



UNITED STATES  
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 September 30, 2003

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 0-9592

**RANGE RESOURCES CORPORATION**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of  
incorporation or organization)

**34-1312571**

(I.R.S. Employer  
Identification No.)

**777 Main Street, Suite 800**

**Ft. Worth, Texas**

(Address of principal executive offices)

**76102**

(Zip Code)

Registrant's telephone number, including area code: (817) 870-2601

Former name, former address and former fiscal year, if changed since last report: Not applicable

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  No

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes  No

56,210,770 Common Shares were outstanding on October 31, 2003.

## **TABLE OF CONTENTS**

### PART I. FINANCIAL INFORMATION

#### Item 1. FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEETS

CONSOLIDATED STATEMENTS OF OPERATIONS

CONSOLIDATED STATEMENTS OF CASH FLOWS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

#### Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

#### Item 4. CONTROLS AND PROCEDURES

### PART II. OTHER INFORMATION

#### Item 1. Legal Proceedings

#### Item 2. Changes in Securities and Use of Proceeds

#### Item 6. Exhibits and Reports on Form 8-K

### SIGNATURES

### EXHIBIT INDEX

EX-3.1.5 Certificate of Correction to Certificate

EX-3.1.6 Certificate of Correction to Certificate

EX-3.2.1 Amended and Restated By-laws

EX-4.2 Certificate of Designation

EX-10.1.2 Fifth Amendment to Credit Agreement

EX-31.1 Certification of CEO - Section 302

EX-31.2 Certification of CFO - Section 302

EX-32.1 Certification of CEO - Section 906

EX-32.2 Certification of CFO - Section 906

---

**PART I. FINANCIAL INFORMATION**

**Item 1. FINANCIAL STATEMENTS**

The financial statements included herein should be read in conjunction with the latest Form 10-K for Range Resources Corporation (the “Company”). The statements are unaudited but reflect all adjustments which, in the opinion of management, are necessary to fairly present the Company’s financial position and results of operations. All adjustments are of a normal recurring nature unless otherwise noted. These financial statements, including selected notes, have been prepared in accordance with the applicable rules of the Securities and Exchange Commission (the “SEC”) and do not include all of the information and disclosures required by accounting principles generally accepted in the United States for complete financial statements.

**RANGE RESOURCES CORPORATION**  
**CONSOLIDATED BALANCE SHEETS**  
**(In thousands)**

	December 31, 2002	September 30, 2003
<b>Assets</b>		
<b>Current assets</b>		
Cash and equivalents	\$ 1,334	\$ 1,635
Accounts receivable, net	26,832	36,483
IPF receivables, net (Note 2)	6,100	4,800
Unrealized derivative gain (Note 2)	4	164
Inventory and other	3,084	5,564
Deferred tax asset, net (Note 13)	—	14,956
	<u>37,354</u>	<u>63,602</u>
IPF receivables, net (Note 2)	18,351	9,695
Unrealized derivative gain (Note 2)	13	310
Oil and gas properties, successful efforts method (Note 16)	1,154,549	1,260,068
Accumulated depletion and depreciation	(590,143)	(619,260)
	<u>564,406</u>	<u>640,808</u>
Transportation and field assets (Note 2)	34,143	36,004
Accumulated depreciation and amortization	(16,071)	(18,223)
	<u>18,072</u>	<u>17,781</u>
Deferred tax asset, net (Note 13)	15,785	—
Other (Note 2)	4,503	4,353
	<u>\$ 658,484</u>	<u>\$ 736,549</u>
<b>Liabilities and Stockholders' Equity</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 27,044	\$ 30,465
Asset retirement obligation (Note 3)	—	8,335
Accrued liabilities	9,678	12,059
Accrued interest	4,449	1,962
Unrealized derivative loss (Note 2)	26,035	31,849
	<u>67,206</u>	<u>84,670</u>
Senior debt (Note 6)	115,800	94,300
Non-recourse debt (Note 6)	76,500	71,500
Subordinated notes (Note 6)	90,901	112,656
Trust preferred securities - mandatorily redeemable security of subsidiary	84,840	1,411
Deferred taxes, net (Note 13)	—	12,918
Unrealized derivative loss (Note 2)	9,079	15,783
Deferred compensation liability (Note 11)	8,049	12,732
Asset retirement obligation (Note 3)	—	47,507
Commitments and contingencies (Note 8)		
Stockholders' equity (Notes 9 and 10)		
Preferred stock, \$1 par, 10,000,000 shares authorized, 5.9% cumulative convertible preferred stock, 1,000,000 shares issued and outstanding at September 30, 2003, entitled in liquidation to \$50.0 million	—	50,000
Common stock, \$.01 par, 100,000,000 shares authorized, 54,991,611 and 56,157,834 issued and outstanding, respectively	550	561
Capital in excess of par value	391,082	397,425
Stock held by employee benefit trust, 1,324,537 and 1,700,992 shares, respectively, at cost (Note 11)	(6,188)	(8,543)
Retained earnings (deficit)	(158,059)	(127,342)
Deferred compensation expense	(125)	(132)
Other comprehensive income (loss) (Note 2)	(21,151)	(28,897)
	<u>206,109</u>	<u>283,072</u>
	<u>\$ 658,484</u>	<u>\$ 736,549</u>

See accompanying notes.

## RANGE RESOURCES CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS  
(Unaudited, in thousands except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2002	2003	2002	2003
<b>Revenues</b>				
Oil and gas sales	\$48,112	\$55,723	\$141,021	\$165,326
Transportation and processing	1,037	841	2,735	2,808
IPF income (Note 2)	1,313	297	3,476	1,264
Gain on retirement of securities (Note 18)	1,050	18,572	3,080	18,712
Other	(125)	723	(3,369)	(262)
	<u>51,387</u>	<u>76,156</u>	<u>146,943</u>	<u>187,848</u>
<b>Expenses</b>				
Direct operating	10,516	11,120	29,658	36,792
IPF	808	578	4,758	1,764
Exploration	1,814	3,633	9,257	8,773
General and administrative (Note 11)	3,080	5,493	12,283	15,652
Debt conversion expense (Note 6)	—	—	—	465
Interest expense and dividends on trust preferred	5,845	7,705	17,476	18,424
Depletion, depreciation and amortization	19,716	21,869	57,120	64,112
	<u>41,779</u>	<u>50,398</u>	<u>130,552</u>	<u>145,982</u>
Income before income taxes and accounting change	9,608	25,758	16,391	41,866
<b>Income taxes (Note 13)</b>				
Current	23	6	68	4
Deferred	363	9,015	(4,550)	15,571
	<u>386</u>	<u>9,021</u>	<u>(4,482)</u>	<u>15,575</u>
Income before cumulative effect of change in accounting principle	9,222	16,737	20,873	26,291
Cumulative effect of change in accounting principle (net of taxes of \$2.4 million) (Note 3)	—	—	—	4,491
Net income	9,222	16,737	20,873	30,782
Preferred stock dividends (Note 9)	—	(65)	—	(65)
Net income available to common shareholders	<u>\$ 9,222</u>	<u>\$16,672</u>	<u>\$ 20,873</u>	<u>\$ 30,717</u>
<b>Earnings Per Common Share (Note 14):</b>				
Net income available to common shareholders	\$ 0.17	\$ 0.31	\$ 0.39	\$ 0.49
Cumulative effect of change in accounting principle	—	—	—	0.08
Net income per common share	<u>\$ 0.17</u>	<u>\$ 0.31</u>	<u>\$ 0.39</u>	<u>\$ 0.57</u>
Earnings per common share – assuming dilution	\$ 0.17	\$ 0.29	\$ 0.38	\$ 0.47
Cumulative effect of change in accounting principle	—	—	—	0.08
Net income per common share – assuming dilution	<u>\$ 0.17</u>	<u>\$ 0.29</u>	<u>\$ 0.38</u>	<u>\$ 0.55</u>

See accompanying notes.

**RANGE RESOURCES CORPORATION**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(Unaudited, in thousands)**

	Nine Months Ended September 30,	
	2002	2003
<b>Cash flows from operations</b>		
Net income	\$ 20,873	\$ 30,782
Adjustments to reconcile net income to net cash provided by operations:		
Cumulative effect of change in accounting principle, net	—	(4,491)
Deferred income tax expense (benefit)	(4,550)	15,571
Depletion, depreciation and amortization	57,120	64,112
Write-down of marketable securities	1,220	—
Unrealized hedging (gains) losses	2,771	(62)
Allowance for bad debts	2,818	1,109
Exploration expense	9,257	8,773
Amortization of deferred issuance costs and discount	670	1,052
Gain on retirement of securities	(3,107)	(19,292)
Debt conversion and extinguishment expense	—	465
Deferred compensation adjustments	1,677	2,593
Loss (gain) on sale of assets	(292)	118
Changes in working capital:		
Accounts receivable	(1,009)	(10,363)
Inventory and other	(1,366)	(1,688)
Accounts payable	3,724	3,647
Accrued liabilities	(1,416)	1,180
Net cash provided by operations	<u>88,390</u>	<u>93,506</u>
<b>Cash flows from investing</b>		
Oil and gas properties	(70,641)	(75,528)
Field service assets	(1,822)	(1,939)
IPF investments	(3,942)	(1,545)
IPF repayments	9,729	10,926
Exploration expense	(9,257)	(8,773)
Asset sales	880	370
Net cash used in investing	<u>(75,053)</u>	<u>(76,489)</u>
<b>Cash flows from financing</b>		
Borrowings on credit facilities	111,800	198,100
Repayments on credit facilities	(116,900)	(224,600)
Issuance of senior notes	—	98,272
Debt issuance costs	(984)	(1,850)
Other debt repayments	(10,802)	(88,733)
Issuance of common stock	632	2,095
Net cash used in financing	<u>(16,254)</u>	<u>(16,716)</u>
Increase (decrease) in cash and cash equivalents	(2,917)	301
Cash and equivalents, beginning of period	3,380	1,334
Cash and equivalents, end of period	<u>\$ 463</u>	<u>\$ 1,635</u>

See accompanying notes.



**RANGE RESOURCES CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)**

**(1) ORGANIZATION AND NATURE OF BUSINESS**

The Company is engaged in the development, exploration and acquisition of oil and gas properties primarily in the Southwestern, Gulf Coast and Appalachian regions of the United States. The Company seeks to increase its reserves and production primarily through drilling and complementary acquisitions. The Company holds its Appalachian oil and gas assets through a 50% owned joint venture, Great Lakes Energy Partners L.L.C. ("Great Lakes").

The Company operates in an environment with numerous financial and operating risks, including, but not limited to, the inherent risks of the search for, development and production of oil and gas, the ability to sell production at prices which provide an attractive return, the highly competitive nature of the industry, and the ability to drill and acquire reserves on an attractive basis. The Company's ability to expand its reserve base is, in part, dependent on obtaining sufficient capital through internal cash flow, borrowings or the issuance of debt or equity securities. A material drop in oil and gas prices or a reduction in production and reserves would reduce its ability to fund capital expenditures through internally generated cash flow.

**(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation**

The accompanying consolidated financial statements include the accounts of the Company, wholly-owned subsidiaries and a 50% pro rata share of the assets, liabilities, income and expenses of Great Lakes. Liquid investments with original maturities of 90 days or less are considered cash equivalents. Certain reclassifications have been made to the presentation of prior periods to conform to current year presentation. These financial statements are unaudited but, in the opinion of management, reflect all adjustments necessary for a fair presentation of the results for the periods presented. All such adjustments are of a normal recurring nature unless disclosed otherwise.

**Revenue Recognition**

The Company recognizes revenues from the sale of products and services in the period delivered. Payments received at Independent Producer Finance ("IPF") relating to return on investment are recognized as income; while remaining receipts reduce receivables. Although receivables are concentrated in the oil industry, the Company does not view this as an unusual credit risk. The Company had allowances for doubtful accounts relating to its exploration and production business of \$835,000 and \$896,000 at December 31, 2002 and September 30, 2003, respectively.

## [Table of Contents](#)

### **Marketable Securities**

Holdings of equity securities that qualify as available-for-sale are recorded at fair value. The Company owns approximately 18% of a small exploration and production company. Based on its analysis, the Company determined that the investment had no determinable value at June 30, 2002 and the book value of the investment was fully reserved. This exploration and production company is currently in Chapter 11 bankruptcy proceedings.

### **Independent Producer Finance**

Historically, IPF acquired royalties in oil and gas properties from small producers. The royalties are accounted for as receivables because the investment is recovered from a percentage of revenues until a specified return is received. Payments received that relate to the return on investment are recognized as income, while remaining receipts reduce receivables. Receivables classified as current represent the return expected within 12 months. All receivables are evaluated quarterly and provisions for uncollectible amounts are established based on a valuation of its royalty interest in the oil and gas properties. At December 31, 2002 and September 30, 2003, IPF's valuation allowance totaled \$12.6 million and \$8.6 million, respectively. The receivables are non-recourse and are from small operators who have limited access to capital and the property interests backing the receivables frequently lack diversification. During the third quarter of 2003, IPF revenues were \$297,000 offset by \$222,000 of administrative costs, \$30,000 of interest and a \$326,000 increase in the valuation allowance. During the same period of the prior year, revenues were \$1.3 million offset by \$391,000 of general and administrative expenses, \$241,000 of interest and a \$176,000 increase in the valuation allowance. Since 2001, IPF has not entered into any new investment agreements and therefore, the portfolio has declined due to collections.

### **Oil and Gas Properties**

The Company follows the successful efforts method of accounting. Exploratory drilling costs are capitalized pending determination of whether a well is successful. Exploratory wells subsequently determined to be dry holes are charged to expense. Costs resulting in exploratory discoveries and all development costs, whether successful or not, are capitalized. Geological and geophysical costs, delay rentals and unsuccessful exploratory wells are expensed. Depletion is provided on the unit-of-production method. Oil is converted to gas equivalent basis ("mcf") at the rate of six mcf per barrel. The depletion, depreciation and amortization ("DD&A") rates were \$1.42 and \$1.49 per mcfe in the quarters ended September 30, 2002 and 2003, respectively, and \$1.39 and \$1.49 for the nine months ended September 30, 2002 and 2003, respectively. Unproved properties had a net book value of \$19.0 million and \$15.5 million at December 31, 2002 and September 30, 2003, respectively.

The Company's long-lived assets are reviewed for impairment quarterly for events or changes in circumstances that indicate that the carrying amount of an asset may not be recoverable in accordance with SFAS No. 144. The review is done by determining if the historical cost of proved properties less the applicable accumulated DD&A is less than the estimated expected undiscounted future cash flows. The expected future cash flows are estimated based on management's plans to continue to produce and develop proved reserves. Expected future cash flow from the sale of production of reserves is calculated based on estimated future prices. Management estimates prices based upon market related information including published futures prices. The estimated future level of production is based on assumptions surrounding future levels of prices and costs, field decline rates, market demand and supply, and the economic and regulatory climates. When the carrying value exceeds such cash flows, an impairment loss is recognized for the difference between the estimated fair value and the carrying value of the assets.

## **Transportation, Processing and Field Assets**

The Company's gas gathering systems are generally located in proximity to certain of its principal fields. Depreciation on these systems is provided on the straight-line method based on estimated useful lives of 10 to 15 years. The Company receives third party income for providing certain field services which are recognized as earned. These revenues approximated \$500,000 in each of the three month periods ended September 30, 2002 and 2003. Depreciation on the field assets is calculated on the straight-line method based on estimated useful lives of five to seven years. Buildings are depreciated over 10 to 15 years.

## **Other Assets**

The cost of issuing debt is capitalized and included in Other assets on the balance sheet. These costs are generally amortized over the expected life of the related securities. When a security is retired prior to maturity, related unamortized costs are expensed. At December 31, 2002 and September 30, 2003, these capitalized costs totaled \$3.0 million and \$2.3 million, respectively. At September 30, 2003, Other assets included \$2.3 million unamortized debt issuance costs, \$582,000 of long-term deposits, and \$1.5 million of marketable securities held in a deferred compensation plan.

## **Gas Imbalances**

The Company uses the sales method to account for gas imbalances, recognizing revenue based on cash received rather than gas produced. A liability is recognized when the imbalance exceeds the estimate of remaining reserves. Gas imbalances at December 31, 2002 and September 30, 2003 were immaterial.

## **Derivative Financial Instruments and Hedging**

The Company enters into contracts to reduce the impact of volatile oil and gas prices. These contracts generally qualify as cash flow hedges; however, certain of the contracts have an ineffective portion (changes in realized prices that do not match the changes in hedge price) which is recognized in earnings. Historically, the Company's hedging program was based on fixed price swaps. In the second quarter of 2003, the hedging program was modified to include collars which establish a minimum floor price and a predetermined ceiling price. Gains or losses on open contracts are recorded in Other comprehensive income (loss) ("OCI"). The Company also enters into swap agreements to reduce the risk of changing interest rates. These agreements qualify as cash flow hedges whereby changes in the fair value of the swaps are reflected as an adjustment to OCI to the extent the swaps are effective and are recognized in income as an adjustment to interest expense in the period covered for the ineffective portion. In prior periods, certain of the interest rate swaps, because of an option feature, did not qualify as interest rate hedges which required the changes in fair value to be reported in interest expense.

Derivatives are recorded on the balance sheet as assets or liabilities at fair value. For derivatives qualifying as hedges, the effective portion of changes in fair value is recognized in Stockholders' equity as OCI and reclassified to earnings when the transaction is closed (settled). Changes in the value of the ineffective portion of all open hedges are recognized in earnings as they occur. At September 30, 2003, the Company reflected an unrealized net pre-tax hedging loss on its balance sheet of \$46.3 million. This accounting can greatly increase the volatility of earnings and stockholders' equity for companies that have hedging programs, such as the Company's hedging program. Earnings are affected by the ineffective portion of a hedge contract (changes in realized prices that do not match the changes in the hedge price). Ineffective gains or losses are recorded in Other revenue while the hedge contract is open and may increase or reverse until settlement of the contract. Stockholders' equity is affected by the increase or decrease in OCI. Typically, when oil and gas prices increase, OCI decreases. Of the \$46.3 million unrealized pre-tax loss at September 30, 2003, \$30.8 million of losses would be reclassified to earnings over the next twelve month period and \$15.5 million in later periods, if prices remained constant. Actual amounts that will be reclassified will vary as a result of future changes in prices.

Other revenues in the Consolidated Statements of Operations reflected ineffective hedging losses of \$419,000 and gains of \$1.1 million for the three months ended September 30, 2002 and September 30, 2003, respectively, and losses of \$2.6 million and \$178,000 for the nine months ended September 30, 2002 and 2003, respectively. Interest expense includes ineffective interest hedging losses of \$262,000 and gains of \$157,000 for the three months ended September 30, 2002 and September 30, 2003, respectively, and losses of \$190,000 and gains of

## [Table of Contents](#)

\$240,000 for the nine months ended September 30, 2002 and 2003, respectively. Unrealized hedging losses at September 30, 2003 are shown on the Company's balance sheet as net unrealized hedging losses of \$47.2 million (including \$880,000 of losses on interest rate swaps) and OCI losses of \$28.9 million (net of taxes) (see Note 7).

### Comprehensive Income

Comprehensive income is defined as changes in Stockholders' equity from non-owner sources, which is calculated below (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2002	2003	2002	2003
Net income	\$ 9,222	\$16,737	\$ 20,873	\$ 30,782
Net amount of hedging (gain) loss reclassified to earnings	(3,484)	12,257	(18,849)	53,512
Change in unrealized losses, net	(9,220)	10,496	(28,920)	(61,123)
Defaulted hedge contracts, net	—	—	(672)	—
Unrealized loss (gain) from available-for-sale securities	397	(12)	256	(135)
Comprehensive income (loss)	<u>\$ (3,085)</u>	<u>\$39,478</u>	<u>\$ (27,312)</u>	<u>\$ 23,036</u>

### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect reported assets, liabilities, revenues and expenses, as well as disclosure of contingent assets and liabilities. Actual results could differ from those estimates. Estimates which may significantly impact the financial statements include oil and gas reserves, impairment tests on oil and gas properties, IPF valuation allowance and the fair value of derivatives.

### Recent Accounting Pronouncements

In April 2002, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 145 "Rescission of FASB Statements No. 4, 44 and 64, Amendment of FASB Statement 13 and Technical Corrections" ("SFAS 145"). As a result, gains from early extinguishment of debt will be reported in income from continuing operations. The Company adopted the provisions of SFAS 145 as of January 1, 2003. This adoption resulted in the reclassification of extraordinary gain on sale of securities totaling \$1.1 million to revenue in the three months and \$3.1 million in the nine months ended September 30, 2002, with no change to reported net income.

In January 2003, the FASB issued Interpretation No. 46 "Consolidation of Variable Interest Entities, an Interpretation of Accounting Research Bulletin No. 51" (the "Interpretation"). The Interpretation will significantly change whether entities included in its scope are consolidated by their sponsors, transferors, or investors. The Interpretation introduces a new consolidation model – the variable interest model – which determines control (and consolidation) based on potential variability in gains and losses of the entity being evaluated for consolidation. These provisions apply immediately to variable interests in Variable Interest Entities ("VIEs") created after January 15, 2003 and are effective beginning in the third quarter of 2003 for VIEs in which the Company holds a variable interest that it acquired prior to February 1, 2003. At the October 8, 2003, FASB meeting, the Board agreed to a broad-based deferral of the effective date of the Interpretation for public companies until after December 31, 2003. The Company is still evaluating the impact of this new interpretation.

In May 2003, the FASB issued Statement of Financial Accounting Standards No. 150 "Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity" ("SFAS 150"). SFAS 150 established standards for classification and measurement in the statement of financial position of certain financial instruments with characteristics of both liabilities and equity. It requires classification of a financial instrument that is within its scope as a liability (or an asset in some circumstances). SFAS 150 is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after September 15, 2003. As the Company's 5-3/4% Trust Convertible Preferred Securities ("Trust

## [Table of Contents](#)

Preferred Securities”) are currently presented as a long-term liability in the consolidated financial statements, the adoption of SFAS 150 is not expected to have a material impact on the Company’s consolidated financial statements.

The FASB and representatives of the accounting staff of the SEC are engaged in discussions on the issue of whether the FASB’s No. 141 and 142, issued effective for June 30, 2001, called for mineral rights held under lease or other contractual arrangements to be classified in the balance sheet as intangible assets and accompanied by specific footnote disclosures. Historically, the Company and all other oil and gas companies have included the cost of these oil and gas leasehold interests as part of oil and gas properties. Although most of the Company’s oil and gas property interests are held under oil and gas leases, this interpretation, if adopted, is not expected to have a material impact on the Company’s financial condition or its results of operations.

In the event this interpretation is adopted, a substantial portion of acquisition costs of oil and gas properties since June 30, 2001 would be separately classified on the balance sheets as intangible assets. As of September 30, 2003, the Company has expended approximately \$25.2 million on the acquisition of oil and gas leasehold interests since June 30, 2001. Some additional direct costs of other oil and gas leases acquired since that date could also be categorized as intangible under this interpretation. Results of operations would not be affected by this interpretation, if adopted, since these costs would continue to be depleted in accordance with successful efforts accounting for oil and gas companies. Another possible effect of this interpretation, if adopted, could be a change in some of the financial measurements used in financial covenants of debt instruments that focus on tangible assets. The Company does not believe that its debt covenants would be materially affected by the adoption of this accounting interpretation.

### **Pro Forma Stock Based Compensation**

The Company has adopted the disclosure-only provisions of SFAS No. 123, “Accounting for Stock-Based Compensation” (“SFAS 123”). Accordingly, no compensation cost has been recognized for the stock option plans because the exercise prices of employee stock options equals the market prices of the underlying stock on the date of grant. If compensation cost had been determined based on the fair value at the grant date for awards in the three months and the nine months ended September 30, 2002 and 2003, consistent with the provisions of SFAS 123, the Company’s net income and earnings per share would have been reduced to the pro forma amounts indicated below (in thousands, except per share data):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2002	2003	2002	2003
Net income, as reported -	\$9,222	\$16,737	\$20,873	\$30,782
Deduct: Pro forma stock based employee compensation, net of related tax effects	287	346	836	1,171
Pro forma net income	\$8,935	\$16,391	\$20,037	\$29,611
Earnings per share:				
Basic-as reported	\$ 0.17	\$ 0.31	\$ 0.39	\$ 0.57
Basic-pro forma	\$ 0.17	\$ 0.30	\$ 0.38	\$ 0.55
Diluted-as reported	\$ 0.17	\$ 0.29	\$ 0.38	\$ 0.55
Diluted-pro forma	\$ 0.16	\$ 0.28	\$ 0.37	\$ 0.53

**(3) ASSET RETIREMENT OBLIGATION**

Beginning in 2003, Statement of Financial Accounting Standards No. 143 “Asset Retirement Obligations” (“SFAS 143”) requires the Company to recognize an estimated liability for the plugging and abandonment of its oil and gas wells and associated pipelines and equipment. Previously, the Company had recognized a plugging and abandonment obligation primarily for its offshore properties. This liability was shown netted against oil and gas properties on the balance sheet. Under SFAS 143, the Company now recognizes a liability for asset retirement obligations in the period in which they are incurred, if a reasonable estimate of fair value can be made. The associated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset. SFAS 143 requires the Company to consider estimated salvage value in the calculation of DD&A. Consistent with industry practice, historically the Company had assumed the cost of plugging and abandonment on its onshore properties would be offset by salvage value received. The adoption of SFAS 143 resulted in (i) an increase of total liabilities because retirement obligations are required to be recognized, (ii) an increase in the recognized cost of assets because the retirement costs are added to the carrying amount of the long-lived asset, and (iii) an increase in DD&A expense, because of the accretion of the retirement obligation and increased basis. The majority of the asset retirement obligations recorded by the Company relate to the plugging and abandonment of oil and gas wells. The decline in the current portion of the asset retirement obligation in the current period is the result of a reassessment of the timing of certain oil and gas well abandonments.

The estimated liability is based on historical experience in plugging and abandoning wells, estimated remaining lives of those wells based on reserves estimates, external estimates as to the cost to plug and abandon the wells in the future, and federal and state regulatory requirements. The liability is discounted using an assumed credit-adjusted risk-free interest rate of 9%. Revisions to the liability could occur due to changes in estimates of plugging and abandonment costs, changes in the risk-free interest rate or remaining lives of the wells, or if federal or state regulators enact new plugging and abandonment requirements. At the time of abandonment, the Company may be required to recognize a gain or loss on abandonment based on actual costs incurred.

The adoption of SFAS 143 as of January 1, 2003 resulted in a cumulative effect gain of \$4.5 million (net of income taxes of \$2.4 million) or \$0.08 per share which is included in income in the nine months ended September 30, 2003. The adoption resulted in a January 1, 2003 cumulative effect adjustment to record (i) a \$37.3 million increase in the carrying values of proved properties, (ii) a \$21.0 million decrease in accumulated depletion, (iii) a \$2.3 million increase in current plugging and abandonment liabilities, (iv) a \$49.1 million increase in non-current plugging and abandonment liabilities, and (v) a \$2.4 million decrease in deferred tax assets. The pro forma effects of the application of SFAS 143, as if the statement had been adopted net-of-tax on January 1, 2002 (rather than January 1, 2003), including an associated proforma asset retirement obligation on that date of \$48.3 million, are presented below (in thousands, except per share data):

	Pro Forma Three Months Ended September 30,		Pro Forma Nine Months Ended September 30,	
	2002	2003	2002	2003
Net income	\$9,016	\$16,737	\$24,731	\$30,782
Earnings per share - basic	\$ 0.17	\$ 0.31	\$ 0.47	\$ 0.57
- diluted	\$ 0.16	\$ 0.29	\$ 0.45	\$ 0.55

A reconciliation of the Company’s liability for plugging and abandonment costs for the nine months ended September 30, 2003 is as follows (in thousands):

Asset retirement obligation, December 31, 2002	\$ —
Cumulative effect adjustment	51,390
Liabilities incurred	2,126
Liabilities settled	(1,120)
Accretion expense	3,446
Asset retirement obligation, September 30, 2003	\$55,842

**(4) ACQUISITIONS**

Acquisitions are accounted for under the purchase method. Purchase prices are assigned to acquired assets and assumed liabilities based on their estimated fair value at acquisition. The Company purchased various properties for \$9.5 million and \$12.4 million during the nine months ended September 30, 2002 and 2003, respectively. These purchases include \$4.4 million and \$8.0 million for proved oil and gas reserves, respectively, while the remainder represents unproved acreage.

