

RANGE RESOURCES CORP

Form DEF 14A

April 19, 2006

**Table of Contents**

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549  
SCHEDULE 14A**

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

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

**RANGE RESOURCES CORPORATION**  
(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

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

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1) Amount Previously Paid:

2) Form, Schedule or Registration Statement No.:

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4) Date Filed:

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**Table of Contents**

April 19, 2006

Dear Fellow Stockholders:

On behalf of the Board of Directors, I am pleased to invite you to attend our 2006 annual meeting. The meeting will be held at our offices at 777 Main Street, Suite 800, in Fort Worth, Texas on Wednesday, May 24<sup>th</sup> at 9:00 a.m. Central Daylight Time. The matters to be addressed at the meeting are outlined in the enclosed Notice of Annual Meeting of Stockholders and more fully described in the Proxy Statement. Our officers and representatives of our auditors will be present to respond to questions. Our 2005 Annual Report is also enclosed for your review.

MacKenzie Partners, Inc. has been retained to assist us in the soliciting process. If you have any questions regarding the meeting or require assistance in voting your shares, please contact them at 800-322-2885 or call them collect at 212-929-5500. Whether or not you expect to attend the meeting, it is important that your shares are voted. Please sign and return the enclosed proxy card at your earliest convenience to ensure that you will be represented. You may revoke your proxy at the meeting and vote your shares in person if you wish. In any case, your vote is important regardless of the number of shares you own. We want to thank you in advance for your prompt response which will reduce our solicitation costs.

Sincerely yours,

John H. Pinkerton  
President

1

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**RANGE RESOURCES CORPORATION**  
**777 Main Street, Suite 800**  
**Fort Worth, Texas 76102**

**TABLE OF CONTENTS**

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

PROXY STATEMENT

Annual Meeting of Stockholders May 24, 2006

INTRODUCTION

VOTING PROCEDURES

PROPOSAL 1 ELECTION OF DIRECTORS

PROPOSAL 2 APPROVAL OF SECOND AMENDMENT

PROPOSAL 3 APPROVAL OF THIRD AMENDMENT

PROPOSAL 4 RATIFICATION OF THE APPOINTMENT OF

GOVERNANCE OF THE COMPANY

DIRECTOR COMPENSATION

EXECUTIVE OFFICERS

EXECUTIVE COMPENSATION

REPORT OF THE COMPENSATION COMMITTEE

COMPENSATION COMMITTEE INTERLOCK AND INSIDER PARTICIPATION

STOCKHOLDER RETURN PERFORMANCE PRESENTATION

REPORT OF THE AUDIT COMMITTEE

SECURITY OWNERSHIP

SECURITY HOLDERS SHARING AN ADDRESS

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

OTHER BUSINESS

ANNUAL REPORT

STOCKHOLDER PROPOSALS FOR 2006 ANNUAL MEETING

---

**Table of Contents**

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS  
To be held May 24, 2006**

To the Stockholders of Range Resources Corporation:

The 2006 Annual Meeting of Stockholders of Range Resources Corporation, a Delaware corporation ( Range or the Company ), will be held at 777 Main Street, Suite 800 in Fort Worth, Texas on Wednesday, May 24 at 9:00 a.m. Central Daylight Time. The purposes of the meeting are:

1. To elect eight directors to the board, each for a one-year term;
2. To consider and vote on a proposal to amend the 2005 Equity-Based Compensation Plan to provide for the use of reserves per share growth as a performance criteria for annual incentive awards in addition to those set forth in Section 8(b)(ii)(A) of the Plan;
3. To consider and vote on a proposal to amend the 2005 Equity-Based Compensation Plan to increase the number of shares of common stock authorized to be issued under that plan by 950,000 shares;
4. To ratify the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2006; and
5. To transact such other business as may arise that can properly be conducted at the meeting or any adjournment.

This notice is being sent to holders of the Company's common stock of record at the close of business on March 31, 2006. Each holder has the right to vote at the meeting or any adjournment or postponement. The list of stockholders entitled to vote at the meeting will be open to the examination of any stockholder for any purpose relevant to the meeting during normal business hours for ten days prior to the meeting at the Company's offices. The list will also be available during the meeting for inspection by stockholders.

**Whether or not you plan to attend the meeting, please complete, date and sign the enclosed proxy and return it in the envelope provided. You may revoke your proxy at any time prior to its exercise. If present at the meeting, you may withdraw your proxy and vote in person.**

BY ORDER OF THE BOARD OF DIRECTORS

Rodney L. Waller  
Secretary  
April 19, 2006  
Fort Worth, Texas

**Table of Contents**

**RANGE RESOURCES CORPORATION  
PROXY STATEMENT**

**Annual Meeting of Stockholders**

**May 24, 2006**

**INTRODUCTION**

The enclosed proxy is solicited by and on behalf of the Board of Directors of Range Resources Corporation, a Delaware corporation, for use at the 2006 Annual Meeting of Stockholders. The meeting will be held Wednesday, May 24, 2006, at 9:00 a.m. Central Daylight Time, at the Company's offices at 777 Main Street, Suite 800, Fort Worth, Texas 76102. The items to be considered are summarized in the Notice of Annual Meeting of Stockholders and more fully described in this Proxy Statement. This Proxy Statement and the proxy form were first mailed on or about April 19, 2006, to all holders of record of the Company's common stock, \$.01 par value, on March 31, 2006. Shares of the common stock represented by proxies will be voted as described below or as specified by each stockholder. Any proxy given by a stockholder may be revoked at any time prior to the voting by delivering a written notice to the Secretary of the Company, by executing and delivering a subsequently dated proxy or by attending the meeting, withdrawing the proxy and voting in person.

The persons named as proxies are John H. Pinkerton and Rodney L. Waller, President and Secretary of the Company, respectively. The cost of preparing and mailing this Proxy Statement and any other related material will be paid by the Company. The Company has retained MacKenzie Partners, Inc., 105 Madison Avenue, New York, New York 10016, to assist in the solicitation. For these services, the Company will pay MacKenzie Partners a fee of approximately \$6,000 and reimburse it for certain out-of-pocket expenses. In addition to the solicitation of proxies by use of the mail, directors, officers and employees of the Company may solicit proxies personally. The Company will request brokerage firms and other custodians, nominees and fiduciaries to forward solicitation material to the beneficial owners of the common stock and will reimburse them for their expenses.

**VOTING PROCEDURES**

**Voting Stock and Record Date**

Only stockholders of record for the common stock at the close of business on March 31, 2006, will be entitled to vote at the meeting. On March 31, 2006, 131,206,835 shares of common stock were outstanding with each share entitling the holder to one vote on each matter. Stockholders are not entitled to cumulative voting rights.

**Quorum and Adjournments**

The presence, in person or by proxy, of stockholders holding a majority of the votes eligible to be cast is necessary to constitute a quorum at the meeting. If a quorum is not present at the meeting, the holders of a majority of the common stock entitled to vote who are present or represented by proxy at the meeting have the power to adjourn the meeting from time to time without notice, other than an announcement at the meeting of the time and place of the adjourned meeting, until a quorum is present. In addition, under the Company's bylaws the chairman of the meeting has the power to adjourn the meeting for any reason from time to time without notice, other than an announcement at the meeting of the time and place of the adjourned meeting, provided that a new record date is not set. At any such adjourned meeting at which a quorum is present, any business may be transacted that may have been transacted at the meeting.

## **Table of Contents**

### **Votes Required**

Assuming a quorum is present at the meeting, the stockholders will elect directors by a plurality of the eligible votes present or represented by proxy at the meeting. Approval of proposals 2, 3 and 4 require an affirmative vote of the majority of the shares of common stock represented at the meeting in person or by proxy and entitled to vote on the proposals.

### **Broker Non-Votes and Abstentions**

Brokers who hold shares in street name for customers are required to vote as the beneficial owners instruct. A broker non-vote occurs when a broker does not have discretionary voting power with respect to a proposal and has not received instructions from the beneficial owner. Brokers are not permitted to vote on non-discretionary items if they have not received instructions from the beneficial owners. Brokers are permitted to indicate a broker non-vote on non-discretionary items absent instructions from the beneficial owner. Abstentions and broker non-votes are treated as shares that are present and entitled to vote for purposes of determining whether a quorum is present at the meeting. Abstentions and broker non-votes are tabulated separately, with abstentions counting as votes against the proposal in the tabulation of the votes cast on a proposal for purposes of determining whether a proposal has been approved while broker non-votes relating to a proposal are not counted as a vote cast with respect to that proposal.

Proposals 1 and 4 are considered discretionary items, so the Company does not anticipate that any broker non-votes will be recorded. Proposals 2 and 3 are considered non-discretionary items under the regulations promulgated by the New York Stock Exchange and approved by the Securities and Exchange Commission because the proposals involve equity-based compensation plans or increasing the authorized common shares under an equity based compensation plan. Therefore, if you hold your common stock in street name with your broker, your broker will not be able to vote in favor of or against proposal 2 or 3 without your specific instructions. Abstentions and broker non-votes will not have any effect on the outcome of voting on director elections. Abstentions will have the effect of votes against proposals 2, 3 and 4, but broker non-votes will have a neutral effect on these proposals.

### **Stockholders of Record**

If your shares are registered directly in your name with the Company's transfer agent, Computershare Investor Services LLC, you are considered, with respect to those shares, the stockholder of record, and these proxy materials are being sent directly to you by the Company. As the stockholder of record, you have the right to grant your voting proxy directly to the Company or to vote in person at the meeting. The Company has enclosed a proxy card for you to use.

### **Beneficial Owner**

If your shares are held in a brokerage account or by another nominee, you are considered the beneficial owner of shares held in street name, and these proxy materials are being forwarded to you together with a voting instruction card on behalf of the brokerage firm or custodian. As the beneficial owner, you have the right to direct your broker, trustee or nominee how to vote and are also invited to attend the annual meeting.

Because a beneficial owner is not the stockholder of record, you may not vote these shares in person at the meeting unless you obtain a legal proxy from the broker, trustee or nominee that holds your shares, giving you the right to vote the shares at the meeting. Your broker, trustee or nominee has enclosed or provided voting instructions for you to use in directing the broker, trustee or nominee how to vote your shares.

### **Voting in Person**

Shares held in your name as the stockholder of record may be voted in person at the annual meeting. Shares held beneficially in street name may be voted in person only if you obtain a legal proxy from the broker trustee or nominee that holds your shares giving you the right to vote the shares. Even if you plan to attend the annual meeting, we recommend that you also submit your proxy or voting instructions so that your vote will be counted if you later decide not to attend the meeting.



**Table of Contents**

**Default Voting**

A proxy that is properly completed and returned will be voted at the meeting in accordance with the instructions on the proxy. If you properly complete and return a proxy but do not indicate any contrary voting instructions, your shares will be voted FOR all proposals listed in the Notice of Annual Meeting of Stockholders and in accordance with the discretion of the holders of the proxy with respect to any other business that may properly come before the meeting or any adjournment or postponement. If the Company proposes to adjourn the meeting, proxy holders will vote all shares for which they have voting authority in favor of adjournment. The Board of Directors knows of no matters other than those stated in the Notice of Annual Meeting of Stockholders and described in this Proxy Statement to be presented for consideration at the meeting.

**Revocation of Proxy**

A stockholder executing and returning a proxy may revoke it at anytime before it is exercised at the annual meeting by giving written notice of the revocation to the Secretary of the Company or by executing and delivering to the Secretary of the Company a later dated proxy. Attendance at the annual meeting will not be effective to revoke the proxy unless written notice of revocation has also been delivered to the Secretary of the Company before the proxy is exercised. If you hold your shares in a brokerage account or by other nominee and deliver voting instructions to the recordholder of those shares, you may only revoke the voting of those shares in accordance with your instructions if such record holder revokes the original proxy as directed above and either resubmits a proxy reflecting your voting instructions or delivers to you a legal proxy giving you the right to vote the shares.

**Voting Results**

We intend to announce preliminary voting results at the annual meeting and publish final results on our website and in our quarterly report on Form 10-Q for the second quarter of 2006.

This Proxy Statement is dated April 19, 2006.

**Table of Contents****PROPOSAL 1 ELECTION OF DIRECTORS****Nomination and Election of Directors**

The current term of office of all the Company's directors expires at the 2006 annual meeting. The Board proposes that the following nominees, all of whom are currently serving as directors, be re-elected for a new term of one year and until their successors are duly elected and qualified: Charles L. Blackburn, Anthony V. Dub, V. Richard Eales, Allen Finkelson, Jonathan S. Linker, Kevin S. McCarthy, John H. Pinkerton and Jeffrey L. Ventura. Each of the nominees has consented to serve if elected. If any one of them becomes unavailable to serve as a director, the Board may designate a substitute nominee. In that case, the persons named as proxies will vote for the substitute nominee designated by the Board. The Board does not presently contemplate that any of the nominees will become unavailable for election.

**Information Concerning Nominees**

The following table sets forth the names of the nominees and certain information with regard to each nominee. There is no family relationship between any director and executive officer of the Company.

| <b>Name</b>          | <b>Age</b> | <b>Held<br/>Office Since</b> | <b>Current Position</b>                  |
|----------------------|------------|------------------------------|--|
| Charles L. Blackburn | 78         | 2003                         | Director and Chairman of the Board       |
| Anthony V. Dub       | 56         | 1995                         | Director                                 |
| V. Richard Eales     | 70         | 2001                         | Director                                 |
| Allen Finkelson      | 59         | 1994                         | Director                                 |
| Jonathan S. Linker   | 57         | 2002                         | Director                                 |
| Kevin S. McCarthy    | 46         | 2005                         | Director                                 |
| John H. Pinkerton    | 52         | 1988                         | Director, President and CEO              |
| Jeffrey L. Ventura   | 48         | 2005                         | Director and EVP Chief Operating Officer |

*Charles L. Blackburn* was elected as a director in April 2003 and appointed as the non-executive Chairman of the Board. Mr. Blackburn has more than 40 years experience in oil and gas exploration and production serving in several executive and board positions. Previously, he served as Chairman and Chief Executive Officer of Maxus Energy Corporation from 1987 until that company's sale to YPF Sociedad Anonima in 1995. Maxus was the oil and gas producer which remained after Diamond Shamrock Corporation's spin-off of its refining and marketing operations. Mr. Blackburn joined Diamond Shamrock in 1986 as President of their exploration and production subsidiary. From 1952 through 1986, Mr. Blackburn was with Shell Oil Company, serving as Director and Executive Vice President for exploration and production for the final ten years of that period. Mr. Blackburn has previously served on the boards of Anderson Clayton and Co. (1978-1986), King Ranch Corp. (1987-1988), Penrod Drilling Co. (1988-1991), Landmark Graphics Corp. (1992-1996) and Lone Star Technologies, Inc. (1991-2001). Currently, Mr. Blackburn also serves as an advisory director to the oil and gas loan committee of Guaranty Bank. Mr. Blackburn received his Bachelor of Science degree in Engineering Physics from the University of Oklahoma in 1952.

*Anthony V. Dub* became a director in 1995. Mr. Dub is Chairman of Indigo Capital, LLC, a financial advisory firm based in New York. Prior to forming Indigo Capital in 1997, he served as an officer of Credit Suisse First Boston (CSFB). Mr. Dub joined CSFB in 1971 and was named a Managing Director in 1981. Mr. Dub led a number of departments during his 27 year career at CSFB including the Investment Banking Department. After leaving CSFB, Mr. Dub became Vice Chairman and a director of Capital IQ, Inc. until its sale to Standard and Poor's in 2004. Capital IQ is the leader in helping organizations capitalize on synergistic integration of market intelligence, institutional

knowledge and relationships. Mr. Dub received a Bachelor of Arts, *magna cum laude*, from Princeton University.

