ROWAN COMPANIES INC
Form DEF 14A
April 28, 2008

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
SCHEDULE 14A
Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934 (Amendment No.)

Filed by the Registrant þ
Filed by a Party other than the Registrant o
Check the appropriate box:
o Preliminary Proxy Statement
o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
þ Definitive Proxy Statement
o Definitive Additional Materials
o Soliciting Material Pursuant to §240.14a-12

Rowan Companies, Inc.

(Name of Registrant as Specified In Its Charter)

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

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April 28, 2008

NOTICE OF 2008 ANNUAL MEETING OF STOCKHOLDERS

Dear Stockholder:

You are cordially invited to attend the 2008 Annual Meeting of Stockholders of Rowan Companies, Inc. on June 6, 2008 (the Annual Meeting), at 9:00 a.m., local time, in the Monarch Room of the Westin Galleria Houston, 5060 West Alabama, Houston, Texas.

At the Annual Meeting, you will be asked to:

Elect three Class II Directors for a three-year term and until their successors are duly elected and qualified;

Ratify the appointment of our independent auditors; and

Conduct other business as may properly come before the meeting or any adjournment or postponement thereof.

Only stockholders of record on April 24, 2008 may vote at the Annual Meeting or any adjournment or postponement thereof.

We hope that as many stockholders as possible will personally attend the Annual Meeting. Whether or not you plan to attend, your vote is important. In order to assure your representation at the meeting, please vote your shares as promptly as possible by either (i) following the instructions on the enclosed proxy card to vote by telephone or by Internet or (ii) signing, dating and returning the enclosed proxy card in the postage-paid envelope provided. Sending in your proxy or voting by telephone or Internet will not prevent you from voting in person at the Annual Meeting. If you vote in person at the Annual Meeting, that vote will revoke any prior vote you have submitted.

If you have any questions, or require assistance voting your shares, please contact Innisfree M&A Incorporated, our proxy solicitor, at its address and toll-free numbers listed on the following page.

By Order of the Board of Directors,

D. F. McNease	Melanie M. Trent
Chairman	Corporate Secretary

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If you have any questions, require assistance in voting your proxy card, or need additional copies of this proxy statement, please call Innisfree M&A Incorporated at the phone numbers listed below:

501 Madison Avenue, 20th Floor
New York, NY 10022
Stockholders call toll free: 888-750-5835
Banks and brokers call collect: 212-750-5833

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ROWAN COMPANIES, INC.
2800 Post Oak Boulevard, Suite 5450
Houston, Texas 77056
(713) 621-7800

PROXY STATEMENT 2008 ANNUAL MEETING OF STOCKHOLDERS

GENERAL INFORMATION

We are providing this proxy statement and the enclosed proxy card to you in connection with the solicitation of proxies by the Board of Directors of Rowan Companies, Inc. for use at the 2008 Annual Meeting of Stockholders to be held on Friday, June 6, 2008, in the Monarch Room of the Westin Galleria Houston, 5060 West Alabama, Houston, Texas, at 9:00 a.m. local time, and at any adjournment or postponement thereof. In this proxy statement, we refer to Rowan Companies, Inc. as the Company, Rowan, we, our or us.

The accompanying proxy is solicited by the Board of Directors of the Company (the Board of Directors or the Board) and is revocable by the stockholder any time before it is voted. This proxy statement is being mailed to stockholders on or about April 28, 2008. The Company s principal executive offices are located at 2800 Post Oak Boulevard, Suite 5450, Houston, Texas 77056, telephone (713) 621-7800.

Who May Vote

Only holders of record of the Company s common stock on April 24, 2008 are entitled to notice of, and to vote at, the meeting or any adjournment or postponement thereof. As of the record date, there were 112,641,815 shares of common stock outstanding and entitled to vote at the meeting. Each share of common stock is entitled to one vote on all matters. No other class of securities will be entitled to vote at the meeting. There are no cumulative voting rights.

A complete list of stockholders entitled to vote at the meeting will be open to the examination of any stockholder for any purpose germane to the Annual Meeting for a period of ten days prior to the meeting at the Company s principal executive offices set forth above during ordinary business hours. Such list shall also be open to the examination of any stockholder present at the meeting.

If you hold your shares indirectly in the Rowan Companies, Inc. or the LeTourneau Technologies, Inc. savings plans (the Saving Plans), you have the right to direct the trustee of your plan how to vote as described on the separate instruction card sent to you by the trustee.