**(5) SUPPLEMENTAL CASH FLOW INFORMATION**

	Nine Months Ended September 30,	
	2002	2003
	(in thousands)	
Non-cash investing and financing activities:		
Common stock issued		
Under benefit plans	\$ 1,545	\$ 2,694
Exchanged for fixed income securities	8,359	1,370
Preferred stock issued	\$ —	\$50,000
Cash used in operating activities:		
Income taxes paid	\$ 68	\$ 4
Interest paid	19,622	19,621

**(6) INDEBTEDNESS**

The Company had the following debt and Trust Preferred Securities outstanding as of the dates shown below (in thousands) (interest rates at September 30, 2003, excluding the impact of interest rate swaps, are shown parenthetically):

	December 31, 2002	September 30, 2003
Senior debt:		
Senior Credit Facility (2.9%)	\$ 115,800	\$ 94,300
Non-recourse debt:		
Great Lakes Credit Facility (2.9%)	76,500	71,500
Subordinated debt:		
8-3/4% Senior Subordinated Notes due 2007	69,281	—
6% Convertible Subordinated Debentures due 2007	21,620	14,354
7-3/8% Senior Subordinated Notes due 2013	—	100,000
Discount on 7-3/8% Senior Subordinated Notes due 2013	—	(1,698)
	90,901	112,656
<b>Total debt</b>	<b>283,201</b>	<b>278,456</b>
Trust Preferred Securities— mandatorily redeemable securities of subsidiary	84,840	1,411
<b>Total</b>	<b>\$368,041</b>	<b>\$279,867</b>

Interest paid in cash during the three months ended September 30, 2002 and 2003 totaled \$7.7 million and \$7.0 million, respectively. Interest paid in cash during the nine months ended September 30, 2002 and 2003 totaled \$19.6 million and \$17.6 million, respectively. No interest expense was capitalized during the three months or the nine months ended September 30, 2002 and 2003.

**Senior Credit Facility**

In 2002, the Company entered into an amended and restated \$225.0 million secured revolving bank facility (the “Senior Credit Facility”) which is secured by substantially all of the assets of the Company (excluding the Company’s interest in Great Lakes). The Senior Credit Facility provides for a borrowing base subject to redeterminations semi-annually each April and October and pursuant to certain unscheduled redeterminations. As of September 30, 2003, the outstanding balance under the Senior Credit Facility was \$94.3 million and there was approximately \$75.7 million of borrowing capacity available. Effective October 1, 2003, the borrowing base was increased from \$170.0 million to \$180.0 million and there was approximately \$83.6 million of borrowing capacity available. The loan matures on January 1, 2007. Borrowings under the Senior Credit Facility can either be base rate loans or LIBOR loans. On all base rate loans, the rate per annum is equal to the lesser of (i) the maximum rate (the “weekly ceiling” as defined in Section 303 of the Texas Finance Code or other applicable laws if greater) (the “Maximum Rate”) or, (ii) the sum of (A) the higher of (1) the prime rate for such date, or (2) the sum of the federal funds effective rate for such date plus one-half of one percent (0.50%) per annum, plus a base rate margin of between 0.25% to 1.0% per annum depending on the total outstanding under the Senior Credit Facility relative to the borrowing base under the Senior Credit Facility. On all LIBOR loans, the Company pays a varying rate per annum equal to the lesser of (i) the Maximum Rate, or (ii) the sum of the quotient of (A) the LIBOR base rate, divided by (B) one minus the reserve requirement applicable to such interest period, plus a LIBOR margin of between 1.50% and 2.25% per annum depending on the total outstanding under the Senior Credit Facility relative to the borrowing base under the Senior Credit Facility. The Company may elect, from time to time, to convert all or any part of its



LIBOR loans to base rate loans or to convert all or any part of its base rate loans to LIBOR loans. The weighted average interest rate (including applicable margin) was 3.8% and 2.8% for the three months ended September 30, 2002 and 2003, respectively, and 4.0% and 3.2% for the nine months ended September 30, 2002 and 2003, respectively. A commitment fee is paid on the undrawn balance based on an annual rate of 0.375% to 0.50%. At September 30, 2003, the commitment fee was 0.375% and the interest rate margin was 1.75%. At October 31, 2003, the interest rate (including applicable margin) was 2.9%.

### **Great Lakes Credit Facility**

The Company consolidates its proportionate share of borrowings on the Great Lakes' \$275.0 million secured revolving bank facility (the "Great Lakes Credit Facility"). The Great Lakes Credit Facility is non-recourse to the Company and provides for a borrowing base subject to redeterminations semi-annually each April and October and pursuant to certain unscheduled redeterminations. As of September 30, 2003, the Company's portion of the outstanding balance owed under the Great Lakes Credit Facility was \$71.5 million. The loan matures on January 1, 2007. Any advance under the commitment may be a base rate loan or a Eurodollar loan. On all base rate loans the Company pays a varying rate per annum equal to the lesser of (i) the maximum nonusurious rate of interest under applicable law, or (ii) the sum of the base rate plus a base rate margin of between 0.25% to 0.75% per annum depending on the amounts outstanding on the loan, plus all outstanding letters of credit, divided by the borrowing base under the Great Lakes Credit Facility. On all Eurodollar loans, the Company pays a varying rate per annum equal to the lesser of (i) the maximum nonusurious rate of interest under applicable law, or (ii) the Eurodollar rate plus a Eurodollar margin of between 1.50% to 2.0% per annum depending on the amounts outstanding on the loan, plus all outstanding letters of credit, divided by the borrowing base under the Great Lakes Credit Facility. Great Lakes may elect, from time to time, to convert all or any part of its Eurodollar loans to base rate loans or to convert all or any part of its base rate loans to Eurodollar loans. Cash distributions to members of the joint venture are limited by a covenant contained in the Great Lakes Credit Facility. A commitment fee is paid on the undrawn balance at an annual rate of 0.25% to 0.50%. At September 30, 2003, the commitment fee was 0.375% and the interest rate margin was 1.75%. The average interest rate on the Great Lakes Credit Facility, excluding hedges, was 3.9% and 2.8% for the three months ended September 30, 2002 and 2003, respectively, and 3.9% and 3.1% for the nine months then ended, respectively. After hedging (see Note 7), the rate was 7.0% and 4.9% for the three months ended September 30, 2002 and 2003, respectively, and 7.0% and 5.4% for the nine months ended September 30, 2002 and 2003, respectively. At October 31, 2003, the interest rate was 2.9% excluding hedges and 5.1% after hedging.

### **8-3/4% Senior Subordinated Notes due 2007**

In 1997, the Company sold \$125 million in aggregate principal amount of its 8-3/4% Senior Subordinated Notes due 2007 (the "8-3/4% Notes"). Interest on the 8-3/4% Notes was payable semi-annually in arrears in January and July of each year. On August 20, 2003, the Company completed the redemption of its outstanding 8-3/4% Notes at approximately 102.9% of principal amount, plus accrued interest. Interest on the notes ceased to accrue on the redemption date. The aggregate redemption price, including the premium, was \$70.8 million. The premium of \$2.0 million is included in interest expense in the Company's Statement of Operations in the third quarter of 2003. The redemption was financed by the issuance of the 7-3/8% Senior Subordinated Notes due 2013.

### **7-3/8% Senior Subordinated Notes due 2013**

On July 21, 2003, the Company issued \$100.0 million aggregate principal amount of the Company's 7-3/8% Senior Subordinated Notes due 2013. The offering of the 7-3/8% Senior Subordinated Notes due 2013, on July 21, 2003, was not registered under the Securities Act of 1933, as amended (the "Securities Act") or under any state securities laws because the 7-3/8% Senior Subordinated Notes due 2013 were only offered to qualified institutional buyers and to non-U.S. persons outside the United States in compliance with Rule 144A and Regulation S under the Securities Act (the "Outstanding Notes"). On October 23, 2003, \$100,000,000 aggregate principal amount of the Outstanding Notes were exchanged for \$100,000,000 aggregate principal amount of the Company's 7-3/8% Senior Subordinated Notes due 2013 issued in a registered exchange offer for which a registration statement on Form S-4 was filed under the Securities Act (the "Exchange Notes") as required by the Registration Rights Agreement, by and among the Company and UBS Securities LLC, Banc One Capital Markets, Inc., Credit Lyonnais Securities (USA) Inc., and McDonald Investments (the "Registration Rights Agreement"). The Exchange Notes are

identical to the Outstanding Notes except that the Exchange Notes are registered under the Securities Act and do not have restrictions on transfer, registration rights or provisions for additional interest. As used in this Form 10-Q, the term “7-3/8% Notes” refer to both the Outstanding Notes and the Exchange Notes. The Company will pay interest on the 7-3/8% Notes semi-annually in arrears in January and July of each year, starting in January 2004. The 7-3/8% Notes mature in July 2013. The 7-3/8% Notes are guaranteed by certain of the Company’s subsidiaries (the “Subsidiary Guarantors”). The 7-3/8% Notes were issued at a discount which will be amortized over the life of the 7-3/8% Notes in interest expense.

The Company may redeem the 7-3/8% Notes, in whole or in part, at any time on or after July 15, 2008, at redemption prices from 103.7% of the principal amount as of July 15, 2008, and declining to 100.0% on July 15, 2011 and thereafter. Prior to July 15, 2006, the Company may redeem up to 35% of the original aggregate principal amount of the notes at a redemption price of 107.4% of the principal amount thereof plus accrued and unpaid interest, if any, with the proceeds of certain equity offerings. If the Company experiences a change of control, the Company may be required to repurchase all or a portion of the 7-3/8% Notes at 101% of the principal amount thereof plus accrued and unpaid interest, if any. The 7-3/8% Notes and the guarantees by the Subsidiary Guarantors are general, unsecured obligations and are subordinated to the Company’s and the Subsidiary Guarantors senior debt and will be subordinated to future senior debt that the Company and the Subsidiary Guarantors are permitted to incur under the senior credit facilities and the indenture governing the 7-3/8% Notes.

#### **6% Convertible Subordinated Debentures due 2007**

In 1996, the Company sold \$55.0 million aggregate principal amount of 6% Convertible Subordinated Debentures due 2007 (the “6% Debentures”). Interest on the 6% Debentures is payable semi-annually each February and August. The 6% Debentures are convertible into shares of the Company’s common stock at the option of the holder at any time prior to maturity, unless previously redeemed or repurchased, at a conversion price of \$19.25 per share, subject to adjustment in certain events. The 6% Debentures will mature in 2007. The 6% Debentures are subject to redemption at the Company’s option, in whole or in part, at redemption prices from 102.5% of the principal amount as of September 30, 2003, and declining to 101.0% in 2006. Upon a change of control, the Company is required to offer to repurchase each holder’s 6% Debenture at a purchase price equal to 100% of the principal amount thereof, plus accrued and unpaid interest to the date of repurchase. The 6% Debentures are unsecured general obligations and are subordinated to all of the Company’s senior indebtedness.

During the three months ended September 30, 2002, \$800,000 face amount of the 6% Debentures were repurchased for cash at a discount. During the nine months ended September 30, 2002, \$7.1 million of 6% Debentures were retired in exchange for 1,165,700 shares of the Company’s common stock and \$815,000 were repurchased for cash at a discount. During the nine month period ended September 30, 2003, \$880,000 was retired in exchange for 128,793 shares of the Company’s common stock. The Company recorded a \$465,000 conversion expense related to this exchange (see discussion below). For both the three month and nine month periods ending September 30, 2003, \$6.4 million of the 6% Debentures were repurchased for cash at a discount. On October 31, 2003, \$11.6 million of the 6% Debentures was outstanding.

#### **5-3/4% Trust Preferred Securities – mandatorily redeemable securities of subsidiary**

In 1997, the Company issued \$120.0 million of the Trust Preferred Securities through a newly-formed affiliate Lomak Financing Trust (the “Trust”). The Trust issued 2,400,000 shares of the Trust Preferred Securities at \$50 per share. Each Trust Preferred Security is convertible at the holder’s option into shares of the Company’s common stock, at a conversion price of \$23.50 per share. The Trust invested the \$120 million of proceeds in the 5-3/4% convertible junior subordinated debentures (the “Junior Debentures”). The sole assets of the Trust are the Junior Debentures. The Junior Debentures and the related Trust Preferred Securities mature in November 2027. The Company and the Trust may redeem the Junior Debentures and the Trust Preferred Securities, respectively, in whole or in part. As of September 30, 2003, the price at which these redemptions could be made was approximately 102.9% of the principal amount. The premium declines proportionally every 12 months until November 2007, when the redemption price becomes fixed at 100% of the principal amount. If any Junior Debentures are redeemed prior to the scheduled maturity date, the Trust must redeem Trust Preferred Securities having an aggregate liquidation amount equal to the aggregate principal amount of the Junior Debentures the Company redeems. The Company has guaranteed the payments of distributions and other payments on the Trust Preferred Securities only if and to the extent that the Trust has funds available. The Company’s guarantee, when taken together with the Company’s

obligation under the Junior Debentures and related indenture and declaration of trust, provides a full and unconditional guarantee on a subordinated basis of amounts due on the Trust Preferred Securities.

The accounts of the Trust are included in the consolidated financial statements after eliminations. Distributions of the Trust are recorded as Interest expense in the Consolidated Statement of Operations, are tax deductible and are subject to limitations in the Senior Credit Facility as described below. During the nine months ended September 30, 2002, \$2.4 million of Trust Preferred Securities were retired in exchange for 283,200 shares of common stock. In addition, during the three months ended September 30, 2002, \$2.5 million of the Trust Preferred Securities were repurchased for cash at a discount. On September 23, 2003, the Company exchanged \$10.2 million in cash and \$50.0 million of a newly issued 5.9% cumulative convertible preferred stock (the "Convertible Preferred") for \$79.5 million of the Trust Preferred Securities held by the largest holder of the Trust Preferred Securities. The Convertible Preferred was exempt from registration under Section 3(a)(9) of the Securities Act because the Convertible Preferred was only exchanged by the Company with that holder and no commission or other remuneration was paid or given directly or indirectly for soliciting such exchange. The Company paid approximately \$550,000 in consulting fees for financial advice regarding the restructuring of the Company's balance sheet. On October 31, 2003, \$1.4 million of the Trust Preferred Securities was outstanding.

### **Debt Covenants**

The debt agreements contain covenants relating to net worth, working capital, dividends and financial ratios. The Company was in compliance with all covenants at September 30, 2003. Under the Senior Credit Facility, common and preferred dividends are permitted. The Senior Credit Facility provides for a restricted payment basket of \$20.0 million plus 50% of net income (excluding Great Lakes) plus 66-2/3% of distributions, dividends or payments of debt from or proceeds from sales of equity interests of Great Lakes plus 66-2/3% of net cash proceeds from common stock issuances. Approximately \$43.1 million was available under the Senior Credit Facility's restricted payment basket on September 30, 2003.

### **Induced Conversions**

In September 2002, the Emerging Issues Task Force ("EITF") issued EITF Issue No. 02-15, Determining Whether Certain Conversions of Convertible Debt to Equity Securities are Within the Scope of FASB Statement No. 84 "Induced Conversions of Convertible Debt" ("SFAS 84"). SFAS 84 was issued to amend APB Opinion No. 26, "Early Extinguishment of Debt" to exclude from its scope convertible debt that is converted to equity securities of the debtor pursuant to conversion privileges different from those included in the terms of the debt at issuance, and the change in conversion privileges is effective for a limited period of time, involves additional consideration, and is made to induce conversion. SFAS 84 applies only to conversions that both (a) occur pursuant to changed conversion privileges that are exercisable only for a limited period of time and (b) include the issuance of all of the equity securities issuable pursuant to conversion privileges included in the terms of the debt at issuance for each debt instrument that is converted. The Task Force reached a consensus that SFAS 84 applies to all conversions that both (a) occur pursuant to changed conversion privileges that are exercisable only for a limited period of time and (b) include the issuance of all of the equity securities issuable pursuant to conversion privileges included in the terms of the debt at issuance for each debt instrument that is converted, regardless of the party that initiates the offer. This consensus should be applied prospectively to debt conversions completed after September 11, 2002. Since 1999, the Company has retired certain of the 6% Debentures and the Trust Preferred Securities, each of which are convertible into the Company's common stock, by either purchasing securities for cash or issuing common stock in exchange for such securities. Since the exchanges of common stock for these convertible debt securities were at relative market values, the convertible securities were retired at a discount to face value. Under the provisions of SFAS 84, when an inducement is issued to retire convertible debt, the face value of the convertible debt security shall be charged to Stockholders' equity (common stock and paid in capital), the shares of common stock issued in excess of the shares that would have been issued under the terms of the debt instrument are expensed at the market value of such shares and an offsetting increase to paid in capital will also be recorded. Therefore, instead of recording gains on retirements of such securities acquired at discounts to face value, an expense will be recorded. There will be no difference in Stockholders' equity from the change in methods of recording the transactions.

**(7) FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES**

The Company's financial instruments include cash and equivalents, receivables, payables, debt and commodity and interest rate derivatives. The book value of cash and equivalents, receivables and payables is considered representative of fair value because of their short maturity. The book value of bank borrowings is believed to approximate fair value because of their floating rate structure.

The following table sets forth the book and estimated fair values of financial instruments as of December 31, 2002 and September 30, 2003 (in thousands):

	December 31, 2002		September 30, 2003	
	Book Value	Fair Value	Book Value	Fair Value
<b>Assets</b>				
Cash and equivalents	\$ 1,334	\$ 1,334	\$ 1,635	\$ 1,635
Marketable securities	1,040	1,040	1,464	1,464
Interest swaps	—	—	150	150
Commodity derivatives	17	17	324	324
<b>Total</b>	<b>2,391</b>	<b>2,391</b>	<b>3,573</b>	<b>3,573</b>
<b>Liabilities</b>				
Commodity derivatives	(32,964)	(32,964)	(46,602)	(46,602)
Interest rate swaps	(2,150)	(2,150)	(1,030)	(1,030)
Long-term debt <sup>(1)</sup>	(283,201)	(279,894)	(278,456)	(274,237)
Trust Preferred Securities <sup>(1)</sup>	(84,840)	(52,177)	(1,412)	(1,073)
<b>Total</b>	<b>(403,155)</b>	<b>(367,185)</b>	<b>(327,500)</b>	<b>(322,942)</b>
<b>Net financial instruments</b>	<b>\$(400,764)</b>	<b>\$(364,794)</b>	<b>\$(323,927)</b>	<b>\$(319,369)</b>

- (1) Fair value based on quotes received from brokerage firms. Quotes for September 30, 2003 were 96% for the 7-3/8% Notes, 98% for the 6% Debentures and 76% for the Trust Preferred Securities.

A portion of future oil and gas sales is periodically hedged through the use of swap and collar contracts. In the second quarter of 2003, the hedging program was modified to include collars, which assume a minimum floor price and a predetermined ceiling price. Realized gains and losses on these instruments are reflected in the contract month being hedged as an adjustment to oil and gas revenue. At times, the Company seeks to manage interest rate risk through the use of swaps. Gains and losses on interest rate swaps are included as an adjustment to interest expense in the relevant periods.

At September 30, 2003, the Company had hedging swap contracts covering 60.0 Bcf of gas at prices averaging \$4.10 per mcf and 1.5 million barrels of oil at prices averaging \$24.92 per barrel. The Company also has collars covering 0.6 Bcf of gas at prices of \$4.00-\$6.75 and 0.6 million barrels of oil at prices of \$24.00-\$27.71. The fair value, represented by the estimated amount that would be realized upon termination, based on contract prices versus the New York Mercantile Exchange ("NYMEX") price on September 30, 2003, was a net unrealized pre-tax loss of \$46.3 million. The contracts expire monthly through December 2006. Gains or losses on open and closed contracts are determined as the difference between the contract price and the reference price, which are closing prices on the NYMEX. Transaction gains and losses on settled contracts are determined monthly and are included as increases or decreases to oil and gas revenues in the period the hedged production is sold. Oil and gas revenues were increased by \$3.5 million and decreased by \$12.3 million due to hedging in the three months ended September 30, 2002 and 2003, respectively. Oil and gas revenues were increased by \$18.8 million and decreased by \$53.5 million due to hedging in the nine months ended September 30, 2002 and 2003, respectively.

The following schedule shows the effect of closed oil and gas hedges since January 1, 2002 and the value of open contracts at September 30, 2003 (in thousands):

Quarter Ended	Hedging Gain/ (Loss)
Closed Contracts	
2002	
March 31	\$ 11,727
June 30	3,638
September 30	3,484
December 31	(1,059)
Subtotal	17,790
2003	
March 31	(25,890)
June 30	(15,365)
September 30	(12,257)
Subtotal	(53,512)
Total realized loss	\$(35,722)
Open Contracts	
2003	
December 31	(8,042)
2004	
March 31	(8,474)
June 30	(7,467)
September 30	(6,859)
December 31	(6,457)
Subtotal	(29,257)
2005	
March 31	(4,254)
June 30	(1,522)
September 30	(1,389)
December 31	(1,984)
Subtotal	(9,149)
2006	
March 31	(6)
June 30	62
September 30	69
December 31	45
Subtotal	170
Total unrealized loss	\$(46,278)

Through Great Lakes, the Company uses interest rate swap agreements to manage the risk that future cash flows associated with interest payments on amounts outstanding under the variable rate Great Lakes Credit Facility may be adversely affected by volatility in market interest rates. Under the interest swap agreements, the Company agrees to pay an amount equal to a specified fixed rate of interest times a notional principal amount, and to receive in return, a specified variable rate of interest times the same notional principal amount. Changes in the fair value of the

Company's interest rate swaps, which qualify for cash flow hedge accounting treatment, are reflected as adjustments to OCI to the extent the swaps are effective and will be recognized as an adjustment to interest expense during the period in which the cash flows related to the Company's interest payments are made. The ineffective portion of the changes in fair value of the Company's interest rate swaps is recorded in interest expense in the period incurred. Interest expense also includes the fair value effect of non-qualifying interest rate swaps. At September 30, 2003, Great Lakes had seven interest rate swap agreements totaling \$110.0 million, of which 50% is consolidated at the Company. These swaps consist of two agreements totaling \$45.0 million at 7.1% which expire in May 2004, two agreements totaling \$20.0 million at rates averaging 2.3% which expire in December 2004, one agreement for \$10.0 million at 1.4% which expires in June 2005 and two agreements totaling \$35.0 million at rates averaging 1.8% which expire in June 2006. The fair value of these swaps at September 30, 2003 approximated a net loss of \$1.8 million, of which 50% is consolidated at the Company.

The combined fair value of net unrealized losses on oil and gas hedges and net losses on interest rate swaps totaled \$47.2 million and appear as short-term and long-term Unrealized derivative gains and short-term and long-term Unrealized derivative losses on the balance sheet. Hedging activities are conducted with major financial or commodities trading institutions which management believes are acceptable credit risks. At times, such risks may be concentrated with certain counterparties. The creditworthiness of these counterparties is subject to periodic review.

#### **(8) COMMITMENTS AND CONTINGENCIES**

The Company is involved in various legal actions and claims arising in the ordinary course of business which, in the opinion of management, are likely to be resolved without material adverse effect on the Company's financial position or results of operations.

#### **(9) STOCKHOLDERS' EQUITY**

The Company has authorized capital stock of 110 million shares, which includes 100 million shares of common stock and 10 million shares of preferred stock. Stockholders' equity was \$283.1 million at September 30, 2003. On September 23, 2003, the Company issued 1.0 million shares of Convertible Preferred, par value \$1.00 and liquidation preference \$50 per share. The Convertible Preferred is convertible into common stock at \$8.50 per share. Beginning on September 30, 2007, the Company may, at its sole election, redeem the Convertible Preferred for cash at 103% and declines to 100% on September 30, 2012. Beginning on September 30, 2005, the Company may, at its sole election, cause the Convertible Preferred to convert, in whole but not in part, to common stock if, at the time, the common stock has closed at \$11.90 or higher for 20 of the previous consecutive 30 trading days. Accrued dividends are cumulative and are payable quarterly in arrears. The following is a schedule of changes in the number of outstanding common shares from December 31, 2001 to September 30, 2003:

	Twelve Months Ended December 31, 2002	Nine Months Ended September 30, 2003
Beginning Balance	52,643,275	54,991,611
Issuances:		
Employee benefit plans	417,661	441,938
Stock options exercised	130,566	507,992
Stock purchase plan	168,500	87,500
Exchanges for:		
6% Debentures	1,165,700	128,793
Trust Preferred Securities	283,200	—
8-3/4% Notes	182,709	—
	2,348,336	1,166,223
Ending Balance	54,991,611	56,157,834

## (10) STOCK OPTION AND PURCHASE PLANS

The Company has four stock option plans, of which two are active, and a stock purchase plan. Under these plans, incentive and non-qualified options and stock purchase rights are issued to directors, officers and employees pursuant to decisions of the Compensation Committee of the Board of Directors (the “Board”). Information with respect to the option plans is summarized below:

	Inactive		Active		Total
	Domain Plan	1989 Plan	Directors’ Plan	1999 Plan	
Outstanding on December 31, 2002	131,702	453,580	152,000	2,544,862	3,282,144
Granted	—	—	56,000	1,574,400	1,630,400
Exercised	(28,670)	(167,981)	(4,000)	(307,841)	(508,492)
Expired	—	(9,175)	—	(428,314)	(437,489)
	(28,670)	(177,156)	52,000	838,245	684,419
Outstanding on September 30, 2003	103,032	276,424	204,000	3,383,107	3,966,563

In 1999, shareholders approved a stock option plan (the “1999 Plan”). In May 2003, shareholders approved an increase in the number of options issuable to 8.75 million. All options issued under the 1999 Plan through May 2002 vest 25% per year beginning after one year and have a maximum term of 10 years. Options issued under the 1999 Plan after May 2002 vest 30%, 30% and 40% over a three year period and have a maximum term of five years. During the nine months ended September 30, 2003, 1.6 million options were granted to eligible employees under the 1999 Plan at exercise prices ranging from \$5.83 to \$6.50 a share. At September 30, 2003, 3.4 million options were outstanding under the 1999 Plan at exercise prices ranging from \$1.94 to \$6.67 a share.

In 1994, shareholders approved the Outside Directors’ Stock Option Plan (the “Directors’ Plan”). In 2000, shareholders approved an increase in the number of options issuable to 300,000, extended the term of the options to ten years and set the vesting period at 25% per year beginning a year after grant. In May 2002, the term of the options was changed to five years with vesting immediately upon grant. Director’s options are granted upon initial election as a director and annually upon a director’s re-election at the annual meeting. At September 30, 2003, 204,000 options were outstanding under the Directors’ Plan at exercise prices ranging from \$2.81 to \$6.00 a share.

The Company maintains the 1989 Stock Option Plan (the “1989 Plan”) which authorized the issuance of options on 3.0 million common shares. No options have been granted under this plan since March 1999. Options issued under the 1989 Plan vested over a three year period and expire in five years. At September 30, 2003, 276,424 options remained outstanding under the 1989 Plan at exercise prices ranging from \$2.63 to \$7.63 a share. The last of these options will expire in 2009.

The Domain stock option plan was adopted when that company was acquired in 1998, with existing Domain options becoming exercisable into the Company’s common stock. No options have been granted under this plan since the acquisition. At September 30, 2003, 103,032 options remained outstanding at an exercise price of \$3.46 a share. The last of these options will expire in 2007.

In total, approximately 4.0 million options were outstanding at September 30, 2003 at exercise prices of \$1.94 to \$7.63 a share as follows:

Range of Exercise Prices	Average Exercise Price	Inactive		Active		Total
		Domain Plan	1989 Plan	Directors’ Plan	1999 Plan	
\$1.94 - - \$4.99	\$3.48	103,032	140,574	52,000	783,652	1,079,258
\$5.00 - - \$7.63	\$5.93	—	135,850	152,000	2,599,455	2,887,305
<b>Total</b>	<b>\$5.20</b>	<b>103,032</b>	<b>276,424</b>	<b>204,000</b>	<b>3,383,107</b>	<b>3,966,563</b>

In 1997, shareholders approved a plan (the “Stock Purchase Plan”) authorizing the sale of 900,000 shares of common stock to officers, directors, key employees and consultants. In 2001, shareholders approved an increase in the number of shares authorized under the Stock Purchase Plan to 1.75 million. Under the Stock Purchase Plan, the right to purchase shares at prices ranging from 50% to 85% of market value may be granted. To date, all purchase rights have been granted at 75% of market. Due to the discount from market value, the Company recorded additional compensation expense of \$126,000 and \$122,000 in the nine months ended September 30, 2002 and 2003, respectively. Through September 30, 2003, 1,377,319 shares have been sold under the Stock Purchase Plan. At September 30, 2003, there were no rights outstanding to purchase shares.

**(11) DEFERRED COMPENSATION**

In 1996, the Board of the Company adopted a deferred compensation plan (the “Plan”). The Plan gives certain senior employees the ability to defer all or a portion of their salaries and bonuses and invests in common stock of the Company or makes other investments at the employee’s discretion. The assets of the Plan are held in a rabbi trust (the “Rabbi Trust”) and, therefore, are available to satisfy the claims of the Company’s creditors in the event of bankruptcy or insolvency of the Company. The Company’s stock held in the Rabbi Trust is treated in a manner similar to treasury stock with an offsetting amount reflected as a deferred compensation liability of the Company and the carrying value of the deferred compensation liability is adjusted to fair value each reporting period by a charge or credit to operations in the General and administrative expense category on the Company’s Consolidated Statements of Operations. The assets of the Rabbi Trust, other than common stock of the Company, are invested in marketable securities and reported at market value in Other assets on the Company’s balance sheet. The Deferred Compensation liability on the Company’s balance sheet reflects the market value of the marketable securities and the Company’s common stock held in the Rabbi Trust. The cost of common stock held in the Rabbi Trust is shown as a reduction to Stockholders’ equity. Changes in the market value of the marketable securities are reflected in OCI, while changes in the market value of the common stock held in the Rabbi Trust is charged or credited to General and administrative expense each quarter. The Company recorded mark-to-market expense (income) related to the Company stock held in the Rabbi Trust of (\$1.2 million) and \$898,000 in the three months ended September 30, 2002 and 2003, respectively. The Company recorded mark-to-market expense related to deferred compensation of \$71,000 and \$2.2 million in the nine months ended September 30, 2002 and 2003, respectively.



