxes relating to Awards, and (ii) the number of shares surrendered in payment of any exercise or purchase price of an Award or taxes relating to any Award, will again be available for Awards under this Plan, except that if any such shares could not again be available for Awards to a particular Participant under any applicable law or regulation, such shares shall be available exclusively for Awards to Participants who are not subject to such limitation.

(d) Stock Offered. The shares to be delivered under the Plan shall be made available from (i) authorized but unissued shares of Stock, (ii) Stock held in the treasury of the Company, or (iii) previously issued shares of Stock reacquired by the Company, including shares purchased on the open market, in each situation as the Board or the Committee may determine from time to time at its sole option.

5. **Eligibility; Per Person Award Limitations.** Awards may be granted under this Plan only to Eligible Persons. In any 12-month period established by the Committee, during any part of which this Plan is in effect, a Covered Employee may not be granted Awards, with respect to the 162(m) Covered Shares, relating to more than 450,000 shares of Stock with respect to Stock-based Awards, subject to adjustment in a manner consistent with any adjustment made pursuant to Section 9, or \$2,500,000 with respect to Awards the value of which is not based on Stock.

6. **Specific Terms of Awards.**

(a) General. Awards may be granted on the terms and conditions set forth in this Section 6. In addition, the Committee may impose on any Award or the exercise thereof, at the date of grant or thereafter (subject to Section 10(c)), such additional terms and conditions, not inconsistent with the provisions of this Plan, as the Committee shall determine, including terms requiring forfeiture of Awards in the event of termination of employment by the Participant and terms permitting a Participant to make elections relating to his or her Award. The Committee shall retain full power and discretion to accelerate, waive or modify, at any time, any term or condition of an Award that is not mandatory under this Plan; provided, however, that the Committee shall not have any discretion to accelerate, waive or modify any term or condition of an Award that is intended to qualify as performance-based compensation for purposes of section 162(m) of the Code if such discretion would cause the Award to not so qualify. Except in cases in which the Committee is authorized to require other forms of consideration under this Plan, or to the extent other forms of consideration must be paid to satisfy the requirements of the Delaware General Corporation Law, no consideration other than services may be required for the grant (but not the exercise) of any Award.

(b) Options. The Committee is authorized to grant Options to Participants on the following terms and conditions:

(i) Exercise Price. Each Option agreement shall state the exercise price per share of Stock (the Exercise Price); provided, however, that the Exercise Price per share of Stock subject to an Incentive Stock Option shall not be less than the greater of (A) the par value per share of the Stock or (B) 100% of the Fair Market Value per share of the Stock on the date of grant of the Option or in the case of an individual who owns stock possessing more than 10 percent of the total combined voting power of all classes of stock of the Corporation or its parent or any Subsidiary 110% of the Fair Market Value per share of the Stock on the date of grant, and the exercise price per share of Stock subject to an Option other than an Incentive Stock Option shall not be less than the par value per share of the Stock (but may be less than the Fair Market Value of a share of the Stock on the date of grant).

(ii) Time and Method of Exercise. The Committee shall determine the time or times at which or the circumstances under which an Option may be exercised in whole or in part (including based on achievement of performance goals and/or future service requirements), the methods by which such exercise price may be paid or deemed to be paid, the form of such payment, including without limitation cash, Stock, other Awards or awards granted under other plans of the Company or any Subsidiary, or other property (including notes or other contractual obligations of Participants to make payment on a deferred basis), and the methods by or forms in which Stock will

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be delivered or deemed to be delivered to Participants, including, but not limited to, the delivery of Restricted Stock subject to Section 6(d). In the case of an exercise whereby the Exercise Price is paid with Stock, such Stock shall be valued as of the date of exercise.

(iii) ISOs. The terms of any ISO granted under this Plan shall comply in all respects with the provisions of section 422 of the Code. Anything in this Plan to the contrary notwithstanding, no term of this Plan relating to ISOs (including any SAR in tandem therewith) shall be interpreted, amended or altered, nor shall any discretion or authority granted under this Plan be exercised, so as to disqualify either this Plan or any ISO under section 422 of the Code, unless the Participant has first requested the change that will result in such disqualification. ISOs shall not be granted more than ten years after the earlier of the adoption of this Plan or the approval of this Plan by the Company's stockholders. Notwithstanding the foregoing, the Fair Market Value of shares of Stock subject to an ISO and the aggregate Fair Market Value of shares of stock of any parent or Subsidiary corporation (within the meaning of sections 424(e) and (f) of the Code) subject to any other incentive stock option (within the meaning of section 422 of the Code) of the Company or a parent or Subsidiary corporation (within the meaning of sections 424(e) and (f) of the Code) that first becomes purchasable by a Participant in any calendar year may not (with respect to that Participant) exceed \$100,000, or such other amount as may be prescribed under section 422 of the Code or applicable regulations or rulings from time to time. As used in the previous sentence, Fair Market Value shall be determined as of the date the incentive stock options is granted. Failure to comply with this provision shall not impair the enforceability or exercisability of any Option, but shall cause the excess amount of shares to be reclassified in accordance with the Code.

(c) Stock Appreciation Rights. The Committee is authorized to grant SARs to Participants on the following terms and conditions:

(i) Right to Payment. An SAR shall confer on the Participant to whom it is granted a right to receive, upon exercise or settlement thereof, the excess of (A) the Fair Market Value of one share of Stock on the date of exercise or settlement (or, in the case of a Limited SAR, the Fair Market Value determined by reference to the Change in Control Price, as defined under Section 2(h) hereof) over (B) the grant price of the SAR as determined by the Committee.

(ii) Rights Related to Options. A Stock Appreciation Right granted pursuant to an Option shall entitle a Participant, upon exercise or settlement, to surrender that Option or any portion thereof, to the extent unexercised, and to receive payment of an amount computed pursuant to Subsection 6(c)(ii)(B). That Option shall then cease to be exercisable or settleable to the extent surrendered. Stock Appreciation Rights granted in connection with an Option shall be subject to the terms of the Award agreement governing the Option, which shall comply with the following provisions in addition to those applicable to Options:

(A) A Stock Appreciation Right granted in connection with an Option shall be exercisable or settleable only at such time or times and only to the extent that the related Option is exercisable and shall not be transferable except to the extent that the related Option is transferable.