V. *Richard Eales* became a director in 2001. Mr. Eales has over 40 years of experience in the energy, high technology and financial industries. He is currently retired, having been a financial consultant serving energy and information technology businesses from 1999 through 2002. Mr. Eales was employed by Union Pacific Resources Group

**Table of Contents**

Inc. from 1991 to 1999 serving as Executive Vice President from 1995 through 1999. Prior to 1991, Mr. Eales served in various financial capacities with Butcher & Singer and Janney Montgomery Scott, investment banking firms, as CFO of Novell, Inc., a technology company, and in the treasury department of Mobil Oil Corporation. Mr. Eales received his Bachelor of Chemical Engineering from Cornell University and his Masters in Business Administration from Stanford University.

*Allen Finkelson* became a director in 1994. Mr. Finkelson has been a partner at Cravath, Swaine & Moore LLP since 1977, with the exception of the period 1983 through 1985, when he was a managing director of Lehman Brothers Kuhn Loeb Incorporated. Mr. Finkelson joined Cravath, Swaine & Moore, LLP in 1971. Mr. Finkelson earned a Bachelor of Arts from St. Lawrence University and a J.D. from Columbia University School of Law.

*Jonathan S. Linker* became a director in 2002. Mr. Linker previously served as a director of Range from 1998 to 2000. He has been active in the energy business since 1972. Mr. Linker began working with First Reserve Corporation in 1988 and was a Managing Director of the firm from 1996 until July 2001. Mr. Linker is currently President of Houston Energy Advisors LLC, a registered investment advisor providing management and investment services to two private equity funds focused on energy related investments. Mr. Linker has been President and a director of IDC Energy Corporation since 1987, a director and officer of Sunset Production Corporation since 1991 serving currently as Chairman, and Manager of Shelby Resources Inc., all small, privately-owned exploration and production companies. Mr. Linker received a Bachelor of Arts in Geology from Amherst College, a Masters in Geology from Harvard University and an MBA from Harvard University's Graduate School of Business Administration.

*Kevin S. McCarthy* became a director in 2005. Mr. McCarthy is Chairman, Chief Executive Officer and President of Kayne Anderson MLP Investment Company and Kayne Anderson Energy Total Return Fund, Inc. which are each NYSE listed closed-end investment companies. Mr. McCarthy joined Kayne Anderson Capital Advisors as a Senior Managing Director in June 2004 from UBS Securities LLC where he was global head of energy investment banking. In this role, he had senior responsibility for all of UBS' energy investment banking activities, including direct responsibilities for securities underwriting and mergers and acquisitions in the energy industry. From 1995 to 2000, Mr. McCarthy led the energy investment banking activities of Dean Witter Reynolds and then PaineWebber Incorporated. He began his investment banking career in 1984. He is also on the board of directors of Clearwater Natural Resources, L.P. He earned a Bachelor of Arts in Economics and Geology from Amherst College and an MBA in Finance from the University of Pennsylvania's Wharton School.

*John H. Pinkerton*, President, Chief Executive Officer and a director, became a director in 1988. He joined Range as President in 1990 and was appointed Chief Executive Officer in 1992. Previously, Mr. Pinkerton was Senior Vice President of Snyder Oil Corporation (SOCO). Prior to joining SOCO in 1980, Mr. Pinkerton was with Arthur Andersen. Mr. Pinkerton received his Bachelor of Arts in Business Administration from Texas Christian University and a masters degree from the University of Texas at Arlington.

*Jeffrey L. Ventura*, Executive Vice President / Chief Operating Officer, joined Range in 2003 and became a director in 2005. Previously, Mr. Ventura served as President and Chief Operating Officer of Matador Petroleum Corporation which he joined in 1997. Prior to 1997, Mr. Ventura spent eight years at Maxus Energy Corporation where he managed various engineering, exploration and development operations and was responsible for coordination of engineering technology. Previously, Mr. Ventura was with Tenneco, where he held various engineering and operating positions. Mr. Ventura holds a Bachelor of Science degree in Petroleum and Natural Gas Engineering from Pennsylvania State University.

**Required Vote and Recommendation**

**The affirmative vote of a plurality of the votes cast at the meeting is required for the election of directors. A properly executed proxy marked "Withhold authority" with respect to the election of one or more directors will not be voted with respect to the director or directors indicated, although it will be counted for purposes of determining whether a quorum is present.**

**The Board of Directors recommends a vote FOR the election of each of the nominees.**

**Table of Contents**

**PROPOSAL 2 APPROVAL OF SECOND AMENDMENT  
TO THE COMPANY'S 2005 EQUITY-BASED COMPENSATION PLAN  
(Additional Business Criteria Added)**

**Proposed Amendment**

Subject to stockholder approval, the Board of Directors has approved an amendment to Section 8(b)(ii)(A) of the 2005 Equity-Based Compensation Plan (the 2005 Plan ) to add reserves per share growth to the Business Criteria already listed as a criteria that might be used by the Compensation Committee in measuring performance targets established under the Company's annual incentive awards under the 2005 Plan. A complete copy of the proposed Second Amendment to the Range Resources Corporation 2005 Equity-Based Compensation Plan is attached as Exhibit A and a full copy of the 2005 Plan is available on the Company's website. A summary description of the material features of the 2005 Plan can be found under Proposal 3. All capitalized terms are defined terms as used in the 2005 Plan or defined in this proxy. The statements made in this Proxy Statement regarding the Second Amendment to the 2005 Plan should be read in conjunction with and are qualified in their entirety by reference to such summary and Exhibit A.

**Description of the Proposed Amendment**

As previously disclosed in the Form 8-K filed on March 30, 2006, the Compensation Committee has established five criteria to measure senior management performance in 2006. Those five criteria are (a) production per share, (b) pretax earnings before interest, depreciation and amortization, and exploration expense, (c) finding and development costs, (d) relative stock price performance, and (e) subject to stockholder approval, reserves per share growth. If stockholder approval is not obtained, the Compensation Committee has provided that they will substitute a reserve replacement criteria, which is already included in the 2005 Plan, for the reserves per share measurement. The Committee believes that measurement of management's performance on a per share basis is a more appropriate measurement rather than an absolute amount. Therefore, the Committee has selected production per share and reserves per share as two of the criteria to measure the Company's performance for incentive awards in 2006. However, the reserves per share growth criteria is not included in the existing Business Criteria listed in the 2005 Plan. The Board has approved, subject to stockholder approval, that the reserves per share growth criteria should be added to those Business Criteria listed in the 2005 Plan for use by the Compensation Committee in evaluating the Company's performance in 2006 or in the future.

**Required Vote and Recommendation**

**The affirmative vote of a majority of the shares of the Company's common stock represented at the meeting in person or by proxy and entitled to vote on the proposal at the meeting is required to approve the Second Amendment to the 2005 Plan. If the Second Amendment to the 2005 Plan is not approved by the stockholders at the Annual Meeting, the Compensation Committee will use the alternative reserve replacement Business Criteria measurement in lieu of the reserves per share growth measurement in determining 2006 performance achievements. See Votes Required and Broker Non-Votes and Abstentions for further details on voting procedures.**

**The Board recommends that you vote FOR the approval of the proposed Second Amendment to the Range Resources Corporation 2005 Equity-Based Compensation Plan.**

**PROPOSAL 3 APPROVAL OF THIRD AMENDMENT  
TO THE COMPANY'S 2005 EQUITY-BASED COMPENSATION PLAN  
(Additional Shares Authorized)**

**Proposed Amendment**

Subject to stockholder approval, the Board of Directors has approved an amendment to Section 4 of the 2005 Plan to increase the number of shares of common stock authorized to be issued under the 2005 Plan by 950,000 shares. A complete copy of the proposed Third Amendment to the Range Resources Corporation 2005 Plan is attached as Exhibit B and a full copy of the 2005 Plan is available on the Company's website. A summary description of the material features of the 2005 Plan is provided below. The statements made in this Proxy Statement regarding the Third Amendment to the 2005 Plan should be read in conjunction with and are qualified in their entirety by reference to such summary and Exhibit B. (All references to shares reflect the 3 for 2 stock split affected by the Company on

December 2, 2005.)

**Table of Contents****Description of the Proposed Amendment**

The Board has determined that, in order to give the Company the ability to attract and retain the executive and key employee talent necessary for the Company's continued growth and success, the number of shares available for issuance under the 2005 Plan should be increased by 950,000, and is proposing an amendment to affect such increase.

**Reason for the Proposed Amendment**

If the proposed amendment is approved, 950,000 additional Plan Shares will be immediately available for future awards under the 2005 Plan. As of March 31, 2006, 2,913,471 shares are available for awards under the 2005 Plan. As part of the approval of the 2005 Plan by the stockholders in 2005, the Company agreed to suspend any further grants under the Company's 1999 Stock Option Plan (the 1999 Plan) and transfer the authorized but unissued shares to the 2005 Plan. Therefore, the 2005 Plan provides that any shares related to options currently outstanding under the 1999 Plan which lapse or are forfeited, will become available for issuance under the 2005 Plan. If the proposed amendment is approved, the maximum number of Plan Shares (assuming none of the shares underlying unvested options under the 1999 Plan lapse or are forfeited) will increase from 2,913,471 to 3,863,471 shares. As of March 31, 2006, the 1999 Plan had stock option awards outstanding of 5,763,548 of which 3,594,383 shares were exercisable. The average exercise price of the outstanding stock option awards was \$7.75 per share, ranging from \$1.29 to \$15.52 per share. The additional 950,000 shares approved under the Third Amendment will be added to the existing 1,125,000 authorized 162(m) Covered Shares, as defined below, approved by stockholders in 2005 specifically for the 2005 Plan. While the Board is cognizant of the potential dilutive effect of compensatory stock awards, it also recognizes the significant motivational and performance benefits that are achieved from making such awards. In determining the number of additional Plan Shares that should be authorized, the Compensation Committee examined the potential dilutive effect of the additional Plan Shares.

The Board believes that equity-based incentives align the interests of management, employees and stockholders. Equity grants are an important element in attracting and retaining employees. Historically, all full-time employees of the Company have been granted equity awards. Given the intense competition for talented individuals, the Company's ability to offer competitive compensation packages, including those with equity-based incentives is particularly important. It is the Company's practice to grant options to new professionals and executives as they are hired and to all full-time employees when the annual performance-based compensation review is completed, generally in February or March of each year. During 2003, 2004, 2005 and so far during 2006, the Board has approved the issuance of 2,535,588, 2,514,728, 3,141,937 and 1,215,690 stock options and/or stock appreciation rights (SARs), respectively, under the 1999 or 2005 Plans. The Compensation Committee specifically approves all stock option and SARs grants to officers and the total of all stock options or SARs allowable to be granted each year to all other employees.

The Compensation Committee has focused on the potential dilutive effect of equity awards by awarding SARs rather than stock options and for long-term executive compensation has awarded a combination of restricted common stock and SARs. In order to reduce potential dilution, the Board authorized the adoption of the 2005 Plan which was approved by stockholders in May 2005. The 2005 Plan provided for the use of stock-settled SARs which the Compensation Committee has immediately used for all awards under the 2005 Plan after its approval. The stock-settled SARs are less attractive from an income tax impact on employees as compared to Incentive Stock Options but are significantly less dilutive. The reason why stock-settled SARs are less dilutive is that the appreciation over the grant price is paid in common stock based on the fair market value of the common stock on the date of exercise of the SAR. Using stock options, an exercise price is paid and the full number of shares granted under the option are actually issued. The Compensation Committee has further reduced the dilutive effect of SARs grants by also electing to pay in cash the payroll and income taxes associated with the SARs exercise and issuing to the participant only the number of shares of common stock which equals the net appreciation over the grant price after deducting the value of the taxes. For example, during the first three months of 2006, 71,618 of the first SARs granted during 2005 have vested and have been exercised by employees. The average fair market value of the common stock was \$27.70 and the grant price was \$17.93 giving rise to \$9.77 of appreciation. The Company would have normally issued 25,217 shares of common stock to cover the appreciation in the SARs. However, with the election by the Company to pay the payroll and income taxes in cash rather than common stock, only 17,048 shares of common stock were actually issued. Therefore with the exercise of 71,618 SARs, only 17,048 common shares were issued thereby

reducing the potential dilution by 76%. With differing amounts of appreciation, different results will occur in the future.

This example also highlights how stock-settled SARs are charged against the total authorized shares under the 2005 Plan. When SARs are granted, the full number of shares of the grant must be reserved even though when exercised the number of shares actually issued will, using reasonable assumptions as to future fair market values, be less than the number



**Table of Contents**

of the SARs reserved. Since the SARs have a five year term, the exercise and release of unissued reserved shares back to the 2005 Plan could take up to five years after the initial grant. Given the circumstances, the Compensation Committee believes that the Company should request a modest amount of shares to be authorized each year so that the Compensation Committee can have the flexibility of granting equity awards until such time as the unissued reserved shares from SARs exercises are returned to the 2005 Plan for use. The calculation of the burn rate will also be artificially inflated since the maximum number of the SAR grants are counted just like a stock option which would be fully issued upon exercise. Until sufficient time has elapsed for the vesting and exercising of SARs to occur, the netting effect of unissued but reserved shares for SAR awards against each year's SAR grants will not occur, and the actual expected burn rate will be inflated. Only until SARs are vested and are finally exercised will the reserved shares be released for future grants. In the example above covering the 71,618 SARs exercised to date, only 24% of the actual number of SARs granted was actually issued upon the exercise by the participants.

In order to further reduce the number of SARs granted, in February 2006 the Compensation Committee granted to all employees, whose salaries were \$100,000 or over, a combination of stock settled SARs and restricted stock. Both the restricted stock and SARs vest over a three-year period. The Committee issued one-half the value of the awards in SARs and one-half of the awards in restricted stock based upon the fair market value of the common stock on the date of grant and the corresponding Black-Scholes value of the SAR. Each employee was granted the option to take the value of the restricted common stock in cash or stock. The restricted stock awards or the cash equivalent were placed in the individual's account in the Company's deferred compensation plan. Since the employees were given the option to take common stock or the cash equivalent, the grant of restricted stock deferred under the Company's deferred compensation plan does not constitute an equity compensation plan for purposes of the New York Stock Exchange stockholder approval rules.

In order to reduce dilution, the Board has authorized the Company to repurchase, from time to time, common stock in the market, if desired to satisfy the restricted stock awards when distributed to participants pursuant to the deferred compensation plan or to fund the initial award. During 2005, the Company repurchased 200,550 shares of common stock which were reissued in 2005 and 2006 for restricted common stock awards placed in the deferred compensation plan.

As of March 31, 2006, 17,048 shares have been issued pursuant to the exercise of SARs granted under the 2005 Plan. A total of 2,799,090 SARs have been granted and 2,687,825 SARs are outstanding under the 2005 Plan of which 365,493 are currently exercisable. To date, the executive officers of the Company and other employees have been granted the following SARs under the 2005 Plan. As stated previously, it has been the Company's practice to grant equity awards to all employees. No other equity awards have been granted under the 2005 Plan.

**2005 Equity Based Compensation Plan**

| <b>Name and Position</b>                            | <b>Number of<br/>SARs<br/>Granted</b> | <b>Average<br/>Grant<br/>Price</b> |
|---|---------------------------------------|------------------------------------|
| John H. Pinkerton, President & CEO                  | 241,425                               | \$ 20.60                           |
| Jeffrey L. Ventura, Executive Vice President & COO  | 124,726                               | \$ 20.63                           |
| Roger S. Manny, Senior Vice President & CFO         | 71,775                                | \$ 20.62                           |
| Rodney L. Waller, Senior Vice President & CCO       | 69,900                                | \$ 20.62                           |
| Chad L. Stephens, Senior Vice President - Corp Dev. | 68,025                                | \$ 20.62                           |
| Executive Group (7 persons)                         | 675,751                               | \$ 21.09                           |
| Non-Executive Director Group                        |                                       |                                    |
| Non-Executive Officers/Employee Group (568 persons) | 2,123,339                             | \$ 20.96                           |
| Total   | 2,799,090                             | \$ 20.98                           |

**Table of Contents**

As of March 31, 2006, the following table summarizes securities issuable and authorized by the stockholders under certain equity compensation plans <sup>(a)</sup>:

| Plan Category   | Number of securities to be issued upon exercise of outstanding options/SARs | Weighted average exercise/grant price of outstanding options/SARs | Number of securities remaining available for future issuance under equity compensation plans |
|---|---|---|--|
| Equity compensation plans approved by security holders                    | 8,891,622   | \$11.67   | 3,279,471  |
| Equity compensation plans not approved by security holders <sup>(b)</sup> | N.A.  | N.A.  | N.A.   |

(a) Although the Company does not maintain a formal plan, common stock is issued to officers and key employees in lieu of cash for bonuses, long-term incentive awards and company matches under the Company's deferred compensation arrangements if elected by the employee. All such awards are approved by the Compensation Committee, which is composed of three independent directors.