Voting Requirements

A majority of the shares of common stock entitled to vote at the meeting present in person or by proxy constitutes a quorum for action at the meeting.

In February 2008, the Board approved an amendment to the Company s Bylaws to require that a nominee for director shall be elected if the votes cast for such nominee s election exceed the votes cast against such nominee s election in uncontested elections. In a contested election (a situation in which the number of director nominees exceeds the number of directors to be elected), the standard for election of directors will be a plurality of the shares represented in person or by proxy at any such meeting and entitled to vote on the election of directors. The election of directors at the Annual Meeting is an uncontested election. Accordingly, the standard for the election of directors at the Annual Meeting will be majority voting, and a nominee for director will be elected to the Board if the votes cast for such nominee s election exceed the votes cast against such nominee s election.

The ratification of the appointment of independent auditors requires the favorable vote of a majority of the votes cast.

In the election of directors, abstentions and broker non-votes, if any, will be disregarded and have no effect on the outcome of the vote. With respect to the ratification of the appointment of independent auditors, abstentions and broker non-votes, if any, are not considered votes cast, and, therefore, will not affect the outcome of such vote.

The Board of Directors Voting Recommendations

The Board of Directors recommends that you vote your shares FOR each of the Class II nominees named in this proxy statement who are standing for election to the Board, and FOR the ratification of Deloitte & Touche LLP as our independent auditors.

If You Are a Registered Holder

If your shares are registered directly in your name, you are the holder of record of these shares and we are sending these proxy materials directly to you. As the holder of record, you have the right to give your proxy directly to us, to give your voting instructions by telephone or over the Internet or to vote in person by ballot at the meeting.

If You Hold Your Shares in Street Name

If you hold your shares in a brokerage account or through a bank or other holder of record, you hold the shares in street name, and your broker, bank or other holder of record is sending these proxy materials to you. As a holder in street name, you have the right to direct your broker, bank or other holder of record how to vote by following the instructions that accompany your proxy materials. You will not be able to vote in person at the Annual Meeting unless you have previously requested and obtained a legal proxy from your broker, bank or other nominee and present it at the Annual Meeting along with a properly completed ballot.

How to Vote

You may vote either in person at the Annual Meeting or by proxy whether or not you plan to attend the meeting. To vote by proxy, you should either:

Vote by telephone by following the instructions on the enclosed proxy card; or

Vote over the Internet by following the instructions on the enclosed proxy card; or

Sign, date and return the enclosed proxy card in the postage-paid envelope provided.

Giving us your proxy means you authorize the persons appointed as proxies to vote your shares at the meeting in the manner that you have indicated. If you sign and return the enclosed proxy card but do not indicate your vote, the appointed proxies will vote your shares FOR the Board s director nominees and FOR the ratification of the appointment of our independent auditors.

If You Plan to Attend the Annual Meeting

Attendance at the Annual Meeting will be limited to stockholders as of the record date. Each stockholder may be asked to present valid picture identification, such as a driver s license or passport. Stockholders holding stock in brokerage accounts or by a bank or other nominee may be required to show a brokerage statement or account statement reflecting stock ownership as of the record date. See also If You Hold Your Shares in Street Name. Cameras, recording devices and other electronic devices will not be permitted at the Annual Meeting. You may contact Innisfree M&A Incorporated at 888-750-5835 to obtain directions to the site of the Annual Meeting.

Revoking a Proxy

You may revoke your proxy by submitting a new proxy with a later date including a proxy given via the Internet or telephone or by notifying our Secretary before the meeting by mail at the address shown on page 28. If you attend the meeting in person and vote by ballot, any previously submitted proxy will be revoked.

How We Solicit Proxies

We solicit the proxies and will bear the entire cost of this solicitation. The initial solicitation of proxies by mail may be supplemented by telephone, fax, e-mail, Internet and personal solicitation by our directors, officers or other regular employees, or our proxy solicitor. No additional compensation for soliciting proxies will be paid to our directors, officers or other regular employees for their proxy solicitation efforts. We have retained Innisfree M&A Incorporated to assist in the solicitation of proxies at a cost of

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$25,000 plus reasonable out-of-pocket expenses. We also reimburse brokerage houses and other custodians, nominees and fiduciaries for their expenses in sending these materials to you.

If You Receive More Than One Proxy Card

If you hold your shares in more than one account, you will receive a proxy card for each account. To ensure that all of your shares are voted, please sign, date and return the proxy card for each account or use the proxy card to vote by telephone or Internet. You should vote all your shares.