**(12) BENEFIT PLAN**

The Company maintains a 401(k) Plan for its employees. The 401(k) Plan permits employees to contribute up to 50% of their salary (subject to Internal Revenue limitations) on a pre-tax basis. Historically, the Company has made discretionary contributions of the Company's common stock to the 401(k) Plan annually. All Company contributions become fully vested after the individual employee has three years of service with the Company. In 2000, 2001 and 2002, the Company contributed \$483,000, \$554,000 and \$602,000 at then market value, respectively, of the Company's common stock to the 401(k) Plan. The Company does not require that employees hold the contributed stock in their account. Employees have a variety of investment options in the 401(k) Plan. Employees may at any time diversify out of the Company's common stock based on their personal investment strategy.

**(13) INCOME TAXES**

The Company follows SFAS No. 109, "Accounting for Income Taxes," pursuant to which the liability method is used. Under this method, deferred tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and regulations that will be in effect when the differences are expected to reverse. The significant components of deferred tax liabilities and assets on December 31, 2002 and September 30, 2003 were as follows (in thousands):

	December 31, 2002	September 30, 2003
Deferred tax assets/(liabilities)		
Net unrealized loss on hedging	\$ 11,388	\$ 15,629
Other	4,397	(13,591)
Net deferred tax asset	\$15,785	\$ 2,038

At December 31, 2002, deferred tax assets exceeded deferred tax liabilities by \$15.7 million with \$11.4 million of deferred tax assets related to deferred hedging losses included in OCI. Based on the Company's recent profitability and its current outlook, no valuation allowance was deemed necessary at December 31, 2002. At September 30, 2003, deferred tax assets exceeded deferred tax liabilities by \$2.0 million with \$15.6 million of deferred tax assets related to hedging losses in OCI.

At December 31, 2002, the Company had regular net operating loss ("NOL") carryovers of \$218.2 million and alternative minimum tax ("AMT") NOL carryovers of \$198.5 million that expire between 2006 and 2022. At December 31, 2002, the Company had an AMT credit carryover of \$665,000 which is not subject to limitation or expiration.

**(14) EARNINGS PER SHARE**

The following table sets forth the computation of basic and diluted earnings per common share (in thousands except per share amounts):

	Three Months Ended, September 30		Nine Months Ended, September 30,	
	2002	2003	2002	2003
<b>Numerator:</b>				
Income before cumulative effect of change in accounting principle	\$ 9,222	\$16,737	\$20,873	\$26,291
Preferred stock	—	(65)	—	(65)
Numerator for basic earnings per share before cumulative effect of change in accounting principle	9,222	16,672	20,873	26,226
Cumulative effect of accounting change	—	—	—	4,491
Numerator for basic earnings per share	\$ 9,222	\$16,672	\$20,873	\$30,717
Income before cumulative effect of change in accounting principle	\$ 9,222	\$16,737	\$20,873	\$26,291
Effect of dilutive securities:				
6% Debentures	—	194	—	—
Trust Preferred Securities	—	703	—	—
Numerator for diluted earnings per share before cumulative effect of change in accounting principle	9,222	17,634	20,873	26,291
Cumulative effect of accounting change	—	—	—	4,491
Numerator for diluted earnings per share after assumed conversions and cumulative effect of change in accounting principle	\$ 9,222	\$17,634	\$20,873	\$30,782
<b>Denominator:</b>				
Weighted average shares outstanding	54,765	56,022	54,101	55,636
Stock held by employee benefit trust	(1,316)	(1,607)	(1,177)	(1,485)
Weighted average shares, basic	53,449	54,415	52,924	54,151
Effect of dilutive securities:				
Weighted average shares outstanding	54,765	56,022	54,101	55,636
Employee stock options	323	517	333	433
Common shares assumed issued for 6% Debentures	—	1,023	—	—
Common shares assumed for Trust Preferred Securities	—	3,017	—	—
Common shares assumed for Convertible Preferred	—	512	—	172
Dilutive potential common shares for diluted earnings per share	55,088	61,091	54,434	56,241
<b>Earnings per share basic and diluted:</b>				
Before cumulative effect of accounting change				
Basic	\$ 0.17	\$ 0.31	\$ 0.39	\$ 0.49
Diluted	\$ 0.17	\$ 0.29	\$ 0.38	\$ 0.47
After cumulative effect of accounting change				
Basic	\$ 0.17	\$ 0.31	\$ 0.39	\$ 0.57
Diluted	\$ 0.17	\$ 0.29	\$ 0.38	\$ 0.55

During the three months ended September 30, 2002 and 2003, 346,000 and 537,000 stock options were included in the computation of diluted earnings per share and for the nine months then ended, 356,000 and 454,000

stock options were included in such computation. It is expected that the fourth quarter of 2003 will include the dilutive effect of approximately 5.8 million shares of the 5.9% Convertible Preferred.

## (15) MAJOR CUSTOMERS

The Company markets its production on a competitive basis. Gas is sold under various types of contracts ranging from life-of-the-well to short-term contracts that are cancelable within 30 days or less. Oil purchasers may be changed on 30 days notice. The price for oil is generally equal to a posted price set by major purchasers in the area. The Company sells to oil purchasers on the basis of price and service. For the three months ended September 30, 2003, two customers, Duke Energy Field Services, Inc. and Petrocom Energy Group, Ltd., accounted for 22% and 21%, respectively, of oil and gas revenues. Management believes that the loss of any one customer would not have a material long-term adverse effect on the Company. The creditworthiness of our customers is subject to periodic review.

## (16) OIL AND GAS ACTIVITIES

The following summarizes selected information with respect to producing activities. Exploration costs include capitalized as well as expensed outlays (in thousands):

	Year Ended December 31, 2002	Nine Months Ended September 30, 2003
<b>Book value</b>		
Properties subject to depletion	\$1,135,590	\$1,244,527
Unproved properties	18,959	15,541
Total	1,154,549	1,260,068
Accumulated depletion	(590,143)	(619,260)
Net	\$ 564,406	\$ 640,808
<b>Costs incurred<sup>(a)</sup></b>		
Development	\$ 66,284	\$ 63,327
Exploration <sup>(b)</sup>	23,232	12,704
Acquisition <sup>(c)</sup>	21,790	12,380
Total	\$ 111,306	\$ 88,411

(a) Excludes asset retirement costs of \$2.1 million in the nine months ended September 30, 2003.

(b) Includes \$11,525 and \$8,773 of exploration costs expensed in the year ended 2002 and the nine months ended September 30, 2003, respectively.

(c) Includes \$15,643 and \$7,969 for producing and non-producing oil and gas reserves, the remainder represents acreage purchases for the year ended 2002 and the nine months ended September 30, 2003, respectively.

**(17) INVESTMENT IN GREAT LAKES**

The Company owns 50% of Great Lakes and consolidates its proportionate interest in the joint venture's assets, liabilities, revenues and expenses. The following table summarizes the 50% interest in Great Lakes financial statements as of or for the nine months ended September 30, 2002 and 2003 (in thousands):

	September 30, 2002	September 30, 2003
Balance Sheet		
Current assets	\$ 7,882	\$ 10,603
Oil and gas properties, net	173,068	213,802
Transportation and field assets, net	15,456	14,711
Unrealized derivative gain	442	310
Other assets	143	293
Current liabilities	13,405	19,413
Unrealized derivative loss	2,787	4,535
Asset retirement obligation	—	17,880
Long-term debt	68,000	71,500
Members' equity	112,799	126,391
Statement of Operations		
Revenues	\$ 38,391	\$ 42,214
Direct operating expense	5,988	7,598
Exploration	1,963	1,483
G&A expense	1,387	1,443
Interest expense	4,037	3,179
DD&A	10,576	10,737
Pretax income	14,440	17,774
Cumulative effect of change in accounting principle (before income taxes)	—	1,601

**(18) GAIN ON RETIREMENT OF SECURITIES**

In the third quarter of the 2003, \$6.4 million of the 6% Debentures and \$3.5 million of the Trust Preferred Securities were repurchased for cash and a gain of \$784,000 was recorded. In addition, the Company exchanged \$10.2 million in cash and \$50.0 million of its newly issued Convertible Preferred for \$79.5 million of Trust Preferred Securities and a gain of \$17.8 million was recorded. In the nine months of 2003, an additional \$400,000 of Trust Preferred Securities and \$500,000 of 8-3/4% Notes were repurchased for cash and \$880,000 of 6% Debentures was exchanged for the Company's common stock. A net gain of \$143,900 was recorded on the cash transactions. The exchange transaction included conversion expense of \$465,000. (See Note 6 regarding further guidance on SFAS 84 and accounting for gains on sale of securities). In the third quarter of 2002, \$3.7 million of 8-3/4% Notes, \$800,000 of 6% Debentures and \$2.5 million of Trust Preferred Securities were repurchased for cash. In the first nine months of 2002, an additional \$5.0 million of 6% Debentures were repurchased for cash. Also in the nine months of 2002, \$2.4 million, \$7.1 million, and \$875,000 of Trust Preferred Securities, 6% Debentures, and 8-3/4% Notes, respectively, were exchanged for 1.6 million shares of the Company's common stock. A gain of \$3.1 million was recorded in the nine months ending September 30, 2002.

## Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### Factors Affecting Financial Condition and Liquidity

#### Critical Accounting Policies

The Company's discussion and analysis of its financial condition and results of operation are based upon unaudited consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires the Company to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues, and expenses. Application of certain of the Company's accounting policies, including those related to oil and gas revenues, oil and gas properties, income taxes, and litigation, bad debts, marketable securities, hedging and the deferred compensation plan, require significant estimates. The Company bases its estimates on historical experience and various other assumptions that are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions. The Company believes the following critical accounting policies affect its more significant judgments and estimates used in the preparation of its consolidated financial statements.

The FASB and representatives of the accounting staff of the SEC are engaged in discussions on the issue of whether the FASB's No. 141 and 142, issued effective for June 30, 2001, called for mineral rights held under lease or other contractual arrangements to be classified in the balance sheet as intangible assets and accompanied by specific footnote disclosures. Historically, the Company and all other oil and gas companies have included the cost of these oil and gas leasehold interests as part of oil and gas properties. Although most of the Company's oil and gas property interests are held under oil and gas leases, this interpretation, if adopted, would not have a material impact on the Company's financial condition or its results of operations.

In the event this interpretation is adopted, a substantial portion of acquisition costs of oil and gas properties since September 30, 2001 would be separately classified on the balance sheets as intangible assets. As of September 30, 2003, the Company has expended approximately \$25.2 million on the acquisition of oil and gas leasehold interests since June 30, 2001. Some additional direct costs of other oil and natural gas leases acquired since that date could also be categorized as intangible under this interpretation. Results of operations would not be affected by this interpretation, if adopted, since these costs would continue to be depleted in accordance with successful efforts accounting for oil and gas companies. Another possible effect of this interpretation, if adopted, would be a change in some of the financial measurements used in financial covenants of debt instruments that focus on tangible assets. The Company does not believe that its debt covenants would be materially affected by the adoption of this accounting interpretation.

Proved oil and natural gas reserves – Proved reserves are defined by the SEC as those volumes of crude oil, condensate, natural gas liquids and natural gas that geological and engineering data demonstrate with reasonable certainty are recoverable from known reservoirs under existing economic and operating conditions. Proved developed reserves are volumes expected to be recovered through existing wells with existing equipment and operating methods. Although the Company's engineers are knowledgeable of and follow the guidelines for reserves as established by the SEC, the estimation of reserves requires the engineers to make a significant number of assumptions based on professional judgment. Reserve estimates are updated at least annually and consider recent production levels and other technical information about each well. Estimated reserves are often subject to future revision, which could be substantial, based on the availability of additional information, including: reservoir performance, new geological and geophysical data, additional drilling, technological advancements, price changes, and other economic factors. Changes in oil and gas prices can lead to a decision to start-up or shut-in production, which can lead to revisions to reserve quantities. Reserve revisions in turn cause adjustments in the depletion rates utilized by the Company. The Company can not predict what reserve revisions may be required in future periods.

Depletion rates are determined based on reserve quantity estimates and the capitalized costs of producing properties. As the estimated reserves are adjusted, the depletion expense for a property will change, assuming no change in production volumes or the costs capitalized. Estimated reserves are used as the basis for calculating the expected future cash flows from a property, which are used to determine whether that property may be impaired. Reserves are also used to estimate the supplemental disclosure of the standardized measure of discounted future net cash flows relating to its oil and gas producing activities and reserve quantities annual disclosure to the consolidated

financial statements. Changes in the estimated reserves are considered changes in estimates for accounting purposes and are reflected on a prospective basis.

Successful efforts accounting – The Company utilizes the successful efforts method to account for exploration and development expenditures. Unsuccessful exploration wells are expensed and can have a significant effect on operating results. Successful exploration drilling costs and all development costs are capitalized and systematically charged to expense using the units of production method based on proved developed oil and natural gas reserves as estimated by the Company's and independent engineers. Proven leasehold costs are charged to expense using the units of production method based on total proved reserves. Unproved properties are assessed periodically within specific geographic areas and impairments to value are charged to expense.

Impairment of properties – The Company monitors its long-lived assets recorded in Property, plant and equipment in the Consolidated Balance Sheet to make sure that they are fairly presented. The Company must evaluate its properties for potential impairment when circumstances indicate that the carrying value of an asset could exceed its fair value. A significant amount of judgment is involved in performing these evaluations since the results are based on estimated future events. Such events include a projection of future oil and gas sales prices, an estimate of the ultimate amount of recoverable oil and natural gas reserves that will be produced, the timing of future production, future production costs, and future inflation. The need to test a property for impairment can be based on several factors, including a significant reduction in sales prices for oil and/or gas, unfavorable adjustment to reserves, or other changes to contracts, environmental regulations, or tax laws. All of these factors must be considered when testing a property's carrying value for impairment. The Company cannot predict whether impairment charges may be recorded in the future.

Income taxes – The Company is subject to income and other similar taxes in all areas in which it operates. When recording income tax expense, certain estimates are required because: (a) income tax returns are generally filed months after the close of its calendar year; (b) tax returns are subject to audit by taxing authorities and audits can often take years to complete and settle; and (c) future events often impact the timing of when income tax expenses and benefits are recognized by the Company. The Company has deferred tax assets relating to tax operating loss carry forwards and other deductible differences. The Company routinely evaluates its deferred tax assets to determine the likelihood of their realization. A valuation allowance has not been recognized for deferred tax assets due to management's belief that these assets are likely to be realized. At year-end 2002, deferred tax assets exceeded deferred tax liabilities by \$15.8 million with \$11.4 million of deferred tax assets related to deferred hedging losses included in OCI. Based on the Company's projected profitability, no valuation allowance was deemed necessary.

The Company occasionally is challenged by taxing authorities over the amount and/or timing of recognition of revenues and deductions in its various income tax returns. Although the Company believes that it has adequate accruals for matters not resolved with various taxing authorities, gains or losses could occur in future years from changes in estimates or resolution of outstanding matters.

Legal, environmental, and other contingent matters – A provision for legal, environmental, and other contingent matters is charged to expense when the loss is probable and the cost can be reasonably estimated. Judgment is often required to determine when expenses should be recorded for legal, environmental, and contingent matters. In addition, the Company often must estimate the amount of such losses. In many cases, management's judgment is based on interpretation of laws and regulations, which can be interpreted differently by regulators and/or courts of law. Management closely monitors known and potential legal, environmental, and other contingent matters, and makes its best estimate of when the Company should record losses for these based on available information.

Other significant accounting policies requiring estimates – The Company recognizes revenues from the sale of products and services in the period delivered. The Company uses the sales method to account for gas imbalances. Revenues at IPF are recognized as earned. An allowance for doubtful accounts is provided for specific receivables which are unlikely to be collected. At IPF, all receivables are evaluated quarterly and provisions for uncollectible amounts are established. Such provisions for uncollectible amounts are recorded when management believes that a related receivable is not recoverable based on current estimates of expected discounted cash flows. The Company records a write down of marketable securities when the decline in market value is considered to be other than temporary. Change in the value of the ineffective position of all open hedges is recognized in earnings quarterly.

The fair value of open hedging contracts is an estimated amount that could be realized upon termination. The Company stock held in the deferred compensation plan is treated as treasury stock and the carrying value of the deferred compensation is adjusted to fair value each reporting period by a charge or credit to operations in general and administrative expense. As of January 1, 2003, the accounting for expected future costs to retire long-lived assets changed with the adoption of SFAS 143.

## **Liquidity and Capital Resources**

During the nine months ended September 30, 2003, the Company spent \$88.4 million on development, exploration, and acquisitions. During the period, debt and Trust Preferred Securities decreased \$88.2 million. At September 30, 2003, the Company had \$1.6 million in cash, total assets of \$736.5 million and, including the Trust Preferred Securities as debt, a debt to capitalization ratio of 49.7%. Available borrowing capacity on the credit facilities at September 30, 2003 was \$75.7 million on the Senior Credit Facility and \$82.0 million on the Great Lakes Credit Facility. Long-term debt at September 30, 2003 totaled \$279.9 million. This included \$94.3 million of Senior Credit Facility debt, \$71.5 million of Great Lakes Credit Facility net debt, a net \$98.3 million of 7-3/8% Notes, \$14.3 million of 6% Debentures, and \$1.4 million of Trust Preferred Securities.

During the nine months ended September 30, 2003, \$9.8 million of cash and 129,000 shares of the Company's common stock were used to retire \$7.3 million of 6% Debentures, \$3.9 million of Trust Preferred Securities and \$500,000 of 8-3/4% Notes. A \$927,600 gain on retirement was recorded on the cash repurchases and a conversion expense of \$465,000 was recorded on the exchanges for common stock. In addition on September 23, 2003, \$10.2 million of cash and \$50.0 million of the newly issued Convertible Preferred was exchanged for \$79.5 million of Trust Preferred Securities. A gain of \$17.8 million was recorded on the transaction.

### *7-3/8% Notes Issuance*

On July 21, 2003, the Company issued \$100.0 million principal amount of the Company's Outstanding Notes. The offering of the Outstanding Notes was not registered under the Securities Act or under any state securities laws because Outstanding Notes were only offered to qualified institutional buyers and to non-U.S. persons outside the United States in compliance with Rule 144A and Regulation S under the Securities Act. On October 23, 2003, \$100,000,000 aggregate principal amount of the Outstanding Notes were exchanged for \$100,000,000 aggregate principal amount of the Exchange Notes as required by the Registration Rights Agreement. The Exchange Notes are identical to the Outstanding Notes except that the Exchange Notes are registered under the Securities Act and do not have restrictions on transfer, registration rights or provisions for additional interest

### *Convertible Preferred Issuance*

On September 23, 2003, the Company issued 1.0 million shares of Convertible Preferred, par value \$1.00 and liquidation preference \$50 per share and paid \$10.2 million cash in exchange for \$79.5 million of Trust Preferred Securities. The Convertible Preferred is convertible into common stock at \$8.50 per share. Beginning on September 30, 2007, the Company may, at its sole election, redeem the Convertible Preferred for cash at 103% and declines to 100% in 2012. In addition, beginning on September 30, 2005, the Company may, at its sole election, cause the Convertible Preferred to convert, in whole but not in part, to common stock of the Company if, at the time, the common stock has closed at \$11.90 or higher for 20 of the previous consecutive 30 trading days. Annual cumulative dividends are payable quarterly in arrears.

The Company believes its capital resources are adequate to meet its requirements for at least the next twelve months; however, future cash flows are subject to a number of variables including the level of production and prices as well as various economic conditions that have historically affected the oil and gas business. There can be no assurance that internal cash flow and other capital sources will provide sufficient funds to maintain planned capital expenditures.

The debt agreements contain covenants relating to net worth, working capital, dividends, and financial ratios. The Company was in compliance with all covenants at September 30, 2003. Under the Senior Credit Facility, common and preferred dividends are permitted. The Senior Credit Facility provides for a restricted payment basket of \$20.0 million plus 50% of net income (excluding Great Lakes) plus 66-2/3% of distributions, dividends or payments of debt from or proceeds from sales of equity interests of Great Lakes plus 66-2/3% of net cash proceeds from common stock

[Table of Contents](#)

issuances. Approximately \$43.1 million was available under the Senior Credit Facility's restricted payment basket on September 30, 2003.

The following summarizes the Company's contractual financial obligation at September 30, 2003 and their future maturities (in thousands):

	Less than 1 Year	1-3 Years	After 3 Years	Total
Long-term debt	\$ —	\$ —	\$281,565	\$281,565
Non-cancelable lease obligations	452	2,663	299	3,414
Contract to purchase seismic data	215	1,076	—	1,291
	<u>\$667</u>	<u>\$3,739</u>	<u>\$281,864</u>	<u>\$286,270</u>

#### Cash Flow

The Company's principal sources of cash are operating cash flow and bank borrowings. The Company's cash flow is highly dependent on oil and gas prices. The Company has entered into hedging swap agreements covering 60.0 bcf of gas and 1.5 million barrels of oil for the remainder of 2003 through the end of 2006. The \$77.5 million of capital expenditures in the nine months ended September 30, 2003 was funded with internal cash flow. Net cash provided by operations for the nine months ended September 30, 2002 and 2003 was \$88.4 million and \$93.5 million, respectively. Cash flow from operations was higher than the prior year due to higher prices and volumes and lower exploration expense partially offset by higher direct operating expenses. Accounts receivable increased \$9.7 million from December 31, 2002 due to higher prices and volumes. These receivables will be collected in the fourth quarter of 2003. Net cash used in investing for the nine months ended September 30, 2002 and 2003 was \$75.1 million and \$76.5 million, respectively. The 2002 period included \$70.6 million of additions to oil and gas properties. The 2003 period included \$75.5 million of additions to oil and gas properties partially offset by \$9.4 million of net IPF receipts and lower exploration expenditures. Net cash provided by financing in the nine months ended September 30, 2002 and 2003 was \$16.3 million and \$16.7 million, respectively. During the first nine months of 2003, total debt, including Trust Preferred Securities decreased \$88.2 million. Senior Credit Facility debt and Great Lakes Credit Facility debt decreased \$26.5 million, subordinated debt (8-3/4% Notes, 7-3/8% Notes, and 6% Debentures) increased \$21.7 million and the Trust Preferred Securities decreased \$83.4 million. The net decrease in debt was the result of excess cash flows and the exchange of the Trust Preferred Securities for the Convertible Preferred.



### Capital Requirements

The 2003 capital budget is approximately \$105.0 million (excluding acquisitions) and based on current projections, the Company expects to fund its capital budget with internal cash flow. During the nine months ended September 30, 2003, \$77.5 million of capital expenditures was funded with internal cash flow.

### Banking

The Company maintains two separate revolving bank credit facilities: a \$225.0 million Senior Credit Facility and a \$275.0 million Great Lakes Credit Facility (of which 50% is consolidated at the Company). Each facility is secured by substantially all the borrowers' assets. The Great Lakes Credit Facility is non-recourse to the Company. As Great Lakes is 50% owned, half of its borrowings are consolidated in the Company's financial statements. Availability under the facilities is subject to borrowing bases set by the banks semi-annually and in certain other circumstances. Redeterminations, other than increases, require the approval of 75% of the lenders while, increases require unanimous approval.

At October 31, 2003, the Senior Credit Facility had a \$180.0 million borrowing base of which \$82.7 million was available. The Great Lakes Credit Facility, half of which is consolidated at the Company, had a \$225.0 million borrowing base, of which \$84.0 million was available.

### Hedging

#### Oil and Gas Prices

The Company enters into hedging agreements to reduce the impact of oil and gas price fluctuations. The Company's current policy, when futures prices justify, is to hedge 50% to 75% of projected production. At September 30, 2003, swaps were in place covering 60.0 Bcf of gas at prices averaging \$4.10 per Mmbtu and 1.5 million barrels of oil at prices averaging \$24.92 per barrel. The Company also has collars covering 0.6 Bcf of gas at prices of \$4.00-\$6.75 and 0.6 million barrels of oil at prices of \$24.00-\$27.71. Their fair value at September 30, 2003 (the estimated amount that would be realized on termination based on contract versus NYMEX prices) was a net unrealized pre-tax loss of \$46.3 million. Gains or losses on open and closed hedging transactions are determined based on the difference between the contract price and a reference price, generally closing prices on the NYMEX. Gains and losses are determined monthly and are included as increases or decreases in oil and gas revenues in the period the hedged production is sold. An ineffective portion (changes in contract prices that do not match changes in the hedge price) of open hedge contracts is recognized in earnings as it occurs. Net decreases to Oil and gas revenues from hedging for the three months ended September 30, 2003 were \$12.3 million and Oil and gas revenues were increased by \$3.5 million from hedging for the three months ended September 30, 2002.

At September 30, 2003, the following commodity derivative contracts were outstanding:

Contract Type	Period	Volume Hedged	Average Hedge Price
<b>Natural Gas</b>			
Swaps	October-December 2003	95,291 MMBtu/day	\$4.06
Swaps	2004	89,440 MMBtu/day	\$4.05
Swaps	2005	48,945 MMBtu/day	\$4.19
Swaps	2006	1,644 MMBtu/day	\$4.80
Collars	January-December 2005	1,644 MMBtu/day	\$4.00-\$6.75
<b>Crude Oil</b>			
Swaps	October-December 2003	4,114 Bbl/day	\$25.03
Swaps	2004	2,337 Bbl/day	\$24.93
Swaps	2005	750 Bbl/day	\$24.73
Collars	January-December 2004	1,628 Bbl/day	\$24.00-\$27.71

### Interest Rates

At September 30, 2003, the Company had \$279.9 million of debt (including Trust Preferred Securities) outstanding. Of this amount, \$114.0 million bore interest at fixed rates averaging 7.2%. Senior Credit Facility debt and Great Lakes Credit Facility debt totaling \$165.8 million bore interest at floating rates which averaged 2.9% at September 30, 2003. At times, the Company enters into interest rate swap agreements to limit the impact of interest rate fluctuations on its floating rate debt. At September 30, 2003, Great Lakes had interest rate swap agreements totaling \$110.0 million, 50% of which is consolidated at the Company. These swaps consist of \$45.0 million at 7.1% which expire in May 2004, \$20.0 million at rates averaging 2.3% which expire in December 2004, \$10.0 million at 1.4% which expire in June 2005, \$35.0 million at rates averaging 1.8% which expire in June 2006. The fair value of the swaps, based on then current quotes for equivalent agreements at September 30, 2003 was a net loss of \$1.8 million, of which 50% is consolidated at the Company. The 30 day LIBOR rate on September 30, 2003 was 1.1%.

**Debt Reduction**

The Company has taken a number of steps since 1998 to strengthen its financial position. These steps included the application of excess cash flow toward debt repayment, sale of assets and the exchange of common stock for debt. These initiatives have helped reduce the Senior Credit Facility debt from \$365.2 million to \$94.3 million and total debt (including Trust Preferred Securities) from \$727.2 million to \$279.9 million at September 30, 2003. At September 30, 2003, the debt to capitalization ratio was 49.7% compared to 64.1% at December 31, 2002.

**Inflation and Changes in Prices**

The Company's revenues, the value of its assets, its ability to obtain bank loans or additional capital on attractive terms have been and will continue to be affected by changes in oil and gas prices. Oil and gas prices are subject to significant fluctuations that are beyond the Company's ability to control or predict. During the first nine months of 2003, the Company received an average of \$28.47 per barrel of oil and \$5.31 per mcf of gas before hedging compared to \$22.51 per barrel of oil and \$2.82 per mcf of gas in the same period of the prior year. Although certain of the Company's costs and expenses are affected by general inflation, inflation does not normally have a significant effect on the Company. During 2002, the Company experienced a slight decline in certain drilling and operational costs when compared to the prior year. Increases in commodity prices can cause inflationary pressures specific to the industry to also increase certain costs. The Company expects an increase in these costs in 2003.