Issuances to  
Named  
Employees are  
disclosed in the  
notes to the  
Summary  
Compensation  
Table included  
in this Proxy  
Statement.

- (b) There are no  
equity  
compensation  
plans, as defined  
by NYSE,  
which have not  
been approved  
by security  
holders.

The increase in the number of authorized shares under the Plan is needed to allow it to continue to function and empower the Compensation Committee with the ability to administer the Plan on a long-term basis by having a sufficient number of shares available to develop a long-term compensation strategy. Therefore, the Board would like to add to the total shares authorized to be issued under the Plan at modest amounts each year to continue to be comparable to peer companies and make executive officers' compensation and performance more directly linked to growing the value of the common stock. Given the 131 million shares of common stock currently outstanding, an increase of 950,000 shares would constitute a maximum additional potential dilution of less than 1.0%.

#### **General**

The stockholders approved the adoption of the 2005 Plan on May 18, 2005 at the 2005 Annual Meeting. The material features of the 2005 Plan are described below. With the approval of the 2005 Plan, the Compensation Committee is able to utilize a greater array of equity compensation alternatives in structuring compensation arrangements for Company personnel including stock-settled SARs which the Committee has utilized in 2005 and 2006 to reduce potential dilution.

#### **Description of the 2005 Plan**

The description of the 2005 Plan set forth below is a summary of the principal features of the 2005 Plan as proposed to be amended pursuant to the Second and Third Amendments to the 2005 Plan. This summary, however, does not purport to be a complete description of all of the provisions of the 2005 Plan. The summary is qualified in its entirety by reference to the 2005 Plan, a copy of which is available on the Company's website and incorporated by reference. The purpose of the 2005 Plan is to provide a means to enhance the profitable growth of the Company and its subsidiaries by attracting and retaining employees, directors, consultants and advisors of the Company by providing such individuals with a means to acquire and maintain stock ownership or awards the value of which is tied to the performance of the common stock, par value \$.01 per share, of the Company ( "Stock" ). The 2005 Plan also provides additional incentives and reward opportunities designed to strengthen such individuals' concern for the welfare of the Company and their desire to remain in its employ. The Company will seek to achieve the 2005 Plan's purpose by providing grants of (i) incentive stock options qualified as such under U.S. federal income tax laws ( "Incentive Options" ), (ii) stock options that do not qualify as incentive stock options ( "Nonstatutory Options" ) and, together with Incentive Options, Options ), (iii) stock appreciation rights ( "SARs" ),

**Table of Contents**

(iv) restricted stock awards ( Restricted Stock Awards ), (v) phantom stock rights ( Phantom Stock Rights ), (vi) annual cash incentive awards ( Annual Incentive Awards ), or (vii) any combination of such awards (collectively referred to as Awards ). No Incentive Options may be made under the 2005 Plan after the date that is ten years from the date the 2005 Plan is adopted.

The 2005 Plan, in part, is intended to qualify under the provisions of Section 422 of the Internal Revenue Code of 1986, as amended (the Code ). See *Federal Tax Consequences*. The 2005 Plan is not subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended ( ERISA ). The 2005 Plan was effective as of May 18, 2005 (the Effective Date ).

**Administration of the 2005 Plan**

The Board appointed the Compensation Committee to administer the 2005 Plan pursuant to its terms and all applicable state, federal, or other rules or laws, except in the event the Board chooses to take action under the 2005 Plan. Unless otherwise limited by the 2005 Plan, Rule 16b-3 of the Securities Exchange Act of 1934 (the Exchange Act ), or the Code, the Compensation Committee has broad discretion to administer the 2005 Plan, interpret its provisions, and adopt policies for implementing the 2005 Plan. This discretion includes the power to determine to whom and when Awards will be granted, determine the amount of such Awards (measured in cash, shares of Stock, or as otherwise designated), proscribe and interpret the terms and provisions of each Award agreement (the terms of which may vary), accelerate the exercise terms of an Option, delegate duties under the 2005 Plan, terminate, modify or amend the 2005 Plan (subject to Board ratification), and execute all other responsibilities permitted or required under the 2005 Plan.

**Persons Who May Participate in the 2005 Plan**

Any individual who provides services to the Company or its subsidiaries, including non-employee directors of and consultants for the Company (an Eligible Person ), and is designated by the Compensation Committee to receive an Award under the 2005 Plan can be a Participant. An employee on leave of absence may be considered still employed by the Company for determining eligibility under the 2005 Plan. Any individual granted an Award which remains outstanding under the 2005 Plan, including an individual who is no longer an Eligible Person, will continue to be a Participant for purposes of the 2005 Plan. The Company currently has six non-employee directors, seven executive officers and approximately 570 other employees who would be eligible to participate in the 2005 Plan.

A Participant under the 2005 Plan is eligible to receive an Award pursuant to the terms of the 2005 Plan and subject to any limitations imposed by appropriate action of the Compensation Committee. No Award may be granted if the Award relates to a number of shares of Stock which exceeds the number of shares which remain available under the 2005 Plan minus the number of shares issuable in settlement of or relating to outstanding Awards. Additionally, no Awards, the value of which are not based on Stock, may be granted in any fiscal year of the Company to Eligible Persons likely to be Covered Employees (as defined below) in excess of \$2,500,000.

With respect to Incentive Options, a Participant must be an employee of the Company or one of its corporate subsidiaries and, immediately before the time the Incentive Option is granted, the Participant may not own stock possessing more than 10% of the total combined voting power or value of all classes of stock of the Company or a subsidiary unless, at the time the Incentive Option is granted, the exercise price of the Incentive Option is at least 110% of the fair market value of the Stock underlying the Incentive Option and the Incentive Option is not, by its terms, exercisable after the fifth anniversary of the date of grant.

**Securities to be Offered**

*Shares Subject to the 2005 Plan.* The 2005 Plan provides that the maximum aggregate number of shares of Stock that may be issued pursuant to any and all Awards under the 2005 Plan (subject to any adjustment due to recapitalization or reorganization permitted under the 2005 Plan), prior to the Third Amendment, will not exceed the sum of (i) 1,125,000 shares (the 162(m) Covered Shares ) approved in 2005 specifically for the 2005 Plan, plus (any authorized but unissued shares from the 1999 Plan which is defined under the 2005 Plan as) (ii) 13,875,000 shares of Stock (the number of shares of Stock approved for issuance under the 1999 Plan), less (iii) the number of shares of Stock issued under the 1999 Plan prior to the Effective Date and the number of shares issuable pursuant to awards under the 1999 Plan outstanding as of the Effective Date, plus (iv) the number of shares that become available for delivery under the 1999 Plan after the Effective Date with respect to awards that lapse or are terminated and with

respect to which shares are not issued (the Plan Shares ).

**Table of Contents**

As of March 31, 2006 there are 5,618,344 total shares authorized for issuance under the 2005 Plan, of which (i) 17,048 shares had been issued upon the exercise of SARs, (ii) 2,687,823 shares were subject to SAR awards that had been granted and were outstanding and (iii) 2,913,471 shares were available for future awards. As of March 31, 2006, the 1999 Plan had stock option awards outstanding of 5,763,548, of which 3,594,383 stock options were vested. The average exercise price of the outstanding stock option awards under the 1999 Plan was \$7.75 per share, ranging from \$1.29 to \$15.52 per share. Therefore, as of March 31, 2006, without giving effect to the Third Amendment, the total number of shares available for issuance of awards under the 2005 Plan was 2,913,471, subject to increase by the number of shares subject to the stock options outstanding under the 1999 Plan that lapse or are terminated prior to exercise. If the Third Amendment is approved, the 2005 Plan will be amended to increase the 162(m) Covered Shares by 950,000, to an aggregate of 2,075,000 shares.

If Stock subject to any Award is not issued or transferred, or ceases to be issuable or transferable for any reason, including (but not exclusively) because an Award is forfeited, terminated, expires unexercised, is settled in cash in lieu of Stock or is otherwise terminated without a delivery of shares to a Participant, the shares of Stock that were subject to that Award will again be available for issue, transfer or exercise pursuant to Awards under the 2005 Plan to the extent allowable by law. The Stock sold pursuant to the 2005 Plan may be authorized but unissued shares, shares held by the Company in treasury, or shares which have been reacquired by the Company including shares which have been bought in the market for the purposes of the 2005 Plan. The fair market value of the Stock on a given date will be the last reported sales price so reported by the New York Stock Exchange (the NYSE ) for the Stock on such date or, if no such sale takes place on such day, the average of the closing bid and asked prices for that day, or, if no such closing prices are available, the last reported sales price so reported on the last business day before the date in question. There are no fees, commissions or other charges applicable to a purchase of Stock under the 2005 Plan.

**Awards**

*Stock Options.* The Company may grant Options to Eligible Persons including (i) Incentive Options (only to employees of the Company or its subsidiaries) which comply with Section 422 of the Code and (ii) Nonstatutory Options. The exercise price of each Option granted under the 2005 Plan will be stated in the Option agreement and may vary; however, the exercise price for an Incentive Option must not be less than the greater of (a) the par value per share of Stock or (b) the fair market value per share as of the date of grant. The exercise price per share of Stock subject to an Option other than an Incentive Stock Option will not be less than the par value per share of the Stock (but may be less than the fair market value of a share of the Stock on the date of grant). Options may be exercised as the Compensation Committee determines, but not later than ten years from the date of grant. Any Incentive Option which fails to comply with Section 422 of the Code for any reason will result in the reclassification of the Option to a Nonstatutory Option which will be exercisable as such. The Compensation Committee will determine the methods and form of payment for the exercise price of an Option (including, in the discretion of the Compensation Committee, payment in Stock, other Awards or other property) and the methods and forms in which Stock will be delivered to a Participant.

*SARs.* SARs may be awarded in connection with or separate from an Option. An SAR is the right to receive an amount equal to the excess of the fair market value of one share of the Stock on the date of exercise or settlement over the grant price of the SAR as determined by the Compensation Committee. SARs awarded in connection with an Option will entitle the holder, upon exercise or settlement, to surrender the related Option or portion thereof relating to the number of shares for which the SAR is exercised or settled. The surrendered Option or portion thereof will then cease to be exercisable. Such SAR is exercisable or transferable only to the extent that the related Option is exercisable or transferable. SARs granted independently of an Option will be exercisable or settled as the Compensation Committee determines. The term of an SAR will be for a period determined by the Compensation Committee but will not exceed ten years. SARs may be paid in cash, stock or a combination of cash and stock, as the Compensation Committee provides in the Award agreement governing the SAR.

*Restricted Stock Awards.* A Restricted Stock Award is a grant of shares of Stock subject to a risk of forfeiture, restrictions on transferability, and any other restrictions imposed by the Compensation Committee in its discretion. Restrictions may lapse at such times and under such circumstances as determined by the Compensation Committee. Except as otherwise provided under the terms of the 2005 Plan or an Award agreement, the holder of a Restricted

Stock Award may have rights as a stockholder, including the right to vote the Stock subject to the Restricted Stock Award or to receive dividends on the Stock subject to the Restricted Stock Award (subject to any mandatory reinvestment or other requirements imposed by the Compensation Committee) during the restriction period. Unless otherwise waived by the Compensation Committee, a Restricted Stock Award which is subject to forfeiture restrictions will be forfeited and reacquired by the Company upon termination of employment. As a condition of a Restricted Stock Award grant, the Compensation Committee

**Table of Contents**

may require or permit a Participant to elect that any cash dividends paid on a share of Stock subject to a Restricted Stock Award be automatically reinvested in additional Restricted Stock Awards or applied to the purchase of additional Awards under the 2005 Plan, if such arrangements are in place. Unless otherwise determined by the Compensation Committee, Stock distributed in connection with a stock split or stock dividend, and other property distributed as a dividend, will be subject to restrictions and a risk of forfeiture to the same extent as the Restricted Stock Award with respect to which such Stock or other property has been distributed.

*Phantom Stock Rights.* Phantom Stock Rights are rights to receive Stock, cash, or a combination of both at the end of a specified period. The Compensation Committee may subject Phantom Stock Rights to restrictions (which may include a risk of forfeiture) to be specified in the Award agreement which may lapse at such times determined by the Compensation Committee. Phantom Stock Rights may be satisfied by delivery of Stock, cash equal to the fair market value of the specified number of shares of Stock covered by the Phantom Stock Rights, or any combination thereof determined by the Compensation Committee at the date of grant or thereafter. Except as otherwise provided by the Compensation Committee in the Award agreement or otherwise, Phantom Stock Rights subject to forfeiture restrictions may be forfeited upon termination of a Participant's employment prior to the end of the specified period. Dividend equivalents on the specified number of shares of Stock covered by Phantom Stock Rights will be either (i) paid with respect to such Phantom Stock Rights on the dividend payment date in cash or in shares of unrestricted Stock having a fair market value equal to the amount of such dividends, or (ii) automatically deemed reinvested in additional Phantom Stock Rights, other Awards, or other investment vehicles permitted by the Compensation Committee and elected by the Participant, unless otherwise determined by the Compensation Committee on the date of grant.

*Bonus Stock and Awards in Lieu of Company Obligations.* The Compensation Committee is authorized to grant Stock as a bonus, or to grant Stock or other Awards in lieu of obligations to pay cash or deliver other property under the 2005 Plan or under other plans or compensatory arrangements, subject to any applicable provision under Section 16 of the Exchange Act. The Compensation Committee will determine any terms and conditions applicable to grants of Stock or other Awards, including performance criteria associated with an Award. Any grant of Stock to an officer of the Company or a subsidiary in lieu of salary or other cash compensation will be reasonable, as determined by the Compensation Committee.

*Dividend Equivalent.* Dividend equivalents may be granted entitling a Participant to receive cash, Stock, other Awards, or other property equal in value to dividends paid with respect to a specified number of shares of Stock, or other periodic payments at the discretion of the Compensation Committee. Dividend equivalents may be awarded on a free-standing basis or in connection with another Award. The Compensation Committee may provide that dividend equivalents will be payable or distributed when accrued or that they will be deemed reinvested in additional Stock, Awards, or other investment vehicles. The Compensation Committee will specify any restrictions on transferability and risks of forfeiture that are imposed upon dividend equivalents.

*Other Stock-Based Awards.* Participants may be granted, subject to applicable legal limitations and the terms of the 2005 Plan and its purposes, other Awards related to Stock (in terms of being valued, denominated, paid or otherwise defined by reference to Stock). Such Awards may include, but are not limited to, convertible or exchangeable debt securities, other rights convertible or exchangeable into Stock, purchase rights for Stock, Awards with value and payment contingent upon performance of the Company or any other factors designated by the Compensation Committee, or the value of securities of or the performance of specified subsidiaries. The Compensation Committee will determine terms and conditions of all such Awards, including without limitation, method of delivery, consideration to be paid, the timing and methods of payment, and any performance criteria associated with an Award. Cash awards may be granted as an element of or a supplement to any Awards permitted under the 2005 Plan.