(B) Upon the exercise or settlement of a Stock Appreciation Right related to an Option, a Participant shall be entitled to receive payment from the Company of an amount determined by multiplying:

(1) the difference obtained by subtracting the exercise price of a share of Stock specified in the related Option from the Fair Market Value of a share of Stock on the date of exercise or settlement of the Stock Appreciation Right, by

(2) the number of shares as to which that Stock Appreciation Right has been exercised or settled.

(iii) Right Without Option. A Stock Appreciation Right granted independent of an Option shall be exercisable or settleable as determined by the Committee and set forth in the Award agreement governing the Stock Appreciation Right, which Award agreement shall comply with the following provisions:

(A) Each Award agreement shall state the total number of shares of Stock to which the Stock Appreciation Right relates.

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(B) Each Award agreement shall state the time the Stock Appreciation Right will be settled or the time or periods in which the right to exercise the Stock Appreciation Right or a portion thereof shall vest and the number of shares of Stock for which the right to exercise the Stock Appreciation Right shall vest at each such time or period.

(C) Each Award agreement shall state the date at which the Stock Appreciation Rights shall expire if not previously exercised or settled.

(D) Each Stock Appreciation Right shall entitle a participant, upon exercise or settlement thereof, to receive payment of an amount determined by multiplying:

(1) the difference obtained by subtracting the Fair Market Value of a share of Stock on the date of grant of the Stock Appreciation Right from the Fair Market Value of a share of Stock on the date of exercise or settlement of that Stock Appreciation Right, by

(2) the number of shares as to which the Stock Appreciation Right has been exercised or settled.

(iv) Terms. The Committee shall determine at the date of grant or thereafter, the time or times at which and the circumstances under which an SAR may be exercised or settled in whole or in part (including based on achievement of performance goals and/or future service requirements), the method of exercise, method of settlement, form of consideration payable in settlement, method by or forms in which Stock will be delivered or deemed to be delivered to Participants, whether or not an SAR shall be in tandem or in combination with any other Award, and any other terms and conditions of any SAR. Limited SARs that may only be exercised or settled in connection with a Change in Control or other event as specified by the Committee may be granted on such terms, not inconsistent with this Section 6(c), as the Committee may determine. SARs and Limited SARs may be either freestanding or in tandem with other Awards.

(d) Restricted Stock. The Committee is authorized to grant Restricted Stock to Participants on the following terms and conditions:

(i) Grant and Restrictions. Restricted Stock shall be subject to such restrictions on transferability, risk of forfeiture and other restrictions, if any, as the Committee may impose, which restrictions may lapse separately or in combination at such times, under such circumstances (including based on achievement of performance goals and/or future service requirements), in such installments or otherwise, as the Committee may determine at the date of grant or thereafter. Except to the extent restricted under the terms of this Plan and any Award agreement relating to the Restricted Stock, a Participant granted Restricted Stock shall have all of the rights of a stockholder, including the right to vote the Restricted Stock and the right to receive dividends thereon (subject to any mandatory reinvestment or other requirement imposed by the Committee). During the restricted period applicable to the Restricted Stock, the Restricted Stock may not be sold, transferred, pledged, hypothecated, margined or otherwise encumbered by the Participant.

(ii) Forfeiture. Except as otherwise determined by the Committee, upon termination of employment during the applicable restriction period, Restricted Stock that is at that time subject to restrictions shall be forfeited and reacquired by the Company; provided that the Committee may provide, by rule or regulation or in any Award agreement, or may determine in any individual case, that restrictions or forfeiture conditions relating to Restricted Stock shall be waived in whole or in part in the event of terminations resulting from specified causes, and the Committee may in other cases waive in whole or in part the forfeiture of Restricted Stock.

(iii) Certificates for Stock. Restricted Stock granted under this Plan may be evidenced in such manner as the Committee shall determine. If certificates representing Restricted Stock are registered in the name of the Participant, the Committee may require that such certificates bear an appropriate legend referring to the terms, conditions and restrictions applicable to such Restricted Stock, that the Company retain physical possession of the certificates, and that the Participant deliver a stock power to the Company, endorsed in blank, relating to the Restricted Stock.

(iv) Dividends and Splits. As a condition to the grant of an Award of Restricted Stock, the Committee may require or permit a Participant to elect that any cash dividends paid on a share of Restricted Stock

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be automatically reinvested in additional shares of Restricted Stock or applied to the purchase of additional Awards under this Plan. Unless otherwise determined by the Committee, Stock distributed in connection with a Stock split or Stock dividend, and other property distributed as a dividend, shall be subject to restrictions and a risk of forfeiture to the same extent as the Restricted Stock with respect to which such Stock or other property has been distributed.

(e) Phantom Stock. The Committee is authorized to grant Phantom Stock to Participants, which are rights to receive Stock, cash, or a combination thereof at the end of a specified deferral period, subject to the following terms and conditions:

(i) Award and Restrictions. Satisfaction of an Award of Phantom Stock shall occur upon expiration of the deferral period specified for such Phantom Stock by the Committee (or, if permitted by the Committee, as elected by the Participant). In addition, Phantom Stock shall be subject to such restrictions (which may include a risk of forfeiture) as the Committee may impose, if any, which restrictions may lapse at the expiration of the deferral period or at earlier specified times (including based on achievement of performance goals and/or future service requirements), separately or in combination, in installments or otherwise, as the Committee may determine. Phantom Stock may be satisfied by delivery of Stock, cash equal to the Fair Market Value of the specified number of shares of Stock covered by the Phantom Stock, or a combination thereof, as determined by the Committee at the date of grant or thereafter.

(ii) Forfeiture. Except as otherwise determined by the Committee, upon termination of employment during the applicable deferral period or portion thereof to which forfeiture conditions apply (as provided in the Award agreement evidencing the Phantom Stock), all Phantom Stock that is at that time subject to deferral (other than a deferral at the election of the Participant) shall be forfeited; provided that the Committee may provide, by rule or regulation or in any Award agreement, or may determine in any individual case, that restrictions or forfeiture conditions relating to Phantom Stock shall be waived in whole or in part in the event of terminations resulting from specified causes, and the Committee may in other cases waive in whole or in part the forfeiture of Phantom Stock.