Other Business

The Board of Directors is not aware of any other matters that are to be presented for action at the meeting. However, if any other matters properly come before the meeting, your shares will be voted in accordance with the discretion of the appointed proxies.

Availability of Proxy Materials on the Internet

Important Notice Regarding the Availability of Proxy Materials for the Stockholder Meeting to Be Held on June 6, 2008.

The proxy statement and annual report to security holders are available at www.rowancompanies2008meeting.com.

PROPOSAL NO. 1
ELECTION OF DIRECTORS

Our Board of Directors has three classes with directors in each class elected for a three-year term, and until their successors are duly elected and qualified.

Class I has four directors who will stand for election in 2010;

Class II has three directors who are standing for election in 2008; and

Class III has three directors who will stand for election in 2009.

The three nominees for Class II directors standing for election at this year s Annual Meeting are Mr. D. F. McNease, Lord Moynihan and Mr. R. G. Croyle, each of whom is an incumbent Class II Director. **The Nominating and Corporate Governance Committee has recommended to the Board, and the Board also recommends, that the stockholders elect the Class II director nominees at the Annual Meeting to serve until the 2011 Annual Meeting and until their successors are duly elected and qualified.** The nominees for election to the office of director, and certain information with respect to their backgrounds and the backgrounds of non-nominee directors, are set forth below. It is the intention of the persons named in the accompanying proxy card, unless otherwise instructed, to vote to elect the Class II director nominees. In the event that any such nominee is unable or unwilling to serve as a director, discretionary authority is reserved to vote for a substitute. The Board of Directors has no reason to believe that any nominee named herein will be unable to serve if elected.

Our Nominees for Class II Director

D. F. McNease Age 56 Director since 1998 Class II	Chairman of the Board of the Company since May 2004; Chief Executive Officer of the Company since May 2003; President of the Company since August 2002; Executive Vice President of the Company and President of its drilling subsidiaries from 1999 to 2002.
Lord Moynihan Age 52 Director since 1996 Class II	Executive Chairman of Pelamis Wave Energy (since August 2005) and Executive Chairman of Green Rubber Global (since October 2007); Senior Partner of London-based CMA (energy advisors) since 1993; Executive Director of Clipper Windpower Inc. and Chairman of Clipper Windpower Europe Limited (wind turbine technology) from 2004 to 2007; Active Member of the House of Lords since 1997; and Chairman of the British Olympic Association.

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R. G. Croyle Age 65 Director since 1998 Class II	Formerly Vice Chairman and Chief Administrative Officer of the Company from August 2002 to December 2006; retired in 2006. He also serves on the boards of Boots & Coots International Well Control, Inc. and Magellan Midstream Holdings GP, LLC.

Our Continuing Directors

William T. Fox III Age 62 Director since 2001 Class I	Formerly Managing Director responsible for the global energy and mining businesses of Citigroup, a corporate banking firm, from 1994 to 2003; retired in 2003.
Sir Graham Hearne Age 70 Director since 2004 Class I	Formerly Chairman of Enterprise Oil plc, an oil and gas exploration and production company, from 1991 to 2002, and Chief Executive Officer from 1984 to 1991; retired in 2002. He also serves as the non-executive chair of Catlin Group Limited, Braemar Shipping Services Group plc and Stratic Energy Corporation. He is a non-executive director of N. M. Rothschilds & Sons Ltd. and Wellstream Holdings plc.
H. E. Lentz Age 63 Director since 1990 Class I	Formerly Managing Director of Lehman Brothers Inc., an investment banking firm, from 1993 to 2002; consultant to Lehman in 2003 and Advisory Director since 2004. He also serves on the boards of Peabody Energy Corp. and CARBO Ceramics, Inc.
P. Dexter Peacock Age 66 Director since 2004 Class I	Formerly Managing Partner of Andrews Kurth LLP, a law firm; Of Counsel to Andrews Kurth since 1997. He also serves on the board of Cabot Oil & Gas Corporation.
John R. Huff Age 62 Director since 2006 Class III	Chairman of Oceaneering International, Inc., a provider of engineered services and hardware to customers operating in the offshore oil and gas industry, since 1990. Chief Executive Officer of Oceaneering from 1986 to 2006. He also serves on the boards of BJ Services Company, KBR Inc. and Suncor Energy, Inc.
Robert E. Kramek Age 68 Director since 2007 Class III	President of the Society of Naval Architects and Marine Engineers since 2007. President, Chief Operating Officer and Director of the American Bureau of Shipping (ABS) from 2003 through 2006. Mr. Kramek joined ABS in 1998 after serving as Commandant of the United States Coast Guard, from which he retired as a Four Star Admiral.
Frederick R. Lausen Age 70 Director since 2000 Class III	Formerly Vice President of Davis Petroleum, Inc., an oil and gas exploration and production company; retired in 2002.