*Performance Awards.* The Compensation Committee may designate that certain Awards granted under the 2005 Plan constitute performance Awards or grant separate cash bonus Annual Incentive Awards as performance Awards. A performance Award is any Award the grant, exercise or settlement of which is subject to one or more performance standards. Additionally, performance Award also means an Annual Incentive Award granted to the chief executive officer or any other person designated by the Compensation Committee, at the time of grant of the performance Award, as likely to be one of the next four highest paid officers of the Company (a Covered Employee). One or more



of the following Business Criteria for the Company on a consolidated basis and/or for specified subsidiaries or business or geographical units of the Company (except with respect to the total shareholder return and earnings per share criteria) shall be used by the Compensation Committee: (i) earnings per share; (ii) increase in revenues; (iii) increase in cash flow; (iv) increase in cash flow return; (v) return on net assets, return on assets, return on investment, return on capital, or return on equity; (vi) economic value added; (vii) operating margin or contribution margin; (viii) net income; net income per share; pretax earnings; pretax earnings

**Table of Contents**

before interest, depreciation and amortization and exploration expense; pretax operating earnings after interest expense and before incentives, service fees, and extraordinary or special items; or operating income; (ix) total stockholder return; (x) debt reduction; (xi) finding and development costs; (xii) production growth; or production growth per share; (xiii) cash flow; or cash flow per share; (xiv) reserve replacement; (xv) reserves per share growth if the Second Amendment to the 2005 Plan is approved, and (xvi) any of the above goals determined on an absolute or relative basis or as compared to the performance of a published or special index deemed applicable by the Compensation Committee including, but not limited to, the Standard & Poor's 500 Stock Index or a group of comparable companies.

**Other Provisions**

*Tax Withholding.* At the discretion of the Compensation Committee and subject to conditions that the Compensation Committee may impose, a Participant's tax withholding with respect to an Award may be satisfied by withholding from any payment related to an Award or by the withholding of shares of Stock issuable pursuant to the Award based on the fair market value of the shares.

*Merger or Recapitalization.* If any change is made to the Company's capitalization, such as a stock split, stock combination, stock dividend, exchange of shares or other recapitalization, merger or otherwise, which results in an increase or decrease in the number of outstanding shares of Stock, appropriate adjustments will be made by the Compensation Committee in the shares subject to an Award under the 2005 Plan.

*Change in Control.* Upon a change in control (as such term is defined in the 2005 Plan) the Compensation Committee may, in its discretion, effect one or more of the following alternatives with respect to Options (which may vary both among different holders and different Options held by the same holder): (i) accelerate the exercisability of the Options to be exercised before a specified date, after which unexercised Options will terminate; (ii) require the mandatory surrender to and repurchase by the Company of all outstanding Options; (iii) provide that the number and class of shares of Stock covered by an Award theretofore granted be adjusted so that such Award will thereafter cover the number and class of shares of Stock or other securities or property (including, without limitation, cash) to which the holder would have been entitled pursuant to the terms of the transaction if the holder had held the shares of Stock subject to the Award; or (iv) make such adjustments to the Options deemed appropriate by the Compensation Committee (including no adjustment). The Compensation Committee will make such changes as it deems appropriate in the number and price of shares of Stock or other consideration subject to other Awards. Also, the Compensation Committee may, in its discretion, fully vest and cause all restrictions to lapse applicable to any Restricted Stock Award. Any such action may vary both among different Restricted Stock Award holders and different Restricted Stock Awards held by the same holder. The Company's change in control plans provide for the accelerated vesting of Awards upon a change in control.

*Amendment.* Without stockholder approval, the Board may at any time and from time to time with respect to any shares which, at the time, are not subject to Awards, suspend, discontinue, revise, or amend the 2005 Plan in any respect whatsoever, and may amend any provision of the 2005 Plan or any Award agreement to make the 2005 Plan or the Award agreement, or both, comply with Section 16(b) of the Exchange Act and the exemptions therefrom, the Code, ERISA, or any other law, rule or regulation that may affect the 2005 Plan. Such amendments are subject to stockholder approval to the extent such approval is required by any state or federal law and regulation or the rules of the NYSE. The Board may also amend, modify, suspend or terminate the 2005 Plan for the purpose of meeting or addressing any changes in other legal requirements applicable to the Company or the 2005 Plan or for any other purpose permitted by law. The 2005 Plan may not be amended without stockholder approval to increase the aggregate number of shares of Stock that may be issued under the 2005 Plan. Except as provided above, no amendment, modification, suspension or termination of the 2005 Plan may alter or impair Awards previously granted under the 2005 Plan without the consent of the affected Participant. Further, no Award may be altered or amended, and no exchange of Awards may be effected that, in either case, would constitute the repricing of Options for the purposes of the rules of the NYSE. The 2005 Plan also provides that no Options may be granted with reload features.

*Transferability of Awards.* In accordance with rules prescribed by the Compensation Committee, the Compensation Committee may permit a person to transfer in the form of a gift, Nonstatutory Options, SARs, Phantom Stock Rights, or Restricted Stock Awards (if such Restricted Stock Award does not require the transfer of consideration by the

Participant or the holder other than usual and customary service) (i) to a child (including a step or in-law relationship), grandchild, parent (including a step or in-law relationship), grandparent, spouse, former spouse, sibling (including an in-law), niece, or nephew, including adoptive relationships in any case, and any person sharing the household of a holder of such Award ( Immediate Family Members ), (ii) to a trust established for the exclusive benefit of one or more Immediate Family Members, (iii) to a

**Table of Contents**

partnership in which Immediate Family Members are the only partners or (iv) pursuant to a qualified domestic relations order. An SAR granted in tandem with a Nonstatutory Option will not be transferable other than in connection with the transfer of the Nonstatutory Option to which the SAR relates. Other than as described above, Awards will not be transferable other than by will or the laws of descent and distribution.

Following the transfer of any Award described above, such Awards will remain subject to the same terms and conditions as were applicable to such Awards immediately prior to transfer, provided that the transferee will be substituted for the transferor to the extent appropriate to enable the transferee to exercise the transferred Awards. When transferred Awards are exercised by a transferee, the Stock received as a result of the exercise may be subject to the one year holding period and other limitations on resale prescribed by Rule 144 promulgated under the Securities Act of 1933. In addition, Awards transferred by a Participant subject to the reporting requirements of Section 16(a) of the Exchange Act to Immediate Family Members in the same household as the transferor will continue to be reportable by the transferor as indirectly owned by the transferor.

Any holder of an Award desiring to transfer such Award to an Immediate Family Member must make an application for transfer and comply with such other requirements the Compensation Committee may require. To the extent regulations promulgated under the Exchange Act permit Awards to be transferred in circumstances other than as described above, the Compensation Committee may, but will not be obligated to, amend the 2005 Plan to permit transfers as permitted by such regulations.

**Federal Tax Consequences**

The following discussion is for general information only and is intended to summarize briefly the U.S. federal tax consequences to Participants arising from participation in the 2005 Plan. This description is based on current law, which is subject to change (possibly retroactively). The tax treatment of a Participant in the 2005 Plan may vary depending on his particular situation and may, therefore, be subject to special rules not discussed below. No attempt has been made to discuss any potential foreign, state, or local tax consequences.

*Nonstatutory Options; SARs; Incentive Options.* Participants will not realize taxable income upon the grant of a Nonstatutory Option or SAR. Upon the exercise of a Nonstatutory Option or SAR, a Participant will recognize ordinary compensation income (subject to withholding by the Company) in an amount equal to the excess of (i) the amount of cash and the fair market value of the Stock received, over (ii) the exercise price (if any) paid. A Participant will generally have a tax basis in any shares of Stock received pursuant to the exercise of SAR, or pursuant to the cash exercise of a Nonstatutory Option, that equals the fair market value of such shares on the date of exercise. Subject to the discussion under *Tax Code Limitations on Deductibility* below, the Company (or a subsidiary) will be entitled to a deduction for federal income tax purposes that corresponds as to timing and amount with the compensation income recognized by a Participant under the foregoing rules.

Participants eligible to receive an Incentive Option will not recognize taxable income on the grant of an Incentive Option. Upon the exercise of an Incentive Option, a Participant will not recognize taxable income, although the excess of the fair market value of the shares of Stock received upon exercise of the Incentive Option ( ISO Stock ) over the exercise price will increase the alternative minimum taxable income of the Participant, which may cause such Participant to incur alternative minimum tax. The payment of any alternative minimum tax attributable to the exercise of an Incentive Option would be allowed as a credit against the Participant's regular tax liability in a later year to the extent the Participant's regular tax liability is in excess of the alternative minimum tax for that year.

Upon the disposition of ISO Stock that has been held for the requisite holding period (at least two years from the date of grant and one year from the date of exercise of the Incentive Option), a Participant will recognize capital gain (or loss) equal to the excess (or shortfall) of the amount received in the disposition over the exercise price paid by the Participant for the ISO Stock. However, if a Participant disposes of ISO Stock that has not been held for the requisite holding period (a Disqualifying Disposition ), the Participant will recognize ordinary compensation income in the year of the Disqualifying Disposition in an amount equal to the amount by which the fair market value of the ISO Stock at the time of exercise of the Incentive Option (or, if less, the amount realized in the case of an arm's length disposition to an unrelated party) exceeds the exercise price paid by the Participant for such ISO Stock. A Participant would also recognize capital gain to the extent the amount realized in the Disqualifying Disposition exceeds the fair market value of the ISO Stock on the exercise date. If the exercise price paid for the ISO Stock exceeds the amount realized (in the

case of an arm's-length disposition to an unrelated party), such excess would ordinarily constitute a capital loss.

**Table of Contents**

The Company and its subsidiaries will not be entitled to any federal income tax deduction upon the grant or exercise of an Incentive Option, unless a Participant makes a Disqualifying Disposition of the ISO Stock. If a Participant makes a Disqualifying Disposition, the Company (or a subsidiary) will then, subject to the discussion below under *Tax Code Limitations on Deductibility*, be entitled to a tax deduction that corresponds as to timing and amount with the compensation income recognized by a Participant under the rules described in the preceding paragraph.

Under current rulings, if a Participant transfers previously held shares of Stock (other than ISO Stock that has not been held for the requisite holding period) in satisfaction of part or all of the exercise price of a Nonstatutory Option or Incentive Option, no additional gain will be recognized on the transfer of such previously held shares in satisfaction of the Nonstatutory Option or Incentive Option exercise price (although a Participant would still recognize ordinary compensation income upon exercise of a Nonstatutory Option in the manner described above). Moreover, that number of shares of Stock received upon exercise which equals the number of shares of previously held Stock surrendered in satisfaction of the Nonstatutory Option or Incentive Option exercise price will have a tax basis that equals, and a capital gains holding period that includes, the tax basis and capital gains holding period of the previously held shares of Stock surrendered in satisfaction of the Nonstatutory Option or Incentive Option exercise price. Any additional shares of Stock received upon exercise will have a tax basis that equals the amount of cash (if any) paid by the Participant, plus the amount of compensation income recognized by the Participant under the rules described above.

The 2005 Plan allows the Compensation Committee to permit the transfer of Awards in limited circumstances. *See Other Provisions Transferability of Awards.* For income and gift tax purposes, certain transfers of Nonstatutory Options and SARs generally should be treated as completed gifts, subject to gift taxation.

The Internal Revenue Service (the IRS) has not provided formal guidance on the income tax consequences of a transfer of Nonstatutory Options or SARs. However, the IRS informally has indicated that after a transfer of stock options, the transferor will recognize income, which will be subject to withholding, and FICA/FUTA taxes will be collectible at the time the transferee exercises the stock options.

In addition, if the Participant transfers a vested Nonstatutory Option to another person and retains no interest in or power over it, the transfer is treated as a completed gift. The amount of the transferor's gift (or generation-skipping transfer, if the gift is to a grandchild or later generation) equals the value of the Nonstatutory Option at the time of the gift. The value of the Nonstatutory Option may be affected by several factors, including the difference between the exercise price and the fair market value of the stock, the potential for future appreciation or depreciation of the stock, the time period of the Nonstatutory Option and the illiquidity of the Nonstatutory Option. The transferor will be subject to a federal gift tax, which will be limited by (i) the annual exclusion of \$11,000 per donee, (ii) the transferor's lifetime unified credit, or (iii) the marital or charitable deductions. The gifted Nonstatutory Option will not be included in the Participant's gross estate for purposes of the federal estate tax or the generation-skipping transfer tax.

This favorable tax treatment for vested Nonstatutory Options has not been extended to unvested Nonstatutory Options. Whether such consequences apply to unvested Nonstatutory Options is uncertain and the gift tax implications of such a transfer are a risk the transferor will bear upon such a disposition. The IRS has not specifically addressed the tax consequences of a transfer of SARs.

*Phantom Stock Rights; Restricted Stock Awards; Cash Awards.* A Participant will recognize ordinary compensation income upon receipt of cash pursuant to a cash award or, if earlier, at the time the cash is otherwise made available for the Participant to draw upon. A Participant will not have taxable income at the time of grant of a stock Award in the form of Phantom Stock Rights denominated in Stock, but rather, will generally recognize ordinary compensation income at the time he receives Stock in satisfaction of the Phantom Stock Rights in an amount equal to the fair market value of the Stock received. In general, a Participant will recognize ordinary compensation income as a result of the receipt of Stock pursuant to a Restricted Stock Award or bonus stock Award in an amount equal to the fair market value of the Stock when such stock is received; provided, however, that if the stock is not transferable and is subject to a substantial risk of forfeiture when received, a Participant will recognize ordinary compensation income in an amount equal to the fair market value of the Stock (i) when the Stock first becomes transferable or is no longer subject to a substantial risk of forfeiture in cases where a Participant does not make a valid election under Section 83(b) of the Code or (ii) when the Stock is received in cases where a Participant makes a valid election under Section

83(b) of the Code.

A Participant will be subject to withholding for federal, and generally for state and local, income taxes at the time he recognizes income under the rules described above with respect to Stock or cash received. Dividends that are received by a

**Table of Contents**

Participant prior to the time that the Stock is taxed to the Participant under the rules described in the preceding paragraph are taxed as additional compensation, not as dividend income. The tax basis in the Stock received by a Participant will equal the amount recognized by him as compensation income under the rules described in the preceding paragraph, and the Participant's capital gains holding period in those shares will commence on the later of the date the shares are received or the restrictions with respect to the shares lapse.

Subject to the discussion immediately below, the Company (or a subsidiary) will be entitled to a deduction for federal income tax purposes that corresponds as to timing and amount with the compensation income recognized by a Participant under the foregoing rules.

*Tax Code Limitations on Deductibility.* In order for the amounts described above to be deductible by the Company (or a subsidiary), such amounts must constitute reasonable compensation for services rendered or to be rendered and must be ordinary and necessary business expenses.

The ability of the Company (or a subsidiary) to obtain a deduction for future payments under the 2005 Plan could also be limited by the golden parachute payment rules of Section 280G of the Code, which prevent the deductibility of certain excess parachute payments made in connection with a change in control of an employer-corporation.

Finally, the ability of the Company (or a subsidiary) to obtain a deduction for amounts paid under the 2005 Plan could be limited by Section 162(m) of the Code, which limits the deductibility, for federal income tax purposes, of compensation paid to certain executive officers of a publicly traded corporation to \$1,000,000 with respect to any such officer during any taxable year of the corporation. However, an exception applies to this limitation in the case of certain performance-based compensation. In order to exempt performance-based compensation from the \$1,000,000 deductibility limitation, the grant or vesting of the Award relating to the compensation must be based on the satisfaction of one or more performance goals as selected by the Compensation Committee. Performance-based Awards intended to comply with Section 162(m) of the Code may not be granted in a given period if such performance-based Awards will result in compensation, for a Participant, in a given period which exceeds a specified limitation. A Participant who receives an Award or Awards intended to satisfy the performance-based exception to the \$1,000,000 deductibility limitation may not receive performance-based Awards, the value of which are not based on the value of shares of Stock, equal to more than \$2,500,000 in any fiscal year of the Company. Although the 2005 Plan has been drafted to satisfy the requirements for the performance-based compensation exception, the Company may determine that it is in its best interests not to satisfy the requirements for the exception. The 2005 Plan as approved does not provide for the grant of Stock-based Awards to Covered Employees that constitute performance-based compensation for purposes of Section 162(m) of the Code except as to the 750,000 shares specifically approved by the stockholders in 2005 for such purpose. The additional 950,000 shares proposed to be authorized under this Proposal 3 would also be added to such remaining amount of shares that could be awarded to Covered Employees that would constitute performance-based compensation for purposes of Section 162(m) of the Code. *See Awards Performance Awards.*

**Benefits Under the 2005 Plan**

The Awards, if any, that will be granted to eligible persons under the 2005 Plan are subject to the discretion of the Compensation Committee and, therefore, are not determinable at this time.