(iii) Dividend Equivalents. Unless otherwise determined by the Committee at date of grant, Dividend Equivalents on the specified number of shares of Stock covered by an Award of Phantom Stock shall be either (A) paid with respect to such Phantom Stock on the dividend payment date in cash or in shares of unrestricted Stock having a Fair Market Value equal to the amount of such dividends, or (B) deferred with respect to such Phantom Stock and the amount or value thereof automatically deemed reinvested in additional Phantom Stock, other Awards or other investment vehicles, as the Committee shall determine or permit the Participant to elect.

(f) Bonus Stock and Awards in Lieu of Obligations. The Committee is authorized to grant Stock as a bonus, or to grant Stock or other Awards in lieu of obligations to pay cash or deliver other property under this Plan or under other plans or compensatory arrangements, provided that, in the case of Participants subject to section 16 of the Exchange Act, the amount of such grants remains within the discretion of the Committee to the extent necessary to ensure that acquisitions of Stock or other Awards are exempt from liability under section 16(b) of the Exchange Act. Stock or Awards granted hereunder shall be subject to such other terms as shall be determined by the Committee. In the case of any grant of Stock to an officer of the Company or a Subsidiary in lieu of salary or other cash compensation, the number of shares granted in place of such compensation shall be reasonable, as determined by the Committee.

(g) Dividend Equivalents. The Committee is authorized to grant Dividend Equivalents to a Participant, entitling the Participant to receive cash, Stock, other Awards, or other property equal in value to dividends paid with respect to a specified number of shares of Stock, or other periodic payments. Dividend Equivalents may be awarded on a free-standing basis or in connection with another Award. The Committee may provide that Dividend Equivalents shall be paid or distributed when accrued or shall be deemed to have been reinvested in additional Stock, Awards, or other investment vehicles, and subject to such restrictions on transferability and risks of forfeiture, as the Committee may specify.

(h) Other Awards. The Committee is authorized, subject to limitations under applicable law, to grant to Participants such other Awards that may be denominated or payable in, valued in whole or in part by reference to, or otherwise based on, or related to, Stock, as deemed by the Committee to be consistent with the purposes of this Plan, including without limitation convertible or exchangeable debt securities, other rights convertible or exchangeable into Stock, purchase rights for Stock, Awards with value and payment contingent upon performance of the Company or any other factors designated by the Committee, and Awards valued by reference to the book value of Stock or the value of securities of or the performance of specified subsidiaries. The Committee shall determine the terms and conditions of such Awards. Stock

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delivered pursuant to an Award in the nature of a purchase right granted under this Section 6(h) shall be purchased for such consideration, paid for at such times, by such methods, and in such forms, including, without limitation, cash, Stock, other Awards, or other property, as the Committee shall determine. Cash awards, as an element of or supplement to any other Award under this Plan, may also be granted pursuant to this Section 6(h). In addition, the Committee may grant Performance Awards and Annual Incentive Awards pursuant to Section 8 hereof that are not necessarily denominated, payable, or valued in or otherwise related to Stock.

7. Certain Provisions Applicable to Awards.

(a) Stand-Alone, Additional, Tandem, and Substitute Awards. Awards granted under this Plan may, in the discretion of the Committee, be granted either alone or in addition to, in tandem with, or in substitution or exchange for, any other Award or any award granted under another plan of the Company, any Subsidiary, or any business entity to be acquired by the Company or a Subsidiary, or any other right of a Participant to receive payment from the Company or any Subsidiary; provided, however, the Committee shall not grant Options with reload features. Such additional, tandem and substitute or exchange Awards may be granted at any time. If an Award is granted in substitution or exchange for another Award, the Committee shall require the surrender of such other Award in consideration for the grant of the new Award. In addition, Awards may be granted in lieu of cash compensation, including in lieu of cash amounts payable under other plans of the Company or any Subsidiary, in which the value of Stock subject to the Award is equivalent in value to the cash compensation (for example, Phantom Stock or Restricted Stock), or in which the exercise price, grant price or purchase price of the Award in the nature of a right that may be exercised is equal to the Fair Market Value of the underlying Stock minus the value of the cash compensation surrendered (for example, Options granted with an exercise price discounted by the amount of the cash compensation surrendered).

(b) Term of Awards. The term of each Award shall be for such period as may be determined by the Committee; provided that in no event shall the term of any Option or SAR exceed a period of ten years (or such shorter term as may be required in respect of an ISO under section 422 of the Code).

(c) Form and Timing of Payment under Awards; Deferrals. Subject to the terms of this Plan and any applicable Award agreement, payments to be made by the Company or a Subsidiary upon the exercise of an Option or other Award or settlement of an Award may be made in such forms as the Committee shall determine, including without limitation cash, Stock, other Awards or other property, and may be made in a single payment or transfer, in installments, or on a deferred basis. The settlement of any Award may be accelerated, and cash paid in lieu of Stock in connection with such settlement, in the discretion of the Committee or upon occurrence of one or more specified events (in addition to a Change in Control). Installment or deferred payments may be required by the Committee (subject to Section 10(c) of this Plan, including the consent provisions thereof in the case of any deferral of an outstanding Award not provided for in the original Award agreement) or permitted at the election of the Participant on terms and conditions established by the Committee. Payments may include, without limitation, provisions for the payment or crediting of reasonable interest on installment or deferred payments or the grant or crediting of Dividend Equivalents or other amounts in respect of installment or deferred payments denominated in Stock. Any such deferral shall only be allowed as is provided in a separate deferred compensation plan adopted by the Company. This Plan shall not constitute an employee benefit plan for purposes of section 3(3) of the Employee Retirement Income Security Act of 1974, as amended.

(d) Exemptions from Section 16(b) Liability. It is the intent of the Company that the grant of any Awards to or other transaction by a Participant who is subject to section 16 of the Exchange Act shall be exempt from section 16 pursuant to an applicable exemption (except for transactions acknowledged in writing to be non-exempt by such Participant). Accordingly, if any provision of this Plan or any Award agreement does not comply with the requirements of Rule 16b-3 as then applicable to any such transaction, such provision shall be construed or deemed amended to the extent necessary to conform to the applicable requirements of Rule 16b-3 so that such Participant shall avoid liability under section 16(b).

(e) Non-Competition Agreement. Each Participant to whom an Award is granted under this Plan may be required to agree in writing as a condition to the granting of such Award not to engage in conduct in competition with the Company or any of its subsidiaries for a period after the termination of such Participant's employment with the Company and its subsidiaries as determined by the Committee.