ADOPTION OF MAJORITY VOTE STANDARD FOR DIRECTOR ELECTIONS

In February 2008, the Board approved an amendment to the Company s Bylaws to require that a nominee for director shall be elected if the votes cast for such nominee s election exceed the votes cast against such nominee s election in uncontested elections. In a contested election (a situation in which the number of director nominees exceeds the number of directors to be elected), the standard for election of directors will be a plurality of the shares represented in person or by proxy at any such meeting and entitled to vote on the election of directors.

If a director nominee who is then serving as a director is not re-elected at the end of his or her term of office, then, under Delaware law, the director would continue to serve on the Board as a holdover director. In connection with the majority voting bylaw amendment, the Board also adopted a resignation policy relating to majority voting as part of the Company s Corporate Governance Guidelines. The resignation policy provides that a director who fails to receive the required number of votes for re-election in an uncontested election must tender his or her resignation to the Board. The Nominating and Corporate Governance Committee will consider the tendered resignation(s) in light of the best interests of the Company and its stockholders and will make a recommendation to the Board concerning the acceptance or rejection of such resignation. In considering whether to accept or reject the tendered resignation, the Committee will consider all factors or other information deemed relevant by the members of the Committee. The Board will take formal action on the Committee s recommendation no later than 90 days following the receipt of the certified results of the stockholder vote pertaining to such election. In considering the Committee s recommendation, the Board will consider the information, factors and alternatives considered by the Committee and such additional information, factors and alternatives as the Board deems relevant. Any director who tenders his or her resignation will not participate in the Board s decision. The full text of the Company s Corporate Governance Guidelines is available at http://www.rowancompanies.com/fw/main/Governance-28.html.

COMMITTEES OF THE BOARD OF DIRECTORS

The table below shows the members of the committees of our Board of Directors, the principal function of each committee and how often each committee met during 2007. Additional information regarding the responsibilities of the Audit, Compensation and Nominating and Corporate Governance committees may also be found in their respective charters, which are available on the Company s website at www.rowancompanies.com.

	Principal Function	**2007 Meetings**
Audit Committee William T. Fox III, Chairman Frederick R. Lausen P. Dexter Peacock	The committee is directly responsible for the engagement, compensation and oversight of the independent registered public accounting firm engaged to issue an audit report on the Company s financial statements. In addition, the committee oversees our financial and accounting processes, certain compliance matters and performance of our internal audit function.	6
Compensation Committee P. Dexter Peacock, Chairman Sir Graham Hearne John R. Huff H. E. Lentz	The committee recommends to the Board of Directors the compensation to be paid to our CEO and other top officers. The committee administers our debenture, stock option and annual and long-term incentive plans. See Compensation Discussion and Analysis beginning on page 10.	6
Executive Committee D. F. McNease, Chairman R. G. Croyle William T. Fox III Sir Graham Hearne P. Dexter Peacock	The committee has the authority to exercise all of the powers of the Board in the management of the business and affairs of the Company, with certain exceptions noted in the Company s Bylaws.	
Health, Safety and Environment Committee Lord Moynihan, Chairman John R. Huff Robert E. Kramek	The committee reviews our performance and policies with respect to health, safety and environmental matters and makes recommendations to the Board regarding such matters.	4
Nominating and Corporate Governance Committee Sir Graham Hearne, Chairman William T. Fox III Robert E. Kramek Frederick R. Lausen	The committee generally identifies qualified board candidates and develops and recommends to the Board of Directors our corporate governance principles. As described under Director Nominations on page 26, the committee will consider for election to the Board qualified nominees recommended by stockholders.	4

H. E. Lentz
Lord Moynihan

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During each of our Board of Directors regularly scheduled meetings, the non-management directors meet in executive session. Prior to October 2007, the Company used a rotational system with respect to who would preside over such executive sessions. The duty rotated alphabetically to each independent director.