**Required Vote and Recommendation**

**The affirmative vote of a majority of the shares of the Company's common stock represented at the meeting in person or by proxy and entitled to vote on the proposal at the meeting is required to approve the Third Amendment to the 2005 Plan. If the Third Amendment to the 2005 Plan is not approved by the stockholders at the Annual Meeting, the number of shares authorized under the 2005 Plan will remain the same and no increase in the number will be provided. See Votes Required and Broker Non-Votes and Abstentions for further details on voting procedures.**

**The Board recommends that you vote FOR the approval of the adoption of the Third Amendment to the Range Resources Corporation 2005 Equity-Based Compensation Plan.**



**Table of Contents**

**PROPOSAL 4 RATIFICATION OF THE APPOINTMENT OF  
THE INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Audit Committee of the Board has appointed Ernst & Young LLP as the independent registered public accounting firm to audit the Company's consolidated financial statements as of and for the fiscal year ending December 31, 2006 and the Company's internal controls over financial reporting. During fiscal years 2005 and 2004, Ernst & Young LLP served as the Company's independent registered public accounting firm and also provided certain tax and other audit-related services.

**Required Vote and Recommendation**

**The affirmative vote of a majority of the shares of the Company's common stock represented at the meeting in person or by proxy and entitled to vote on the proposal at the meeting is required for the ratification of the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for fiscal 2006. If the appointment is not ratified, the Audit Committee will consider whether it should select another independent registered public accounting firm.**

**The Board recommends a vote FOR the ratification of the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for the 2006 fiscal year.**

**GOVERNANCE OF THE COMPANY**

Range is committed to having sound corporate governance principles. Having and using such principles is essential to running Range's business efficiently and to maintaining Range's integrity in the marketplace. Range's Corporate Governance Guidelines and Code of Business Conduct and Ethics are available under the Corporate Governance section of Range's website at <http://www.rangeresources.com>, and are available in print upon request by any stockholder.

**Code of Business Conduct and Ethics**

The Company has developed a Code of Business Conduct and Ethics, which is applicable to all directors, employees and consultants of the Company, including the principal executive officers and the principal financial officer. The Company intends to post amendments to and waivers, if any, from its code of ethics (to the extent applicable to the Company's chief executive officers and directors) on its website at <http://www.rangeresources.com> under the section titled "Corporate Governance." In February 2005, the Company posted its latest amendment to its Code of Ethics which conformed the Company's ethics program to the provisions for effective compliance and ethics programs under the Federal Sentencing Guidelines. The Code of Business Conduct and Ethics has been reviewed by the Board and the Governance and Nominating Committee in 2006 and no changes were made. All directors sign a statement each year acknowledging that they have reviewed and are in compliance with the Code of Business Conduct and Ethics.

**Board Independence**

The Board has determined that, except for Mr. John Pinkerton, the Company's President and CEO, and Mr. Jeffrey L. Ventura, the Company's Executive Vice President and Chief Operating Officer, none of the current directors standing for re-election, Messrs. Charles L. Blackburn, Anthony V. Dub, V. Richard Eales, Allen Finkelson, Jonathan S. Linker and Kevin S. McCarthy, have a material relationship with the Company (either directly or as a partner, stockholder or officer of an organization that has a relationship with the Company) and each is independent within the meaning of the Company's director independence standards, which reflect the New York Stock Exchange independence standards, as currently in effect. Furthermore, the Board has determined that each of the current members of each of the committees, except Messrs. Pinkerton and Ventura, both officers of the Company, has no material relationship with the Company (either directly or as a partner, stockholder or officer of an organization that has a relationship with the Company) and are independent within the meaning of the Company's director independence standards. The Company has made no contributions to any charitable organization in which a director serves as an officer or director.

**Table of Contents****Board Structure and Committee Composition**

As of the date of this proxy statement, the Board has eight directors and the following four committees: (1) Audit, (2) Compensation, (3) Dividend, and (4) Governance and Nominating. The Executive Committee was not reconstituted at the annual meeting of the Board in May 2005. The membership during the last fiscal year and the function of each of the committees are described below. Each of the committees operates under a written charter adopted and approved by the Board. All of the committee charters are available under the Corporate Governance section of the Company's website at <http://www.rangeresources.com>. During 2005, the Board held seven meetings and acted two times by unanimous written consents. The independent directors met four times during 2005 without the employee directors. Each director attended at least 75% of the seven Board meetings except for Messrs. Dub, Finkelson and Linker who each missed two meetings. Messrs. Dub and Finkelson each missed one regularly scheduled quarterly meeting and one special telephone meeting. Mr. Linker missed two special telephone meetings. Special meetings of the Board can be called upon 24 hours notice under the Company's Bylaws. Each director attended at least 75% of all Committee meetings. Directors are encouraged to attend annual meetings of Range stockholders. All directors attended the last annual meeting of stockholders except one director. In November, 2005, Mr. Robert Aikman, a director of the Company since 1990 and Chair of the Compensation Committee, was killed in an automobile accident where he was a passenger. Mr. McCarthy was appointed to the Compensation Committee to fill Mr. Aikman's vacancy on December 22, 2005 but the Committee has functioned without a Chair since Mr. Aikman's death. It is expected that a new Chair will be appointed in May 2006 at the Board's annual meeting when new committee assignments are approved.

| Name of Director        | Audit  | Compensation | Dividend | Governance and Nominating |
|-------------------------|--------|--------------|----------|---------------------------|
| Non-Employee Directors: |        |              |          |                           |
| Charles L. Blackburn    |        | Member       | Chair    |                           |
| Anthony V. Dub          | Chair  |              |          |                           |
| V. Richard Eales        | Member |              |          |                           |
| Allen Finkelson         |        | Member       |          | Member                    |
| Jonathan S. Linker      | Member |              |          | Chair                     |
| Kevin S. McCarthy       |        | Member       |          | Member                    |

## Employee Directors:

|                    |  |  |        |  |
|--------------------|--|--|--------|--|
| John H. Pinkerton  |  |  | Member |  |
| Jeffrey L. Ventura |  |  |        |  |

|                                      |   |   |   |   |
|--------------------------------------|---|---|---|---|
| Number of meetings in 2005           | 5 | 9 | 0 | 2 |
| Number of Unanimous Written Consents | 0 | 7 | 4 | 1 |

No director of Range sits on another public company's board of directors outside of their normal business activities. Currently, only two directors serve on other boards. Mr. Linker serves on the boards of two small private companies as part of his consulting services. Mr. McCarthy serves as chairman on the board of the two companies that he serves as President and CEO plus one other private company in which his firm owns an interest. The Governance and Nominating Committee reviews any requests from directors to serve on other public boards of directors to determine that any time commitments would not interfere with the Range's Board activities. During 2005, one director completed an accredited director education program.

**Audit Committee**

Range has a separately-designated standing Audit Committee established in accordance with Section 10A-3(b) of the Securities Exchange Act of 1934, as amended. The Audit Committee assists the Board in fulfilling its responsibilities for general oversight of the integrity of Range's financial statements, Range's compliance with legal

and regulatory requirements, the independent auditors' qualifications and independence, the performance of the internal audit function, risk assessment and risk management, and serves as the primary point of interaction with Range's independent registered public accounting firm. Among other things, the Audit Committee prepares the Audit Committee report for inclusion in the annual proxy statement; annually reviews the Audit Committee charter and the committee's performance; appoints, evaluates and determines the compensation of the Company's independent registered public accounting firm; reviews and approves the scope of the annual audit, the audit fee and the financial statements; reviews the Company's disclosure controls and procedures, internal audit function, and corporate policies with respect to financial information and earnings guidance; oversees any investigations into complaints concerning

**Table of Contents**

financial matters; and reviews other risks that may have a significant impact on the Company's financial statements. The Audit Committee works closely with management as well as the Company's independent registered public accounting firm. The Audit Committee has the authority to obtain advice and assistance from, and receive appropriate funding for, outside legal, accounting or other advisors as the Audit Committee deems necessary to carry out its duties.

All of the members of the Audit Committee are independent within the meaning of SEC regulations, the listing standards of the New York Stock Exchange and the Company's Corporate Governance Guidelines. The Board has determined that each member of the committee has accounting and related financial management expertise within the meaning of the listing standards of the New York Stock Exchange. The Board has determined and designated Mr. V. Richard Eales as the audit committee financial expert as described in item 401(h) of Regulation S-K. No member of the Company's Audit Committee serves on the audit committee of any other public company. The report of the Audit Committee is included herein. The Audit Committee charter is available under Corporate Governance/Committees and Charters at the Company's website at <http://www.rangeresources.com> and is available in print upon request by any stockholder.

**Compensation Committee**

The Compensation Committee discharges the Board's responsibilities relating to compensation of the Company's executives and directors; produces an annual report on executive compensation for inclusion in the Company's proxy statement; provides general oversight of the Company's compensation structure, including the Company's equity compensation plans and benefits programs; reviews and provides guidance on the Company's human resource programs; and retains and approves the terms of the retention of any compensation consultants and other compensation experts. Other specific duties and responsibilities of the Compensation Committee include: evaluating human resources and compensation strategies and overseeing the Company's total incentive compensation program; reviewing and approving objectives relevant to executive officer compensation and evaluating performance and determining the compensation of executive officers in accordance with those objectives; approving and amending the Company's incentive compensation and stock option programs (subject to stockholder approval, if required); recommending director compensation to the Board; monitoring director and executive stock ownership; and annually evaluating its performance and its charter.

All of the members of the Compensation Committee are independent within the meaning of the listing standards of the New York Stock Exchange and the Company's Corporate Governance Guidelines.

The report of the Compensation Committee is included in the proxy. The Compensation Committee charter is available under Corporate Governance/Committees and Charters at the Company's website at <http://www.rangeresources.com> and is available in print upon request by any stockholder.

**Dividend Committee**

The Dividend Committee is directed to declare and set the record and payment dates of dividends in accordance with Board directives. The Dividend Committee charter is available under Corporate Governance/Committees and Charters at the Company's website at <http://www.rangeresources.com> and is available in print upon request by any stockholder.

**Governance and Nominating Committee**

The Governance and Nominating Committee identifies individuals qualified to become Board members, consistent with criteria approved by the Board; oversees the organization of the Board to discharge the Board's duties and responsibilities properly and efficiently; and identifies best practices and recommends corporate governance principles to the Board, including giving proper attention and making effective responses to stockholder concerns regarding corporate governance. Other specific duties and responsibilities of the Governance and Nominating Committee include: annually assessing the size and composition of the Board; developing membership qualifications for Board committees; defining specific criteria for director independence; monitoring compliance with Board and Board committee membership criteria; annually reviewing and recommending directors for continued service; reviewing governance-related stockholder proposals and recommending Board responses; and overseeing the evaluation of the Board and management.

All of the members of the Committee are independent within the meaning of the listing standards of the New York Stock Exchange and the Company's Corporate Governance Guidelines.

## **Table of Contents**

The Governance and Nominating Committee charter is available under Corporate Governance/Committees and Charters at the Company's website at <http://www.rangeresources.com> and are available in print upon request by any stockholder.

### **Consideration of Director Nominees**

The policy of the Governance and Nominating Committee is to consider properly submitted stockholder nominations for candidates for Board membership as described below under Identifying and Evaluating Nominees for Directors. In evaluating such nominations, the Governance and Nominating Committee seeks to achieve a balance of knowledge, experience and capability on the Board and to address the membership criteria set forth under Director Qualifications. Any stockholder nominations proposed for consideration by the Governance and Nominating Committee should include the nominee's name and qualifications for Board membership and should be addressed to: Corporate Secretary, Range Resources Corporation, 777 Main Street, Suite 800, Fort Worth, Texas 76102.

### **Director Qualifications**

Range's Corporate Governance Guidelines contain Board membership criteria that apply to Governance and Nominating Committee-recommended nominees for a position on Range's Board. Under these criteria, members of the Board should have high professional and personal ethics and values. They should have broad experience in management, policy-making and/or finance. They should be committed to enhancing stockholder value and should have sufficient time to carry out their duties and to provide insight and practical wisdom based on experience. Their service on other boards of public companies should be limited to a number that permits them, given their individual circumstances, to perform responsibly all director duties. Each director must represent the interests of all stockholders. The Board prefers to have a sufficient number of directors who have specific experience within the oil and gas industry.

### **Identifying and Evaluating Nominees for Directors**

The Governance and Nominating Committee utilizes a variety of avenues to identify and evaluate nominees for director. The Governance and Nominating Committee regularly assesses the appropriate size of the Board and whether any vacancies on the Board are expected due to retirement or otherwise. In the event that vacancies are anticipated, or otherwise arise, the Governance and Nominating Committee considers various potential candidates for director. Candidates may come to the attention of the Governance and Nominating Committee through current Board members, stockholders or other persons. These candidates are evaluated at regular or special meetings of the Governance and Nominating Committee, and may be considered at any point during the year. As described above, the Governance and Nominating Committee considers properly submitted stockholder nominations for candidates for the Board. Following verification of the stockholder status of persons proposing candidates, recommendations are aggregated and considered by the Governance and Nominating Committee at a regularly scheduled meeting, which is generally the first or second meeting prior to the issuance of the proxy statement for Range's annual meeting. If any materials are provided by a stockholder in connection with the nomination of a director candidate, such materials are forwarded to the Governance and Nominating Committee. The Governance and Nominating Committee also reviews materials provided by other parties in connection with a nominee who is not proposed by a stockholder. In evaluating such nominations, the Governance and Nominating Committee seeks to achieve a balance of knowledge, experience and capability on the Board. The Governance and Nominating Committee does not expect to use a paid third party in identifying potential directors.

### **Executive Sessions**

Executive sessions of non-management directors are generally held at each regularly scheduled quarterly meeting. The sessions are scheduled and chaired by Mr. Blackburn, the non-executive Chairman of the Board. Any non-management director can request that an executive session be scheduled. During 2005, four executive sessions were held of non-management directors.

### **Communications with the Board**

Interested parties may communicate with the non-executive Chairman of the Board by submitting correspondence to the Corporate Secretary at Range Resources Corporation, 777 Main Street, Suite 800, Fort Worth, Texas 76102, Attention: Chairman of the Board. Any confidential matters may be submitted in a separately enclosed envelope marked confidential.



**Table of Contents**

Similarly, any correspondence to Board members can be submitted as noted and such correspondence will be forwarded to the individual Board members as designated.

**DIRECTOR COMPENSATION**

Director compensation is set by the Compensation Committee after working with its independent compensation consultants and a review of peer companies. Compensation for directors generally is approved by the Compensation Committee just prior to the Board meeting following the election of directors at the Annual Meeting of Stockholders. Compensation arrangements for directors are effective with each election to the Board at the annual meeting. Stock options or SARs are granted under the stockholder approved plan, the 2004 Non-Employee Director Stock Option Plan, which specifies that 12,000 options/SARs are granted to each director upon their election to the Board. In the past several years, the Compensation Committee has also authorized the payment of restricted common stock to the directors as a long-term award for a portion of their overall director compensation.