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8. **Performance and Annual Incentive Awards.**

(a) **Performance Conditions.** The right of a Participant to exercise or receive a grant or settlement of any Award, and the timing thereof, may be subject to such performance conditions as may be specified by the Committee. The Committee may use such business criteria and other measures of performance as it may deem appropriate in establishing any performance conditions, and may exercise its discretion to reduce or increase the amounts payable under any Award subject to performance conditions, except as limited under Sections 8(b) and 8(c) hereof in the case of a Performance Award or Annual Incentive Award intended to qualify under section 162(m) of the Code.

(b) **Performance Awards Granted to Designated Covered Employees.** If the Committee determines that a Performance Award to be granted to an Eligible Person who is designated by the Committee as likely to be a Covered Employee should qualify as performance-based compensation for purposes of section 162(m) of the Code, the grant, exercise and/or settlement of such Performance Award may be contingent upon achievement of preestablished performance goals and other terms set forth in this Section 8(b).

(i) **Performance Goals Generally.** The performance goals for such Performance Awards shall consist of one or more business criteria or individual performance criteria and a targeted level or levels of performance with respect to each of such criteria, as specified by the Committee consistent with this Section 8(b). Performance goals shall be objective and shall otherwise meet the requirements of section 162(m) of the Code and regulations thereunder (including Treasury Regulation §1.162-27 and successor regulations thereto), including the requirement that the level or levels of performance targeted by the Committee result in the achievement of performance goals being substantially uncertain. The Committee may determine that such Performance Awards shall be granted, exercised, and/or settled upon achievement of any one performance goal or that two or more of the performance goals must be achieved as a condition to grant, exercise and/or settlement of such Performance Awards. Performance goals may differ for Performance Awards granted to any one Participant or to different Participants.

(ii) **Business and Individual Performance Criteria.**

(A) **Business Criteria.** One or more of the following business criteria for the Company, on a consolidated basis, and/or for specified subsidiaries or business or geographical units of the Company (except with respect to the total stockholder return and earnings per share criteria), shall be used by the Committee in establishing performance goals for such Performance Awards: (1) earnings per share; (2) increase in revenues; (3) increase in cash flow; (4) increase in cash flow return; (5) return on net assets, return on assets, return on investment, return on capital, or return on equity; (6) economic value added; (7) operating margin or contribution margin; (8) net income; net income per share; pretax earnings; pretax earnings before interest, depreciation and amortization and exploration expense; pretax operating earnings after interest expense and before incentives, service fees, and extraordinary or special items; or operating income; (9) total stockholder return; (10) debt reduction; (11) finding and development costs; (12) production growth; or production growth per share; (13) cash flow; or cash flow per share; (14) reserve replacement; or reserves per share growth and (15) any of the above goals determined on an absolute or relative basis or as compared to the performance of a published or special index deemed applicable by the Committee including, but not limited to, the Standard & Poor's 500 Stock Index or a group of comparable companies. One or more of the foregoing business criteria shall also be exclusively used in establishing performance goals for Annual Incentive Awards granted to a Covered Employee under Section 8(c) hereof.

(B) **Individual Performance Criteria.** The grant, exercise and/or settlement of Performance Awards may also be contingent upon individual performance goals established by the Committee. If required for compliance with section 162(m) of the Code, such criteria shall be approved by the stockholders of the Company.

(iii) **Performance Period; Timing for Establishing Performance Goals.** Achievement of performance goals in respect of such Performance Awards shall be measured over a performance period of up to ten years, as specified by the Committee. Performance goals shall be established not later than 90 days after the beginning of any performance period applicable to such Performance Awards, or at such other date as may be required or permitted for performance-based compensation under section 162(m) of the Code.

(iv) **Performance Award Pool.** The Committee may establish a Performance Award pool, which shall be an unfunded pool, for purposes of measuring performance of the Company in connection with Performance Awards. The amount of such Performance Award pool shall be based upon the achievement of a performance goal or goals based on one or more of the criteria set forth in Section 8(b)(ii) hereof during the given

performance period, as specified by the Committee in accordance with Section 8(b)(iii) hereof. The Committee may specify the amount of the Performance Award pool as a percentage of any of such criteria, a percentage thereof in excess of a threshold amount, or as another amount which need not bear a strictly mathematical relationship to such criteria.

(v) Settlement of Performance Awards; Other Terms. After the end of each performance period, the Committee shall determine the amount, if any, of (A) the Performance Award pool, and the maximum amount of potential Performance Award payable to each Participant in the Performance Award pool, or (B) the amount of potential Performance Award otherwise payable to each Participant. Settlement of such Performance Awards shall be in cash, Stock, other Awards or other property, in the discretion of the Committee. The Committee may, in its discretion, reduce the amount of a settlement otherwise to be made in connection with such Performance Awards, but may not exercise discretion to increase any such amount payable to a Covered Employee in respect of a Performance Award subject to this Section 8(b). The Committee shall specify the circumstances in which such Performance Awards shall be paid or forfeited in the event of termination of employment by the Participant prior to the end of a performance period or settlement of Performance Awards.

(c) Annual Incentive Awards Granted to Designated Covered Employees. If the Committee determines that an Annual Incentive Award to be granted to an Eligible Person who is designated by the Committee as likely to be a Covered Employee should qualify as performance-based compensation for purposes of section 162(m) of the Code, the grant, exercise and/or settlement of such Annual Incentive Award shall be contingent upon achievement of preestablished performance goals and other terms set forth in this Section 8(c).

(i) Annual Incentive Award Pool. The Committee may establish an Annual Incentive Award pool, which shall be an unfunded pool, for purposes of measuring performance of the Company in connection with Annual Incentive Awards. The amount of such Annual Incentive Award pool shall be based upon the achievement of a performance goal or goals based on one or more of the business criteria set forth in Section 8(b)(ii) hereof during the given performance period, as specified by the Committee in accordance with Section 8(b)(iii) hereof. The Committee may specify the amount of the Annual Incentive Award pool as a percentage of any of such business criteria, a percentage thereof in excess of a threshold amount, or as another amount which need not bear a strictly mathematical relationship to such business criteria.