In September 2007, the Board of Directors approved the appointment of a Lead Director and asked Mr. H. E. Lentz to serve in such capacity. The Nominating and Corporate Governance Committee outlined the following duties for the Lead Director:

- To act as a focus for the views of the independent directors with respect to the strategic issues facing the Company;
- To act as a mentor/facilitator for the Chairman in fulfilling his Board duties;
- To consult with the Chairman on the agenda and items to be discussed at Board meetings;
- To be available to the Chairman for advice and counsel and to provide support on strategic, operational and human resource issues of significance to the Company; and
- To provide advice on investor relations.

In addition, the Lead Director presides at all meetings at which the Chairman is not present, including executive sessions of the Board of Directors, approves meeting schedules to ensure there is sufficient time for discussion of all agenda items, has authority to call meetings of the independent directors, and, if requested by major stockholders, ensures that he is available for appropriate consultation and direct communication.

DIRECTOR COMPENSATION AND ATTENDANCE

Depending on participation on committees and attendance at meetings, our non-employee directors receive the compensation shown below, plus reimbursement for reasonable travel expenses. Mr. McNease is an employee of the Company and receives no additional compensation for serving as a director.

	Retainer	Meeting Fee	Telephonic Meeting Fee
Board of Directors	$40,000	$ 2,000	$ 1,000
Audit Committee	15,000 (Chair only)	2,000(1)	1,000
Other Committee	10,000 (Chair only)	2,000	1,000
Lead Director	15,000(2)		

(1) Prior to May 2007, Audit Committee members received $3,000 per meeting attended. At that time, the Compensation Committee, based on a review of peer company director

compensation, reduced the meeting fee to $2,000.

(2) This retainer is in addition to the other retainers and meeting fees payable.

In 2007, each non-employee director received a grant of 3,000 restricted stock units (RSUs) under the 2005 Rowan Companies, Inc. Long-Term Incentive Plan (the LTIP). Newly elected outside directors receive 1,000 RSUs upon their election, as in the case of Mr. Kramek in January 2007, or when they cease to be employees of the Company, as in the case of Mr. Croyle in January 2007.

Directors are expected to meet their responsibilities by attending at least 75% of scheduled meetings of the Board and the committees on which they serve. The Board of Directors held 12 meetings in 2007 and each director attended all of the meetings. Directors are strongly encouraged to attend our Annual Meetings of Stockholders and each of our directors attended our 2007 meeting.

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The following table shows the aggregate compensation awarded to or earned by our directors during 2007.

Director Compensation for Fiscal Year 2007

Name	Fees Earned or Paid in Cash	Stock Awards(a)(b)	Total
R. G. Croyle	$ 61,000	$153,240	$214,240
William T. Fox III	98,000	114,930	212,930
Sir Graham Hearne	85,000	114,930	199,930
John R. Huff	80,000	114,930	194,930
Robert E. Kramek	69,000	153,240	222,240
Frederick R. Lausen	87,000	114,930	201,930
H. E. Lentz	88,750	114,930	203,680
Lord Moynihan	87,000	114,930	201,930
P. Dexter Peacock	96,000	114,930	210,930

(a) We account for RSU awards as a liability award under Statements of Financial Accounting Standards No. 123R (SFAS No. 123R). The amount in the table reflects the aggregate grant date fair value related to the 2007 grants (3,000 RSUs awarded to each director in May 2007 and 1,000 RSUs awarded to Messrs. Croyle and Kramek in January 2007), based upon the number of RSUs awarded and the fair market value of our common stock on the grant dates calculated in accordance with SFAS No. 123R. A discussion of the assumptions used in calculating the grant date fair value is set forth in Note 3 of the Notes to Consolidated Financial Statements in our 2007 Annual Report on Form 10-K. The aggregate number of RSUs held by each director is shown in Security Ownership of Certain Beneficial Owners and Management.

(b) No amounts were expensed in 2007 in connection with stock option awards. We have not issued stock options to non-employee directors since 2004 and all outstanding options are fully vested. The aggregate number of stock options held by each director is shown in Security Ownership of Certain Beneficial Owners and Management below.

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SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following tables show the beneficial ownership of outstanding shares of our common stock as of April 1, 2008 (based on 111,973,879 shares outstanding as of that date) for the following persons:

Each director or nominee;

Our principal executive officer, our principal financial officer and the other three highest paid officers of the Company (the named executive officers, or NEOs); and

All of our directors and executive officers as a group.

For our directors and officers, the information includes shares that they could acquire through June 1, 2008 by the exercise of stock options or the conversion of subordinated debentures. As of April 1, 2008, none of the shares shown below were pledged. Unless otherwise indicated, each individual has sole voting and dispositive power with respect to the shares shown below. None of the officers or directors owns one percent or more of our common stock.