**Results of Operations****Volumes and sales data:**

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2002	2003	2002	2003
<b>Production:</b>				
Crude oil and liquid (bbls)	577,928	600,401	1,671,646	1,814,140
Natural gas (mcfs)	10,447,053	11,040,493	31,020,256	32,018,400
<b>Average daily production:</b>				
Crude oil (bbls)	5,096	5,526	4,999	5,589
NGLs (bbls)	1,186	1,000	1,125	1,056
Natural gas (mcfs)	113,555	120,005	113,627	117,284
Total (mcfes)	151,246	159,162	150,367	157,155
<b>Average sales prices (excluding hedging):</b>				
Crude oil (per bbl)	\$ 25.43	\$ 27.42	\$ 22.51	\$ 28.47
NGLs (per bbl)	\$ 13.49	\$ 17.64	\$ 12.39	\$ 18.76
Natural gas (per mcf)	\$ 2.99	\$ 4.75	\$ 2.82	\$ 5.31
<b>Average sales price (including hedging):</b>				
Crude oil (per bbl)	\$ 22.05	\$ 23.76	\$ 22.32	\$ 23.51
NGLs (per bbl)	\$ 13.49	\$ 17.64	\$ 12.39	\$ 18.76
Natural gas (per mcf)	\$ 3.48	\$ 3.81	\$ 3.44	\$ 3.87
Total (per mcfe)	\$ 3.46	\$ 3.81	\$ 3.44	\$ 3.85

[Table of Contents](#)

The following table identifies certain items included in the results of operations and is presented to assist in comparing the third quarter and year to date 2003 to the same periods of the prior year. The table should be read in conjunction with the following discussions of results of operations (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2002	2003	2002	2003
<b>Increase (decrease) in revenues:</b>				
Write-down of marketable securities	\$ —	\$ —	\$ (1,220)	\$ —
Gains on retirement of securities	1,050	18,572	3,080	18,712
Ineffective portion of commodity hedges gain (loss)	(419)	1,093	(2,581)	(178)
(Loss) gain from sales of assets	266	(275)	292	(118)
Realized hedging gains (losses)	3,484	(12,257)	18,849	(53,512)
	<u>\$ 4,381</u>	<u>\$ 7,133</u>	<u>\$ 18,420</u>	<u>\$ (35,096)</u>
<b>Increase (decrease) to expenses:</b>				
Mark-to-market deferred compensation adjustment	\$(1,249)	\$ 898	\$ 71	\$ 2,195
Bad debt expense accrual	75	75	75	225
Adjustment to IPF valuation allowance	176	326	2,743	884
Call premium on 8.75% Notes	—	2,006	—	2,006
Non-qualifying interest rate swaps	262	(157)	190	(240)
	<u>\$ (736)</u>	<u>\$ 3,148</u>	<u>\$ 3,079</u>	<u>\$ 5,070</u>
Cumulative effect of change in accounting principle (net of tax)	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 4,491</u>

*Comparison of 2002 to 2003*

*Quarters Ended September 30, 2002 and 2003*

Net income in the third quarter of 2003 totaled \$16.7 million, compared to \$9.2 million in the prior year period. The third quarter of 2003 includes a tax expense of \$9.0 million versus a tax expense in the prior year period of \$386,000. 2003 includes an \$18.6 million gain on retirement of securities versus a gain of \$1.1 million in the prior year. Production increased to 159.2 Mmcfe per day, a 5% increase from the prior year period. The production increase was due primarily to the recent success of the Company's drilling program. Revenues also increased due to a 10% increase in average realized prices to \$3.81 per mcfe. The average prices received for oil increased 8% to \$23.76 per barrel, increased 9% for gas to \$3.81 per mcf and increased 31% for NGLs to \$17.64 per barrel. Production expenses increased 6% to \$11.1 million as a result of higher production taxes. Production taxes averaged \$0.10 per mcfe in 2002 versus \$0.16 per mcfe in 2003. Production taxes are paid on market prices not on hedged prices. Operating costs, including production taxes, per mcfe produced averaged \$0.76 in 2003 versus \$0.76 in 2002.

Transportation and processing net revenues declined 19% to \$841,000 in 2003 with increased gas marketing expenses and lower transportation revenues. IPF recorded income of \$297,000, a decrease of \$1.0 million from the 2002 period due to a smaller portfolio balance. 2002 IPF expenses included a \$176,000 increase in the valuation allowance adjustment. IPF expenses in 2003 include a \$326,000 increase in the valuation allowance. During the quarter ended September 30, 2003, IPF expenses included \$222,000 of administrative costs and \$30,000 of interest, compared to prior year period administrative expenses of \$391,000 and interest of \$241,000.

Exploration expense increased \$1.8 million to \$3.6 million in 2003 primarily due to higher seismic expense (\$1.1 million) and, to a lesser extent, dry hole costs (\$281,000). General and administrative expenses increased \$2.4 million in the quarter with higher mark-to-market expense relating to the deferred compensation plan and higher salaries and wages. The mark-to-market deferred compensation adjustment included in general and administrative expense was \$898,000 in the three months ended September 30, 2003 versus income of \$1.2 million in the same period of the prior year. (See Note 11 to the consolidated financial statements).

Other income reflected a loss of \$125,000 in the third quarter of 2002 and income of \$723,000 in the third quarter of 2003. The 2003 period included \$1.1 million of ineffective hedging gains partially offset by \$275,000 of losses on asset sales and a \$142,000 loss on abandonment liability. The 2002 period included \$419,000 of ineffective hedging losses partially offset by \$266,000 of gains on asset sales. Interest expense increased 24% to \$7.7 million primarily due to the \$2.0 million call premium on the 8.75% Notes and the write off of unamortized debt issuance costs included in the third quarter of 2003. Total debt was \$364.7 million and \$279.9 million at September 30, 2002 and 2003, respectively. The average interest rates (excluding hedging) were 5.3% and 4.6%, respectively, at September 30, 2002 and 2003 including fixed and variable rate debt.

DD&A increased 11% from the third quarter of 2002 with higher production and an additional \$1.2 million of accretion expense related to the adoption of the new accounting principle (see Note 3 to the consolidated financial statements). The DD&A rate per mcf for the third quarter of 2003 was \$1.49, a \$0.07 increase from the rate for the third quarter of 2002. This increase is due to higher accretion expense (\$0.08 per mcf) offset by slightly lower depreciation. The DD&A rate is determined based on year-end reserves and the net book value associated with them and, to a lesser extent, depreciation on other assets owned.

Income taxes reflected an expense of \$386,000 in the third quarter of 2002 versus \$9.0 million in the third quarter of September 30, 2003. (See Note 13 to the consolidated financial statements).

#### *Nine Months Ended September 30, 2002 and 2003*

Net income for the nine months ended September 30, 2003 totaled \$30.8 million compared to \$20.9 million for the comparable period of 2002. The nine months ended September 2003 includes tax expenses of \$15.6 million versus a tax benefit of \$4.5 million in the prior year. 2003 includes a gain of \$18.7 million on retirement of securities versus a gain of \$3.1 million in the prior year. 2003 also includes \$4.5 million gain on adoption of a new accounting principle. Production for the nine months ended September 30, 2003 increased to 157.2 Mmcf per day, an increase of 5% from the prior year period. The production increase was due to higher production in the Appalachian and Southwest divisions and higher production at West Cameron 45 somewhat offsetting natural production declines in other Gulf Coast wells. Revenues increased primarily due to higher prices which averaged \$3.85 per mcf. The average prices received for oil increased 5% to \$23.51 per barrel, 13% for gas to \$3.87 per mcf and 51% for NGLs to \$18.76 per barrel. Production expenses increased 24% to \$36.8 million as a result of higher production taxes, costs from new wells and higher workover costs in the Gulf of Mexico. Operating cost (including production taxes) per mcf produced averaged \$0.86 in 2003 versus \$0.72 in 2002.

Transportation and processing revenues increased 3% to \$2.8 million. IPF recorded income of \$1.3 million, a decrease of \$2.2 million from 2002. IPF revenue declined from the previous year due to a smaller portfolio balance. 2002 IPF expenses included \$2.7 million of unfavorable valuation allowance adjustments. IPF expenses for the nine months ended September 2003 included \$884,000 of unfavorable valuation allowance adjustments. During the nine months ended September 30, 2003, IPF expenses included \$689,000 of administrative costs and \$191,000 of interest, compared to prior year period administrative expenses of \$1.3 million and interest of \$754,000.

Exploration expense decreased \$484,000 to \$8.8 million, primarily due to lower dry hole costs (\$2.2 million) partially offset by higher seismic costs (\$1.5 million). General and administrative expenses increased 27% to \$15.7 million in the nine months ended September 30, 2003 due to higher compensation related expenses and legal and other professional fees. The mark-to-market deferred compensation adjustment included in general and administrative expense is an expense of \$71,000 in the nine months ended September 30, 2002 and \$2.2 million in the comparable period of 2003.

Other income reflected a loss of \$3.4 million in 2002 and a loss of \$262,000 in 2003. The 2002 period included \$2.6 million of ineffective hedging losses and a \$1.2 million write down of marketable securities. The 2003 period included a \$178,000 million ineffective hedging loss and an \$118,000 loss on the sale of assets. Interest expense increased 5% to \$18.4 million with the \$2.0 million call premium on the 8.75% Notes somewhat offset by lower outstanding debt and lower interest rates.

DD&A increased 12% from the same period of the prior year with higher production and an additional \$3.5 million of accretion expense related to the adoption of the new accounting principle. The per mcf DD&A rate for the

nine months ended September 30, 2003 was \$1.49, a \$0.10 increase from the rate for the same period of the prior year with higher accretion expense (\$0.08 per mcfe) and higher amortization of unproved property.

Income taxes reflected a benefit of \$4.5 million in the nine months ended September 30, 2002 versus tax expenses of \$15.6 million in the same period of 2003.

### Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

The primary objective of the following information is to provide forward-looking quantitative and qualitative information about the Company's potential exposure to market risks. The term "market risk" refers to the risk of loss arising from adverse changes in oil and gas prices and interest rates. The disclosures are not meant to be indicators of expected future losses, but rather an indicator of reasonably possible losses. This forward-looking information provides indicators of how the Company views and manages its ongoing market-risk exposures. All of the Company's market-risk sensitive instruments were entered into for purposes other than trading.

*Commodity Price Risk.* The Company's major market risk exposure is to oil and gas prices. Realized prices are primarily driven by worldwide prices for oil and spot market prices for North American gas production. Oil and gas prices have been volatile and unpredictable for many years.

The Company periodically enters into hedging arrangements with respect to its oil and gas production. Pursuant to these swaps, the Company receives a fixed price for its production and pays market prices to the counterparty. Hedging is intended to reduce the impact of oil and gas price fluctuations. In the second quarter of 2003, the hedging program was modified to include collars which assume a minimum floor price and predetermined ceiling price. Realized gains or losses are generally recognized in oil and gas revenues when the associated production occurs. Starting in 2001, gains or losses on open contracts are recorded either in current period income or OCI. The gains and losses realized as a result of hedging are substantially offset in the cash market when the commodity is delivered. Of the \$46.3 million unrealized pre-tax loss included in OCI at September 30, 2003, \$30.8 million of losses would be reclassified to earnings over the next twelve month period if prices remained constant. The actual amounts that will be reclassified will vary as a result of changes in prices. The Company does not hold or issue derivative instruments for trading purposes.

As of September 30, 2003, the Company had oil and gas swap hedges in place covering 60.0 Bcf of gas and 1.5 million barrels of oil. The Company also has collars covering 0.6 Bcf of gas at prices of \$4.00-\$6.75 and 0.6 million barrels of oil at prices of \$24.00-\$27.71. Their fair value, represented by the estimated amount that would be realized on termination, based on contract versus NYMEX prices, approximated a net unrealized pre-tax loss of \$46.3 million at that date. These contracts expire monthly through December 2006. Gains or losses on open and closed hedging transactions are determined as the difference between the contract price and the reference price, generally closing prices on the NYMEX. Transaction gains and losses are determined monthly and are included as increases or decreases to oil and gas revenues in the period the hedged production is sold. Any ineffective portion of such hedges is recognized in earnings as it occurs. Net realized losses relating to these derivatives for the nine months ended September 30, 2003 were \$53.5 million and net realized gains were \$18.8 million for the nine months ended September 30, 2002.

In the first nine months of 2003, a 10% reduction in oil and gas prices, excluding amounts fixed through hedging transactions, would have reduced revenue by \$21.7 million. If oil and gas future prices at September 30, 2003 had declined 10%, the unrealized hedging loss at that date would have decreased \$31.9 million.

*Interest rate risk.* At September 30, 2003, the Company had \$279.9 million of debt (including Trust Preferred Securities) outstanding. Of this amount, \$114.0 million bore interest at fixed rates averaging 7.2%. Senior Credit Facility debt and the Great Lakes Credit Facility debt totaling \$165.8 million bore interest at floating rates averaging 2.9%. At September 30, 2003 Great Lakes had interest rate swap agreements totaling \$110.0 million (See Note 7), 50% of which is consolidated at the Company, which had a fair value loss (the Company's share) of \$880,000 at that date. A 1% increase or decrease in short-term interest rates would cost or save the Company approximately \$1.1 million in annual interest expense.

**Item 4. CONTROLS AND PROCEDURES.**

As of the end of the period covered by this report, the Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Exchange Act Rule 13a-14(c) and Rule 15d-14(c). Based upon that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective in timely alerting them to material information relating to the Company (including its consolidated subsidiaries) required to be included in the Company's periodic filings with the SEC. No significant changes in the Company's internal controls or other factors that could affect these controls have occurred subsequent to the date of such evaluation.

**PART II. OTHER INFORMATION**

**Item 1. Legal Proceedings.**

The Company is involved in various legal actions and claims arising in the ordinary course of business. In the opinion of management, such litigation and claims are likely to be resolved without material adverse effect on its financial position or results of operations.

**Item 2. Changes in Securities and Use of Proceeds**

(c)

On September 23, 2003, the Company exchanged \$10.2 million in cash and \$50 million of the Company's newly issued Convertible Preferred for \$79.5 million of its Trust Preferred Securities. The sections of this Form 10-Q entitled "Part I-Item 1-Note (6)-5-3/4% Trust Preferred Securities-mandatorily redeemable securities of subsidiary" and "Part I-Item 1-Note (9)" are incorporated by reference into Part II-Item 2(c) of this Form 10-Q.

**Item 6. Exhibits and Reports on Form 8-K**

(a) Exhibits:

- 3.1.1 Restated Certificate of Incorporation of Lomak Petroleum, Inc. (“Lomak”) (incorporated by reference to Exhibit 3.1.1 to the Range Resources Corporation (the “Company”) Form S-4 (File No. 333-108516) as filed with the Securities and Exchange Commission (the “SEC”) on September 4, 2003)
- 3.1.2 Certificate of Amendment to the Certificate of Incorporation dated June 20, 1997 (incorporated by reference to Exhibit 3.1.11 to the Company’s Form 10-Q (File No. 001-12209) as filed with SEC on August 6, 2003)
- 3.1.3 Certificate of Amendment to the Certificate of Incorporation of Lomak dated August 25, 1998 (incorporated by reference to Exhibit 3.1 to the Company’s Form S-8 (File No. 333-62439) as filed with the SEC on August 28, 1998)
- 3.1.4 Certificate of Amendment to the Certificate of Incorporation of the Company dated May 24, 2000 (incorporated by reference to Exhibit 3.1.12 to the Company’s Form 10-Q (File No. 001-12209) as filed with the SEC on May 7, 2003)
- 3.1.5\* Certificate of Correction to Certificate of Amendment to the Certificate of Incorporation of the Company filed with the Secretary of State of the State of Delaware on June 26, 1997
- 3.1.6\* Certificate of Correction to Certificate of Amendment to the Certificate of Incorporation of the Company filed with the Secretary of State of the State of Delaware on May 25, 2000
- 3.2.1\* Amended and Restated By-laws of the Company dated July 14, 2003
- 4.1.1 Form of 7-3/8% Senior Subordinated Note due 2013 (contained as an exhibit to Exhibit 4.1.2 hereto)
- 4.1.2 Indenture dated July 21, 2003 by and among the Company, as issuer, the Subsidiary Guarantors (as defined therein), as guarantors, and Bank One, National Association, as trustee (incorporated by reference to Exhibit 4.4.2 to the Company’s Form 10-Q (File No. 001-12209) as filed with the SEC on August 6, 2003)
- 4.1.3 Registration Rights Agreement dated July 21, 2003 by and between the Company and UBS Securities LLC, Banc One Capital Markets, Inc., Credit Lyonnais Securities (USA) Inc. and McDonald Investments Inc. (incorporated by reference to Exhibit 4.4.3 to the Company’s Form 10-Q (File No. 001-12209) as filed with the SEC on August 6, 2003)
- 4.2\* Certificate of Designation of the 5.90% Cumulative Convertible Preferred Stock of the Company
- 10.1.1 Fourth Amendment to Amended and Restated Credit Agreement dated July 15, 2003 by and among the Company, Bank One, NA, the Lenders (as defined therein), Bank One, NA, as Administrative Agent, Fleet National Bank, as Co-Documentation Agent, Fortis Capital Corp., as Co-Documentation Agent, JPMorgan Chase Bank, as Co-Syndication Agent, Credit Lyonnais, New York Branch, as Co-Syndication Agent, Banc One Capital Markets, Inc., as Joint Lead Arranger and Joint Bookrunner, and JPMorgan Securities, Inc., as Joint Lead Arranger and Joint Bookrunner (incorporated by reference to Exhibit 10.6.5 to the Company’s Form S-4 (File No. 333-108516) as filed with the SEC on September 4, 2003)
- 10.1.2\* Fifth Amendment to Amended and Restated Credit Agreement dated September 4, 2003 by and among the Company, Bank One, NA, the Lenders (as defined therein), Bank One, NA, as Administrative Agent, Fleet National Bank, as Co-Documentation Agent, Fortis Capital Corp., as Co-Documentation Agent, JPMorgan Chase Bank, as Co-Syndication Agent, Credit Lyonnais, New York Branch, as Co-Syndication Agent, Banc One Capital Markets, Inc., as Joint Lead Arranger and Joint Bookrunner, and JPMorgan Securities, Inc. as Joint Lead Arranger and Joint Bookrunner
- 31.1\* Certification by the President and Chief Executive Officer of the Company Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 31.2\* Certification by the Chief Financial Officer of the Company Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 32.1\* Certification by the President and Chief Executive Officer of the Company Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
- 32.2\* Certification by the Chief Financial Officer of the Company Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

---

\* filed herewith

(b) Reports on Form 8-K



[Table of Contents](#)

On July 11, 2003, the Company filed a Current Report on Form 8-K, pursuant to Item 5 of Form 8-K, regarding the adoption of Statement of Financial Accounting Standards No. 145.

On July 11, 2003, the Company filed a Current Report on Form 8-K, pursuant to Item 9 of Form 8-K, announcing its second quarter of 2003 production volumes.

On July 17, 2003, the Company filed a Current Report on Form 8-K, pursuant to Item 5 of Form 8-K, regarding the proposed issuance and subsequent pricing of \$100.0 million of senior subordinated notes due 2013.

On July 22, 2003, the Company filed a Current Report on Form 8-K, pursuant to Item 5 of Form 8-K, announcing the completion of the private placement of \$100.0 million of 7-3/8% senior subordinated notes due 2013 and its election to redeem all of the outstanding 8-3/4% senior subordinated notes due 2007.

On August 7, 2003, the Company filed a Current Report on Form 8-K, pursuant to Item 9 of Form 8-K, furnishing the Company's press release announcing its second quarter of 2003 results.

On August 21, 2003, the Company filed a Current Report on Form 8-K, pursuant to Item 5 of Form 8-K, announcing the completion of its previously announced redemption of its outstanding 8-3/4% senior subordinated notes due 2007.

On August 28, 2003, the Company filed a Current Report on Form 8-K, pursuant to Item 5 of Form 8-K, announcing the adoption of Statement of Financial Accounting Standards No. 143 and its effect on the twelve months ended 2000, 2001 and 2002.

On September 19, 2003, the Company filed a Current Report on Form 8-K, pursuant to Item 5 of Form 8-K, announcing its agreement to exchange \$10.2 million in cash and \$50.0 million of a new 5.9% cumulative convertible preferred stock for \$79.5 million of its outstanding 5.75% trust convertible preferred securities.

**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.

RANGE RESOURCES CORPORATION

By: /s/ ROGER S. MANNY

---

Roger S. Manny  
*Senior Vice President and Chief Financial Officer  
(Principal Financial Officer and duly authorized  
to sign this report on behalf of the Registrant)*

November 4, 2003

**EXHIBIT INDEX**

<b>Exhibit Number</b>	<b>Description of Exhibit</b>
3.1.1	Restated Certificate of Incorporation of Lomak Petroleum, Inc. ("Lomak") (incorporated by reference to Exhibit 3.1.1 to the Range Resources Corporation (the "Company") Form S-4 (File No. 333-108516) as filed with the Securities and Exchange Commission (the "SEC") on September 4, 2003)
3.1.2	Certificate of Amendment to the Certificate of Incorporation dated June 20, 1997 (incorporated by reference to Exhibit 3.1.11 to the Company's Form 10-Q (File No. 001-12209) as filed with the SEC on August 6, 2003)
3.1.3	Certificate of Amendment to the Certificate of Incorporation of Lomak dated August 25, 1998 (incorporated by reference to Exhibit 3.1 to the Company's Form S-8 (File No. 333-62439) as filed with the SEC on August 28, 1998)
3.1.4	Certificate of Amendment to the Certificate of Incorporation of the Company dated May 24, 2000 (incorporated by reference to Exhibit 3.1.12 to the Company's Form 10-Q (File No. 001-12209) as filed with the SEC on May 7, 2003)
3.1.5*	Certificate of Correction to Certificate of Amendment to the Certificate of Incorporation of the Company filed with the Secretary of State of the State of Delaware on June 26, 1997
3.1.6*	Certificate of Correction to Certificate of Amendment to the Certificate of Incorporation of the Company filed with the Secretary of State of the State of Delaware on May 25, 2000
3.2.1*	Amended and Restated By-laws of the Company dated July 14, 2003
4.1.1	Form of 7-3/8% Senior Subordinated Note due 2013 (contained as an exhibit to Exhibit 4.1.2 hereto)
4.1.2	Indenture dated July 21, 2003 by and among the Company, as issuer, the Subsidiary Guarantors (as defined therein), as guarantors, and Bank One, National Association, as trustee (incorporated by reference to Exhibit 4.4.2 to the Company's Form 10-Q (File No. 001-12209) as filed with the SEC on August 6, 2003)
4.1.3	Registration Rights Agreement dated July 21, 2003 by and between the Company and UBS Securities LLC, Banc One Capital Markets, Inc., Credit Lyonnais Securities (USA) Inc. and McDonald Investments Inc. (incorporated by reference to Exhibit 4.4.3 to the Company's Form 10-Q (File No. 001-12209) as filed with the SEC on August 6, 2003)
4.2*	Certificate of Designation of the 5.90% Cumulative Convertible Preferred Stock of the Company
10.1.1	Fourth Amendment to Amended and Restated Credit Agreement dated July 15, 2003 by and among the Company, Bank One, NA, the Lenders (as defined therein), Bank One, NA, as Administrative Agent, Fleet National Bank, as Co-Documentation Agent, Fortis Capital Corp., as Co-Documentation Agent, JPMorgan Chase Bank, as Co-Syndication Agent, Credit Lyonnais, New York Branch, as Co-Syndication Agent, Banc One Capital Markets, Inc., as Joint Lead Arranger and Joint Bookrunner, and JPMorgan Securities, Inc., as Joint Lead Arranger and Joint Bookrunner (incorporated by reference to Exhibit 10.6.5 to the Company's Form S-4 (File No. 333-108516) as filed with the SEC on September 4, 2003)
10.1.2*	Fifth Amendment to Amended and Restated Credit Agreement dated September 4, 2003 by and among the Company, Bank One, NA, the Lenders (as defined therein), Bank One, NA, as Administrative Agent, Fleet National Bank, as Co-Documentation Agent, Fortis Capital Corp., as Co-Documentation Agent, JPMorgan Chase Bank, as Co-Syndication Agent, Credit Lyonnais, New York Branch, as Co-Syndication Agent, Banc One Capital Markets, Inc., as Joint Lead Arranger and Joint Bookrunner, and JPMorgan Securities, Inc. as Joint Lead Arranger and Joint Bookrunner
31.1*	Certification by the President and Chief Executive Officer of the Company Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification by the Chief Financial Officer of the Company Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1*	Certification by the President and Chief Executive Officer of the Company Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2*	Certification by the Chief Financial Officer of the Company Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

\* filed herewith

CERTIFICATE OF CORRECTION TO  
 CERTIFICATE OF AMENDMENT  
 TO THE  
 CERTIFICATE OF INCORPORATION  
 OF  
 RANGE RESOURCES CORPORATION  
 (FORMERLY LOMAK PETROLEUM, INC.)

Range Resources Corporation, a corporation organized and existing under and by virtue of The General Corporation Law of the State of Delaware (the "CORPORATION"), DOES HEREBY CERTIFY:

1. The name of the Corporation is Range Resources Corporation (formerly Lomak Petroleum, Inc.).
2. A Certificate of Amendment to the Certificate of Incorporation of the Corporation was filed with the Secretary of State of Delaware on June 26, 1997 (the "CERTIFICATE"), and said Certificate requires correction as permitted by Section 103(f) of The General Corporation Law of the State of Delaware.

3. The inaccuracy or defect of said Certificate to be corrected is as follows:

The first sentence of Article Third of the Certificate inaccurately reflected the amendment to be made thereby to the Corporation's Certificate of Incorporation by including the phrase "read in its entirety" instead of the phrase "begin."

4. Article Third of the Certificate is hereby corrected to read in its entirety as follows:

"THIRD: To accomplish the foregoing amendment, the present Article FOURTH is hereby amended to begin as follows:

- FOURTH: (1) The total number of shares of all classes of stock which the Corporation shall have authority to issue is 60 million shares, divided into classes as follows:
- |            |  |
|------------|--|
| 50 million | Common shares having a par value of \$.01 per share; and |
| 10 million | Preferred shares having a par value of \$1.00 per share. |
- (2) No holder of shares of the Corporation shall have any preemptive right to subscribe for or to purchase any shares of the Corporation of any class whether now or hereafter authorized."

5. This Certificate of Correction has been prepared in accordance with the provisions of Section 103(f) of the General Corporation Law of the State of Delaware.

[signature page follows]

IN WITNESS WHEREOF, the undersigned authorized officer has executed this Certificate of Correction this 12th day of September, 2003.

RANGE RESOURCES  
CORPORATION

By: /s/ RODNEY L. WALLER

-----  
Name: Rodney L. Waller  
Title: Senior Vice President and  
Corporate Secretary

CERTIFICATE OF CORRECTION TO  
CERTIFICATE OF AMENDMENT  
TO THE  
CERTIFICATE OF INCORPORATION  
OF  
RANGE RESOURCES CORPORATION  
(FORMERLY LOMAK PETROLEUM, INC.)

Range Resources Corporation, a corporation organized and existing under and by virtue of The General Corporation Law of the State of Delaware (the "CORPORATION"), DOES HEREBY CERTIFY:

1. The name of the Corporation is Range Resources Corporation (formerly Lomak Petroleum, Inc.).

2. A Certificate of Amendment to the Certificate of Incorporation of the Corporation was filed with the Secretary of State of Delaware on May 25, 2000 (the "CERTIFICATE"), and said Certificate requires correction as permitted by Section 103(f) of The General Corporation Law of the State of Delaware.

3. The inaccuracy or defect of said Certificate to be corrected is as follows:

The first sentence of Article Third of the Certificate inaccurately reflected the amendment to be made thereby to the Corporation's Certificate of Incorporation by including the phrase "read in its entirety" instead of the phrase "begin."

4. Article Third of the Certificate is hereby corrected to read in its entirety as follows:

"THIRD: To accomplish the foregoing amendment, the present Article FOURTH is hereby amended to begin as follows:

FOURTH: (1) The total number of shares of all classes of stock that the Corporation shall have authority to issue is 110 million shares, divided into classes as follows:

100 million Common shares having a par value of \$.01 per share; and

10 million Preferred shares having a par value of \$1.00 per share.

(2) No holder of shares of the Corporation shall have any preemptive right to subscribe for or to purchase any shares of the Corporation of any class whether now or hereafter authorized."

5. This Certificate of Correction has been prepared in accordance with the provisions of Section 103(f) of the General Corporation Law of the State of Delaware.

[signature page follows]

IN WITNESS WHEREOF, the undersigned authorized officer has executed this Certificate of Correction this 12th day of September, 2003.

RANGE RESOURCES  
CORPORATION

By: /s/ RODNEY L. WALLER  
-----  
Name: Rodney L. Waller  
Title: Senior Vice President and  
Corporate Secretary

RANGE RESOURCES CORPORATION  
AMENDED AND RESTATED BY-LAWS

(EFFECTIVE JULY 14, 2003)

PREAMBLE

These Bylaws are subject to, and governed by, the General Corporation Law of the State of Delaware (the "Delaware General Corporation Law") and the certificate of incorporation (as the same may be amended and restated from time to time) of Range Resources Corporation, a Delaware corporation (the "Corporation"). In the event of a direct conflict between the provisions of these Bylaws and the mandatory provisions of the Delaware General Corporation Law or the provisions of the certificate of incorporation of the Corporation, such provisions of the Delaware General Corporation Law or the certificate of incorporation of the Corporation, as the case may be, will be controlling.