(ii) Potential Annual Incentive Awards. Not later than the end of the 90th day of each fiscal year, or at such other date as may be required or permitted in the case of Awards intended to be performance-based compensation under section 162(m) of the Code, the Committee shall determine the Eligible Persons who will potentially receive Annual Incentive Awards, and the amounts potentially payable thereunder, for that fiscal year, either out of an Annual Incentive Award pool established by such date under Section 8(c)(i) hereof or as individual Annual Incentive Awards. In the case of individual Annual Incentive Awards intended to qualify under section 162(m) of the Code, the amount potentially payable shall be based upon the achievement of a performance goal or goals based on one or more of the business criteria set forth in Section 8(b)(ii) hereof in the given performance year, as specified by the Committee; in other cases, such amount shall be based on such criteria as shall be established by the Committee. In all cases, the maximum Annual Incentive Award of any Participant shall be subject to the limitation set forth in Section 5 hereof.

(iii) Payout of Annual Incentive Awards. After the end of each fiscal year, the Committee shall determine the amount, if any, of (A) the Annual Incentive Award pool, and the maximum amount of potential Annual Incentive Award payable to each Participant in the Annual Incentive Award pool, or (B) the amount of potential Annual Incentive Award otherwise payable to each Participant. The Committee may, in its discretion, determine that the amount payable to any Participant as a final Annual Incentive Award shall be increased or reduced from the amount of his or her potential Annual Incentive Award, including a determination to make no final Award whatsoever, but may not exercise discretion to increase any such amount in the case of an Annual Incentive Award intended to qualify under section 162(m) of the Code. The Committee shall specify the circumstances in which an Annual Incentive Award shall be paid or forfeited in the event of termination of employment by the Participant prior to the end of a fiscal year or settlement of such Annual Incentive Award.

(d) Written Determinations. All determinations by the Committee as to the establishment of performance goals, the amount of any Performance Award pool or potential individual Performance Awards and as to the achievement of performance goals relating to Performance Awards under Section 8(b), and the amount of any Annual Incentive Award pool or potential individual Annual Incentive Awards and the amount of final Annual Incentive Awards

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under Section 8(c), shall be made in writing in the case of any Award intended to qualify under section 162(m) of the Code. The Committee may not delegate any responsibility relating to such Performance Awards or Annual Incentive Awards.

(e) Status of Section 8(b) and Section 8(c) Awards under Section 162(m) of the Code. It is the intent of the Company that Performance Awards and Annual Incentive Awards under Sections 8(b) and 8(c) hereof granted to persons who are designated by the Committee as likely to be Covered Employees within the meaning of section 162(m) of the Code and regulations thereunder (including Treasury Regulation §1.162-27 and successor regulations thereto) shall, if so designated by the Committee, constitute performance-based compensation within the meaning of section 162(m) of the Code and regulations thereunder. Accordingly, the terms of Sections 8(b), (c), (d) and (e), including the definitions of Covered Employee and other terms used therein, shall be interpreted in a manner consistent with section 162(m) of the Code and regulations thereunder. The foregoing notwithstanding, because the Committee cannot determine with certainty whether a given Participant will be a Covered Employee with respect to a fiscal year that has not yet been completed, the term Covered Employee as used herein shall mean only a person designated by the Committee, at the time of grant of Performance Awards or an Annual Incentive Award, who is likely to be a Covered Employee with respect to that fiscal year. If any provision of this Plan as in effect on the date of adoption or any agreements relating to Performance Awards or Annual Incentive Awards that are designated as intended to comply with section 162(m) of the Code does not comply or is inconsistent with the requirements of section 162(m) of the Code or regulations thereunder, such provision shall be construed or deemed amended to the extent necessary to conform to such requirements.

9. Recapitalization or Reorganization.

(a) Existence of Plans and Awards. The existence of this Plan and the Awards granted hereunder shall not affect in any way the right or power of the Board or the stockholders of the Company to make or authorize any adjustment, recapitalization, reorganization or other change in the Company's capital structure or its business, any merger or consolidation of the Company, any issue of debt or equity securities ahead of or affecting Stock or the rights thereof, the dissolution or liquidation of the Company or any sale, lease, exchange or other disposition of all or any part of its assets or business or any other corporate act or proceeding.

(b) Subdivision or Consolidation of Shares. The terms of an Award and the number of shares of Stock authorized pursuant to Section 4 for issuance under the Plan shall be subject to adjustment from time to time, in accordance with the following provisions:

(i) If at any time, or from time to time, the Company shall subdivide as a whole (by reclassification, by a Stock split, by the issuance of a distribution on Stock payable in Stock, or otherwise) the number of shares of Stock then outstanding into a greater number of shares of Stock, then (A) the maximum number of shares of Stock available for the Plan as provided in Section 4 shall be increased proportionately, and the kind of shares or other securities available for the Plan shall be appropriately adjusted, (B) the number of shares of Stock (or other kind of shares or securities) that may be acquired under any Award shall be increased proportionately, and (C) the price (including the exercise price) for each share of Stock (or other kind of shares or securities) subject to then outstanding Awards shall be reduced proportionately, without changing the aggregate purchase price or value as to which outstanding Awards remain exercisable or subject to restrictions.

(ii) If at any time, or from time to time, the Company shall consolidate as a whole (by reclassification, reverse Stock split, or otherwise) the number of shares of Stock then outstanding into a lesser number of shares of Stock, (A) the maximum number of shares of Stock available for the Plan as provided in Section 4 shall be decreased proportionately, and the kind of shares or other securities available for the Plan shall be appropriately adjusted, (B) the number of shares of Stock (or other kind of shares or securities) that may be acquired under any Award shall be decreased proportionately, and (C) the price (including the exercise price) for each share of Stock (or other kind of shares or securities) subject to then outstanding Awards shall be increased proportionately, without changing the aggregate purchase price or value as to which outstanding Awards remain exercisable or subject to restrictions.

(iii) Whenever the number of shares of Stock subject to outstanding Awards and the price for each share of Stock subject to outstanding Awards are required to be adjusted as provided in this Section 9(b), the Committee shall promptly prepare a notice setting forth, in reasonable detail, the event requiring adjustment, the amount of the adjustment, the method by which such adjustment was calculated, and the change in price and the number of shares of Stock, other securities, cash, or property purchasable subject to each Award after giving effect to the adjustments. The Committee shall promptly give each Participant such a notice.