The following table reflects the compensation arrangements for the last two fiscal years. Director compensation will be reviewed by the Compensation Committee just prior to the Annual Meeting and establish the compensation arrangements for the 2006 - 2007 director terms.

|   | <b>Rates in Effect</b> |                    |
|---|------------------------|--------------------|
|   | <b>2004 - 2005</b>     | <b>2005 - 2006</b> |
| <b>Non-Employee Form of Compensation</b>          | <b>Term</b>            | <b>Term</b>        |
| Non-Executive Chairman annual retainer            | \$ 100,000             | \$ 135,000         |
| Non-Employee directors annual retainer            | \$ 25,000              | \$ 35,000          |
| Board or Committee fee for each meeting           | \$ 1,000               | \$ 1,000           |
| Annual stock options each (post split)            | 12,000                 | 12,000             |
| Annual restricted common shares each (post split) | 6,000                  | 3,750              |
| Common Stock Price on date of grant               | \$ 7.53                | \$ 14.47           |

The following table provides summary information the compensation paid to each director during 2005 based upon the rates of compensation for the respective fiscal years shown in the table above. Messrs. Pinkerton and Ventura as employee directors did not receive any separate compensation for their Board participation.

**Summary Compensation of Non-Employee Directors for 2005**

| <b>Director</b>      | <b>Cash Compensation</b> |                     | <b>Stock Options Awards</b> | <b>Restricted Stock Awards</b> |
|----------------------|--------------------------|---------------------|-----------------------------|--------------------------------|
|                      | <b>Annual Retainer</b>   | <b>Meeting Fees</b> |                             |                                |
|                      | (\$)                     | (\$)                | (#)                         | (#)                            |
| Robert E. Aikman     | \$ 24,896                | \$ 15,000           | 12,000                      | 3,750                          |
| Charles L. Blackburn | 117,500                  | 16,000              | 12,000                      | 3,750                          |
| Anthony V. Dub       | 30,000                   | 9,000               | 12,000                      | 3,750                          |
| V. Richard Eales     | 30,000                   | 13,000              | 12,000                      | 3,750                          |
| Allen Finkelson      | 30,000                   | 16,000              | 12,000                      | 3,750                          |
| Jonathan S. Linker   | 30,000                   | 13,000              | 12,000                      | 3,750                          |
| Kevin S. McCarthy    | 17,500                   | 6,000               | 12,000                      | 3,750                          |
|                      | \$ 279,896               | \$ 88,000           | 84,000                      | 26,250                         |



**Table of Contents****EXECUTIVE OFFICERS**

Information regarding the executive officers of the Company as of March 31, 2006 is summarized below:

| <b>Name</b>        | <b>Age</b> | <b>Officer Since</b> | <b>Position</b>   |
|--------------------|------------|----------------------|---|
| John H. Pinkerton  | 52         | 1990                 | President and Chief Executive Officer                         |
| Jeffrey L. Ventura | 48         | 2003                 | Executive Vice President    Chief Operating Officer           |
| Steven L. Grose    | 57         | 2005                 | Senior Vice President    Appalachia                           |
| Roger S. Manny     | 48         | 2003                 | Senior Vice President and Chief Financial Officer             |
| Chad L. Stephens   | 51         | 1990                 | Senior Vice President    Corporate Development                |
| Rodney L. Waller   | 56         | 1999                 | Senior Vice President, Chief Compliance Officer and Secretary |
| Mark D. Whitley    | 56         | 2005                 | Senior Vice President    Permian and Engineering Technology   |

Officers are appointed annually to hold their respective offices by the Board of Directors at the Board meeting held in conjunction with the Annual Meeting of Stockholders in May of each year. For Mr. Pinkerton's and Mr. Ventura's biographical information, see Election of Directors - Information Concerning Nominees above.

*Steven L. Grose*, Senior Vice President    Appalachia, joined Range in 1980. Previously, Mr. Grose was employed by Halliburton Services, Inc. from 1971 until 1978. Upon the formation of Great Lakes Energy Partners L.L.C. in 1999, Mr. Grose was placed in charge of all operations of the joint venture. Mr. Grose is a member of the Society of Petroleum Engineers and is a past president of The Ohio Oil and Gas Association. Mr. Grose received his Bachelor of Science degree in Petroleum Engineering from Marietta College.

*Roger S. Manny*, Senior Vice President and Chief Financial Officer, joined Range in 2003. Previously, Mr. Manny served as Executive Vice President and Chief Financial Officer of Matador Petroleum Corporation from 1998 until joining Range. Prior to 1998, Mr. Manny spent 18 years at Bank of America and its predecessors where he served as Senior Vice President in the energy group. Mr. Manny holds a Bachelor of Business Administration degree from the University of Houston and a Masters of Business Administration from Houston Baptist University.

*Chad L. Stephens*, Senior Vice President    Corporate Development, joined Range in 1990. Prior to 2002, Mr. Stephens held the position of Senior Vice President    Southwest. Previously, Mr. Stephens was with Duer Wagner & Co., an independent oil and gas producer for approximately two years. Prior to that, Mr. Stephens was an independent oil operator in Midland, Texas for four years. From 1979 to 1984, Mr. Stephens was with Cities Service Company and HNG Oil Company. Mr. Stephens received a Bachelor of Arts in Finance and Land Management from the University of Texas.

*Rodney L. Waller*, Senior Vice President, Chief Compliance Officer and Corporate Secretary, joined Range in 1999. Since joining Range, Mr. Waller has held the position of Senior Vice President and Corporate Secretary. In 2005, Mr. Waller was designated by the Board as the Chief Compliance Officer. Previously, Mr. Waller was Senior Vice President of Snyder Oil Corporation, now part of Devon Energy Corporation. Before joining Snyder, Mr. Waller was with Arthur Andersen. Mr. Waller is a certified public accountant and petroleum land man. Mr. Waller served as a director of Range from 1988 to 1994. Mr. Waller received a Bachelor of Arts degree in Accounting from Harding University.

*Mark D. Whitley*, Senior Vice President    Permian Business Unit and Engineering Technology, joined Range in December 2005. Previously, he served as Vice President    Operations with Quicksilver Resources for two years. Prior to that, he served as Production/Operations Manager for Devon Energy, following the Devon/Mitchell merger. From 1982 to 2002, Mr. Whitley held a variety of technical and managerial roles with Mitchell Energy. Notably, he led the team of engineers at Mitchell Energy who applied new stimulation techniques to unlock the shale gas potential in the Fort Worth Basin. Previous positions included serving as a production and reservoir engineer with Shell Oil. He holds

a Bachelor's degree in Chemical Engineering from Worcester Polytechnic Institute and a Master's degree in Chemical Engineering from the University of Kentucky.

**Table of Contents****EXECUTIVE COMPENSATION**

The following table summarizes the total compensation awarded to, earned or paid by the Company to the Chief Executive Officer of the Company and the four most highly compensated executive officers who were serving as executive officers at the end of the Company's last completed fiscal year for services rendered in all capacities during the years ended December 31, 2005, 2004 and 2003. In this Proxy Statement, these individuals are referred to as

Named Executive Officers. All share amounts and corresponding common stock prices have been adjusted for the 3 for 2 stock split effected on December 2, 2005.

**Summary Compensation Table**

| Name and Principal Position                           | Year | Annual Compensation<br>(a) |             | Long Term Compensation                            |                                 |  |                                |
|---|------|----------------------------|-------------|---|---------------------------------|--|--------------------------------|
|   |      | Salary (\$)                | Bonus (\$)  | Restricted Stock Awarded As Part of Bonus (\$)(b) | Restricted Stock Awards (\$)(c) | Securities Underlying Options/SARs (#) | All Other Compensation (\$)(d) |
| John H. Pinkerton<br>President & CEO                  | 2005 | 450,385                    | 432,000 (g) | 144,000   | 158,046 (h)                     | 281,250                                | 61,391                         |
|   | 2004 | 386,827                    | 337,500 (i) | 112,500   | 106,220 (j)                     | 270,000                                | 56,092                         |
|   | 2003 | 358,462                    | 300,000 (k) | 100,000   | 106,200 (l)                     | 262,500                                | 54,286                         |
| Jeffrey L. Ventura (e)<br>EVP & COO                   | 2005 | 325,385                    | 270,000 (g) | 90,000  | 105,932 (h)                     | 144,000                                | 46,252                         |
|   | 2004 | 239,231                    | 180,000 (i) | 60,000  | 71,190 (j)                      | 141,000                                | 42,899                         |
|   | 2003 | 108,462                    | 90,000 (k)  | 30,000  | 200,800 (l)(m)                  | 150,000                                | 19,080                         |
| Roger S. Manny (f)<br>SVP & CFO                       | 2005 | 233,269                    | 150,000 (g) | 50,000  | 53,800 (h)                      | 83,250                                 | 36,937                         |
|   | 2004 | 184,231                    | 112,500 (i) | 37,500  | 36,160 (j)                      | 81,000                                 | 34,969                         |
|   | 2003 | 43,615                     | 22,500 (k)  | 7,500   | 70,000 (l)(n)                   | 90,000                                 | 4,362                          |
| Rodney L. Waller<br>SVP & Chief<br>Compliance Officer | 2005 | 214,039                    | 180,000 (g) |   | 53,800 (h)                      | 81,000                                 | 35,033                         |
|   | 2004 | 182,554                    | 131,250 (i) | 18,750  | 36,160 (j)                      | 78,300                                 | 34,259                         |
|   | 2003 | 176,664                    | 93,750 (k)  | 31,250  | 35,400 (l)                      | 76,050                                 | 44,299                         |
| Chad L. Stephens<br>SVP Corporate<br>Development      | 2005 | 207,885                    | 135,000 (g) | 45,000  | 53,800 (h)                      | 78,750                                 | 33,923                         |
|   | 2004 | 174,308                    | 105,000 (i) | 35,000  | 36,160 (j)                      | 76,650                                 | 32,816                         |
|   | 2003 | 169,731                    | 75,000 (k)  | 25,000  | 35,400 (l)                      | 74,400                                 | 40,184                         |

(a) The Company does not provide perquisites to Named Executive Officers which rise to the aggregate value of the lesser of \$50,000 or 10% of total annual salary and

bonus. The Company does provide downtown business club memberships for executives business use. The Company does not provide automobile, aircraft, tax gross ups for benefits or financial planning for the personal use of executives.

- (b) Each year 25% of Officer bonuses are placed in the individual s deferred compensation account and are subject to delayed vesting until the beginning of the next calendar year after the grant. Each Officer is given the option on the 25% deferred portion of the bonus to be paid either in cash or common stock. The cash portion of the bonus is shown in the Bonus column of this Table and the common stock portion, if elected, is shown in the

Stock Issued as part of Bonus column under the Long-Term Compensation caption.

- (c) As of December 31, 2005, the Named Executives had the following unvested restricted stock awards with the following aggregate values based upon the closing price as reported on the NYSE of \$26.34 per share. Included in such amounts are 16,992 restricted shares associated with the Named Executive s 2004

**Table of Contents**

bonuses which vested on January 2, 2006. See note (h). Such amounts do not reflect the 13,106 restricted shares awarded in February 2006 to Named Executives in connection with their 2005 performances. See note (f). Dividends are paid on the restricted stock granted to the Named Executive Officers.

|                    | Unvested<br>Restricted<br>Shares | Unvested<br>Aggregate<br>Value |
|--------------------|----------------------------------|--------------------------------|
| John H. Pinkerton  | 38,547                           | \$1,015,339                    |
| Jeffrey L. Ventura | 34,872                           | 918,540                        |
| Roger S. Manny     | 15,454                           | 407,053                        |
| Rodney L. Waller   | 12,297                           | 323,895                        |
| Chad L. Stephens   | 13,299                           | 350,301                        |

(d) All other Compensation column represents the Company's cash match of voluntary deferrals to the 401(k) plan, profit sharing contribution to the 401(k) plan in the form of common stock and the Company's

match up to 10% of salary in common stock of voluntary contributions to the deferred compensation plan. All contributions in the form of common stock were valued at 100% of the common stock's closing price as reported by the NYSE on the date of the contributions. Such amounts for 2005 are as follows:

|                    | Deferred<br>Compensation<br>Plan Match | 401(k)<br>Match | 401(k)<br>Profit<br>Sharing | Total    |
|--------------------|--|-----------------|-----------------------------|----------|
| John H. Pinkerton  | \$45,038                               | \$7,000         | \$9,353                     | \$61,391 |
| Jeffrey L. Ventura | 32,538                                 | 4,361           | 9,353                       | 46,252   |
| Roger S. Manny     | 23,328                                 | 4,258           | 9,353                       | 36,937   |
| Rodney L. Waller   | 21,404                                 | 4,276           | 9,353                       | 35,033   |
| Chad L. Stephens   | 20,788                                 | 3,900           | 9,235                       | 33,923   |

- (e) Mr. Ventura joined the Company in July 2003.
- (f) Mr. Manny joined the Company in October 2003.
- (g) Officer bonuses for 2005 were paid 75% in cash and 25% placed in each officer's deferred compensation account either in restricted

common stock or cash at each officer's election. The 25% deferred portion of the bonus will vest January 2, 2007. If elected by the officer, restricted stock was valued at \$25.10 per share, 100% of the common stock's closing price as reported by the NYSE at the time the bonuses were approved by the Compensation Committee. The following table sets forth the total amount of cash and stock paid to each Named Executive Officer as a bonus for 2005 performance.

|                    | Paid in Cash | Paid in Stock | Number of Shares |
|--------------------|--------------|---------------|------------------|
| John H. Pinkerton  | \$432,000    | \$144,000     | 5,737            |
| Jeffrey L. Ventura | 270,000      | 90,000        | 3,585            |
| Roger S. Manny     | 150,000      | 50,000        | 1,992            |
| Rodney L. Waller   | 180,000      |               |                  |
| Chad L. Stephens   | 135,000      | 45,000        | 1,792            |

(h) The Compensation Committee awarded restricted stock grants to officers on July 1, 2005. Such shares were



valued at \$17.9333 per share, 100% of the common stock's closing price as reported by the NYSE on the date of the grant. Such restricted shares were placed in each officer's deferred compensation account subject to vesting over a three-year period at 30% on the first anniversary of the date of grant, 30% on the second anniversary of the date of grant and 40% on the third anniversary of the date of grant. The

**Table of Contents**

following  
restricted stock  
awards were  
granted to the  
Named  
Executive  
Officers in 2005  
John H.  
Pinkerton, 8,813  
shares; Jeffrey  
L. Ventura,  
5,907 shares;  
Roger S.  
Manny, 3,000  
shares; Rodney  
L. Waller, 3,000  
shares and Chad  
L. Stephens,  
3,000 shares.

- (i) Officer bonuses for 2004 were paid 75% in cash and 25% placed in each officer's deferred compensation account either in restricted common stock or cash at each officer's election. The 25% deferred portion of the bonus vested January 2, 2006. If elected by the officer, restricted stock was valued at \$15.52 per share, 100% of the common stock's closing price as reported by the NYSE at the time the bonuses were

approved by the Compensation Committee. The following table sets forth the total amount of cash and stock paid to each Named Executive Officer as a bonus for 2004 performance.

|                    | Paid in Cash | Paid in Stock | Number of Shares |
|--------------------|--------------|---------------|------------------|
| John H. Pinkerton  | \$337,500    | \$112,500     | 7,248            |
| Jeffrey L. Ventura | 180,000      | 60,000        | 3,866            |
| Roger S. Manny     | 112,500      | 37,500        | 2,415            |
| Rodney L. Waller   | 131,250      | 18,750        | 1,208            |
| Chad L. Stephens   | 105,000      | 35,000        | 2,255            |

(j) The Compensation Committee awarded restricted stock grants to officers on May 19, 2004. Such shares were valued at \$7.533 per share, 100% of the common stock's closing price as reported by the NYSE on the date of the grant. Such restricted shares were placed in each officer's deferred compensation account subject to vesting over a three-year period at 30% on the first anniversary of the date of

grant, 30% on the second anniversary of the date of grant and 40% on the third anniversary of the date of grant. The following restricted stock awards were granted to the Named Executive Officers in 2004

John H. Pinkerton, 14,100 shares; Jeffrey L. Ventura, 9,450 shares; Roger S. Manny, 4,800 shares; Rodney L. Waller, 4,800 shares and Chad L. Stephens, 4,800 shares.