ARTICLE I

Offices

Section 1.1 Registered Office. The initial registered office in the State of Delaware shall be in the City of Wilmington, County of New Castle, and the name of the resident agent in charge thereof is The Corporation Trust Company. The registered office and registered agent of the Corporation shall be as designated from time to time by the appropriate filing by the Corporation in the office of the Secretary of State of the State of Delaware.

Section 1.2 Other Offices. The Corporation may also have offices at such other places both within and without the State of Delaware as the board of directors (the "Board") may from time to time determine or the business of the corporation may require.

ARTICLE II

Meetings of Stockholders

Section 2.1 Place of Meeting. All meetings of stockholders of the Corporation ("Stockholders") for the election of directors of the Corporation ("Directors") shall be held in the city of Fort Worth, Texas, or in such other places both within and without the State of Delaware as the Board may determine; and the Board shall fix the place within such city for the holding of such meeting. Meetings of Stockholders for any other purpose may be held at such place, within or without the State of Delaware, and time as shall be stated in the notice of the meeting or in a duly executed waiver of notice thereof.



Section 2.2 Annual Meeting. The annual meeting of Stockholders (the "Annual Meeting") shall be held the second to last Thursday in May in each year commencing at 9:00 a.m., or at such time as the Board shall designate. The meeting shall be held for the purpose of electing by a plurality vote a Board and transacting such other business as may properly be brought before the meeting. If the election of Directors shall not be held on the day designated for any Annual Meeting, or at any adjournment thereof, the Board shall cause the election to be held at a special meeting of the Stockholders as soon thereafter as conveniently possible. Except as otherwise permitted by law, no Stockholder shall require the Board to call an Annual Meeting.

Section 2.3 Special Meeting. Special meetings of the Stockholders, for any purpose or purposes, unless otherwise prescribed by statute or by the Certificate of Incorporation, may be called by the Chairman of the Board, by the President or by the Board, and shall be called by the Chairman of the Board, the President, a Vice President or the Secretary at the request in writing of Stockholders owning a majority in amount of the entire capital stock of the corporation issued and outstanding and entitled to vote. Such request shall state the purpose of the proposed meeting. The Chairman, President or Directors so calling, or the Stockholders so requesting, any such meeting shall fix the time and any place, either within or without the State of Delaware, as the place for holding such meeting. Only such business shall be transacted at a special meeting as may be stated or indicated in the notice of such meeting or in a duly executed waiver of notice of such meeting.

Section 2.4 Notice of Meeting. Written notice of the Annual Meeting, and each special meeting of Stockholders, stating, in the case of a special meeting, the time, place and, in general terms, the objects thereof, shall be served upon, mailed to or otherwise given to each Stockholder entitled to vote thereat, at least ten (10) days but not more than sixty (60) before the date of the meeting. If such notice is to be sent by mail, it shall be directed to each Stockholder at his address as it appears on the records of the Corporation, unless he shall have filed with the Secretary of the Corporation a written request that notices to him be mailed to some other address, in which case it shall be directed to him at such other address. Notice of any meeting of Stockholders shall not be required to be given to any Stockholder who shall attend such meeting in person or by proxy and shall not, at the beginning of such meeting, object to the transaction of any business because the meeting is not lawfully called or convened, or who shall, either before or after the meeting, submit a signed waiver of notice, in person or by proxy.

Section 2.5 Quorum. The holders of a majority of the stock issued and outstanding and entitled to vote thereat, present in person or represented by proxy, shall constitute a quorum at any meeting of Stockholders for the transaction of business except as otherwise provided by statute or by the Certificate of Incorporation or by these By-laws. If a quorum shall not be present, in person or by proxy, at any meeting of Stockholders or any adjournment thereof, the chairman of the meeting or a majority in interest of the Stockholders entitled to vote thereat who are present, in person or by proxy, may adjourn the meeting from time to time, without notice other than announcement at the meeting (unless the Board, after such adjournment, fixes a new record date for the adjourned meeting), until a quorum shall be present, in person or by proxy. At any adjourned meeting at which a quorum shall be present, in person or by proxy, any business may be transacted which may have been transacted at the original meeting had a quorum been present, in person or by proxy; provided that, if the adjournment is for more than

thirty (30) days or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each Stockholder of record entitled to vote at the adjourned meeting.

Section 2.6 Voting. When a quorum is present at any meeting of Stockholders, the vote of the holders of a majority of the stock having voting power present in person or represented by proxy shall decide any question brought before such meeting, unless the question is one upon which, by express provision of the statutes, of the Certificate of Incorporation or of these By-laws, a different vote is required, in which case such express provision shall govern and control the decision of such question. The stockholders present at a meeting constituted in accordance with these By-Laws may continue to transact business until adjournment, notwithstanding the withdrawal of enough Stockholders to leave less than a quorum. Every Stockholder having the right to vote shall be entitled to vote in person, or by proxy appointed by an instrument in writing subscribed by such Stockholder, bearing a date not more than eleven months prior to voting, unless such instrument provides for a longer period, and filed with the Secretary of the corporation before, or at the time of, the meeting. If such instrument of proxy shall designate two or more persons to act as proxies, unless such instrument shall provide to the contrary, a majority of such persons present at any meeting at which their powers thereunder are to be exercised shall have and may exercise all the powers of voting or giving consents thereby conferred, or if only one be present, then such powers may be exercised by that one; or, if an even number attend and a majority do not agree on any particular issue, each proxy so attending shall be entitled to exercise such powers in respect of the same portion of the shares as he is of the proxies representing such shares. Every such Stockholder shall have one vote for each share of stock having voting power registered in his name on the books of the corporation. Except where the transfer books of the corporation shall have been closed or a date shall have been fixed as a record date for the determination of its Stockholders entitled to vote, no share of stock shall be voted at any election for Directors which has been transferred on the books of the corporation within twenty days next preceding such election of Directors. No proxy shall be valid after three (3) years from the date of its execution, unless otherwise provided in the proxy. If no date is stated in a proxy, such proxy shall be presumed to have been executed on the date of the meeting at which it is to be voted. Each proxy shall be revocable unless expressly provided therein to be irrevocable and coupled with an interest sufficient in law to support an irrevocable power or unless otherwise made irrevocable by law.

Section 2.7 Voting of Stock of Certain Holders. Shares standing in the name of another corporation, domestic or foreign, may be voted by such officer, agent or proxy as the By-laws of such corporation may prescribe or, in the absence of such provision, as the Board of such corporation may determine. Shares standing in the name of a deceased person may be voted by the executor or administrator of such deceased person, either in person or by proxy. Shares standing in the name of a guardian, conservator or trustee may be voted by such fiduciary, either in person or by proxy, but no such fiduciary shall be entitled to vote shares held in such fiduciary capacity without a transfer of such shares into the name of such fiduciary. Shares standing in the name of a receiver may be voted by such receiver. A Stockholder whose shares are pledged shall be entitled to vote such shares, unless in the transfer by the pledgor on the books of the corporation, he has expressly empowered the pledgee to vote thereon, in which case only the pledgee, or his proxy, may represent the stock and vote thereon.

Section 2.8 Treasury Stock. The corporation shall not vote, directly or indirectly, shares of its own stock owned by it; and such shares shall not be counted in determining the total number of outstanding shares.

Section 2.9 Closing Transfer Books or Fixing Record Date. The Board may close the stock transfer books of the corporation for a period not exceeding sixty (60) days preceding the date of any meeting of Stockholders, or the date for payment of any dividend or distribution, or the date for the allotment of rights or the date when any change, or conversion or exchange of capital stock shall go into effect of for a period of not exceeding sixty (60) days in connection with obtaining the consent of Stockholders for any purpose. In lieu of closing the stock transfer books as aforesaid, the Board may fix in advance a date, not exceeding sixty (60) days preceding the date of any meeting of Stockholders, or the date for payment of any dividend or distribution, or the date for the allotment of rights, or the date when any change, or conversion of exchange of capital stock shall go into effect, or a date in connection with obtaining such consent, as a record date for the determination of the Stockholders entitled to notice of, and to vote at, any such meeting and any adjournment thereof, or entitled to receive payment of any such dividend or distribution, or to any such allotment of rights, or to exercise the rights in respect of any such change, conversion or exchange of capital stock, or to give such consent, and in such case such Stockholders and only such Stockholders as shall be Stockholders of record on the date so fixed shall be entitled to such notice of, and to vote at, such meeting and any adjournment thereof, or to receive payment of such dividend or distribution, or to receive such allotment of rights, or to exercise such rights, or to give such consent, as the case may be, notwithstanding any transfer of any stock on the books of the corporation after any such record date fixed as aforesaid.

#### Section 2.10 Notice of Stockholder Business at Annual Meeting

(a) At an annual meeting of the Stockholders, only such business shall be conducted as shall have been brought before the meeting (i) pursuant to the Corporation's notice of meeting, (ii) by or at the direction of a majority of the members of the Board, or (iii) by any Stockholder of the Corporation who is a Stockholder of record at the time of giving of notice provided for in this Bylaw, who shall be entitled to vote at such meeting, and who complies with the notice procedures set forth in paragraph (b) of this Bylaw.

(b) For business to be properly brought before an annual meeting by a Stockholder pursuant to clause (iii) of paragraph (a) of this Bylaw, the Stockholder must have given timely notice thereof in writing to the Secretary of the Corporation at the Corporation's principal place of business. To be timely, a Stockholder's notice must be delivered to or mailed and received at the principal executive offices of the Corporation not less than ninety (90) days nor more than one hundred twenty (120) days prior to the first anniversary of the preceding year's annual meeting; provided, however, that in the event that the date of the meeting is changed by more than thirty (30) days from such anniversary date, notice by the Stockholder to be timely must be received no later than the close of business on the tenth day following the earlier of the day on which notice of the date of the meeting was mailed or public disclosure of the meeting date was made. A Stockholder's notice to the Secretary with respect to business to be brought at an annual meeting shall set forth (1) the nature of the proposed business with reasonable particularity, including the exact text of any proposal to be presented for adoption,

and the reasons for conducting that business at the annual meeting, (2) with respect to each such Stockholder, that Stockholder's name and address (as they appear on the records of the Corporation), business address and telephone number, residence address and telephone number, and the number of shares of each class of capital stock of the Corporation beneficially owned by that Stockholder, and (3) any interest of the Stockholder in the proposed business.

(c) Notwithstanding anything in these Bylaws to the contrary, no business shall be conducted at an annual meeting except in accordance with the procedures set forth in this Bylaw. The chairman of an annual meeting shall, if the facts warrant, determine and declare to the meeting that business was not properly brought before the meeting and in accordance with the procedures prescribed by these Bylaws, and if he should so determine, he shall so declare to the meeting and any such business not properly brought before the meeting shall not be transacted. Nothing in this Bylaw shall relieve a Stockholder who proposes to conduct business at an annual meeting from complying with all applicable requirements, if any, of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the rules and regulations thereunder.

Section 2.11 Order of Business. The order of business at all meetings of Stockholders shall be as determined by the chairman of the meeting.

Section 2.12 Conduct of Meeting. The Chairman of the Board, if such office has been filled, and, if not or if the Chairman of the Board is absent or otherwise unable to act, the President shall preside at all meetings of Stockholders. The Secretary shall keep the records of each meeting of Stockholders. In the absence or inability to act of any such officer, such officer's duties shall be performed by the officer given the authority to act for such absent or non-acting officer under these Bylaws or by some person appointed by the meeting.

Section 2.13 Certain Rules of Procedure Relating to Stockholder Meetings. All Stockholder meetings, annual or special, shall be governed in accordance with the following rules:

(a) Only Stockholders of record will be permitted to present motions from the floor at any meeting of Stockholders.

(b) The chairman of the meeting shall preside over and conduct the meeting, and all questions of procedure or conduct of the meeting shall be decided solely by the chairman of the meeting. The chairman of the meeting shall have all power and authority vested in a presiding officer by law or practice to conduct an orderly meeting. Among other things, the chairman of the meeting shall have the power to adjourn or recess the meeting, to silence or expel persons to ensure the orderly conduct of the meeting, to declare motions or persons out of order, to prescribe rules of conduct and an agenda for the meeting, to impose reasonable time limits on questions and remarks by any Stockholder, to limit the number of questions a Stockholder may ask, to limit the nature of questions and comments to one subject matter at a time as dictated by any agenda for the meeting, to limit the number of speakers or persons addressing the chairman of the meeting or the meeting, to determine when the polls shall be closed, to limit the attendance at the meeting to Stockholders of record, beneficial owners of stock who present letters from the record holders confirming their status as beneficial owners,

and the proxies of such record and beneficial holders, and to limit the number of proxies a stockholder may name.

Section 2.14 Requests for Stockholder List and Corporation Records. Stockholders shall have those rights afforded under the Delaware General Corporation Law to inspect a list of Stockholders and other related records and make copies or extracts therefrom. Such request shall be in writing in compliance with Section 220 of the Delaware General Corporation Law. In addition, any Stockholder making such a request must agree that any information so inspected, copied or extracted by the stockholder shall be kept confidential, that any copies or extracts of such information shall be returned to the Corporation and that such information shall only be used for the purpose stated in the request. Information so requested shall be made available for inspecting, copying or extracting at the principal executive offices of the Corporation. Each Stockholder desiring a photostatic or other duplicate copies of any of such information requested shall make arrangements to provide such duplicating or other equipment necessary in the city where the Corporation's principal executive offices are located. Alternative arrangements with respect to this Section 2.15 may be permitted in the discretion of the President of the Corporation or by vote of the Board.

### ARTICLE III

#### Board of Directors

Section 3.1 Powers. The business and affairs of the corporation shall be managed by its Board, which may exercise all such powers of the corporation and do all such lawful acts and things as are not by statute or by the Certificate of Incorporation or by these By-laws directed or required to be exercised or done by the Stockholders.

Section 3.2 Number, Election and Term. The number of Directors which shall constitute the whole Board shall be not less than three (3) nor more than fifteen (15). Such number of Directors shall, from time to time, be fixed and determined by the Directors and shall be set forth in the notice of any meeting of Stockholders held for the purpose of electing Directors. Election of Directors need not be by ballot. The Directors shall be elected at the Annual Meeting of Stockholders at which a quorum is present by a plurality of the votes of the shares present in person or represented by proxy and entitled to vote on the election of directors or a class of directors, except as provided in Sections 2.2 and 3.4. Each Director elected shall hold office until the Annual Meeting of Stockholders of the Corporation next succeeding his election or until his successor is duly elected and qualified or until his earlier resignation or removal. Directors need not be residents of Delaware or Stockholders of the Corporation.

#### Section 3.3 Nomination of Director Candidates.

(a) Nominations of persons for election to the Board at a meeting of Stockholders may be made (i) by or at the direction of the Board or (ii) by any Stockholder of the Corporation who is a Stockholder of record at the time of giving of notice provided for in this Bylaw, who shall be entitled to vote for the election of the director so nominated and who complies with the notice procedures set forth in this Bylaw.

(b) Nominations by stockholders shall be made pursuant to timely notice in writing to the Secretary of the Corporation at the Corporation's principal place of business. To be timely, a stockholder's notice shall be delivered to or mailed and received at the principal executive offices of the Corporation (i) in the case of an annual meeting, not less than ninety (90) days nor more than one hundred twenty (120) days prior to the first anniversary of the preceding year's annual meeting; provided, however, that in the event that the date of the annual meeting is changed by more than thirty (30) days from such anniversary date, notice by the stockholder to be timely must be so received not later than the close of business on the tenth (10th) day following the earlier of the date on which notice of the date of the meeting was mailed or public disclosure of the meeting date was made, and (ii) in the case of a special meeting at which directors are to be elected, not later than the close of business on the tenth (10th) day following the earlier of the day on which notice of the date of the meeting was mailed or public disclosure of the meeting date was made. Such notice shall set forth (i) as to each nominee for election as a director, all information relating to such person that would be required to be disclosed in solicitations of proxies for election of directors, or that otherwise would be required, in each case pursuant to Regulation 14A under the Exchange Act (including such person's written consent to serving as a director if elected and, if applicable, to being named in the proxy statement as a nominee), and (ii) if the nomination is submitted by a stockholder of record, (A) the name and address, as they appear on the Corporation's books, of such stockholder of record and the name and address of the beneficial owner, if different, on whose behalf the nomination is made and (B) the class and number of shares of the Corporation which are beneficially owned and owned of record by such stockholder of record and such beneficial owner. At the request of the Board, any person nominated by the Board for election as a director shall furnish the Secretary of the Corporation that information required to be set forth in the stockholder's notice of nomination which pertains to the nominee.

(c) No person shall be eligible to serve as a director of the Corporation unless nominated in accordance with the procedures set forth in this Bylaw. The election of any director in violation of this Bylaw shall be void and of no force or effect. The chairman of the meeting shall, if the facts warrant, determine and declare to the meeting that a nomination was not made in accordance with the procedures prescribed by these Bylaws, and if he should so determine, he shall so declare to the meeting and the defective nomination shall be disregarded. Notwithstanding the foregoing provisions of this Bylaw, a stockholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations thereunder with respect to the matters set forth in this Bylaw.

Section 3.4 Vacancies and Additional Directors. Any Director may resign at any time by written notice to the corporation. Any such resignation shall take effect at the date of receipt of such notice or at any later time specified therein, and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective. If any vacancy occurs in the Board caused by death, resignation, retirement, disqualification or removal from office of any Director, or otherwise, or if any new directorship is created by an increase in the authorized number of Directors, a majority of the Directors then in office, though less than a quorum, may choose a successor or fill the newly created directorship; and a Director so chosen shall hold office until the next election of the class for which such Director shall have been chosen, and until his successor shall be duly elected and shall qualify, unless sooner displaced. No decrease in the number of directors constituting the entire Board shall have the effect of shortening the term of any incumbent director.

Section 3.5 Regular Meeting. A regular meeting of the Board shall be held each year, without other notice than this by-law, at the place of, and immediately following, the Annual Meeting of Stockholders; and other regular meetings of the Board shall be held each year, at such time and place as the Board may provide, by resolution, either within or without the State of Delaware, without other notice than such resolution.

Section 3.6 Special Meeting. A special meeting of the Board may be called by the Chairman of the Board or by the President and shall be called by the Secretary on the written request of a majority of the Directors. The Chairman or President so calling, or the Directors so requesting, any such meeting shall fix the time and any place, either within or without the State of Delaware, as the place for holding such meeting.

Section 3.7 Notice of Special Meeting. Written notice of special meetings of the Board shall be given to each Director at least twenty-four (24) hours prior to the time of such meeting. Any Director may waive notice of any meeting. The attendance of a Director at any meeting shall constitute a waiver of notice of such meeting, except where a Director attends a meeting for the purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any special meeting of the Board need be specified in the notice of waiver of notice of such meeting, except that notice shall be given of any proposed amendment to the By-laws if it is to be adopted at any special meeting or with respect to any other matter where notice is required by statute.

Section 3.8 Quorum. A majority of the Board shall constitute a quorum for the transaction of business at any meeting of the Board, and the act of a majority of the Directors present at any meeting at which there is a quorum shall be the act of the Board, except as may be otherwise specifically provided by statute, by the Certificate of Incorporation or by these By-laws. If a quorum shall not be present at any meeting of the Board, the Directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present. A majority of committee members shall constitute a quorum for the transaction of business at any meeting of a Board committee, provided, however, that fifty percent of the members of any committee of the Board shall constitute a quorum for transacting business at any meeting of such committee, if such committee is comprised of an even number of committee members.

Section 3.9 Action Without a Meeting. Unless otherwise restricted by the Certificate of Incorporation or these By-laws, any action required or permitted to be taken at any meeting of the Board, or of any committee thereof, as provided in Article IV of these By-laws, may be taken without a meeting, if a written consent thereto is signed by all members of the Board or of such committee, as the case may be, and such written consent is filed with the minutes of proceedings of the Board or committee.

Section 3.10 Presumption of Assent. A Director of the Corporation who is present at a meeting of the Board at which action on any corporate matter is taken shall be conclusively presumed to have assented to the action taken unless his dissent shall be entered in the minutes of the meeting

or unless he shall file his written dissent to such action with the person acting as the Secretary of the meeting before the adjournment thereof or shall forward such dissent by registered mail to the Secretary of the Corporation immediately after the adjournment of the meeting. Such right to dissent shall not apply to a Director who voted in favor of such action.

Section 3.11 Compensation. Directors, as such, shall not be entitled to any stated salary for their services unless voted by the Directors; but by resolution of the Board, a fixed sum and expenses of attendance, if any, may be allowed for attendance at each regular or special meeting of the Board or any meeting of a committee of Directors. No provision of these By-laws shall be construed to preclude any Director from serving the corporation in any other capacity and receiving compensation therefor.

#### ARTICLE IV

##### Committee of Directors

Section 4.1 Designation, Powers and Name. The Board may, by resolution passed by a majority of the whole Board, designate one or more committees, each such committee to consist of two or more of the Directors of the corporation, which shall have and may exercise such of the powers of the Board in the management of the business and affairs of the corporation, as may be provided in the resolution, and may authorize the seal of the corporation to be affixed to all papers which may require it. In the absence or disqualification of any member of such committee or committees, the member or members thereof present at any meeting and not disqualified from voting, whether or not he or they constitute a quorum, may unanimously appoint another member of the Board to act at the meeting in the place of any such absent or disqualified member. Such committee or committees shall have such name or names and such limitations of authority as may be determined from time to time by resolution adopted by the Board. The Board may also designate a member of any such committee to be the Chairman thereof, and such Chairman shall preside at the meetings of such committee and shall perform such other duties as may be designated by the Board.

Section 4.2 Minutes. Each committee of Directors shall keep regular minutes of its proceedings and report the same to the Board when required.

Section 4.3 Compensation. Members of a special or standing committees may be allowed compensation for attending committee meetings, if the Board shall so determine.

#### ARTICLE V

##### Notice

Section 5.1 Methods of Giving Notice. Whenever under the provisions of the statutes, the Certificate of Incorporation or of these By-laws notice is required to be given to any Director, member of any committee or Stockholder, and no provision is made as to how such notice shall be given, personal notice shall not be required and any such notice may be given (a) in writing,



by mail, postage prepaid, addressed to such committee member, Director or Stockholder at his address as it appears on the books or (in the case of a Stockholder) the stock transfer records of the Corporation, or (b) by any other method permitted by law (including but not limited to overnight courier service, telegram, telex or telefax). If mailed, notice to a Director, member of a committee or Stockholder shall be deemed to be given when deposited in the United States mail in a sealed envelope, with postage thereon prepaid, addressed, in the case of a Stockholder, to the Stockholder at the Stockholder's address as it appears on the records of the corporation or, in the case of a Director or a member of a committee to such person at his business address. If sent by telegraph, notice to a Director or member of a committee shall be deemed to be given when the telegram, so addressed, is delivered to the telegraph company.

Section 5.2 Written Waiver. Whenever any notice is required to be given under the provisions of the statutes, of the Certificate of Incorporation or of these By-laws, a waiver thereof in writing, signed by the person or persons entitled to said notice, whether before or after the time stated therein, shall be deemed equivalent thereto. Attendance of a Stockholder, Director, or committee member at a meeting shall constitute a waiver of notice of such meeting, except where such person attends for the express purpose of objecting to the transaction of any business on the ground that the meeting is not lawfully called or convened.

#### ARTICLE VI

##### Officers

Section 6.1 Officers. The officers of the corporation shall be a Chairman of the Board, a Vice Chairman of the Board (if such office is created by the Board), a President, one or more Vice Presidents, any one or more of whom may bear such special designation as the Board shall determine, a Secretary and a Treasurer. The Board may by resolution create the office of Vice Chairman of the Board and define the duties of such office. The Board may appoint such other officers and agents, including Assistant Vice Presidents, Assistant Secretaries and Assistant Treasurers, as it shall deem necessary, who shall hold their offices for such terms and shall exercise such powers and perform such duties as shall be determined by the Board. Any two or more offices, other than the offices of the President and Secretary, or Chairman of the Board and Secretary, may be held by the same person. No officer shall execute, acknowledge, verify or countersign any instrument on behalf of the Company in more than one capacity, if such instrument is required by law, by these By-laws or by any act of the corporation to be executed, acknowledged, verified or countersigned by two or more officers. The Chairman, Vice Chairman (if such office is created by the Board) and President shall be elected from among the Directors. With the foregoing exceptions, none of the other officers need be a Director, and none of the officers need be a stockholder of the corporation or a resident of the State of Delaware.

Section 6.2 Election and Term of Office. The officers of the corporation shall be elected annually by the Board at its first regular meeting held after the Annual Meeting of Stockholders or as soon thereafter as conveniently possible. Each officer shall hold office until his successor shall have been chosen and shall have qualified or until his death or the effective date of his resignation or removal, or until he shall cease to be a Director in the case of the Chairman, Vice Chairman and President.

Section 6.3 Removal and Resignation. Any officer or agent elected or appointed by the Board may be removed without cause by the affirmative vote of a majority of the Board whenever, in its judgment, the best interests of the corporation shall be served thereby, but such removal shall be without prejudice to the contractual rights, if any, of the person so removed. Any officer may resign at any time by giving written notice to the corporation. Any such resignation shall take effect at the date of the receipt of such notice or at any later time specified therein, and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 6.4 Vacancies. Any vacancy occurring in any office of the corporation by death, resignation, removal or otherwise, may be filled by the Board for the unexpired portion of the term.

Section 6.5 Salaries. The salaries of all officers and agents of the corporation shall be fixed by the Board or pursuant to its direction; and no officer shall be prevented from receiving such salary by reason of his also being a Director.

Section 6.6 Chairman of the Board. The Chairman of the Board shall be a member of the Board. By virtue of his office he shall be a member of the Executive Committee if such committee be created. He shall preside at all meetings of the Board and Stockholders of the corporation. He shall formulate and submit to the Board or the Executive Committee matters of general policy for the corporation and shall perform such other duties as usually appertain to the office or may be designated by the Board or the Executive Committee. He may be designated by the Board as the Chief Executive Officer of the corporation and in the event he is so designated shall have the duties and powers of the Chief Executive Officer as provided in Section 6.8 of these By-laws.

Section 6.7 President. The President shall be a member of the Board. By virtue of his office he shall be a member of the Executive Committee if such committee is created. In the absence of the Chairman of the Board and the Vice Chairman of the Board (if such office is created by the Board), the President shall preside at all meetings of the Board and the Stockholders. He may also preside at any such meeting attended by the Chairman or Vice Chairman of the Board as he is so designated by the Chairman of the Board when he is present, or in the Chairman's absence by the Vice Chairman of the Board. The President shall be the Chief Operating Officer of the Corporation and as such, subject to the control of the Board, the Executive Committee and the Chairman of the Board (if the Chairman of the Board shall have been designated Chief Executive Officer), shall supervise and direct the operations of the corporation and shall perform such other duties as may be assigned to him by the Board, the Executive Committee or the Chairman of the Board (if the Chairman of the Board shall have been designated Chief Executive Officer). He may sign with the Secretary, or any other officer of the corporation thereunto authorized by the Board, certificates for shares of the corporation and any deeds, bonds, mortgages, contracts, checks, notes, drafts or other instruments which the Board has authorized to be executed, except in cases where the signing and execution thereof has been expressly delegated by these By-laws or by the Board to some other officer or agent of the corporation or shall be required by law to be otherwise executed. The President may be designated by the Board as the Chief Executive Officer of the corporation and in the event he is so designated shall

have the duties and powers of the Chief Executive Officer of the corporation as provided in Section 6.8 of these By-laws. In the absence of the Chairman of the Board (if he shall have been designated as Chief Executive Officer) or in the event of his inability or refusal to act, the President shall perform the duties and exercise the powers of the Chief Executive Officer.

Section 6.8 Chief Executive Officer. The Board may designate either the Chairman of the Board or the President as the Chief Executive Officer, and such other officer so designated, subject to the control of the Board, shall be responsible for and control the business and affairs of the corporation.

He shall be the Chairman of the Executive Committee, if such committee shall be created by the Directors, unless the Board shall have designated another Director of the corporation as the Chairman of the Executive Committee.

He shall have the power to appoint and remove subordinate officers, agents and employees, except those elected or appointed by the Board. The Chief Executive Officer shall keep the Board and the Executive Committee fully informed and shall consult with them concerning the business of the Corporation. He may sign with the Secretary or any other officer of the corporation thereunto authorized by the Board, certificates for shares of the corporation and any deeds, bonds, mortgages, contracts, checks, notes, drafts or other instruments which the Board has authorized to be executed, except in cases where the signing and execution thereof has been expressly delegated by these By-laws or by the Board to some other officer or agent of the corporation, or shall be required by law to be otherwise executed. He shall vote, or give a proxy to any other officer of the corporation to vote, all shares of the stock of any other corporation standing in the name of the corporation and in general he shall perform all other duties as usually appertain to the Chief Executive Officer and such other duties as may be prescribed by the Stockholders, the Board or the Executive Committee from time to time.

Section 6.9 Vice Presidents. The Vice Presidents shall perform such duties as from time to time may be assigned to them by the Chief Executive Officer, the Board or the Executive Committee.