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- (iv) Adjustments under Subsections 9(b)(i) and (ii) shall be made by the Committee, and its determination as to what adjustments shall be made and the extent thereof shall be final, binding, and conclusive. No fractional interest shall be issued under the Plan on account of any such adjustments.
- (c) Corporate Restructuring. If the Company recapitalizes, reclassifies its capital stock, or otherwise changes its capital structure (a recapitalization), the number and class of shares of Stock covered by an Option theretofore granted shall be adjusted so that such Option shall thereafter cover the number and class of shares of stock and securities to which the holder would have been entitled pursuant to the terms of the recapitalization if, immediately prior to the recapitalization, the holder had been the holder of record of the number of shares of Stock then covered by such Option and the share limitations provided in Sections 4 and 5 shall be adjusted in a manner consistent with the recapitalization. Upon a Change in Control the Committee, acting in its sole discretion without the consent or approval of any holder, shall effect one or more of the following alternatives, which may vary among individual holders and which may vary among Options held by any individual holder: (1) accelerate the time at which Options then outstanding may be exercised so that such Options may be exercised in full for a limited period of time on or before a specified date (before or after such Change in Control) fixed by the Committee, after which specified date all unexercised Options and all rights of holders thereunder shall terminate, (2) require the mandatory surrender to the Company by selected holders of some or all of the outstanding Options held by such holders (irrespective of whether such Options are then exercisable under the provisions of this Plan) as of a date, before or after such Change in Control, specified by the Committee, in which event the Committee shall thereupon cancel such Options and pay to each holder an amount of cash per share equal to the excess, if any, of the amount calculated in Section 9(d) (the Change in Control Price) of the shares subject to such Option over the exercise price(s) under such Options for such shares, (3) provide that the number and class of shares of Stock covered by an Award theretofore granted shall be adjusted so that such Award shall thereafter cover the number and class of shares of Stock or other securities or property (including, without limitation, cash) to which the holder would have been entitled pursuant to the terms of the agreement of merger, consolidation, sale of assets, or dissolution, if the holder had been the holder of record of the number of shares of Stock covered by the Award, or (4) make such adjustments to Options then outstanding as the Committee deems appropriate to reflect such Change in Control (provided, however, that the Committee may determine in its sole discretion that no adjustment is necessary to Options then outstanding).
- (d) Change in Control Price. The Change in Control Price shall equal the amount determined in clause (i), (ii), (iii), (iv) or (v), whichever is applicable, as follows: (i) the per share price offered to holders of the same class of Stock of the Company in any merger or consolidation, (ii) the per share value of the Stock immediately before the Change in Control (without regard to assets sold in the Change in Control and assuming the Company has received the consideration paid for the assets) in the case of a sale of the assets, (iii) the amount distributed per share of Stock in a dissolution transaction, (iv) the price per share offered to holders of the same class of Stock of the Company in any tender offer or exchange offer whereby a Change in Control takes place, or (v) if such Change in Control occurs other than pursuant to a tender or exchange offer, the fair market value per share of the shares into which such Options being surrendered are exercisable, as determined by the Committee as of the date determined by the Committee to be the date of cancellation and surrender of such Options. In the event that the consideration offered to stockholders of the Company in any transaction described in this Section 9(d) or Section 9(c) above consists of anything other than cash, the Committee shall determine the fair cash equivalent of the portion of the consideration offered which is other than cash.
- (e) Non-Option Awards. In the event of changes in the outstanding Stock by reason of recapitalization, reorganizations, mergers, consolidations, combinations, exchanges or other relevant changes in capitalization occurring after the date of the grant of any Award and not otherwise provided for by this Section 9, any outstanding Awards and any agreements evidencing such Awards shall be subject to adjustment by the Committee at its discretion as to the number and price of shares of Stock or other consideration subject to such Awards. In the event of any such change in the outstanding Stock, the aggregate number of shares available under this Plan may be appropriately adjusted by the Committee, whose determination shall be conclusive.
- (f) Additional Issuances. Except as hereinbefore expressly provided, the issuance by the Company of shares of stock of any class or securities convertible into shares of stock of any class, for cash, property, labor or services, upon direct sale, upon the exercise of rights or warrants to subscribe therefor, or upon conversion of shares or obligations of the Company convertible into such shares or other securities, and in any case whether or not for fair value, shall not affect, and no adjustment by reason thereof shall be made with respect to, the number of shares of Stock subject to Awards theretofore granted or the purchase price per share, if applicable.
- (g) Restricted Stock Awards. Plan provisions to the contrary notwithstanding, with respect to any Restricted Stock Awards outstanding at the time a Change in Control as described in Section 2(g) occurs, the Committee

may, in its discretion and as of a date determined by the Committee, fully vest any or all Stock awarded to the holder pursuant to such Restricted Stock Award and then outstanding and, upon such vesting, all restrictions applicable to such Restricted Stock Award shall terminate as of such date. Any action by the Committee pursuant to this Section 9(g) may vary among individual holders and may vary among the Restricted Stock Awards held by any individual holder.

10. **General Provisions.**

(a) **Transferability.**

(i) **Permitted Transferees.** The Committee may, in its discretion, permit a Participant to transfer all or any portion of an Option, Stock Appreciation Right, Phantom Stock Award or Restricted Stock Award (if such Restricted Stock Award does not require the transfer of consideration by the Participant or the holder other than usual and customary service) after the Company's initial registration of the Stock under section 12(b) or 12(g) of the Exchange Act, or authorize all or a portion of such Awards to be granted to an Eligible Person to be on terms which permit transfer by such Participant; provided that, in either case the transferee or transferees must be any child, stepchild, grandchild, parent, stepparent, grandparent, spouse, former spouse, sibling, niece, nephew, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law, including adoptive relationships, in each case with respect to the Participant, any person sharing the Participant's household (other than a tenant or employee of the Company), a trust in which these persons have more than fifty percent of the beneficial interest, a foundation in which these persons (or the Participant) control the management of assets, and any other entity in which these persons (or the Participant) own more than fifty percent of the voting interests (collectively, Permitted Transferees); provided further that, (X) there may be no consideration for any such transfer and (Y) subsequent transfers of Awards transferred as provided above shall be prohibited except subsequent transfers back to the original holder of the Award and transfers to other Permitted Transferees of the original holder. Agreements evidencing Awards with respect to which such transferability is authorized at the time of grant must be approved by the Committee, and must expressly provide for transferability in a manner consistent with this Subsection 10(a)(i).