			Savings			**Debentures**	
	Restricted(1)	**Shares**	**Plan(2)**	**Options**	**Series A**	**Series B**	**Series C**
Directors							
R. G. Croyle	4,048	56,958		204,020			
William T. Fox III	11,013	9,000		6,000			
Sir Graham Hearne	7,880	1,000		10,000			
John R. Huff	6,103	10,000					
Robert E. Kramek	4,048						
Frederick R. Lausen(3)	11,013	23,000		6,000			
H. E. Lentz(4)	11,013	39,100		6,000			
D. F. McNease	54,670	63,380	11,402	507,677			35,009
Lord Moynihan(5)	11,013	7,000		6,000			
P. Dexter Peacock	7,880	3,500		10,000			
Other NEOs:							
D. P. Russell	17,453	4,013	1,131	24,923			
M. A. Keller	16,060	36,863	4,265	125,971			
J. L. Buvens	15,037	11,713		102,221			
W. H. Wells	14,138	12,650	8,880	45,722			
All Directors and Executive Officers as a group (21 persons)(6)	238,574	382,630	33,605	1,224,649	10,084	21,333	55,009

(1) For each of our non-employee directors, amounts shown are RSUs that are fully vested and may be converted to cash or stock upon a director s termination of

service from the Board. For each of our officers, amounts shown are shares of restricted stock over which such officer has voting power but not dispositive power.

(2) Savings Plan participants have sole voting power and limited dispositive power over such shares.

(3) Mr. Lausen s shares are owned jointly with his wife.

(4) Includes 100 shares held in the name of Mr. Lentz s son with respect to which Mr. Lentz s wife serves as custodian. Mr. Lentz disclaims beneficial ownership of such shares.

(5) Shares held by Lord Moynihan include 3,000 shares held indirectly through a pension trust.

(6)

Aggregate amount beneficially owned represents 1.7% of our outstanding shares of common stock.

As of April 1, 2008, the Company did not know of any person who beneficially owned in excess of 5% of the Company s outstanding shares of common stock, except as set forth in the table below:

Name and Address of Beneficial Owner	Shares Beneficially Owned	Percent of Class (1)
Steel Partners II, L.P. 590 Madison Avenue 32nd Floor New York, NY 10022	10,518,234(2)	9.4%
Neuberger Berman, Inc. 605 Third Avenue New York, NY 10158-3698	11,579,633(3)	10.3%

(1) Based on 111,973,879 shares of common stock that were issued and outstanding as of April 1, 2008.

(2) As reported on Schedule 13D (Amendment No. 6), filed with the SEC on April 1, 2008, by Steel Partners II, L.P., a Delaware limited partnership, Steel Partners II GP LLC, a Delaware limited liability company, Steel Partners II Master Fund L.P., a Cayman Islands exempted limited partnership, Steel Partners

LLC, a Delaware limited liability company, Warren G. Lichtenstein, John J. Quicke and Robert H. Kanner (collectively, the Steel Partners Group). The principal business address of each member of the Steel Partners Group other than Steel Partners II Master Fund L.P. and Robert H. Kanner is 590 Madison Avenue, 32nd Floor, New York, New York 10022. The principal business address of Steel Partners II Master Fund L.P. is c/o Morgan Stanley Fund Services (Cayman) Ltd., Cricket Square, 2nd Floor, Boundary Hall, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal business address of Robert H. Kanner is c/o Pubco Corporation, 3830 Kelley Avenue, Cleveland, Ohio 44114. The members of the Steel Partners Group (other than Messrs. Quicke and Kanner) reported sole voting power and sole dispositive power over all 10,518,234 shares. Messrs. Quicke and Kanner disclaim beneficial ownership of any of such shares and, according to such filing, ceased to be members of the Steel Partners Group immediately after such filing.

(3) As reported on Schedule 13G (Amendment No. 1), filed with the SEC on April 10, 2008, by Neuberger Berman Inc. and Neuberger Berman, LLC. The principal business address of Neuberger Berman Inc. and Neuberger Berman, LLC is 605 Third Avenue, New York, New York 10158.

Neuberger Berman Inc. and Neuberger Berman, LLC reported sole voting power with respect to 9,434,403 shares, shared voting power with respect to no shares, sole dispositive power with respect to no shares and shared dispositive power with respect to all 11,579,633 shares.

COMPENSATION COMMITTEE REPORT

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis, as provided below, with management. Based on its review, the Compensation Committee recommended to the Board that the Compensation Discussion and Analysis be included in this proxy statement.