Section 6.10 Secretary. The Secretary shall: (a) keep the minutes of the meetings of the Stockholders, the Board, the Executive Committee and such other committees as the Board shall designate; (b) see that all notices are duly given in accordance with the provisions of these By-laws or as required by law; (c) keep or cause to be kept a register of the post office address of each Stockholder which shall be furnished by such Stockholder; (d) sign with the President certificates for shares of the Corporation, the issue of which shall have been authorized by resolution of the Board; (e) have general charge of the stock transfer books of the corporation; and (f) in general, perform all duties incident to the office of Secretary and such other duties as from time to time may be assigned to him by the Chief Executive Officer, the Board or the Executive Committee.

Section 6.11 Treasurer. If required by the Board, the Treasurer shall give a bond for the faithful discharge of his duties in such sum and with such surety or sureties as the Board shall

determine. He shall: (a) have charge and custody of and be responsible for all funds and securities of the corporation; receive and give receipts for moneys due and payable to the corporation from any source whatsoever and deposit all such moneys in the name of the corporation in such banks, trust companies or other depositories as shall be selected in accordance with the provisions of Section 7.4 of these By-laws; (b) prepare, or cause to be prepared, such reports as shall be requested by the Directors, the Executive Committee or the Chief Executive Officer; and (c) in general, perform all the duties incident to the office of Treasurer and such other duties as from time to time may be assigned to him by the Chief Executive Officer, the Board, or the Executive Committee.

Section 6.12 Assistant Secretary or Treasurer. The Assistant Secretaries and Assistant Treasurers shall, in general, perform such duties as shall be assigned to them by the Secretary or the Treasurer,, respectively, or by the Chief Executive Officer, the Board or the Executive Committee. The Assistant Secretaries and Assistant Treasurers shall, in the absence of the Secretary or Treasurer, respectively, perform all functions and duties which such absent officers may delegate, but such delegation shall not relieve the absent officer from the responsibilities and liabilities of his office. The Assistant Secretaries may sign with the President certificates for shares of the corporation, the issue of which shall have been authorized by a resolution of the Board. The Assistant Treasurers shall, respectively, if required by the Board, give bonds for the faithful discharge of their duties in such sums and with such sureties as the Board shall determine.

#### ARTICLE VII

##### Contracts, Loans, Checks and Deposits

Section 7.1 Contracts. Subject to the provisions of Section 6.1, the Board may authorize any officer or officers, agent or agents, to enter into any contract or execute and deliver any instrument in the name of and on behalf of the corporation, and such authority may be general or confined to specific instances.

Section 7.2 Loans. No loans shall be contracted on behalf of the corporation and no evidence of indebtedness shall be issued in its name unless authorized by a resolution of the Board (or a resolution of a committee of Directors pursuant to authority conferred upon the committee). Such authority may be general or confined to specific instances.

Section 7.3 Checks, etc. All checks, demands, drafts or other orders for the payment of money, notes or other evidences of indebtedness issued in the name of the corporation, shall be signed by such officer or officers or such agent or agents of the corporation, and in such manner, as shall be determined by the Board.

Section 7.4 Deposits. All funds of the corporation not otherwise employed shall be deposited from time to time to the credit of the corporation in such banks, trust companies or other depositories as the Board may select.

## ARTICLE VIII

### Certificates of Stock

Section 8.1 Issuance. Each Stockholder of this corporation whose shares have been fully paid up shall be entitled to a certificate or certificates showing the number of shares registered in his name on the books of the corporation. The certificates of stock of the corporation shall be in such form as may be determined by the Board shall be issued in numerical order and shall be entered in the books of the corporation as they are issued. They shall exhibit the holder's name and number of shares, shall be signed by the President and by the Secretary or Assistant Secretary, shall bear the seal of the corporation and shall be countersigned by any Transfer Agent and Registrar designated and appointed by the Board. If any stock certificate is signed (1) by a transfer agent or an assistant transfer agent, or (2) by a transfer clerk acting on behalf of the corporation and a registrar, the signature of any such officer and the seal of the corporation thereon may be facsimile. All certificates surrendered to the corporation for transfer shall be cancelled and no new certificate shall be issued until the former certificate for a like number of shares shall have been surrendered and cancelled, except that in the case of a lost, stolen, destroyed or mutilated certificate a new one may be issued therefor upon such terms and with such indemnity (if any) to the corporation as the Board may prescribe. Certificates shall not be issued representing fractional shares of stock.

Section 8.2 Lost Certificates. The Board may direct a new certificate or certificates to be issued in place of any certificate or certificates theretofore issued by the corporation alleged to have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate of stock to be lost, stolen, or destroyed. When authorizing such issue of a new certificate or certificates, the Board may, in its discretion as a condition precedent to the issuance thereof, require the owner of such lost, stolen or destroyed certificates, or his legal representative, to advertise the same in such manner as it shall require and/or to give the corporation a bond in such sum as it may direct as indemnity against any claim that may be made against the corporation with respect to the certificate alleged to have been lost, stolen or destroyed.

Section 8.3 Transfers. Upon surrender to the corporation or the transfer agent of the corporation of a certificate for shares duly endorsed or accompanied by proper evidence of succession, assignment or authority to transfer, it shall be the duty of the corporation to issue a new certificate to the person entitled thereto, cancel the old certificate and record the transaction upon its books. Transfer of shares shall be made only on the books of the corporation by registered holder thereof, or by his attorney thereunto authorized by power of attorney and filed with the Secretary of the corporation or the Transfer Agent.

Section 8.4 Registered Stockholders. The corporation shall be entitled to treat the holder of record of any share or shares of stock as the holder in fact thereof and, accordingly, shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of Delaware.

Section 8.5 Regulations. The Board shall have the power and authority to make all such rules and regulations as they may deem expedient concerning the issue, transfer and registration or the replacement of certificates for shares of stock of the Corporation.

Section 8.6 Legends. The Board shall have the power and authority to provide that certificates representing shares of stock bear such legends as the Board deems appropriate to assure that the Corporation does not become liable for violations of federal or state securities laws or other applicable law.

#### ARTICLE IX

##### Dividends

Section 9.1 Declaration. Dividends upon the capital stock of the corporation, subject to the provisions of the Certificate of Incorporation, if any, may be declared by the Board at any regular or special meeting, pursuant to law. Dividends may be paid in cash, in property, or in shares of the capital stock, subject to the provisions of the Certificate of Incorporation. Such declaration and payment shall be at the discretion of the Board.

Section 9.2 Reserve. Before payment of any dividend, there may be set aside out of any funds of the corporation available for dividends such sum or sums as the Directors from time to time, in their absolute discretion, think proper as a reserve or reserves to meet contingencies, or for equalizing dividends, or for repairing or maintaining any property of the corporation, or for such other purpose as the Directors shall think conducive to the interest of the corporation, and the Directors may modify or abolish any such reserve in the manner in which it was created.

#### ARTICLE X

##### Miscellaneous

Section 10.1 Fiscal Year. The fiscal year of the corporation shall be determined by the Board.

Section 10.2 Books. The books of the corporation may be kept (subject to any provisions contained in the statutes) outside the State of Delaware at the offices of the Company at Hartsville, Ohio, or at such other place or places as may be designated from time to time by the Board.

Section 10.3 Securities of Other Corporations. With the prior approval of a majority of the Corporation's Board, the Chairman of the Board, the President, or any Vice President, the Corporation shall have the power and authority to transfer, endorse for transfer, vote, consent, or take any other action with respect to any securities of another issuer which may be held or owned by the Corporation and to make, execute, and deliver any waiver, proxy or consent with respect to any such securities.

Section 10.4 Telephone Meetings. Stockholders (acting for themselves or through a proxy), members of the Board and members of a committee of the Board may participate in and hold a

meeting of such stockholders, Board or committee by means of a conference telephone or similar communications equipment by means of which persons participating in the meeting can hear each other and participation in a meeting pursuant to this section shall constitute presence in person at such meeting, except where a person participates in the meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting is not lawfully called or convened.

Section 10.5 Invalid Provisions. If any part of these Bylaws shall be held invalid or inoperative for any reason, the remaining parts, so far as it is possible and reasonable, shall remain valid and operative.

Section 10.6 Mortgages, etc. With respect to any deed, deed of trust, mortgage or other instrument executed by the Corporation through its duly authorized officer or officers, the attestation to such execution by the Secretary of the Corporation shall not be necessary to constitute such deed, deed of trust, mortgage or other instrument a valid and binding obligation against the Corporation unless the resolutions, if any, of the Board authorizing such execution expressly state that such attestation is necessary.

Section 10.7 Headings. The headings used in these Bylaws have been inserted for administrative convenience only and do not constitute matter to be construed in interpretation.

Section 10.8 References. Whenever herein the singular number is used, the same shall include the plural where appropriate, and words of any gender should include each other gender where appropriate.

#### ARTICLE XI

##### Amendment

These By-laws may be altered, amended or repealed by a majority of the Board present at any regular meeting of the Board without prior notice, or at any special meeting of the Board if notice of such alteration, amendment or repeal be contained in the notice of such special meeting. In addition to any affirmative vote of the holders of any particular class or series of the capital stock of the Corporation required by law or by the certificate of incorporation of the Corporation, the affirmative vote of the holders of not less than eighty percent of the outstanding shares of the Corporation then entitled to vote upon the election of directors, voting together as a single class, shall be required for the alteration, amendment, or repeal of the Bylaws or adoption of new Bylaws by the stockholders of the Corporation.

#### ARTICLE XII

##### Indemnification

Section 12.1 Right to Indemnification. Each person who was or is made a party or is threatened to be made a party to or is involved in any action, suit or proceeding, whether civil,

criminal, administrative or investigative (hereinafter a "proceeding"), by reason of the fact that he or she, or a person of whom he or she is the legal representative, is or was a Director, officer, employee or agent of the Corporation or is or was serving at the request of the Corporation as a Director, officer, employee or agent of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans, whether the basis of such proceeding is alleged action in an official capacity as a Director, officer, employee or agent or in any other capacity while serving as a Director, officer, employee or agent, shall be indemnified and held harmless by the Corporation to the fullest extent authorized by the General Corporation Law of the State of Delaware, as the same exists or may hereafter be amended, (but, in the case of any such amendment, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than said law permitted the Corporation to provide prior to such amendment) against all expenses, liability and loss (including attorneys' fees, judgments, fines, ERISA excise taxes or penalties and amounts paid or to be paid in settlement) actually and reasonably incurred or suffered by such person in connection therewith and such indemnification shall continue as to a person who has ceased to be a Director, officer, employee or agent and shall inure to the benefit of his or her heirs, executors and administrators. The right to indemnification conferred in this Section shall be a contract right and shall include the right to be paid by the Corporation the expenses incurred in defending any such proceeding in advance of its final disposition; provided, however, that, if the General Corporation Law of the State of Delaware requires, the payment of such expenses incurred by a Director or officer in his or her capacity as a Director or officer (and not in any other capacity in which service was or is rendered by such person while a Director or officer, including, without limitation, service to an employee benefit plan) in advance of the final disposition of a proceeding, shall be made only upon delivery to the Corporation of an undertaking, by or on behalf of such Director or officer, to repay all amounts so advanced if it shall ultimately be determined that such Director or officer is not entitled to be indemnified under this Section or otherwise.

Section 12.2 Non-Exclusivity of Rights. The right to indemnification and the payment of expenses incurred in defending a proceeding in advance of its final disposition conferred in this Section shall not be exclusive of any other right which any person may have or hereafter acquire under any statute, provision of the Certificate of Incorporation, by-law, agreement, vote of stockholders or disinterested directors or otherwise.

Section 12.3 Insurance. The corporation may maintain insurance, at its expense, to protect itself and any Director, officer, employee or agent of the corporation or another corporation, partnership, joint venture, trust or other enterprise against any such expense, liability or loss, whether or not the corporation would have the power to indemnify such person against such expense, liability or loss under the General Corporation Law of the State of Delaware.



List of Amendments:

April 13, 1994	Addition of Article XII
September 10, 1997	Change of record date to meeting date period from 50 to 60 days by deleting Section 2.9 of Article II in its entirety and replacing it with the current Section 2.9.
August 25, 1998	Name change from Lomak Petroleum, Inc. to Range Resources Corporation
May 24, 2001	(a) Quorum for Committees changed to fifty percent to accommodate committees that have four members. (b) Numerous cosmetic changes for wording changes. (c) Added provisions for updated proxy procedures for Annual Meeting and procedures for Annual Meeting. See Exhibit A to Minutes for blackline of all changes.
July 14, 2003	Time for notice of Board of Director meetings reduced from 48 hours to 24 hours.

RANGE RESOURCES CORPORATION  
CERTIFICATE OF DESIGNATION OF THE  
5.90% CUMULATIVE CONVERTIBLE PREFERRED STOCK OF  
RANGE RESOURCES CORPORATION

Pursuant to Section 151 of the Delaware General Corporation Law

The undersigned, John H. Pinkerton, President and Chief Executive Officer of Range Resources Corporation, a Delaware corporation (the "COMPANY"), does hereby certify that by unanimous written consent of a duly authorized and appointed committee of the Board of Directors of the Company effective September 15, 2003, the following resolution was duly adopted:

RESOLVED, that pursuant to the authority vested in the Board of Directors of the Company by Article Fourth of the Company's Certificate of Incorporation and delegated to this Committee of the Board of Directors by resolutions duly and validly adopted and approved by the Board of Directors at a special meeting thereof on September 12, 2003, a series of preferred stock of the Company be, and it hereby is, created out of the authorized but unissued shares of the preferred stock of the Company, such series to be designated 5.90% Cumulative Convertible Preferred Stock, to consist of 1,500,000 shares, par value \$1.00 per share, of which the preferences and relative and other rights, and the qualifications, limitations or restrictions thereof, shall be (in addition to those set forth in the Company's Certificate of Incorporation) as follows:

1. Designation and Amount; Ranking.

(a) There shall be created from the 10,000,000 shares of preferred stock, par value \$1.00 per share, of the Company authorized to be issued pursuant to the Certificate of Incorporation, a series of preferred stock, designated as the "5.90% Cumulative Convertible Preferred Stock," par value \$1.00 per share (the "PREFERRED STOCK"), and the number of shares of such series shall be 1,500,000. Such number of shares may be decreased by resolution of the Board of Directors; provided that no decrease shall reduce the number of shares of Preferred Stock to a number less than that of the shares of Preferred Stock then outstanding plus the number of shares issuable upon exercise of options or rights then outstanding.

(b) The Preferred Stock will, with respect to dividend rights or rights upon the liquidation, winding-up or dissolution of the Company rank (i) senior to all Junior Stock, (ii) on a parity with all other Parity Stock and (iii) junior to all Senior Stock.

2. Definitions. As used herein, the following terms shall have the following meanings:

(1) "ACCRUED DIVIDENDS" shall mean, with respect to any share of Preferred Stock, as of any date, the accrued and unpaid dividends on such share from and including the most recent Dividend Payment Date (or the Issue Date, if such date is prior to the first Dividend Payment Date) to but not including such date.

(2) "ACCUMULATED DIVIDENDS" shall mean, with respect to any share of Preferred Stock, as of any date, the aggregate accumulated and unpaid dividends on such share from the Issue Date until the most recent Dividend Payment Date on or prior to such date. There shall be no Accumulated Dividends with respect to any share of Preferred Stock prior to the first Dividend Payment Date.

(3) "AFFILIATE" shall have the meaning ascribed to it, on the date hereof, under Rule 405 of the Securities Act of 1933, as amended.

(4) "BOARD OF DIRECTORS" shall mean the Board of Directors of the Company or, with respect to any action to be taken by the Board of Directors, any committee of the Board of Directors duly authorized to take such action.

(5) "BUSINESS DAY" shall mean any day other than a Saturday, Sunday or other day on which commercial banks in The City of New York are authorized or required by law or executive order to close.

(6) "CHANGE OF CONTROL" shall mean any of the following events: (i) the sale, lease or transfer, in one or a series of related transactions, of all or substantially all of the Company's assets (determined on a consolidated basis) to any Person or group (as such term is used in Section 13(d)(3) of the Exchange Act); (ii) the adoption of a plan the consummation of which would result in the liquidation or dissolution of the Company; or (iii) the acquisition, directly or indirectly, by any Person or group (as such term is used in Section 13(d)(3) of the Exchange Act), of beneficial ownership (as defined in Rule 13d-3 under the Exchange Act) of more than 50% of the aggregate voting power of the Voting Stock of the Company.

(7) "CHANGE OF CONTROL DATE" shall mean the date on which the Change of Control event occurs.

(8) "CONVERSION PRICE" shall mean \$8.50, subject to adjustment as set forth in Section 8(d).

(9) "COMMON STOCK" shall mean the common stock, par value \$0.01 per share, of the Company, or any other class of stock resulting from successive changes or reclassifications of such common stock consisting solely of changes in par value, or from par value to no par value, or as a result of a subdivision, combination, or merger, consolidation or similar transaction in which the Company is a constituent corporation.

(10) "DTC" or "DEPOSITORY" means The Depository Trust Company.

(11) "DIVIDEND PAYMENT DATE" shall mean March 31, June 30, September 30 and December 31 of each year, commencing December 31, 2003.

(12) "DIVIDEND RECORD DATE" shall mean March 15, June 15, September 15 and December 15 of each year.

(13) "EXCHANGE ACT" shall mean the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

(14) "HOLDER" or "HOLDER" shall mean a holder of record of the Preferred Stock.

(15) "ISSUE DATE" shall mean the original date of issuance of a particular share or particular shares of Preferred Stock.

(16) "JUNIOR STOCK" shall mean all classes of common stock of the Company and each other class of capital stock or series of preferred stock established after the Original Issue Date, by the Board of Directors, the terms of which do not expressly provide that such class or series ranks senior to or on parity with the Preferred Stock as to dividend rights or rights upon the liquidation, winding-up or dissolution of the Company.

(17) "LIQUIDATION PREFERENCE" shall mean, with respect to each share of Preferred Stock, \$50.

(18) "MARKET VALUE" shall mean the average closing price of the Common Stock for a five consecutive trading day period on the NYSE (or such other national securities exchange or automated quotation system on which the Common Stock is then listed or authorized for quotation or, if the Common Stock is not so listed or authorized for quotation, an amount determined in good faith by the Board of Directors to be the fair value of the Common Stock).

(19) "NYSE" shall mean the New York Stock Exchange, Inc.

(20) "OFFICER" means the Chairman of the Board of Directors, the President, any Vice President, the Treasurer, the Secretary or any Assistant Secretary of the Company.

(21) "OFFICERS' CERTIFICATE" means a certificate signed by two Officers.

(22) "OPINION OF COUNSEL" means a written opinion from legal counsel who is acceptable to the Transfer Agent. The counsel may be an employee of or counsel to the Company or the Transfer Agent.

(23) "ORIGINAL ISSUE DATE" means the original date of the first issuance of shares of Preferred Stock.

(24) "PARITY STOCK" shall mean any class of capital stock or series of preferred stock established after the Original Issue Date by the Board of Directors, the terms of

which expressly provide that such class or series will rank on parity with the Preferred Stock as to dividend rights or rights upon the liquidation, winding-up or dissolution of the Company.

(25) "PERSON" shall mean any individual, corporation, general partnership, limited partnership, limited liability partnership, joint venture, association, joint-stock company, trust, limited liability company, unincorporated organization or government or any agency or political subdivision thereof.

(26) "REDEMPTION DATE" shall mean a date that is fixed for redemption of the Preferred Stock by the Company in accordance with Section 4 hereof.

(27) "SEC" or "COMMISSION" shall mean the Securities and Exchange Commission.

(28) "SECURITIES ACT" means the Securities Act of 1933, as amended.

(29) "SENIOR STOCK" shall mean each class of capital stock or series of preferred stock established after the Original Issue Date by the Board of Directors, the terms of which expressly provide that such class or series will rank senior to the Preferred Stock as to dividend rights or rights upon the liquidation, winding-up or dissolution of the Company.

(30) "SHELF REGISTRATION STATEMENT" shall mean a shelf registration statement, if any, filed with the SEC to cover resales of Transfer Restricted Securities by holders thereof.

(31) "TRANSFER AGENT" shall mean Computershare Investor Services LLC, the Company's duly appointed transfer agent, registrar, paying and conversion and dividend disbursing agent for the Preferred Stock. The Company may, in its sole discretion, remove the Transfer Agent with 10 days' prior notice to the Transfer Agent; provided, that the Company shall appoint a successor Transfer Agent who shall accept such appointment prior to the effectiveness or such removal.

(32) "TRANSFER RESTRICTED SECURITIES" shall mean each share of Preferred Stock (or the shares of Common Stock into which such share of Preferred Stock is convertible) until (i) the date on which such security or its predecessor has been effectively registered under the Securities Act and disposed of in accordance with the Shelf Registration Statement or (ii) the date on which such security or predecessor is distributed to the public pursuant to Rule 144 under the Securities Act or is saleable pursuant to Rule 144(k) under the Securities Act.

(33) "VOTING RIGHTS TRIGGERING EVENT" shall mean the failure of the Company to pay dividends on the Preferred Stock with respect to six or more quarterly periods (whether or not consecutive).

(34) "VOTING STOCK" shall mean, with respect to any Person, securities of any class or classes of Capital Stock in such Person entitling the holders thereof (whether at

all times or only so long as no senior class of stock has voting power by reason of contingency) to vote in the election of members of the Board of Directors or other governing body of such Person. For purposes of this definition, "CAPITAL STOCK" shall mean, with respect to any Person, any and all shares, interests, participations or other equivalents (however designated) of corporate stock or partnership interests and any and all warrants, options and rights with respect thereto (whether or not currently exercisable), including each class of common stock and preferred stock of such Person.

3. Dividends.

(a) The holders of shares of the outstanding Preferred Stock shall be entitled, when, as and if declared by the Board of Directors out of funds of the Company legally available therefor, to receive cumulative cash dividends at the rate per annum of 5.90% per share on the Liquidation Preference (equivalent to \$2.95 per annum per share), payable quarterly in arrears (the "DIVIDEND RATE"). Dividends payable for each full dividend period will be computed by dividing the Dividend Rate by four and shall be payable in arrears on each Dividend Payment Date (commencing December 31, 2003) for the quarterly period ending immediately prior to such Dividend Payment Date, to the holders of record of Preferred Stock at the close of business on the Dividend Record Date applicable to such Dividend Payment Date. Such dividends shall be cumulative from the most recent date as to which dividends shall have been paid or, if no dividends have been paid, from the Issue Date (whether or not in any dividend period or periods there shall be funds of the Company legally available for the payment of such dividends) and shall accrue on a day-to-day basis, whether or not earned or declared, from and after the Issue Date. Dividends payable for any partial dividend period shall be computed on the basis of days elapsed over a 360-day year consisting of twelve 30-day months. Accumulations of dividends on shares of Preferred Stock shall not bear interest.

(b) No dividend will be declared or paid upon, or any sum set apart for the payment of dividends upon, any outstanding share of the Preferred Stock with respect to any dividend period unless all dividends for all preceding dividend periods have been declared and paid or declared and a sufficient sum set apart for the payment of such dividend, upon all outstanding shares of Preferred Stock.

(c) No dividends or other distributions (other than a dividend or distribution payable solely in shares of Parity Stock or Junior Stock (in the case of Parity Stock) or Junior Stock (in the case of Junior Stock) and other than cash paid in lieu of fractional shares) may be declared, made or paid, or set apart for payment upon, any Parity Stock or Junior Stock, nor may any Parity Stock or Junior Stock be redeemed, purchased or otherwise acquired for any consideration (or any money paid to or made available for a sinking fund for the redemption of any Parity Stock or Junior Stock) by or on behalf of the Company (except by conversion into or exchange for shares of Parity Stock or Junior Stock (in the case of Parity Stock) or Junior Stock (in the case of Junior Stock)), unless full Accumulated Dividends shall have been or contemporaneously are declared and paid, or are declared and a sum sufficient for the payment thereof is set apart for such payment, on the Preferred Stock and any Parity Stock for all dividend payment periods terminating on or prior to the date of such declaration, payment, redemption, purchase or acquisition.

Notwithstanding the foregoing, if full dividends have not been paid on the Preferred Stock and any Parity Stock, dividends may be declared and paid on the Preferred Stock and such Parity Stock so long as the dividends are declared and paid pro rata so that the amounts of dividends declared per share on the Preferred Stock and such Parity Stock will in all cases bear to each other the same ratio that accumulated and unpaid dividends per share on the shares of Preferred Stock and such other Parity Stock bear to each other.

(d) Holders of shares of Preferred Stock shall not be entitled to any dividends on the Preferred Stock, whether payable in cash, property or stock, in excess of full cumulative dividends. No interest, or sum of money in lieu of interest, shall be payable in respect of any dividend payment or payments on the Preferred Stock which may be in arrears.

(e) The holders of shares of Preferred Stock at the close of business on a Dividend Record Date will be entitled to receive the dividend payment on those shares on the corresponding Dividend Payment Date notwithstanding the subsequent conversion thereof or the Company's default in payment of the dividend due on that Dividend Payment Date. However, shares of Preferred Stock surrendered for conversion during the period between the close of business on any Dividend Record Date and the close of business on the Business Day immediately preceding the applicable Dividend Payment Date must be accompanied by payment of an amount equal to the dividend payable on the shares on that Dividend Payment Date. A holder of shares of Preferred Stock on a Dividend Record Date who (or whose transferee) tenders any shares for conversion on the corresponding Dividend Payment Date will receive the dividend payable by the Company on the Preferred Stock on that date, and the converting holder need not include payment in the amount of such dividend upon surrender of shares of Preferred Stock for conversion. Except as provided above with respect to a voluntary conversion pursuant to Section 8, the Company shall make no payment or allowance for unpaid dividends, whether or not in arrears, on converted shares or for dividends on the shares of Common Stock issued upon conversion.

4. Optional Redemption by the Company. Shares of Preferred Stock shall be redeemable by the Company as provided below.

(a) Except as otherwise provided herein, the Company may not redeem any shares of Preferred Stock before September 30, 2007. On or after September 30, 2007, the Company may redeem any or all shares of the Preferred Stock in accordance with this Section 4. Any redemption pursuant to this Section 4 will be made upon not less than 30 days nor more than 60 days notice to the holders of the Preferred Stock, at the following prices per share, together with Accumulated Dividends and Accrued Dividends thereon to, but excluding, the Redemption Date (collectively, the "REDEMPTION PRICE"), if redeemed during the 12-month period beginning September 30:

Year	Price per Share
----	-----
2007	\$ 51.50
2008	\$ 51.20
2009	\$ 50.90
2010	\$ 50.60
2011	\$ 50.30
2012 and thereafter	\$ 50.00

(b) In the event the Company elects to redeem shares of Preferred Stock, the Company shall:

(i) send a written notice to the Transfer Agent of the Redemption Date, stating the number of shares to be redeemed and the Redemption Price, at least 35 days before the Redemption Date (unless a shorter period shall be satisfactory to the Transfer Agent).

(ii) send a written notice by first class mail to each holder of record of the Preferred Stock at such holder's registered address, not fewer than 30 nor more than 60 days prior to the Redemption Date stating:

- (1) the Redemption Date;
- (2) the Redemption Price;
- (3) the Conversion Price;
- (4) the name and address of the Transfer Agent;

(5) that shares of Preferred Stock called for redemption may be converted at any time before 5:00 p.m., New York City time on the Business Day immediately preceding the Redemption Date;

(6) that holders who want to convert shares of the Preferred Stock must satisfy the requirements set forth in Section 8 of this certificate;

(7) that shares of the Preferred Stock called for redemption must be surrendered to the Transfer Agent to collect the Redemption Price;

(8) if fewer than all the outstanding shares of the Preferred Stock are to be redeemed by the Company, the number of shares to be redeemed;

(9) that, unless the Company defaults in making payment of such Redemption Price, dividends in respect of the shares of Preferred Stock called for redemption will cease to accrue on and after the Redemption Date;

(10) the CUSIP number of the Preferred Stock; and

(11) any other information the Company wishes to present.



(c) If the Company gives notice of redemption, then, by 12:00 p.m., New York City time, on the Redemption Date, to the extent funds are legally available, the Company shall, with respect to:

(i) shares of the Preferred Stock held by DTC or its nominees, deposit or cause to be deposited, irrevocably with DTC funds sufficient to pay the Redemption Price and shall give DTC irrevocable instructions and authority to pay the Redemption Price to holders of such shares of the Preferred Stock; and

(ii) shares of the Preferred Stock held in certificated form, deposit or cause to be deposited, irrevocably with the Transfer Agent funds sufficient to pay the Redemption Price and shall give the Transfer Agent irrevocable instructions and authority to pay the Redemption Price to holders of such shares of the Preferred Stock upon surrender of their certificates evidencing their shares of the Preferred Stock.

(d) If on the Redemption Date, DTC and/or the Transfer Agent holds or hold money sufficient to pay the Redemption Price for the shares of Preferred Stock delivered for redemption as set forth herein, dividends shall cease to accrue on those shares of the Preferred Stock called for redemption and all rights of holders of such shares shall terminate except for the right to receive the Redemption Price.