(ii) **Qualified Domestic Relations Orders.** An Option, Stock Appreciation Right, Phantom Stock Award or Restricted Stock Award (if such Restricted Stock Award does not require the transfer of consideration by the Participant or the holder other than usual and customary service) after the Company's initial registration of the Stock under section 12(b) or 12(g) of the Exchange Act, may be transferred, to a Permitted Transferee, pursuant to a domestic relations order entered or approved by a court of competent jurisdiction upon delivery to the Company of written notice of such transfer and a certified copy of such order.

(iii) **Other Transfers.** Except as expressly permitted by Subsections 10(a)(i) and 10(a)(ii), Awards shall not be transferable other than by will or the laws of descent and distribution except that in the Committee's discretion a Stock Appreciation Right, Phantom Stock Award (if such Stock Appreciation Right or Phantom Stock Award is not exercisable for Stock and not subject to the Participant's or holder's discretion as to the timing or method of payment) or Restricted Stock Award (if such Restricted Stock Award does not require the transfer of consideration by the Participant or the holder other than usual and customary service) may be transferable, however, not for consideration. Notwithstanding anything to the contrary in this Section 10, an Incentive Stock Option shall not be transferable other than by will or the laws of descent and distribution.

(iv) **Effect of Transfer.** Following the transfer of any Award as contemplated by Subsections 10(a)(i), 10(a)(ii) and 10(a)(iii), (A) such Award shall continue to be subject to the same terms and conditions as were applicable immediately prior to transfer, provided that the term Participant shall be deemed to refer to the Permitted Transferee, the recipient under a qualified domestic relations order, the estate or heirs of a deceased Participant, or other transferee, as applicable, to the extent appropriate to enable the Participant to exercise the transferred Award in accordance with the terms of this Plan and applicable law and (B) the provisions of the Award relating to exercisability hereof shall continue to be applied with respect to the original Participant and, following the occurrence of any such events described therein the Awards shall be exercisable by the Permitted Transferee, the recipient under a qualified domestic relations order, the estate or heirs of a deceased Participant, or other transferee, as applicable, only to the extent and for the periods that would have been applicable in the absence of the transfer.

(v) **Procedures and Restrictions.** Any Participant desiring to transfer an Award as permitted under Subsections 10(a)(i), 10(a)(ii) or 10(a)(iii) shall make application therefor in the manner and time specified by the Committee and shall comply with such other requirements as the Committee may require to assure compliance with all applicable securities laws. The Committee shall not give permission for such a transfer if (A) it would give

rise to short-swing liability under section 16(b) of the Exchange Act or (B) it may not be made in compliance with all applicable federal, state and foreign securities laws.

(vi) Registration. To the extent the issuance to any Permitted Transferee of any shares of Stock issuable pursuant to Awards transferred as permitted in this Section 10(a) is not registered pursuant to the effective registration statement of the Company generally covering the shares to be issued pursuant to this Plan to initial holders of Awards, the Company shall not have any obligation to register the issuance of any such shares of Stock to any such transferee.

(b) Taxes. The Company and any Subsidiary is authorized to withhold from any Award granted, or any payment relating to an Award under this Plan, including from a distribution of Stock, amounts of withholding and other taxes due or potentially payable in connection with any transaction involving an Award, and to take such other action as the Committee may deem advisable to enable the Company and Participants to satisfy obligations for the payment of withholding taxes and other tax obligations relating to any Award. This authority shall include authority to withhold or receive Stock or other property and to make cash payments in respect thereof in satisfaction of a Participant's tax obligations, either on a mandatory or elective basis in the discretion of the Committee.

(c) Changes to this Plan and Awards. The Board may amend, alter, suspend, discontinue or terminate this Plan or the Committee's authority to grant Awards under this Plan without the consent of stockholders or Participants, except that any amendment or alteration to this Plan, including any increase in any share limitation, shall be subject to the approval of the Company's stockholders not later than the annual meeting next following such Board action if such stockholder approval is required by any federal or state law or regulation or the rules of any stock exchange or automated quotation system on which the Stock may then be listed or quoted, and the Board may otherwise, in its discretion, determine to submit other such changes to this Plan to stockholders for approval; provided that, without the consent of an affected Participant, no such Board action may materially and adversely affect the rights of such Participant under any previously granted and outstanding Award. The Committee may waive any conditions or rights under, or amend, alter, suspend, discontinue or terminate any Award theretofore granted and any Award agreement relating thereto, except as otherwise provided in this Plan; provided that, without the consent of an affected Participant, no such Committee action may materially and adversely affect the rights of such Participant under such Award. In no event may the Board or the Committee make any alteration to or amendment of an Award or provide for the exchange of any Awards that, in either case, would constitute the repricing of Options for purposes of the rules of the NYSE.

(d) Limitation on Rights Conferred Under Plan. Neither this Plan nor any action taken hereunder shall be construed as (i) giving any Eligible Person or Participant the right to continue as an Eligible Person or Participant or in the employ or service of the Company or a Subsidiary, (ii) interfering in any way with the right of the Company or a Subsidiary to terminate any Eligible Person's or Participant's employment or service at any time, (iii) giving an Eligible Person or Participant any claim to be granted any Award under this Plan or to be treated uniformly with other Participants and employees, or (iv) conferring on a Participant any of the rights of a stockholder of the Company unless and until the Participant is duly issued or transferred shares of Stock in accordance with the terms of an Award.

(e) Unfunded Status of Awards. This Plan is intended to constitute an unfunded plan for certain incentive awards.

(f) Nonexclusivity of this Plan. Neither the adoption of this Plan by the Board nor its submission to the stockholders of the Company for approval shall be construed as creating any limitations on the power of the Board or a committee thereof to adopt such other incentive arrangements as it may deem desirable, including incentive arrangements and awards which do not qualify under section 162(m) of the Code. Nothing contained in this Plan shall be construed to prevent the Company or any Subsidiary from taking any corporate action which is deemed by the Company or such Subsidiary to be appropriate or in its best interest, whether or not such action would have an adverse effect on this Plan or any Award made under this Plan. No employee, beneficiary or other person shall have any claim against the Company or any Subsidiary as a result of any such action.

(g) Payments in the Event of Forfeitures; Fractional Shares. Unless otherwise determined by the Committee, in the event of a forfeiture of an Award with respect to which a Participant paid cash or other consideration to the Company in exchange for such Award, the Participant shall be repaid the amount of such cash or other consideration. No fractional shares of Stock shall be issued or delivered pursuant to this Plan or any Award. The Committee shall determine whether cash, other Awards or other property shall be issued or paid in lieu of such fractional shares or whether such fractional shares or any rights thereto shall be forfeited or otherwise eliminated.