Respectfully submitted,
The Compensation Committee of the Board of Directors
P. Dexter Peacock, Chairman
Sir Graham Hearne
John R. Huff
H. E. Lentz
March 9, 2008

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COMPENSATION DISCUSSION AND ANALYSIS

Our Compensation Committee

Our Compensation Committee is composed of four independent board members: P. Dexter Peacock is the Chairman of the Committee, and Sir Graham Hearne, John R. Huff and H. E. Lentz are the other members of the Committee. Mr. Peacock, with input from the other Committee members, directs the agenda for each meeting of the Committee and seeks input from management and the Committee s independent compensation consultant, Hewitt & Associates (Hewitt). Hewitt advises the Committee on all matters relating to NEO compensation and general compensation programs.

Typically, the Company gathers information requested by the Committee and management makes recommendations with respect to certain compensation matters and ensures that the Committee members receive materials in advance of a meeting. Mr. Peacock usually invites the Company s CEO, the Vice President, Human Resources and the Vice President, Finance and CFO to attend the Committee meetings. During each Committee meeting, members of management are excused to permit the Committee to meet alone with its advisors and in executive session.

Our NEOs are all corporate officers of the parent company. Employees of our Manufacturing Division have compensation and benefit plans that are similar but not identical to our corporate employees and Drilling Division employees.

Objectives of Our Compensation Program

The Committee s goals in setting compensation for our NEOs are to:

- Provide a direct relationship between executive pay and Company performance, both on a short-term and a long-term basis;
- Emphasize performance measures such as return on capital employed (ROCE) and total stockholder return (TSR) that we believe contribute to value creation over the longer term;
- Support our strategic plan and motivate our executives to fulfill that plan;
- Ensure that our compensation levels are competitive with peer companies in order to retain and motivate our executives; and
- Ensure that a significant portion of compensation of our senior management is performance-based and therefore at risk of forfeiture since those officers have the greatest ability to affect the Company s performance.

Design of Our Compensation Program

Our compensation program is designed to compensate our executives for short-term and long-term performance and to retain and motivate employees whose performance contributes to value creation over the long term. In 2007, the Committee revised our compensation plans for our NEOs:

- Given our desire to retain executives in a highly competitive environment and to align their pay with stockholder value creation, we revised the allocation of awards under the long-term incentive plan to 50% of the target award in restricted stock and 50% in performance shares, with payout of the performance shares determined by ROCE and relative TSR.
- Given the increased consolidation in our sector and in an effort to provide our executives with some security in the event of a termination of position after a change of control, we approved change in control agreements for the NEOs and other officers of the Company. We believe the payout levels in these agreements are appropriate when compared to our peer companies.

The Committee reviewed tally sheets for each NEO and compared such information to peer company and industry data gathered by Hewitt. For the NEOs other than the CEO, the Committee also received and reviewed the recommendations of the CEO. To date, the Committee has not reviewed internal equity analyses in the sense that it does not formally review the multiples of NEO pay versus our lowest-paid employees.

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Comparative Information Utilized by the Committee

The Committee believes it is imperative to ensure that our compensation program is in line with the market in which we compete for talent. The Committee reviews data from two groups of companies a direct peer group and a broader energy group. For both of the groups shown below, Hewitt reviewed raw data and performed regression analyses in assessing market compensation data to provide appropriate comparisons based on company size, complexity and performance, and individual role and job content.

In 2007, the Committee utilized the following direct peer group:

- Atwood Oceanics, Inc.
- Diamond Offshore Drilling, Inc.
- ENSCO International Incorporated
- Global SantaFe Corporation
- Helmerich & Payne, Inc.
- Nabors Industries Ltd.
- Noble Corporation
- Patterson-UTI Energy, Inc.
- Pride International, Inc.
- Transocean Inc.
- Unit Corporation

In 2007, the broader energy group included:

- Ameron International Corp.
- Baker Hughes Inc.
- BJ Services Co.
- Cabot Oil & Gas Corp.
- Cameron International Corp.
- Chicago Bridge & Iron Co. N.V.
- Cimarex Energy Co.
- El Paso Corp.
- Equitable Resources Inc.
- FMC Technologies Inc.

- Forest Oil Corp.
- Newfield Exploration Co.
- Noble Corporation
- Noble Energy, Inc.
- Pioneer Natural Resources Co.
- Plains Exploration & Production Co.
- Pride International, Inc.
- Schlumberger Ltd.
- Southwestern Energy Co.
- St. Mary Land & Exploration Co.
- Universal Compression Holdings Inc.
- Veritas DGC Inc.
- W-H Energy Services, Inc.