(e) Payment of the Redemption Price for shares of the Preferred Stock is conditioned upon book-entry transfer or physical delivery of certificates representing the Preferred Stock, together with necessary endorsements, to the Transfer Agent at any time after delivery of the notice of redemption.

(f) Payment of the Redemption Price for the Preferred Stock shall be made:

(i) if book-entry transfer or physical delivery of the Preferred Stock has been made by or on the Redemption Date, on the Redemption Date, or

(ii) if book-entry transfer or physical delivery of the Preferred Stock has not been made by or on the Redemption Date, at the time of book-entry transfer or physical delivery of the Preferred Stock.

(g) If the Redemption Date falls after a Dividend Record Date and before the related Dividend Payment Date, holders of the shares of Preferred Stock at the close of business on that Dividend Record Date shall be entitled to receive the dividend payable on those shares on the corresponding Dividend Payment Date. However, the Redemption Price payable on such Redemption Date shall not include any amount in respect of dividends declared and payable on any subsequent Dividend Payment Date.

(h) In the case of any partial redemption, the Company shall select the shares of Preferred Stock to be redeemed on a pro rata basis, by lot or any other method that the Board of Directors, in its discretion, deems fair and appropriate. However, the Company may redeem all the shares held by holders of fewer than 100 shares or who would hold fewer than 100 shares as a result of the redemption.

(i) Upon surrender of a certificate or certificates representing shares of the Preferred Stock that is or are redeemed in part, the Company shall execute and the Transfer Agent shall authenticate and deliver to the holder, a new certificate of certificates representing shares of the Preferred Stock in an amount equal to the unredeemed portion of the shares of Preferred Stock surrendered for partial redemption.

5. Change of Control.

(a) Upon the occurrence of a Change of Control, each holder of Preferred Stock shall, in the event that the Market Value for the period ending on the Change of Control Date is less than the Conversion Price, have a one-time option (the "CHANGE OF CONTROL OPTION") to convert all of such holder's outstanding shares of Preferred Stock into fully paid and nonassessable shares of Common Stock at an adjusted Conversion Price equal to the greater of (i) the Market Value for the period ending on the Change of Control Date and (ii) \$4.43. The Change of Control Option must be exercised, if at all, during the period of not less than 30 days nor more than 60 days commencing on the third Business Day after notice of a Change in Control has been given by the Company in accordance with Section 5(b). In lieu of issuing the shares of Common Stock issuable upon conversion in the event of a Change of Control, the Company may, at its option, make a cash payment equal to the Market Value for each share of such Common Stock otherwise issuable determined for the period ending on the Change of Control Date. Notwithstanding the foregoing, upon the occurrence of a Change of Control in which (i) each holder of Common Stock receives consideration consisting solely of common stock of the successor, acquiror or other third party (and cash paid in lieu of fractional shares) that is listed on a national securities exchange or quoted on the NASDAQ National Market and (ii) all the Common Stock has been exchanged for, converted into or acquired for common stock of the successor, acquiror or other third party (and cash in lieu of fractional shares), and the Preferred Stock becomes convertible solely into such common stock, the Conversion Price will not be adjusted as described in this Section 5(a).

(b) In the event of a Change of Control (other than a Change of Control described in the last sentence of Section 5(a)), notice of such Change of Control shall be given, within five Business Days of the Change of Control Date, by the Company by first-class mail to each record holder of shares of Preferred Stock, at such holder's address as the same appears on the books of the Company. Each such notice shall state (i) that a Change of Control has occurred; (ii) the last day on which the Change of Control Option may be exercised (the "EXPIRATION DATE") pursuant to the terms hereof; (iii) the name and address of the Transfer Agent; and (iv) the procedures that holders must follow to exercise the Change of Control Option.

(c) On or before the Expiration Date, each holder of shares of Preferred Stock wishing to exercise the Change of Control Option shall surrender the certificate or certificates representing the shares of Preferred Stock to be converted, in the manner and at the place designated in the notice described in Section 5(b), and on such date the cash or shares of Common Stock due to such holder shall be delivered to the Person whose name appears on such certificate or certificates as the owner thereof and the shares represented by each surrendered certificate shall be returned to authorized but unissued

shares. Upon surrender (in accordance with the notice described in Section 5(b)) of the certificate or certificates representing any shares to be so converted (properly endorsed or assigned for transfer, if the Company shall so require and the notice shall so state), such shares shall be converted by the Company at the adjusted Conversion Price, if applicable, as described in Section 5(a).

(d) The rights of holders of Preferred Stock pursuant to this Section 5 are in addition to, and not in lieu of, the rights of holders of Preferred Stock provided for in Section 8 hereof.

6. Voting.

(a) The shares of Preferred Stock shall have no voting rights except as set forth below or as otherwise required by Delaware law from time to time:

(i) If and whenever at any time or times a Voting Rights Triggering Event occurs, then the holders of shares of Preferred Stock, voting as a single class with any other preferred stock or preference securities having similar voting rights that are exercisable (the "VOTING RIGHTS CLASS"), will be entitled at the next regular or special meeting of stockholders of the Company to elect two additional directors of the Company, unless the Board of Directors is comprised of fewer than six directors at such time, in which case the Voting Rights Class shall be entitled to elect one additional director. Upon the election of any such additional directors, the number of directors that comprise the Board of Directors shall be increased by such number of additional directors.

(ii) Such voting rights may be exercised at a special meeting of the holders of the shares of the Voting Rights Class, called as hereinafter provided, or at any annual meeting of stockholders held for the purpose of electing directors, and thereafter at each such annual meeting until such time as all dividends in arrears on the shares of Preferred Stock shall have been paid in full, at which time or times such voting rights and the term of the directors elected pursuant to Section 6(a)(i) shall terminate.

(iii) At any time when such voting rights shall have vested in holders of shares of the Voting Rights Class, an Officer of the Company may call, and, upon written request of the record holders of shares representing at least twenty-five percent (25%) of the voting power of the shares then outstanding of the Voting Rights Class, addressed to the Secretary of the Company, shall call a special meeting of the holders of shares of the Voting Rights Class. Such meeting shall be held at the earliest practicable date upon the notice required for annual meetings of stockholders at the place for holding annual meetings of stockholders of the Company, or, if none, at a place designated by the Board of Directors. Notwithstanding the provisions of this Section 6(a)(iii), no such special meeting shall be called during a period within the 60 days immediately preceding the date fixed for the next annual meeting of stockholders in which such case, the election

of directors pursuant to Section 6(a)(ii) shall be held at such annual meeting of stockholders.

(iv) At any meeting held for the purpose of electing directors at which the holders of the Voting Rights Class shall have the right to elect directors as provided herein, the presence in person or by proxy of the holders of shares representing more than fifty percent (50%) in voting power of the then outstanding shares of the Voting Rights Class shall be required and shall be sufficient to constitute a quorum of such class for the election of directors by such class. The affirmative vote of the holders of shares of Preferred Stock constituting a majority of the shares of Preferred Stock present at such meeting, in person or by proxy, shall be sufficient to elect any such director.

(v) Any director elected pursuant to the voting rights created under this Section 6(a) shall hold office until the next annual meeting of stockholders (unless such term has previously terminated pursuant to Section 6(a)(iii)) and any vacancy in respect of any such director shall be filled only by vote of the remaining director so elected by holders of the Voting Rights Class, or if there be no such remaining director, by the holders of shares of the Voting Rights Class at a special meeting called in accordance with the procedures set forth in this Section 6, or, if no such special meeting is called, at the next annual meeting of stockholders. Upon any termination of such voting rights, the term of office of all directors elected pursuant to this Section 6 shall terminate.

(vi) So long as any shares of Preferred Stock remain outstanding, unless a greater percentage shall then be required by law, the Company shall not, without the affirmative vote or consent of the holders of at least 66-2/3% of the outstanding Preferred Stock voting or consenting, as the case may be, separately as one class, amend the Certificate of Incorporation so as to affect adversely the specified rights, preferences, privileges or voting rights of holders of shares of Preferred Stock.

(vii) In exercising the voting rights set forth in this Section 6(a), each share of Preferred Stock shall be entitled to one vote.

(b) The Company may authorize, increase the authorized amount of, or issue any class or series of Senior Stock, Parity Stock or Junior Stock, without the consent of the holders of Preferred Stock, and in taking such actions the Company shall not be deemed to have affected adversely the rights, preferences, privileges or voting rights of holders of shares of Preferred Stock.

#### 7. Liquidation Rights.

(a) In the event of any liquidation, winding-up or dissolution of the Company, whether voluntary or involuntary, each holder of shares of Preferred Stock shall be entitled to receive and to be paid out of the assets of the Company available for distribution to its stockholders the Liquidation Preference plus Accumulated Dividends

and Accrued Dividends thereon in preference to the holders of, and before any payment or distribution is made on, any Junior Stock, including, without limitation, on any Common Stock.

(b) Neither the sale, conveyance, exchange or transfer (for cash, shares of stock, securities or other consideration) of all or substantially all the assets or business of the Company (other than in connection with the liquidation, winding-up or dissolution of its business) nor the merger or consolidation of the Company into or with any other Person shall be deemed to be a liquidation, winding-up or dissolution, voluntary or involuntary, for the purposes of this Section 7.

(c) After the payment to the holders of the shares of Preferred Stock of full preferential amounts provided for in this Section 7, the holders of Preferred Stock as such shall have no right or claim to any of the remaining assets of the Company.

(d) In the event the assets of the Company available for distribution to the holders of shares of Preferred Stock upon any liquidation, winding-up or dissolution of the Company, whether voluntary or involuntary, shall be insufficient to pay in full all amounts to which such holders are entitled pursuant to Section 7(a), no such distribution shall be made on account of any shares of Parity Stock upon such liquidation, dissolution or winding-up unless proportionate distributable amounts shall be paid on account of the shares of Preferred Stock, ratably, in proportion to the full distributable amounts for which holders of all Preferred Stock and of any Parity Stock are entitled upon such liquidation, winding-up or dissolution.

#### 8. Conversion.

(a) Each holder of Preferred Stock shall have the right, at its option, exercisable at any time and from time to time from the Issue Date to convert, subject to the terms and provisions of this Section 8, any or all of such holder's shares of Preferred Stock. In such case, the shares of Preferred Stock shall be converted into such whole number of fully paid and nonassessable shares of Common Stock as is equal, subject to Section 8(g), to the product of the number of shares of Preferred Stock being so converted multiplied by the quotient of (i) the Liquidation Preference divided by (ii) the Conversion Price (as defined below) then in effect. The Conversion Price initially shall be \$8.50, subject to adjustment as set forth in Section 8(c).

The conversion right of a holder of Preferred Stock shall be exercised by the holder by the surrender to the Company of the certificates representing shares to be converted at any time during usual business hours at its principal place of business or the offices of its duly appointed Transfer Agent to be maintained by it, accompanied by written notice to the Company in the form of Exhibit A that the holder elects to convert all or a portion of the shares of Preferred Stock represented by such certificate and specifying the name or names (with address) in which a certificate or certificates for shares of Common Stock are to be issued and (if so required by the Company or its duly appointed Transfer Agent) by a written instrument or instruments of transfer in form reasonably satisfactory to the Company or its duly appointed Transfer Agent duly

executed by the holder or its duly authorized legal representative and transfer tax stamps or funds therefor, if required pursuant to Section 8(i). Immediately prior to the close of business on the date of receipt by the Company or its duly appointed Transfer Agent of notice of conversion of shares of Preferred Stock, each converting holder of Preferred Stock shall be deemed to be the holder of record of Common Stock issuable upon conversion of such holder's Preferred Stock notwithstanding that the share register of the Company shall then be closed or that certificates representing such Common Stock shall not then be actually delivered to such holder. On the date of any conversion, all rights with respect to the shares of Preferred Stock so converted, including the rights, if any, to receive notices, will terminate, except only the rights of holders thereof to (i) receive certificates for the number of whole shares of Common Stock into which such shares of Preferred Stock have been converted and cash, in lieu of any fractional shares as provided in Section 8(f); and (ii) exercise the rights to which they are entitled as holders of Common Stock.

(b) If the last day for the exercise of the conversion right shall not be a Business Day, then such conversion right may be exercised on the next preceding Business Day.

(c) The Conversion Price shall be subject to adjustment as follows:

(i) In case the Company shall at any time or from time to time (A) pay a dividend (or other distribution) payable in shares of Common Stock on any class of capital stock (which, for purposes of this Section 8(c) shall include, without limitation, any dividends or distributions in the form of options, warrants or other rights to acquire capital stock) of the Company (other than the issuance of shares of Common Stock in connection with the conversion of preferred stock); (B) subdivide the outstanding shares of Common Stock into a larger number of shares; (C) combine the outstanding shares of Common Stock into a smaller number of shares; (D) issue any shares of its capital stock in a reclassification of the Common Stock; or (E) pay a dividend or make a distribution to all holders of shares of Common Stock (other than a dividend or distribution subject to Section 8(c)(ii)) pursuant to a stockholder rights plan, "poison pill" or similar arrangement and excluding dividends payable on the Preferred Stock then, and in each such case, the Conversion Price in effect immediately prior to such event shall be adjusted (and any other appropriate actions shall be taken by the Company) so that the holder of any share of Preferred Stock thereafter surrendered for conversion shall be entitled to receive the number of shares of Common Stock that such holder would have owned or would have been entitled to receive upon or by reason of any of the events described above, had such share of Preferred Stock been converted into shares of Common Stock immediately prior to the occurrence of such event. An adjustment made pursuant to this Section 8(c)(i) shall become effective retroactively (x) in the case of any such dividend or distribution, to the day immediately following the close of business on the record date for the determination of holders of Common Stock entitled to receive such dividend or distribution or (y) in the case of any such subdivision,

combination or reclassification, to the close of business on the day upon which such corporate action becomes effective.

(ii) In case the Company shall at any time or from time to time issue to all holders of its Common Stock rights, options or warrants entitling the holders thereof to subscribe for or purchase shares of Common Stock (or securities convertible into or exchangeable for shares of Common Stock) at a price per share less than the Market Value for the period ending on the date of issuance (treating the price per share of any security convertible, or exchangeable or exercisable into Common Stock as equal to (A) the sum of the price paid to acquire such security convertible, exchangeable or exercisable into Common Stock plus any additional consideration payable (without regard to any anti-dilution adjustments) upon the conversion, exchange or exercise of such security into Common Stock divided by (B) the number of shares of Common Stock into which such convertible, exchangeable or exercisable security is initially convertible, exchangeable or exercisable), other than (I) issuances of such rights, options or warrants if the holder of Preferred Stock would be entitled to receive such rights, options or warrants upon conversion at any time of shares of Preferred Stock into Common Stock and (II) issuances that are subject to certain triggering events (until such time as such triggering events occur), then, and in each such case, the Conversion Price then in effect shall be adjusted by dividing the Conversion Price in effect on the day immediately prior to the record date of such issuance by a fraction (y) the numerator of which shall be the sum of the number of shares of Common Stock outstanding on such record date plus the number of additional shares of Common Stock issued or to be issued upon or as a result of the issuance of such rights, options or warrants (or the maximum number into or for which such convertible or exchangeable securities initially may convert or exchange or for which such options, warrants or other rights initially may be exercised) and (z) the denominator of which shall be the sum of the number of shares of Common Stock outstanding on such record date plus the number of shares of Common Stock which the aggregate consideration for the total number of such additional shares of Common Stock so issued (or into or for which such convertible or exchangeable securities may convert or exchange or for which such options, warrants or other rights may be exercised plus the aggregate amount of any additional consideration initially payable upon the conversion, exchange or exercise of such security) would purchase at the Market Value for the period ending on the date of conversion; provided, that if the Company distributes rights or warrants (other than those referred to above in this subparagraph (c)(ii)) pro rata to the holders of Common Stock, so long as such rights or warrants have not expired or been redeemed by the Company, (y) the holder of any Preferred Stock surrendered for conversion shall be entitled to receive upon such conversion, in addition to the shares of Common Stock then issuable upon such conversion (the "CONVERSION SHARES"), a number of rights or warrants to be determined as follows: (i) if such conversion occurs on or prior to the date for the distribution to the holders of rights or warrants of separate certificates evidencing such rights or warrants (the "DISTRIBUTION DATE"), the same number of rights or warrants to which a holder of a number of shares of Common Stock equal to the number of

Conversion Shares is entitled at the time of such conversion in accordance with the terms and provisions applicable to the rights or warrants and (ii) if such conversion occurs after the Distribution Date, the same number of rights or warrants to which a holder of the number of shares of Common Stock into which such Preferred Stock was convertible immediately prior to such Distribution Date would have been entitled on such Distribution Date had such Preferred Stock been converted immediately prior to such Distribution Date in accordance with the terms and provisions applicable to the rights and warrants, and (z) the Conversion Price shall not be subject to adjustment on account of any declaration, distribution or exercise of such rights or warrants.

(iii) In case the Company shall at any time or from time to time (A) make a pro rata distribution to all holders of shares of its Common Stock consisting of cash (excluding any cash portion of distributions referred to in clause (E) of paragraph (c)(i) above, or cash distributed upon a merger or consolidation to which paragraph (g) below applies); (B) complete a tender or exchange offer by the Company or any of its subsidiaries for shares of Common Stock that involves an aggregate consideration that, together with (I) any cash and other consideration payable in a tender or exchange offer by the Company or any of its subsidiaries for shares of Common Stock expiring within the then-preceding 12 months in respect of which no adjustment pursuant to this Section 8(c) has been made and (II) the aggregate amount of any such all-cash distributions referred to in clause (A) above to all holders of shares of Common Stock within the then-preceding 12 months in respect of which no adjustments have been made, exceeds 15% of the Company's market capitalization on the expiration of such tender offer; or (C) make a distribution to all holders of its Common Stock consisting of evidences of indebtedness, shares of its capital stock other than Common Stock or assets (including securities, but excluding those dividends, rights, options, warrants and distributions referred to in paragraphs (c)(i), (c)(ii) above or this (c)(iii)), then, and in each such case, the Conversion Price then in effect shall be adjusted by dividing the Conversion Price in effect immediately prior to the date of such distribution or completion of such tender or exchange offer, as the case may be, by a fraction (x) the numerator of which shall be the Market Value for the period ending on the record date referred to below, or, if such adjustment is made upon the completion of a tender or exchange offer, on the payment date for such offer, and (y) the denominator of which shall be such Market Value less the then fair market value (as determined by the Board of Directors of the Company) of the portion of the cash, evidences of indebtedness, securities or other assets so distributed or paid in such tender or exchange offer, applicable to one share of Common Stock (but such denominator shall not be less than one); provided, however, that no adjustment shall be made with respect to any distribution of rights to purchase securities of the Company if the holder of shares of Preferred Stock would otherwise be entitled to receive such rights upon conversion at any time of shares of Preferred Stock into shares of Common Stock unless such rights are subsequently redeemed by the Company, in which case such redemption shall be treated for purposes of this Section 8(c)(iii) as a dividend on the Common Stock. Such adjustment shall be made whenever any



such distribution is made or tender or exchange offer is completed, as the case may be, and shall become effective retroactively to a date immediately following the close of business on the record date for the determination of stockholders entitled to receive such distribution.

(iv) In the case the Company at any time or from time to time shall take any action affecting its Common Stock (it being understood that the issuance or sale of shares of Common Stock (or securities convertible into or exchangeable for shares of Common Stock, or any options, warrants or other rights to acquire shares of Common Stock) to any Person at a price per share less than the Conversion Price then in effect shall not be deemed such an action), other than an action described in any of Section 8(c)(i) through Section 8(c)(iii), inclusive, or Section 8(g), then the Conversion Price shall be adjusted in such manner and at such time as the Board of Directors of the Company in good faith determines to be equitable in the circumstances (such determination to be evidenced in a resolution, a certified copy of which shall be mailed to the holders of the Preferred Stock).

(v) Notwithstanding anything herein to the contrary, no adjustment under this Section 8(c) need be made to the Conversion Price unless such adjustment would require an increase or decrease of at least 1% of the Conversion Price then in effect. Any lesser adjustment shall be carried forward and shall be made at the time of and together with the next subsequent adjustment, if any, which, together with any adjustment or adjustments so carried forward, shall amount to an increase or decrease of at least 1% of such Conversion Price.

(vi) The Company reserves the right to make such reductions in the Conversion Price in addition to those required in the foregoing provisions as it considers advisable in order that any event treated for Federal income tax purposes as a dividend of stock or stock rights will not be taxable to the recipients. In the event the Company elects to make such a reduction in the Conversion Price, the Company will comply with the requirements of Rule 14e-1 under the Exchange Act, and any other securities laws and regulations thereunder if and to the extent that such laws and regulations are applicable in connection with the reduction of the Conversion Price.

(d) If the Company shall take a record of the holders of its Common Stock for the purpose of entitling them to receive a dividend or other distribution, and shall thereafter (and before the dividend or distribution has been paid or delivered to stockholders) legally abandon its plan to pay or deliver such dividend or distribution, then thereafter no adjustment in the Conversion Price then in effect shall be required by reason of the taking of such record.

(e) Upon any increase or decrease in the Conversion Price, then, and in each such case, the Company promptly shall deliver to each holder of Preferred Stock a certificate signed by an authorized officer of the Company, setting forth in reasonable detail the event requiring the adjustment and the method by which such adjustment was

calculated and specifying the increased or decreased Conversion Price then in effect following such adjustment.

(f) No fractional shares or securities representing fractional shares of Common Stock shall be issued upon the conversion of any shares of Preferred Stock, whether voluntary or mandatory. If more than one share of Preferred Stock shall be surrendered for conversion at one time by the same holder, the number of full shares of Common Stock issuable upon conversion thereof shall be computed on the basis of the aggregate Liquidation Preference of the shares of Preferred Stock so surrendered. If the conversion of any share or shares of Preferred Stock results in a fraction, an amount equal to such fraction multiplied by the last reported sale price of the Common Stock on the NYSE (or on such other national securities exchange or automated quotation system on which the Common Stock is then listed for trading or authorized for quotation or, if the Common Stock is not then so listed or authorized for quotation, an amount determined in good faith by the Board of Directors to be the fair value of the Common Stock) at the close of business on the trading day next preceding the day of conversion shall be paid to such holder in cash by the Company.

(g) In the event of any reclassification of outstanding shares of Common Stock (other than a change in par value, or from par value to no par value, or from no par value to par value), or in the event of any consolidation or merger of the Company with or into another Person or any merger of another Person with or into the Company (other than a consolidation or merger in which the Company is the resulting or surviving Person and which does not result in any reclassification or change of outstanding Common Stock), or in the event of any sale or other disposition to another Person of all or substantially all of the assets of the Company (computed on a consolidated basis) (any of the foregoing, a "TRANSACTION"), each share of Preferred Stock then outstanding shall, without the consent of any holder of Preferred Stock, become convertible at any time, at the option of the holder thereof, only into the kind and amount of securities (of the Company or another issuer), cash and other property receivable upon such Transaction by a holder of the number of shares of Common Stock into which such shares of Preferred Stock could have been converted immediately prior to such Transaction, after giving effect to any adjustment event. The provisions of this Section 8(g) and any equivalent thereof in any such securities similarly shall apply to successive Transactions. The provisions of this Section 8(g) shall be the sole right of holders of Preferred Stock in connection with any Transaction and such holders shall have no separate vote thereon.

(h) The Company shall at all times reserve and keep available for issuance upon the conversion of the Preferred Stock such number of its authorized but unissued shares of Common Stock as will from time to time be sufficient to permit the conversion of all outstanding shares of Preferred Stock, and shall take all action required to increase the authorized number of shares of Common Stock if at any time there shall be insufficient unissued shares of Common Stock to permit such reservation or to permit the conversion of all outstanding shares of Preferred Stock.

(i) The issuance or delivery of certificates for Common Stock upon the conversion of shares of Preferred Stock shall be made without charge to the converting

holder of shares of Preferred Stock for such certificates or for any tax in respect of the issuance or delivery of such certificates or the securities represented thereby, and such certificates shall be issued or delivered in the respective names of, or in such names as may be directed by, the holders of the shares of Preferred Stock converted; provided, however, that the Company shall not be required to pay any tax which may be payable in respect of any transfer involved in the issuance and delivery of any such certificate in a name other than that of the holder of the shares of Preferred Stock converted, and the Company shall not be required to issue or deliver such certificate unless or until the Person or Persons requesting the issuance or delivery thereof shall have paid to the Company the amount of such tax or shall have established to the reasonable satisfaction of the Company that such tax has been paid.

9. Mandatory Conversion.

(a) At any time on or after September 30, 2005, the Company shall have the right, at its option, to cause the Preferred Stock, in whole but not in part, to be automatically converted into that number of whole shares of Common Stock for each share of Preferred Stock equal to the quotient of (i) the Liquidation Preference divided by (ii) the Conversion Price then in effect, with any resulting fractional shares of Common Stock to be settled in accordance with Section 8(f). The Company may exercise its right to cause a mandatory conversion pursuant to this Section 9(a) only if the closing price of the Common Stock equals or exceeds 140% of the Conversion Price then in effect for at least 20 trading days in any consecutive 30-day trading period on the NYSE (or such other national securities exchange or automated quotation system on which the Common Stock is then listed or authorized for quotation), including the last trading day of such 30-day period, ending on the trading day prior to the Company's issuance of a press release announcing the mandatory conversion as described in Section 9(b).

(b) To exercise the mandatory conversion right described in Section 9(a), the Company must issue a press release for publication on the Dow Jones News Service prior to the opening of business on the first trading day following any date on which the conditions described in Section 9(a) are met, announcing such a mandatory conversion. The Company shall also give notice by mail or by publication (with subsequent prompt notice by mail) to the holders of Preferred Stock (not more than four Business Days after the date of the press release) of the mandatory conversion announcing the Company's intention to convert the Preferred Stock. The conversion date will be a date selected by the Company (the "MANDATORY CONVERSION DATE") and will be no more than five days after the date on which the Company issues the press release described in this Section 9(b).

(c) In addition to any information required by applicable law or regulation, the press release and notice of a mandatory conversion described in Section 9(b) shall state, as appropriate: (i) the Mandatory Conversion Date; (ii) the number of shares of Common Stock to be issued upon conversion of each share of Preferred Stock; (iii) the number of shares of Preferred Stock to be converted; and (iv) that dividends on the Preferred Stock to be converted will cease to accrue on the Mandatory Conversion Date.

(d) On and after the Mandatory Conversion Date, dividends will cease to accrue on the Preferred Stock called for a mandatory conversion pursuant to Section 9(a) and all rights of holders of such Preferred Stock will terminate except for the right to receive the whole shares of Common Stock issuable upon conversion thereof and cash, in lieu of any fractional shares of Common Stock in accordance with Section 8(f). The dividend payment with respect to the Preferred Stock called for a mandatory conversion pursuant to Section 9(a) on a date during the period between the close of business on any Dividend Record Date to the close of business on the corresponding Dividend Payment Date will be payable on such Dividend Payment Date to the record holder of such share on such Dividend Record Date if such share has been converted after such Dividend Record Date and prior to such Dividend Payment Date. Except as provided in the immediately preceding sentence with respect to a mandatory conversion pursuant to Section 9(a), no payment or adjustment will be made upon conversion of Preferred Stock for Accrued Dividends or for dividends with respect to the Common Stock issued upon such conversion.

(e) The Company may not authorize, issue a press release or give notice of any mandatory conversion pursuant to Section 9(a) unless, prior to giving the conversion notice, all Accumulated Dividends on the Preferred Stock for periods ended prior to the date of such conversion notice shall have been paid in cash.

(f) In addition to the mandatory conversion right described in Section 9(a), if there are less than 250,000 shares of Preferred Stock outstanding, the Company shall have the right, at any time on or after September 30, 2007, at its option, to cause the Preferred Stock to be automatically converted into that number of whole shares of Common Stock equal to the quotient of (i) the Liquidation Preference divided by (ii) the lesser of (A) the Conversion Price then in effect and (B) the Market Value for the period ending on the second trading day immediately prior to the Mandatory Conversion Date, with any resulting fractional shares of Common Stock to be settled in cash in accordance with Section 8(f). The provisions of clauses (b), (c), (d) and (e) of this Section 9 shall apply to any mandatory conversion pursuant to this clause (f); provided that (i) the Mandatory Conversion Date described in Section 9(b) shall not be less than 15 days nor more than 30 days after the date on which the Company issues a press release pursuant to Section 9(b) announcing such mandatory conversion and (ii) the press release and notice of mandatory conversion described in Section 9(c) will not state the number of shares of Common Stock to be issued upon conversion of each share of Preferred Stock.

#### 10. Consolidation, Merger and Sale of Assets.

(a) The Company, without the consent of the holders of any of the outstanding Preferred Stock, may consolidate with or merge into any other Person or convey, transfer or lease all or substantially all its assets to any Person or may permit any Person to consolidate with or merge into, or transfer or lease all or substantially all its properties to, the Company; provided, however, that (a) the successor, transferee or lessee is organized under the laws of the United States or any political subdivision thereof; (b) the shares of Preferred Stock will become shares of such successor, transferee or lessee, having in respect of such successor, transferee or lessee the same powers, preferences and

relative participating, optional or other special rights and the qualification, limitations or restrictions thereon, the Preferred Stock had immediately prior to such transaction; and (c) the Company delivers to the Transfer Agent an Officers' Certificate and an Opinion of Counsel stating that such transaction complies with this Certificate of Designation.