(h) Severability. If any provision of this Plan is held to be illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining provisions hereof, but such provision shall be fully severable and the Plan shall be construed and enforced as if the illegal or invalid provision had never been included herein. If any of the terms or provisions of this Plan or any Award agreement conflict with the requirements of Rule 16b-3 (as those terms or provisions are applied to Eligible Persons who are subject to section 16(b) of the Exchange Act) or section 422 of the Code (with respect to Incentive Stock Options), then those conflicting terms or provisions shall be deemed inoperative to the extent they so conflict with the requirements of Rule 16b-3 (unless the Board or the Committee, as appropriate, has expressly determined that the Plan or such Award should not comply with Rule 16b-3) or section 422 of the Code. With respect to Incentive Stock Options, if this Plan does not contain any provision required to be included herein under section 422 of the Code, that provision shall be deemed to be incorporated herein with the same force and effect as if that provision had been set out at length herein; provided, further, that, to the extent any Option that is intended to qualify as an Incentive Stock Option cannot so qualify, that Option (to that extent) shall be deemed an Option not subject to section 422 of the Code for all purposes of the Plan.

(i) Governing Law. All questions arising with respect to the provisions of the Plan and Awards shall be determined by application of the laws of the State of Texas, without giving effect to any conflict of law provisions thereof, except to the extent Texas law is preempted by federal law. The obligation of the Company to sell and deliver Stock hereunder is subject to applicable federal and state laws and to the approval of any governmental authority required in connection with the authorization, issuance, sale, or delivery of such Stock.

(j) Conditions to Delivery of Stock. Nothing herein or in any Award granted hereunder or any Award agreement shall require the Company to issue any shares with respect to any Award if that issuance would, in the opinion of counsel for the Company, constitute a violation of the Securities Act or any similar or superseding statute or statutes, any other applicable statute or regulation, or the rules of any applicable securities exchange or securities association, as then in effect. At the time of any exercise of an Option or Stock Appreciation Right, or at the time of any grant of a Restricted Stock Award, the Company may, as a condition precedent to the exercise of such Option or Stock Appreciation Right or vesting of any Restricted Stock Award, require from the Participant (or in the event of his death, his legal representatives, heirs, legatees, or distributees) such written representations, if any, concerning the holder's intentions with regard to the retention or disposition of the shares of Stock being acquired pursuant to the Award and such written covenants and agreements, if any, as to the manner of disposal of such shares as, in the opinion of counsel to the Company, may be necessary to ensure that any disposition by that holder (or in the event of the holder's death, his legal representatives, heirs, legatees, or distributees) will not involve a violation of the Securities Act or any similar or superseding statute or statutes, any other applicable state or federal statute or regulation, or any rule of any applicable securities exchange or securities association, as then in effect. No Option or Stock Appreciation Right shall be exercisable and no restriction on any Restricted Stock Award shall lapse with respect to a Participant unless and until the holder thereof shall have paid cash or property to, or performed services for, the Company or any of its Subsidiaries that the Committee believes is equal to or greater in value than the par value of the Stock subject to such Award.

(k) Plan Effective Date and Stockholder Approval. This Plan was adopted by the Board on March 28, 2005 and became effective upon approval by the stockholders of the Company at the annual meeting occurring May 18, 2005.

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Form of proxy card

FRONT:

PROXY

PROXY

RANGE RESOURCES CORPORATION

Proxy Solicited on Behalf of the Board of Directors

For The Annual Meeting of Stockholders - May 23, 2007

The undersigned hereby appoints John H. Pinkerton and Rodney L. Waller, and each of them, his/her true and lawful agents and proxies with full power of substitution and revocation, to vote, as designated on the reverse side hereof, all the Common Stock of Range Resources Corporation which the undersigned has power to vote, with all powers which the undersigned possess if personally present, at the Annual Meeting of Stockholders of Range Resources Corporation to be held on May 23, 2007, and at any adjournments thereof.

1. To elect a board of eight Directors, each for a term expiring at the 2008 annual meeting or when their successors are duly elected and qualified. The nominees of the Board of Directors are:

- (1) Charles L. Blackburn, (2) Anthony V. Dub, (3) V. Richard Eales, (4) Allen Finkelson, (5) Jonathan S. Linker,
- (6) Kevin S. McCarthy, (7) John H. Pinkerton and (8) Jeffrey L. Ventura.

2. To increase the common stock authorized to be issued under the 2005 Equity-Based Compensation Plan by 950,000 shares.

3. To ratify the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for 2007.

Please specify your choice by marking the appropriate boxes, SEE REVERSE SIDE. Any unmarked box will be voted in accordance with the Board of Directors' recommendations. The shares cannot be voted unless the card is signed and returned.

PLEASE VOTE, SIGN, DATE AND RETURN THIS PROXY CARD PROMPTLY USING THE ENCLOSED ENVELOPE.

(Continued and to be signed on reverse side)

REVERSE SIDE:

RANGE RESOURCES CORPORATION

The Board of Directors recommends a vote FOR Proposals 1, 2 and 3

1. Election of Directors (see reverse)	For All	Withheld All	For All Except (indicate number(s) of director nominees in blank)	2. Increase common stock under 2005 Equity Plan.	For	Against	Abstain
				3. Ratify Ernst & Young LLP for 2007			

Area reserved for Name & Address

Date: _____, 2006

Signature(s)

Signature(s)

A proxy that is properly completed and returned will be voted at the Meeting in accordance with the instructions on the proxy. **If you properly complete and return a proxy but do not indicate any contrary voting instructions, your shares will be voted FOR the Proposals listed in the Notice of Annual Meeting of Stockholders and any other business as may properly come before the Meeting or any adjournment or postponement thereof.** If the Company proposes to adjourn the Meeting, the proxy holders will vote all shares for which they have voting authority in favor of adjournment. The Board of Directors knows of no matters other than those stated in the Notice of Annual Meeting of Stockholders and described in this Proxy Statement to be presented for consideration at the Meeting. NOTE: Please sign exactly as name appears hereon. Joint owners should each sign. When signing as attorney, administrator, trustee, or guardian, please give full title as such.