- (k) Officer bonuses for 2003 were paid 75% in cash and 25% placed in each officer's deferred compensation account either in restricted common stock or cash at each officer's election. The 25% deferred portion of the bonus was subject to delayed vesting until January 2, 2005. If elected by the officer, restricted stock

was valued at \$6.9866 per share, 100% of the common stock's closing price as reported by the NYSE at the time the bonuses were approved by the Compensation Committee. The following table sets forth the total amount of cash and stock paid to each Named Executive Officer as a bonus for 2003 performance.

|                    | Paid in Cash | Paid in Stock | Number of Shares |
|--------------------|--------------|---------------|------------------|
| John H. Pinkerton  | \$ 300,000   | \$ 100,000    | 14,312           |
| Jeffrey L. Ventura | 90,000       | 30,000        | 4,293            |
| Roger S. Manny     | 22,500       | 7,500         | 1,073            |
| Rodney L. Waller   | 93,750       | 31,250        | 4,472            |
| Chad L. Stephens   | 75,000       | 25,000        | 3,578            |

- (1) The Compensation Committee awarded restricted stock grants to officers on September 24, 2003. Such shares were valued at \$4.72 per share, 100% of the common stock's closing price as reported by the NYSE on the date of the grant. Such restricted shares were placed in

each officer's deferred compensation account subject to vesting over a three-year period at 30% on the first anniversary of the date of grant, 30% on the second anniversary of the date of grant and 40% on the third anniversary of the date of grant. The following restricted stock awards were granted to the Named Executives: John H. Pinkerton, 22,500 shares; Jeffrey L. Ventura, 15,000 shares; Rodney L. Waller, 7,500 shares and Chad L. Stephens, 7,500 shares.

- (m) Mr. Ventura was awarded 30,000 restricted common shares upon his employment in July 2003. Such shares were placed in his deferred compensation plan account and vest over a three-year

period at  
one-third on the  
first anniversary  
of the date of  
grant, one-third  
on the second  
anniversary of  
the date of grant  
and

**Table of Contents**

one-third on the third anniversary of the date of grant. Such shares were valued at \$4.333 per share, 100% of the common stock's closing price as reported by the NYSE on the date of the grant.

- (n) Mr. Manny was awarded 15,000 restricted common shares upon his employment in October 2003. Such shares were placed in his deferred compensation plan account and vest over a three-year period at one-third on the first anniversary of the date of grant, one-third on the second anniversary of the date of grant and one-third on the third anniversary of the date of grant. Such shares were valued at \$4.666 per share, 100% of the common stock's closing price as reported by the NYSE on



the date of the grant.

### Option/SAR Grants and Exercises

The following table reflects the stock options/SARs granted to the Named Executive Officers for the year ended December 31, 2005.

#### Option/SAR Grants in 2005

| Name               | Number of Securities Underlying Options/SARs Granted (#)(a) | Individual Grants  |  | Exercise/Grant Price | Expiration Date | Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term (a)(b) |              |
|--------------------|---|--|--|----------------------|-----------------|---|--------------|
|                    |   | Percent of Total Options Granted to Employees in Fiscal Year |  |                      |                 | 5%  | 10%          |
| John H. Pinkerton  | 140,624*  | 4.5%   |  | \$ 15.52             | 2/15/10         | \$ 602,980  | \$ 1,332,429 |
|                    | 140,624   | 4.5%   |  | 17.93                | 7/01/10         | 696,613   | 1,539,333    |
| Jeffrey L. Ventura | 72,000*   | 2.3%   |  | 15.52                | 2/15/10         | 308,728   | 682,208      |
|                    | 72,000  | 2.3%   |  | 17.93                | 7/01/10         | 356,668   | 788,144      |
| Roger S. Manny     | 41,625*   | 1.3%   |  | 15.52                | 2/15/10         | 178,483   | 394,402      |
|                    | 41,625  | 1.3%   |  | 17.93                | 7/01/10         | 206,199   | 455,646      |
| Rodney L. Waller   | 40,500*   | 1.3%   |  | 15.52                | 2/15/10         | 173,660   | 383,742      |
|                    | 40,500  | 1.3%   |  | 17.93                | 7/01/10         | 200,626   | 443,331      |
| Chad L. Stephens   | 39,375*   | 1.3%   |  | 15.52                | 2/15/10         | 168,836   | 373,083      |
|                    | 39,375  | 1.3%   |  | 17.93                | 7/01/10         | 195,053   | 431,016      |

\* Stock options

SARs

(a) The stock options/SARs are granted at 100% of the common stock's closing price as reported by the NYSE on the date of the grant with a term of five years and vest 30% on the first anniversary of the date of grant, 30% on the second anniversary of the date of grant

and 40% on the third anniversary of the date of grant. Stock options were issued on February 15, 2005, and SARs were awarded on July 1, 2005.

- (b) The Securities and Exchange Commission prescribes the annual rates of stock price appreciation used in showing the potential realizable value of stock option grants. Actual realized value of the options may be significantly greater or less than that assumed. The actual value of the awards will depend on the future performance of the company's common stock, the overall market conditions and the executive officer's continued service with the Company. The value ultimately realized by the executive officer will depend on the amount by

which the  
market price of  
the Company's  
common stock  
on the date of  
exercise exceeds  
the exercise or  
grant price.

The following table reflects the stock options and SARs exercised during 2005 and the stock options and SARs held by the Named Executive Officers as of December 31, 2005. The value of in-the-money options represents the spread

**Table of Contents**

between the exercise/grant price of the stock options/SARs and the common stock's closing price as reported by the NYSE on December 31, 2005 of \$26.34.

**Option/SAR Exercises in 2005 and Year-End Option/SAR Values**

| Name               | Shares<br>Acquired<br>on<br>Exercise<br>(#) | Value<br>Realized (\$) | Number of<br>Securities<br>Underlying<br>Unexercised<br>Options/SARs<br>at Year-End 2005 | Value of<br>Unexercised<br>In-the-Money<br>Options/SARs<br>at Year-End 2005 |
|--------------------|---|------------------------|--|---|
|                    |   |                        | (Exercisable (E)/<br>Unexercisable (U))<br>(#)   | (Exercisable (E)/<br>Unexercisable(U))<br>(\$)                              |
| John H. Pinkerton  |   | \$                     | 724,122 (E)  | \$ 16,507,367 (E)   |
|                    |   |                        | 640,873 (U)  | \$ 10,220,596 (U)   |
| Jeffrey L. Ventura |   | \$                     | 132,299 (E)  | \$ 2,799,227 (E)  |
|                    |   |                        | 302,699 (U)  | \$ 4,614,883 (U)  |
| Roger S. Manny     |   | \$                     | 78,297 (E)   | \$ 1,640,583 (E)  |
|                    |   |                        | 175,950 (U)  | \$ 2,677,895 (U)  |
| Rodney L. Waller   |   | \$                     | 312,043 (E)  | \$ 7,079,553 (E)  |
|                    |   |                        | 179,354 (U)  | \$ 2,829,406 (U)  |
| Chad L. Stephens   | 11,337                                      | \$224,596              | 172,415 (E)  | \$ 3,823,142 (E)  |
|                    |   |                        | 165,445 (U)  | \$ 2,540,385 (U)  |

**Employment and Change in Control Agreements**

There are no employment agreements currently in effect between the Company and any Named Executive Officer. The Company has agreed to pay the Named Executive Officers the following salaries effective March 1, 2006: John H. Pinkerton \$480,000; Jeffrey L. Ventura \$360,000; Roger S. Manny \$270,000; Rodney L. Waller \$225,000 and Chad L. Stephens \$225,000.

Effective March 2005, the Board adopted the Range Resources Corporation Executive Change in Control Severance Benefit Plan (the Management Plan) pursuant to which officers and certain key employees (the Management Group) may be entitled to receive certain payments and benefits if there is a change in control and a member of the Management Group is terminated other than for cause or resigns for good reason. All other employees (the Employee Group) may be entitled to receive more limited payments under the Range Resources Corporation Employee Change in Control Severance Benefit Plan (the Employee Plan) upon an involuntary termination of employment by the Company for other than cause. Upon a Change in Control (as defined in the plans), all nonvested equity-based compensation awards automatically vest under both plans. If any person in the Management Group is (i) terminated, other than for Cause (as defined in the plans), (A) within twelve full calendar months following a Change in Control, (B) prior to a Change in Control in anticipation of the change in control, (C) during the period beginning on the date stockholder approval is obtained for a Business Combination (as defined in the plans) which constitutes a Change in Control and ending as of the last day of the twelfth full calendar month following the consummation of the Business Combination, or (D) during the period beginning with the earlier of the public announcement or commencement of a tender or exchange offer constituting a Change in Control and ending on the last day of the twelfth full calendar month following the consummation of such transaction, unless such transaction is

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a Business Combination, in which case the period will end in the twelfth full calendar month following stockholder approval of the Business Combination (each such period of at least twelve months, the Protection Period ), or (ii) terminates employment within the Protection Period due to a material diminution of the position or responsibility of the employee, or reduction in the employee's compensation or benefits, or a substantial change in the location of the principal place of the employee's employment, the employee will receive a lump sum payment (the

\$5,200

PNC Financial Services Group, Inc., 6.75%, 8/1/21 (f)

\$5,655,879

Royal Bank of Scotland Group PLC (f),

1,000

6.99%, 10/5/17 (a)(d)

825,000

1,500

7.64%, 9/29/17

1,102,500

4,100

7.648%, 9/30/31

3,608,000

SLM Corp.,

5,900

8.00%, 3/25/20

6,652,250

19,500

8.45%, 6/15/18

22,327,500

Springleaf Finance Corp.,

|                   |           |
|-------------------|-----------|
|                   | 1,500     |
| 4.125%, 11/29/13  |           |
|                   | 1,739,478 |
|                   | \$2,200   |
| 5.40%, 12/1/15    |           |
|                   | 1,903,000 |
|                   | 500       |
| 6.50%, 9/15/17    |           |
|                   | 408,750   |
|                   | 3,000     |
| 6.90%, 12/15/17   |           |
|                   | 2,460,000 |
|                   | 1,800     |
| Table of Contents | 63        |

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State Street Capital Trust III, 5.458%, 8/30/12 (f)

1,810,800

900

USB Capital IX, 3.50%, 8/30/12 (f)

744,597

12,100

Wachovia Capital Trust III, 5.570%, 8/30/12 (f)(i)

12,024,375

7,000

Wells Fargo & Co., 7.98%, 3/15/18 (f)

7,875,000

216,357,670



**Healthcare & Hospitals 1.8%**

HCA, Inc.,

10,000

7.875%, 2/15/20

11,300,000

3,600

8.50%, 4/15/19

4,074,750

15,374,750

**Hotels/Gaming 0.5%**

MGM Resorts International,

700

10.375%, 5/15/14

798,000

1,050

11.125%, 11/15/17

1,178,625

2,177

Times Square Hotel Trust, 8.528%, 8/1/26 (a)(d)

2,324,069

4,300,694

**Insurance 16.6%**

1,400

American General Institutional Capital A, 7.57%, 12/1/45 (a)(d)

1,477,000

9,000

American General Institutional Capital B, 8.125%, 3/15/46 (a)(d)

9,562,500

American International Group, Inc.,

|   |            |
|---|------------|
|   | 14,000     |
| 6.25%, 3/15/87, (converts to FRN on 3/15/37) (i)  |            |
|   | 13,720,000 |
|   | £6,911     |
| 6.765%, 11/15/17 (a)(d)                           |            |
|   | 12,209,441 |
|   | MXN 16,000 |
| 7.98%, 6/15/17                                    |            |
|   | 1,177,541  |
|   | 2,000      |
| 8.00%, 5/22/68, (converts to FRN on 5/22/18)      |            |
|   | 2,534,623  |
|   | \$46,750   |
| 8.175%, 5/15/68, (converts to FRN on 5/15/38) (i) |            |

|  |            |
|--|------------|
|  | 53,528,750 |
|  | 12,700     |
| 8.25%, 8/15/18 (i)   |            |
|  | 15,689,694 |
|  | £500       |
| 8.625%, 5/22/68, (converts to FRN on 5/22/18) (a)(d)           |            |
|  | 821,601    |
|  | £3,400     |
| 8.625%, 5/22/68, (converts to FRN on 5/22/18)                  |            |
|  | 5,586,884  |
|  | \$5,100    |
| Dai-ichi Life Insurance Co., Ltd., 7.25%, 7/25/21 (a)(d)(f)(i) |            |
|  | 5,476,120  |
|  | 9,000      |

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MetLife Capital Trust IV, 7.875%, 12/15/67, (converts to FRN on 12/15/37) (a)(d)

10,305,000

6,800

Pacific Life Insurance Co., 7.90%, 12/30/23 (a)(d)(i)

8,497,634

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## PIMCO Corporate &amp; Income Strategy Fund Schedule of Investments

July 31, 2012 (unaudited) (continued)

| Principal<br>Amount<br>(000s)    |  | Value*      |
|----------------------------------|--|-------------|
| <b>Insurance (continued)</b>     |  |             |
| \$2,500                          | Validus Holdings Ltd., 8.875%, 1/26/40   | \$2,888,223 |
|                                  |  | 143,475,011 |
| <b>Metals &amp; Mining 0.5%</b>  |  |             |
| 4,000                            | Gerdau Holdings, Inc., 7.00%, 1/20/20 (a)(d)(i)  | 4,610,000   |
| <b>Paper/Paper Products 0.1%</b> |  |             |
| 850                              | Norske Skogindustrier ASA, 6.125%, 10/15/15 (a)(d)                                       | 599,250     |
| <b>Telecommunications 1.9%</b>   |  |             |
| 1,700                            | CenturyLink, Inc., 6.00%, 4/1/17   | 1,849,501   |
| 8,200                            | Mountain States Telephone & Telegraph Co., 7.375%, 5/1/30                                | 9,482,550   |
| 5,360                            | Qwest Corp., 7.20%, 11/10/26   | 5,440,400   |
|                                  |  | 16,772,451  |
| <b>Utilities 0.7%</b>            |  |             |
| 3,900                            | AES Andres Dominicana Ltd., 9.50%, 11/12/20 (a)(d)                                       | 4,109,625   |
| 1,215                            | FPL Energy Wind Funding LLC, 6.876%, 6/27/17 (a)(d)                                      | 1,008,450   |
| 1,100                            | PPL Capital Funding, Inc., 6.70%, 3/30/67, (converts to FRN on 3/30/17)                  | 1,125,865   |
|                                  |  | 6,243,940   |
|                                  | Total Corporate Bonds & Notes (cost \$416,475,924)                                       | 495,120,771 |
| <b>MUNICIPAL BONDS 21.8%</b>     |  |             |
| <b>California 11.7%</b>          |  |             |
| 9,000                            | Alameda Cnty. Joint Powers Auth. Rev., 7.046%, 12/1/44, Ser. A                           | 11,719,440  |
| 4,200                            | City & Cnty. of San Francisco, Capital Improvement Projects, CP, 6.487%, 11/1/41, Ser. D | 4,812,528   |
| 1,800                            | Long Beach Redev. Agcy., Tax Allocation, 8.36%, 8/1/40                                   | 2,014,524   |
| 7,700                            | Los Angeles Cnty. Public Works Financing Auth. Rev., 7.618%, 8/1/40                      | 10,125,115  |
| 2,400                            | Oakland Unified School Dist., Alameda Cnty., GO, 9.50%, 8/1/34                           | 2,907,720   |
| 9,820                            | Riverside Cnty. Dev. Agcy., Tax Allocation, 7.50%, 10/1/30, Ser. A-T                     | 10,388,578  |
| 2,100                            | San Luis Obispo Cnty. Rev., zero coupon, 9/1/27, Ser. C (NPFGC)                          | 964,152     |
|                                  | State Public Works Board Rev., 7.804%, 3/1/35, Ser. B-2                                  | 19,962,051  |
| 16,855                           |  | 26,227,600  |
| 20,000                           | 8.361%, 10/1/34, Ser. G-2  | 5,997,450   |
| 5,000                            | State, GO, 7.95%, 3/1/36   | 6,212,152   |
| 7,400                            | Stockton Public Financing Auth. Rev., 7.942%, 10/1/38, Ser. B                            | 101,331,310 |
| <b>Colorado 0.8%</b>             |  |             |
| 5,000                            | Denver Public Schools, CP, 7.017%, 12/15/37, Ser. B                                      | 6,758,950   |
| <b>District of Columbia 1.8%</b> |  |             |
| 13,000                           | Metropolitan Airports Auth. Rev., 7.462%, 10/1/46  | 15,842,840  |
| <b>Louisiana 0.3%</b>            |  |             |
|                                  | New Orleans, Public Improvements, GO, Ser. A,  |             |
| 800                              | 8.30%, 12/1/29   | 922,560     |
| 820                              | 8.55%, 12/1/34   | 931,995     |