Our Committee reviews these comparator groups annually and will update the groups as appropriate to ensure we are reviewing size-appropriate companies against which we believe we compete for talent and stockholder investment. The Committee reviews comparative information for each component of compensation (including base salary, short- and long-term compensation and other benefits). The Committee has deliberately not set a percentile target for compensation but rather considers each individual situation, including experience, tenure in current position and individual performance against specific individual goals.

In 2007, initial compensation decisions were necessarily based on data available at the time, which is often from disclosures contained in proxy statements describing the prior year. As it becomes publicly available, at various intervals, Hewitt updates the comparator information provided to the Committee. In addition, the Committee commissioned an updated study after the filing of new proxy statements to ensure its actions were reasonable given more recent comparator company information.

The Committee believes that the design of our compensation program is appropriate. The Committee has also reviewed payouts under the compensation program and may adjust the program at any time should the results of the program not meet the Committee s objectives.

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Role of CEO in Compensation Decisions

Our CEO performs the following functions in our compensation decision process:

- Oversees the preparation and review of the Company s budget upon which the bonus plan is based; reviews such budget with the Board of Directors and suggests an EBITDA goal for the bonus plan;
- Reviews competitive market data and roles of members of management to ensure appropriate comparisons with market data;
- Recommends changes to the compensation program as he deems appropriate given business cycles, competition for talent, past payout experience and company performance;
- For each NEO (other than himself) and his other direct reports, reviews such individual s contribution and performance in his role over the past year and succession potential in the judgment of the CEO;
- Recommends the percentage payout for discretionary portions of the short-term incentive plan based on his analysis of achievement of individual goals of the NEOs and his other direct reports;
- Develops recommendations for the NEOs (other than himself) for any change in base pay, short-term or long-term target values or payouts of any such awards; and
- Approves other elements of compensation or personnel matters including:
  - Changes in pay or title to employees below the NEOs;
  - Equity awards to executives below the NEO level and to key non-officer employees under the LTIP; and
  - Agreements or arrangements relating to the terms of employment, continued employment or termination of employment with respect to employees below the management team level.

After review of the CEO s recommendations and a review of all relevant compensation data presented to the Committee, the Committee makes its own assessment and recommends to the Board of Directors the compensation package for each NEO. Notwithstanding the role of our CEO, the Committee also reviews certain elements of compensation of officers below the NEO level.

Elements of Compensation

An executive s compensation typically consists of:

- Base salary paid in cash;
- Annual incentives paid in cash;
- Awards under long-term incentive programs composed of restricted stock and performance shares in 2007;
- Perquisites; and
- Benefits.

The balance among these components is established annually by the Committee and is designed to recognize past performance, retain key employees and encourage future performance. When conducting its annual deliberations, the Committee reviews each component against both historical comparative statistics and recent as well as anticipated trends in compensation with reference to the comparator groups.

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Base Salary. The base salaries for NEOs are reviewed annually by the Committee. For each NEO, the Committee reviews pay information for such position among our comparator companies to ensure the NEO salaries remain competitive. The Committee does not target a specific percentile of the market data since it feels the competitive conditions and the circumstances of the individual need to be considered, such as tenure in the position, responsibilities of the position as well as the individual s performance. There is no specific weighting given to each factor. For the NEOs below the CEO, the Committee also receives a recommendation from the CEO as to suggested salary adjustments. The Committee considers those recommendations and receives a performance review of each member of management from the CEO. Utilizing all of this information, the Committee then determines what, if any, salary adjustment will be made. In 2007, the Committee felt that certain of the NEO positions were under market with respect to base salary, and therefore some significant adjustments were made. The increases ranged from 5% to 21%. The amount of the increase varied depending on the Committee s view of performance of the individual in the committee s judgment and discretion, his tenure in the current position, his contribution to the Company and general alignment with those in comparable positions at the comparator companies.

Annual Incentive Compensation. NEOs participate in two integrated short-term incentive compensation plans: a broad-based profit sharing plan (Profit Sharing Plan) and a targeted bonus plan (Bonus Plan). Any awards under the Bonus Plan are only made after the Profit Sharing Plan has been fully funded, and Bonus Plan awards to individual employees are first reduced by Profit Sharing Plan payouts. The plans are based on performance of our Drilling Division as the most significant portion of the Company s earnings.