(b) Upon any consolidation by the Company with, or merger by the Company into, any other person or any conveyance, transfer or lease of all or substantially all the assets of the Company as described in Section 10(a), the successor resulting from such consolidation or into which the Company is merged or the transferee or lessee to which such conveyance, transfer or lease is made, will succeed to, and be substituted for, and may exercise every right and power of, the Company under the shares of Preferred Stock, and thereafter, except in the case of a lease, the predecessor (if still in existence) will be released from its obligations and covenants with respect to the Preferred Stock.

11. SEC Reports.

Whether or not the Company is required to file reports with the Commission, if any shares of Preferred Stock are outstanding, the Company shall file with the Commission all such reports and other information as it would be required to file with the Commission by Section 13(a) or 15(d) under the Exchange Act. The Company shall supply each holder of Preferred Stock, upon request, without cost to such holder, copies of such reports or other information.

12. Transfer Restrictions. The shares of Preferred Stock have not been registered under the Securities Act and, accordingly, may not be offered, sold, pledged or otherwise transferred except (1) to a Person whom the seller reasonably believes is a qualified institutional buyer within the meaning of Rule 144A under the Securities Act purchasing for its own account or for the account of a qualified institutional buyer in a transaction meeting the requirements of Rule 144A, (2) in a transaction meeting the requirements of Rule 144 under the Securities Act, (3) in accordance with another exemption from the registration requirements of the Securities Act (and based upon opinion of counsel acceptable to the Company), (4) to the Company or any of its subsidiaries, or (5) pursuant to an effective registration statement under the Securities Act, and in each case, in accordance with all applicable securities laws of any State of the United States. The Transfer Agent shall refuse to register the transfer of any shares of Preferred Stock that violates this Section 12.

13. Other Provisions.

(a) With respect to any notice to a holder of shares of Preferred Stock required to be provided hereunder, neither failure to mail such notice, nor any defect therein or in the mailing thereof, to any particular holder shall affect the sufficiency of the notice or the validity of the proceedings referred to in such notice with respect to the other holders or affect the legality or validity of any distribution, rights, warrant, reclassification, consolidation, merger, conveyance, transfer, dissolution, liquidation or winding-up, or the vote upon any such action. Any notice which was mailed in the manner herein provided shall be conclusively presumed to have been duly given whether or not the holder receives the notice.

(b) Shares of Preferred Stock issued and reacquired will be retired and canceled promptly after reacquisition thereof and, upon compliance with the applicable requirements of Delaware law, have the status of authorized but unissued shares of preferred stock of the Company undesignated as to series and may with any and all other authorized but unissued shares of preferred stock of the Company be designated or redesignated and issued or reissued, as the case may be, as part of any series of preferred stock of the Company, except that any issuance or reissuance of shares of Preferred Stock must be in compliance with this Certificate of Designation.

(c) The shares of Preferred Stock shall be issuable only in whole shares.

(d) All notice periods referred to herein shall commence on the date of the mailing of the applicable notice.

\* \* \*

IN WITNESS WHEREOF, the Company has caused this certificate to be signed and attested this 17th day of September, 2003.

RANGE RESOURCES CORPORATION

By: /s/ JOHN H. PINKERTON

-----  
John H. Pinkerton  
President and Chief Executive Officer

NOTICE OF CONVERSION

(To be Executed by the Holder  
in order to Convert the Preferred Stock)

The undersigned hereby irrevocably elects to convert (the "CONVERSION") shares of 5.90% Cumulative Convertible Preferred Stock (the "PREFERRED STOCK"), represented by stock certificate No(s) \_\_\_\_\_ (the "PREFERRED STOCK CERTIFICATES") into shares of common stock ("COMMON STOCK") of Range Resources Corporation (the "COMPANY") according to the conditions of the Certificate of Designation of the Preferred Stock (the "CERTIFICATE OF DESIGNATION"), as of the date written below. If shares are to be issued in the name of a person other than the undersigned, the undersigned will pay all transfer taxes payable with respect thereto and is delivering herewith the Preferred Stock Certificates. No fee will be charged to the holder for any conversion, except for transfer taxes, if any. A copy of each Preferred Stock Certificate is attached hereto (or evidence of loss, theft or destruction thereof).

The undersigned represents and warrants that all offers and sales by the undersigned of the shares of Common Stock issuable to the undersigned upon conversion of the Preferred Stock shall be made pursuant to registration of the Common Stock under the Securities Act of 1933 (the "ACT"), or pursuant to any exemption from registration under the Act.

Capitalized terms used but not defined herein shall have the meanings ascribed thereto in or pursuant to the Certificate of Designation.

Date of Conversion: \_\_\_\_\_  
Applicable Conversion Price: \_\_\_\_\_  
Number of shares of Preferred Stock to be Converted: \_\_\_\_\_  
Number of shares of Common Stock to be Issued:(\*) \_\_\_\_\_  
Signature: \_\_\_\_\_  
Name: \_\_\_\_\_  
Address:(\*\*) \_\_\_\_\_  
Fax No.: \_\_\_\_\_

- - - - -  
\* The Company is not required to issue shares of Common Stock until the original Preferred Stock Certificate(s) (or evidence of loss, theft or destruction thereof) to be converted are received by the Company or its Transfer Agent. The Company shall issue and deliver shares of Common Stock to an overnight courier not later than three business days following receipt of the original Preferred Stock Certificate(s) to be converted.

\*\* Address where shares of Common Stock and any other payments or certificates shall be sent by the Company.



CERTIFICATE TO BE DELIVERED UPON EXCHANGE  
OR REGISTRATION OF TRANSFER OF PREFERRED STOCK

Re: 5.90% Cumulative Convertible Preferred Stock (the "PREFERRED STOCK") of  
Range Resources Corporation (the "COMPANY")

This Certificate relates to \_\_\_\_ shares of Preferred Stock held in | - |  
\*/ book-entry or | - | \*/ definitive form by \_\_\_\_\_ (the "TRANSFEROR").

The Transferor:

[ - ] has requested the Transfer Agent by written order to deliver in  
exchange for its beneficial interest in the Preferred Stock held by the  
Depository shares of Preferred Stock in definitive, registered form equal to its  
beneficial interest in such Preferred Stock (or the portion thereof indicated  
above); or

[ - ] has requested the Transfer Agent by written order to exchange or  
register the transfer of Preferred Stock.

In connection with such request and in respect of such Preferred Stock,  
the Transferor does hereby certify that the Transferor is familiar with the  
Certificate of Designation relating to the above-captioned Preferred Stock and  
that the transfer of this Preferred Stock does not require registration under  
the Securities Act of 1933 (the "SECURITIES ACT") because \*/:

[ - ] Such Preferred Stock is being acquired for the Transferor's own  
account without transfer.

[ - ] Such Preferred Stock is being transferred to the Company.

[ - ] Such Preferred Stock is being transferred to a qualified  
institutional buyer (as defined in Rule 144A under the Securities Act), in  
reliance on Rule 144A.

- - - - -  
\* /Please check applicable box.

[ - ] Such Preferred Stock is being transferred in reliance on and in  
compliance with another exemption from the registration requirements of the  
Securities Act (and based on an Opinion of Counsel if the Company so requests).

[INSERT NAME OF TRANSFEROR]

by \_\_\_\_\_

Date: \_\_\_\_\_

## FIFTH AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT

THIS FIFTH AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT (hereinafter referred to as the "Amendment") executed as of the 4th day of September, 2003, by and among RANGE RESOURCES CORPORATION, a Delaware corporation ("Borrower"), BANK ONE, NA, a national banking association ("Bank One"), each of the financial institutions which is a party hereto (as evidenced by the signature pages to this Amendment) or which may from time to time become a party hereto pursuant to the provisions of Section 29 of the Credit Agreement or any successor or assignee thereof (hereinafter collectively referred to as "Lenders", and individually, "Lender"), Bank One, as Administrative Agent ("Agent"), Fleet National Bank, as Co-Documentation Agent, Fortis Capital Corp., as Co-Documentation Agent, JPMorgan Chase Bank, as Co-Syndication Agent, Credit Lyonnais New York Branch, as Co-Syndication Agent, Banc One Capital Markets, Inc., as Joint Lead Arranger and Joint Bookrunner and JPMorgan Securities, Inc., as Joint Lead Arranger and Joint Bookrunner. Capitalized terms used but not defined in this Amendment have the meanings assigned to such terms in that certain Amended and Restated Credit Agreement dated as of May 2, 2002, by and among Borrower, Agent and Lenders (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement").

## WITNESSETH:

WHEREAS, the Borrower has advised Agent and the Lenders that it intends to consummate an additional offering of convertible debt or equity securities and that such securities will be exchanged for, or the proceeds of such securities will be used to redeem the Trust Convertible Preferred Securities and to provide working capital for Borrower (the "Securities Offering"); and

WHEREAS, certain provisions of the Credit Agreement prohibit the Borrower from consummating the Securities Offering without the express written consent of Agent and the Super Majority Lenders; and

i WHEREAS, the Borrower has requested the Agent and the Lenders to (i) consent to the consummation of the Securities Offering and waive any Default or Event of Default arising as a result thereof; and (ii) amend the Credit Agreement in certain respects; and Agent and the Lenders have agreed to do so on the terms and conditions hereinafter set forth.

NOW, THEREFORE, for and in consideration of the mutual covenants and agreements herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged and confessed, the Borrower, Agent and the Lenders, hereby agree as follows:

SECTION 1. AMENDMENTS TO CREDIT AGREEMENT. Subject to the satisfaction or waiver in writing of each condition precedent set forth in Section 3 hereof, and in reliance on the

representations, warranties, covenants and agreements contained in this Amendment, the Credit Agreement shall be amended in the manner provided in this Section 1.

1.1 ADDITIONAL DEFINITIONS. Section 1 of the Credit Agreement shall be and it hereby is amended by adding the following definitions in alphabetical order to such section:

August Refinancing Securities is used herein as defined in Section 13(h)(viii) hereof.

Fifth Amendment to Credit Agreement means that certain Fifth Amendment to Amended and Restated Credit Agreement, dated September 4, 2003, by and among the Borrower, Agent and the Lenders.

Permitted Preferred Stock means any and all shares, interests, participations or other equivalents of capital stock of Borrower that are designated as preferred stock and issued during the period from September 1, 2003 to September 30, 2003; provided that (i) the issue price of all such preferred stock together with the principal amount of all Refinancing Indebtedness issued pursuant to clause (viii) of Section 13(h) hereof during such period does not exceed \$60,000,000 in the aggregate, (ii) such preferred stock is exchanged for, or the Refinancing Net Proceeds of such preferred stock are applied to the redemption or refinancing of, other Junior Securities in accordance with clause (iii) of Section 13(i) and clause (viii) of Section 13(h) hereof as if such preferred stock were Refinancing Indebtedness, and (iii) such preferred stock, by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable), or upon the happening of any event, (A) does not mature or is not mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or is not redeemable at the sole option of the holder thereof, in whole or in part, on or prior to September 1, 2013, and (B) does not require the payment of a cash dividend in excess of 6 1/4 % per annum on the issuance price thereof.

September Refinancing Securities is used herein as defined in Section 13(h)(viii) hereof.

1.2 AMENDED DEFINITION. Each of the following definitions in Section 1 of the Credit Agreement shall be amended as follows:

Refinancing Net Proceeds means an amount equal to the proceeds of the issuance of the Refinancing Securities less any and all transaction costs and expenses incurred by Borrower in connection therewith, regardless of whether all or any portion of such proceeds are applied to prepay the outstanding principal balance of the Notes and accrued interest thereon prior to the application of such proceeds to, or the exchange of Refinancing Securities for, indebtedness or capital stock evidenced by the Junior Securities pursuant to clause (viii) of Section 13(h) and clause (iii) of Section 13(i).

Refinancing Securities means the notes, instruments, and securities evidencing the Refinancing Indebtedness and the Permitted Preferred Stock.

1.3 AMENDMENT TO FINANCIAL STATEMENTS AND REPORTS. Clause (ii) of Section 12(a) of the Credit Agreement shall be and it hereby is amended in its entirety to read as follows:

(ii) Quarterly Financial Statements. As soon as available, and in any event within forty-five (45) days after the end of each fiscal quarter of each year, the quarterly unaudited, (i) consolidated and consolidating Financial Statements of Borrower and each Guarantor, and (ii) the unconsolidated quarterly Financial Statements of Borrower, all such Financial Statements to be prepared in accordance with GAAP, together with a report demonstrating, in reasonable detail, the use of the Refinancing Net Proceeds and Permitted Preferred Stock during such fiscal quarter, including, without limitation, (w) the initial amount of the Refinancing Net Proceeds immediately following the issuance of the Refinancing Securities and prior to the exchange of such Refinancing Securities for, or application of any such Refinancing Net Proceeds to, any indebtedness of the Borrower, (x) the amount of the Refinancing Net Proceeds used to refinance, repay, defease or redeem Junior Securities pursuant to and as permitted under clause (viii) of Section 13(h) and clauses (iii) and (iv) of Section 13(i) during such fiscal quarter and cumulatively since the issuance of the Refinancing Securities, (y) the amount of Refinancing Securities issued in exchange for other Junior Securities during such fiscal quarter and cumulatively since the issuance of the Refinancing Securities and (z) the amount of Refinancing Net Proceeds and Permitted Preferred Stock remaining as of the end of such fiscal quarter after giving effect to any Refinancing Securities exchanged for any other Junior Securities.

1.4 AMENDMENT TO DEBTS, GUARANTIES AND OTHER OBLIGATIONS. Clause (viii) of Section 13(h) of the Credit Agreement shall be and it hereby is amended in its entirety to read as follows:

(viii) the incurrence by Borrower, (1) between July 15, 2003 and August 31, 2003, of unsecured indebtedness in an aggregate principal amount not to exceed \$100,000,000 (the "August Refinancing Securities") and (2) between September 1, 2003 and September 30, 2003, of unsecured indebtedness that together with any Permitted Preferred Stock issued during such period does not exceed \$60,000,000 (the "September Refinancing Securities"); provided that with respect to the foregoing subclauses (1) and (2) (A) no Default or Event of Default has occurred and is continuing or would result therefrom, (B) such indebtedness is subordinated in right of payment to the indebtedness, liabilities and obligations evidenced by the Notes, the Agreement and the other Loan Documents, (C) the stated maturity date with respect to such indebtedness is not earlier than (x) January 1, 2010, with respect to the August Refinancing Securities and (y) September 1, 2013 with respect to the September Refinancing Securities, (D) the annual interest rate with respect to such indebtedness is fixed at a rate that is less than or equal to (x) 8.5% per annum with respect to the August Refinancing Securities and (y) 6 1/4% per annum with respect to the September Refinancing Securities, and, with respect to the foregoing subclause (x) and (y) is payable no more frequently than quarterly; (E) the Refinancing Net Proceeds are used to refinance or defease all of the issued and outstanding 8.75% Senior Subordinated Notes not later than sixty (60) days after the first incurrence of such indebtedness; and (F) all of the Refinancing Net Proceeds in excess of the amount necessary to refinance or defease all of the issued and outstanding 8.75% Senior Subordinated Notes (less the amount, upon issuance, of any Refinancing Securities issued in exchange for the Convertible Subordinated Debentures or the Trust Convertible Preferred Securities) are used to either (x) refinance, repay, defease, or redeem the Trust Convertible Preferred Securities and so long as

no Trust Convertible Preferred Securities are then outstanding to refinance, repay, defease or redeem the Convertible Subordinated Debentures or the August Refinancing Securities, or (y) prepay, without premium or penalty, the outstanding principal amount of the Notes and accrued interest thereon to the date of prepayment; or

1.5 AMENDMENT TO RESTRICTED PAYMENTS. Clause (iii) of Section 13(i) of the Credit Agreement shall be and it hereby is amended in its entirety to read as follows:

(iii) the redemption or defeasance of the 8.75% Senior Subordinated Notes, the Convertible Subordinated Debentures and the Trust Convertible Preferred Securities with Refinancing Net Proceeds in accordance with and to the extent permitted by clause (viii) of Section 13(h) hereof, the exchange of Refinancing Securities for the Trust Convertible Preferred Securities and so long as no Trust Convertible Preferred Securities are outstanding, the exchange of Refinancing Securities for the Convertible Subordinated Debentures or the August Refinancing Securities; provided that no Default or Event of Default has occurred and is continuing or would result therefrom; or

1.6 AMENDMENT TO ISSUANCE OF PREFERRED STOCK. Section 13(p) of the Credit Agreement shall be and it hereby is amended in its entirety to read as follows:

(p) Issuance of Preferred Stock. Except for the Permitted Preferred Stock or as otherwise permitted with the prior written consent of the Super Majority Lenders, Borrower shall not issue any Disqualified Stock after the Effective Date.

1.7 REAFFIRMATION OF BORROWING BASE AND ADJUSTMENT WAIVER. As of the date hereof, the Borrowing Base is \$170,000,000 and the waiver set forth in Section 1.8 of the Fourth Amendment to Credit Agreement shall apply to any redemption of any Junior Securities with the proceeds of any Refinancing Securities issued after the date hereof.

1.8 WORK FEE. Each Lender executing and delivering this Amendment to Agent on or before 5:00 p.m. (Chicago time) on Thursday, September 4, 2003, shall be deemed to have earned a work fee of \$5,000 upon the date of the first issuance of any September Refinancing Securities and such fee shall be due and payable on such date; provided, that if no September Refinancing Securities are ever issued, no Lender shall be deemed to have earned a work fee with respect to the execution and delivery of this Amendment.

SECTION 2. CONSENT AND WAIVER. In reliance on the representations, warranties, covenants and agreements contained in this Amendment, and subject to the satisfaction of the conditions precedent set forth in Section 4 hereof, the Required Lenders hereby (a) consent to (i) the consummation of the Securities Offering in accordance with the terms and conditions of the Credit Agreement, as amended hereby, and (ii) the execution and delivery by Borrower of any and all agreements, documents and instruments necessary to evidence the Securities Offering (the "Securities Offering Documents"), and the performance of its obligations and the exercise of its rights under and pursuant thereto, and (b) waive compliance by Borrower with each provision of the Credit Agreement and the other Loan Documents to the extent, but only to the extent, that

the consummation of the Securities Offering and the execution and delivery of the Securities Offering Documents by Borrower, and the performance of its obligations and the exercise of its rights under and pursuant thereto, violate such provisions or result in a Default or Event of Default under the Credit Agreement or the other Loan Documents. The consent and waiver herein contained is expressly limited as follows: (x) such consent and waiver is limited solely to the consummation of the Securities Offering in accordance with the terms of the Credit Agreement, as amended hereby, and (y) such consent and waiver is a limited, one-time consent and waiver, and nothing contained herein shall obligate the Lenders to grant any additional or future consent or waiver with respect to, or in connection with, any provision of any Loan Document.

SECTION 3. REAFFIRMATION OF REPRESENTATIONS AND WARRANTIES. Except to the extent its provisions are specifically amended, modified or superseded by this Amendment, the representations, warranties and affirmative and negative covenants of the Borrower contained in the Credit Agreement are incorporated herein by reference for all purposes as if copied herein in full. The Borrower hereby restates and reaffirms each and every term and provision of the Credit Agreement, as amended, including, without limitation, all representations, warranties and affirmative and negative covenants. Except to the extent its provisions are specifically amended, modified or superseded by this Amendment, the Credit Agreement, as amended, and all terms and provisions thereof shall remain in full force and effect, and the same in all respects are confirmed and approved by the Borrower and the Lenders.

SECTION 4. CONDITIONS. The amendments to the Credit Agreement contained in Section 1 of this Amendment shall be effective upon the satisfaction of each of the conditions set forth in this Section 3.

4.1 EXECUTION AND DELIVERY. The Borrower and each Guarantor shall have executed and delivered this Amendment, and other required documents, all in form and substance satisfactory to the Agent;

4.2 REPRESENTATIONS AND WARRANTIES. The representations and warranties of the Borrower under this Amendment are true and correct in all material respects as of such date, as if then made (except to the extent that such representations and warranties related solely to an earlier date);

4.3 NO EVENT OF DEFAULT. No Event of Default shall have occurred and be continuing nor shall any event have occurred or failed to occur which, with the passage of time or service of notice, or both, would constitute an Event of Default;

4.4 OTHER DOCUMENTS. The Agent shall have received such other instruments and documents incidental and appropriate to the transaction provided for herein as the Agent or its counsel may reasonably request, and all such documents shall be in form and substance satisfactory to the Agent;

4.5 LEGAL MATTERS SATISFACTORY. All legal matters incident to the consummation of the transactions contemplated hereby shall be reasonably satisfactory to special counsel for the Agent retained at the expense of Borrower.

#### SECTION 5. MISCELLANEOUS.

5.1 ADDITIONAL REPRESENTATIONS AND WARRANTIES. Borrower hereby represents and warrants that all factual information, if any, heretofore and contemporaneously furnished by or on behalf of Borrower to Agent for purposes of or in connection with this Amendment does not contain any untrue statement of a material fact or omit to state any material fact necessary to keep the statements contained herein or therein from being misleading. Each of the foregoing representations and warranties shall constitute a representation and warranty of Borrower made under the Credit Agreement, and it shall be an Event of Default if any such representation and warranty shall prove to have been incorrect or false in any material respect at the time given. Each of the representations and warranties made under the Credit Agreement (including those made herein) shall survive and not be waived by the execution and delivery of this Amendment or any investigation by Lenders.

5.2 INDEMNIFICATION. The Borrower agrees to indemnify and hold harmless the Lenders and their respective officers, employees, agents, attorneys and representatives (singularly, an "Indemnified Party", and collectively, the "Indemnified Parties") from and against any loss, cost, liability, damage or expense (including the reasonable fees and out-of-pocket expenses of counsel to the Lender, including all local counsel hired by such counsel) ("Claim") incurred by the Lenders in investigating or preparing for, defending against, or providing evidence, producing documents or taking any other action in respect of any commenced or threatened litigation, administrative proceeding or investigation under any federal securities law, federal or state environmental law, or any other statute of any jurisdiction, or any regulation, or at common law or otherwise, which is alleged to arise out of or is based upon any acts, practices or omissions or alleged acts, practices or omissions of the Borrower or its agents or arises in connection with the duties, obligations or performance of the Indemnified Parties in negotiating, preparing, executing, accepting, keeping, completing, countersigning, issuing, selling, delivering, releasing, assigning, handling, certifying, processing or receiving or taking any other action with respect to the Loan Documents and all documents, items and materials contemplated thereby even if any of the foregoing arises out of an Indemnified Party's ordinary negligence. The indemnity set forth herein shall be in addition to any other obligations or liabilities of the Borrower to the Lenders hereunder or at common law or otherwise, and shall survive any termination of this Amendment, the expiration of the Loan and the payment of all indebtedness of the Borrower to the Lenders hereunder and under the Notes, provided that the Borrower shall have no obligation under this section to the Lenders with respect to any of the foregoing arising out of the gross negligence or willful misconduct of the Lenders. If any Claim is asserted against any Indemnified Party, the Indemnified Party shall endeavor to notify the Borrower of such Claim (but failure to do so shall not affect the indemnification herein made except to the extent of the actual harm caused by such failure). The Indemnified Party shall have the right to employ, at the Borrower's expense, counsel of the Indemnified Parties' choosing and to control the defense of the Claim. The Borrower may at its own expense also participate in the

defense of any Claim. Each Indemnified Party may employ separate counsel in connection with any Claim to the extent such Indemnified Party believes it reasonably prudent to protect such Indemnified Party. THE PARTIES INTEND FOR THE PROVISIONS OF THIS SECTION TO APPLY TO AND PROTECT EACH INDEMNIFIED PARTY FROM THE CONSEQUENCES OF STRICT LIABILITY IMPOSED OR THREATENED TO BE IMPOSED ON ANY INDEMNIFIED PARTY AS WELL AS FROM THE CONSEQUENCES OF ITS OWN NEGLIGENCE, WHETHER OR NOT THAT NEGLIGENCE IS THE SOLE, CONTRIBUTING, OR CONCURRING CAUSE OF ANY CLAIM, BUT NOT FROM ANY PORTION OF SUCH CLAIM ARISING FROM THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF ANY INDEMNIFIED PARTY.

5.3 COUNTERPARTS. This Amendment may be executed in any number of counterparts and all of such counterparts taken together shall be deemed to constitute one and the same instrument. Signature pages delivered by facsimile shall be effective as originals.

5.4 WRITTEN CREDIT AGREEMENT. THE CREDIT AGREEMENT, AS AMENDED, REPRESENTS THE FINAL AGREEMENT BETWEEN AND AMONG THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN AND AMONG THE PARTIES.

5.5 NO IMPAIRMENT. Borrower acknowledges and agrees that the renewal, extension and amendment of the Credit Agreement shall not be considered a novation of account or new contract but that all existing rights, titles, powers, and estates in favor of the Lenders constitute valid and existing obligations in favor of the Lenders. Borrower confirms and agree that (a) neither the execution of this Amendment nor any other Loan Document nor the consummation of the transactions described herein and therein shall in any way effect, impair or limit the covenants, liabilities, obligations and duties of the Borrower under the Loan Documents and (b) the obligations evidenced and secured by the Loan Documents continue in full force and effect.

[SIGNATURE PAGES FOLLOW]



IN WITNESS WHEREOF, the parties have caused this Fifth Amendment to Credit Agreement to be duly executed as of the date first above written.

BORROWER:

RANGE RESOURCES CORPORATION  
a Delaware corporation

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

LENDERS:

BANK ONE, NA, a national  
banking association (Main  
Office Chicago) as a Lender  
and Administrative Agent

By: \_\_\_\_\_  
Name: Wm. Mark Cranmer  
Title: Director, Capital Markets

BANK OF SCOTLAND

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

JPMORGAN CHASE BANK

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

COMPASS BANK

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

CREDIT LYONNAIS NEW YORK BRANCH

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

FLEET NATIONAL BANK

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title \_\_\_\_\_

FORTIS CAPITAL CORP.

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_



NATEXIS BANQUES POPULAIRES

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

COMERICA BANK  
(successor by merger with  
Comerica Bank-Texas)

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

CONSENT AND REAFFIRMATION

The undersigned (each a "Guarantor") hereby (i) acknowledges receipt of a copy of the foregoing Fifth Amendment to Amended and Restated Credit Agreement (the "Fourth Amendment"); (ii) consents to Borrower's execution and delivery thereof; (iii) agrees to be bound thereby; (iv) affirms that nothing contained therein shall modify in any respect whatsoever its guaranty of the obligations of the Borrower to Lenders pursuant to the terms of its Guaranty in favor of Agent and the Lenders (the "Guaranty") and (v) reaffirms that the Guaranty is and shall continue to remain in full force and effect. Although Guarantor has been informed of the matters set forth herein and has acknowledged and agreed to same, Guarantor understands that the Lenders have no obligation to inform Guarantor of such matters in the future or to seek Guarantor's acknowledgment or agreement to future amendments or waivers, and nothing herein shall create such duty.

IN WITNESS WHEREOF, the undersigned has executed this Consent and Reaffirmation on and as of the date of the Fifth Amendment.

GUARANTORS:

RANGE ENERGY I, INC.  
a Delaware corporation

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

RANGE HOLDCO, INC.  
a Delaware corporation

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

RANGE PRODUCTION COMPANY  
a Delaware corporation

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

RANGE ENERGY VENTURES  
CORPORATION, a Delaware corporation

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

GULFSTAR ENERGY, INC.  
a Delaware corporation

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

RANGE ENERGY FINANCE CORPORATION  
a Delaware corporation

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

## CERTIFICATION

I, John H. Pinkerton, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Range Resources Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 4, 2003

/s/ JOHN H. PINKERTON

---

John H. Pinkerton  
*President and Chief Executive Officer*

## CERTIFICATION

I, Roger S. Manny, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Range Resources Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 4, 2003

/s/ ROGER S. MANNY

---

Roger S. Manny  
*Senior Vice President and Chief Financial Officer*

**CERTIFICATION OF  
PRESIDENT AND CHIEF EXECUTIVE OFFICER  
OF RANGE RESOURCES CORPORATION  
PURSUANT TO 18 U.S.C. SECTION 1350**

In connection with the accompanying report on Form 10-Q for the period ending September 30, 2003 and filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John H. Pinkerton, Chief Executive Officer and President of Range Resources Corporation (the "Company"), hereby certify that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ JOHN H. PINKERTON

---

John H. Pinkerton  
November 4, 2003

**CERTIFICATION OF  
CHIEF FINANCIAL OFFICER  
OF RANGE RESOURCES CORPORATION  
PURSUANT TO 18 U.S.C. SECTION 1350**

In connection with the accompanying report on Form 10-Q for the period ending September 30, 2003 and filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Roger S. Manny, Chief Financial Officer of Range Resources Corporation (the "Company"), hereby certify that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ ROGER S. MANNY

---

Roger S. Manny  
November 4, 2003