300

8.80%, 12/1/39

343,437  
2,197,992



## PIMCO Corporate &amp; Income Strategy Fund Schedule of Investments

July 31, 2012 (unaudited) (continued)

| Principal<br>Amount<br>(000s)           |  | Value*       |
|---|--|--------------|
| <b>Ohio 4.2%</b>                        |  |              |
| \$24,000                                | American Municipal Power, Inc. Rev.,<br>Comb Hydroelectric Projects, 8.084%, 2/15/50, Ser. B | \$36,182,880 |
| <b>Pennsylvania 0.1%</b>                |  |              |
| 2,000                                   | Philadelphia Auth. for Industrial Dev. Rev.,<br>zero coupon, 4/15/26, Ser. B (AMBAC)         | 838,160      |
| <b>Texas 2.9%</b>                       |  |              |
| 4,000                                   | Dallas Convention Center Hotel Dev. Corp. Rev., 7.088%, 1/1/42                               | 4,888,200    |
| 17,200                                  | North Texas Tollway Auth. Rev., 8.91%, 2/1/30  | 20,185,748   |
|   |  | 25,073,948   |
|   | Total Municipal Bonds (cost \$160,274,582)   | 188,226,080  |
| <b>MORTGAGE-BACKED SECURITIES 10.9%</b> |  |              |
| 972                                     | American Home Mortgage Assets LLC, 0.476%, 9/25/46, CMO (g)                                  | 121,031      |
| 324                                     | Banc of America Alternative Loan Trust, 6.00%, 1/25/36, CMO                                  | 233,794      |
| 7,428                                   | Banc of America Funding Corp., 6.00%, 3/25/37, CMO   | 5,990,126    |
|   | BCAP LLC Trust, CMO (a)(d)(g),<br>5.539%, 3/26/37  | 277,751      |
| 2,500                                   |  | 273,581      |
| 1,520                                   | 11.329%, 6/26/36   |              |
|   | Bear Stearns Alt-A Trust, CMO (g),<br>2.811%, 11/25/36                                       | 1,443,413    |
| 2,618                                   |  | 1,259,921    |
| 1,997                                   | 3.071%, 9/25/35  |              |
|   | Chase Mortgage Finance Corp., CMO,<br>2.734%, 12/25/35 (g)                                   | 26,001       |
| 30                                      |  | 2,318,610    |
| 2,722                                   | 6.00%, 7/25/37   |              |
| 3,509                                   | Citicorp Mortgage Securities, Inc., 6.00%, 6/25/36, CMO                                      | 3,554,358    |
|   | Countrywide Alternative Loan Trust, CMO,<br>5.50%, 3/25/35                                   | 636,638      |
| 810                                     |  | 256,403      |
| 392                                     | 5.50%, 3/25/36   |              |
| 1,971                                   | 5.75%, 3/25/37   | 1,441,155    |
| 1,046                                   | 6.00%, 2/25/35   | 935,057      |
| 1,334                                   | 6.00%, 7/25/37   | 1,048,196    |
| 2,591                                   | 6.00%, 8/25/37   | 1,707,600    |
| 1,179                                   | 6.50%, 8/25/36   | 721,579      |
|   | Countrywide Home Loan Mortgage Pass Through Trust, CMO,<br>2.87%, 9/20/36 (g)                | 386,265      |
| 746                                     |  | 2,392,137    |
| 2,471                                   | 5.50%, 10/25/35  |              |
| 2,572                                   | 5.75%, 3/25/37   | 2,144,702    |
| 1,682                                   | 6.00%, 2/25/37   | 1,414,084    |
| 1,513                                   | 6.00%, 3/25/37   | 1,272,945    |
| 475                                     | 6.00%, 4/25/37   | 406,593      |
|   | Credit Suisse Mortgage Capital Certificates, CMO,<br>6.00%, 2/25/37                          | 1,212,986    |
| 1,516                                   |  | 2,938,033    |
| 3,553                                   | 6.00%, 6/25/37   |              |
|   | GSR Mortgage Loan Trust, CMO,<br>5.50%, 5/25/36  | 530,711      |
| 640                                     |  |              |



## PIMCO Corporate &amp; Income Strategy Fund Schedule of Investments

July 31, 2012 (unaudited) (continued)

| Principal Amount (000s)                  |   | Value*      |
|--|---|-------------|
| \$8,325                                  | 6.00%, 2/25/36  | \$7,655,883 |
| 2,500                                    | JPMorgan Alternative Loan Trust, 6.31%, 8/25/36, CMO  | 1,691,101   |
|  | JPMorgan Mortgage Trust, CMO,   |             |
| 3,979                                    | 5.00%, 3/25/37  | 3,121,817   |
| 2,001                                    | 5.419%, 1/25/37 (g)   | 1,628,772   |
| 711                                      | 6.00%, 8/25/37  | 616,687     |
| 5,261                                    | Morgan Stanley Mortgage Loan Trust, 6.00%, 2/25/36, CMO   | 4,448,148   |
| 9,673                                    | New Century Alternative Mortgage Loan Trust, 6.173%, 7/25/36, CMO (g)   | 6,632,048   |
| 1,269                                    | Residential Accredit Loans, Inc., 0.476%, 5/25/37, CMO (g)  | 276,236     |
| 2,709                                    | Residential Asset Mortgage Products, Inc., 6.50%, 12/25/31, CMO   | 2,783,435   |
| 938                                      | Residential Asset Securitization Trust, 6.00%, 9/25/36, CMO   | 530,159     |
|  | Residential Funding Mortgage Securities I, CMO,   |             |
| 2,359                                    | 6.00%, 1/25/37  | 1,959,926   |
| 2,752                                    | 6.25%, 8/25/36  | 2,372,136   |
| 972                                      | Sequoia Mortgage Trust, 2.666%, 2/20/47, CMO (g)  | 775,696     |
|  | Suntrust Adjustable Rate Mortgage Loan Trust, CMO (g),  |             |
| 2,084                                    | 5.49%, 4/25/37  | 1,627,996   |
| 1,154                                    | 5.812%, 2/25/37   | 852,769     |
|  | WaMu Mortgage Pass Through Certificates, CMO (g),   |             |
| 717                                      | 2.512%, 9/25/36   | 501,800     |
| 1,111                                    | 2.616%, 7/25/37   | 741,575     |
| 1,944                                    | 5.315%, 2/25/37   | 1,737,556   |
|  | Washington Mutual Alternative Mortgage Pass Through Certificates, CMO (g),  |             |
| 972                                      | 0.907%, 4/25/47   | 76,896      |
| 1,315                                    | 0.987%, 5/25/47   | 239,589     |
|  | Wells Fargo Mortgage-Backed Securities Trust, CMO,  |             |
| 7,130                                    | 2.613%, 7/25/36 (g)   | 5,701,277   |
| 11,008                                   | 2.615%, 10/25/36 (g)  | 8,596,878   |
| 1,303                                    | 2.618%, 7/25/36 (g)   | 1,009,504   |
| 232                                      | 2.622%, 5/25/36 (g)   | 182,006     |
| 592                                      | 2.666%, 4/25/36 (g)   | 494,921     |
| 1,400                                    | 5.66%, 10/25/36 (g)   | 1,273,565   |
| 1,659                                    | 6.00%, 7/25/37  | 1,662,831   |
|  | Total Mortgage-Backed Securities (cost \$89,806,027)  | 94,134,877  |
| <b>Shares</b>                            |   |             |
| <b>PREFERRED STOCK 3.0%</b>              |   |             |
| <b>Banking 0.2%</b>                      |   |             |
| 30,200                                   | CoBank Acb, 11.00%, 7/1/13, Ser. C (a)(b)(d)(f)(j)(k)<br>(acquisition cost-\$1,678,450; purchased 2/26/10-2/1/11) | 1,558,320   |
| <b>Financial Services 2.5%</b>           |   |             |
| 100,000                                  | Ally Financial, Inc., 8.50%, 5/15/16, Ser. A (f)(k)   | 2,325,000   |
| 250,000                                  | Citigroup Capital XIII, 7.875%, 10/30/15 (k)  | 6,847,500   |
| 512,000                                  | GMAC Capital Trust I, 8.125%, 2/15/16, Ser. 2 (k)   | 12,482,560  |
|  |   | 21,655,060  |
| <b>Real Estate Investment Trust 0.3%</b> |   |             |

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|       |   |            |
|-------|---|------------|
| 2,500 | Sovereign Real Estate Investment Trust, 12.00%, 5/16/20 (a)(d)(f) | 2,807,515  |
|       | Total Preferred Stock (cost \$25,937,200)                         | 26,020,895 |

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## PIMCO Corporate &amp; Income Strategy Fund Schedule of Investments

July 31, 2012 (unaudited) (continued)

| Principal<br>Amount<br>(000s)                |   | Value*       |
|--|---|--------------|
| <b>SENIOR LOANS (a)(c) 2.2%</b>              |   |              |
| <b>Financial Services 2.2%</b>               |   |              |
| \$20,000                                     | Springleaf Finance Corp., 5.50%, 5/10/17 (cost \$19,919,194)  | \$19,108,340 |
| <b>CONVERTIBLE PREFERRED STOCK 2.0%</b>      |   |              |
| <b>Financial Services 1.1%</b>               |   |              |
| 8,050  | Wells Fargo & Co., 7.50%, 3/15/13, Ser. L (f)   | 9,313,850    |
| <b>Utilities 0.9%</b>                        |   |              |
| 53,400                                       | PPL Corp.,<br>8.75%, 5/1/14   | 2,876,124    |
| 90,000                                       | 9.50%, 7/1/13   | 4,891,500    |
|  |   | 7,767,624    |
|  | Total Convertible Preferred Stock (cost \$12,276,951)   | 17,081,474   |
| <b>ASSET-BACKED SECURITIES 0.4%</b>          |   |              |
| \$2,200                                      | GSAA Trust, 6.295%, 6/25/36   | 1,271,251    |
| 1,748  | Mid-State Trust, 6.34%, 10/15/36  | 1,722,372    |
| 1,381  | Morgan Stanley Mortgage Loan Trust, 6.25%, 7/25/47 (g)  | 934,726      |
|  | Total Asset-Backed Securities (cost \$3,874,805)  | 3,928,349    |
| <b>SHORT-TERM INVESTMENTS 2.4%</b>           |   |              |
| <b>Sovereign Debt Obligations 0.4%</b>       |   |              |
| <b>Mexico 0.4%</b>                           |   |              |
| MXN 40,000                                   | Mexico Cetes, zero coupon, 8/23/12 (cost \$2,874,873)   | 2,999,913    |
| <b>U.S. Treasury Obligations (h)(l) 0.0%</b> |   |              |
| 280  | U.S. Treasury Bills,<br>0.173%, 7/25/13 (cost \$279,525)  | 279,555      |
| <b>Repurchase Agreements 2.0%</b>            |   |              |
| 16,600                                       | Barclays Capital, Inc.,<br>dated 7/31/12, 0.17%-0.20%, due 8/1/12,<br>proceeds \$16,600,084; collateralized by<br>U.S. Treasury Bonds, 4.625%, due 2/15/40,<br>valued at \$5,734,178 and U.S. Treasury<br>Notes, 2.00%-2.125%, due 8/15/21-2/15/22,<br>valued at \$11,225,924 including accrued<br>interest | 16,600,000   |

**PIMCO Corporate & Income Strategy Fund Schedule of Investments**

July 31, 2012 (unaudited) (continued)

| <b>Principal<br/>Amount<br/>(000s)</b>                          |   | <b>Value*</b>        |
|---|---|----------------------|
| \$730   | State Street Bank & Trust Co.,<br>dated 7/31/12, 0.01%, due 8/1/12,<br>proceeds \$730,000; collateralized by<br>Fannie Mae, 1.75%, due 2/22/13, valued at<br>\$747,039 including accrued interest | \$730,000            |
|   | Total Repurchase Agreements (cost \$17,330,000)   | 17,330,000           |
|   | Total Short-Term Investments (cost \$20,484,398)  | 20,609,468           |
| <b>Total Investments</b> (cost \$749,049,081) (m) <b>100.0%</b> |   | <b>\$864,230,254</b> |

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**Notes to Schedule of Investments:**

\* Portfolio securities and other financial instruments for which market quotations are readily available are stated at market value. Market value is generally determined on the basis of last reported sales prices, or if no sales are reported, on the basis of quotes obtained from a quotation reporting system, established market makers, or independent pricing services.

The Fund's investments are valued daily using prices supplied by an independent pricing service or dealer quotations, or by using the last sale price on the exchange that is the primary market for such securities, or the mean between the last quoted bid and ask price. Independent pricing services use information provided by market makers or estimates of market values obtained from yield data relating to investments or securities with similar characteristics.

The Board of Trustees has adopted methods for valuing portfolio securities and other financial derivative instruments in circumstances where market quotes are not readily available, and has delegated the responsibility for applying the valuation methods to the Investment Manager and Pacific Investment Management Company LLC (the Sub-Adviser), an affiliate of the Investment Manager. The Valuation Committee has been established by the Board of Trustees to oversee the implementation of the Fund's valuation methods and to make fair value determinations on behalf of the Board of Trustees as instructed. The Sub-Adviser monitors the continual appropriateness of methods applied and determines if adjustments should be made in light of market changes, events affecting the issuer, or other factors. If the Sub-Adviser determines that a valuation method may no longer be appropriate, another valuation method may be selected, or the Valuation Committee will be convened to consider the matter and take any appropriate action in accordance with procedures set forth by the Board of Trustees. The Board of Trustees shall review the appropriateness of the valuation methods and these methods may be amended or supplemented from time to time by the Valuation Committee.

Benchmark pricing procedures are used as the basis for setting the base price of a fixed-income security and for subsequently adjusting the price proportionally to market value changes of a pre-determined security deemed to be comparable in duration, generally a U.S. Treasury or sovereign note based on country of issuance. The base price may be a broker-dealer quote, transaction price, or an internal value as derived by analysis of market data. The base price of the security may be reset on a periodic basis based on the availability of market data and procedures approved by the Valuation Committee. The validity of the fair value is reviewed by the Sub-Adviser on a periodic basis and may be amended as the availability of market data indicates a material change.

If third party evaluated vendor pricing is neither available nor deemed to be reliable of fair value, the Sub-Adviser may elect to obtain market quotations ( broker quotes ) directly from a broker-dealer.

Short-term securities maturing in 60 days or less are valued at amortized cost, if their original term to maturity was 60 days or less, or by amortizing their value on the 61st day prior to maturity, if the original term to maturity exceeded 60 days.

Investments initially valued in currencies other than the U.S. dollar are converted to the U.S. dollar using exchange rates obtained from pricing services. As a result, the net asset value ( NAV ) of the Fund's shares may be affected by changes in the value of currencies in relation to the U.S. dollar. The value of securities traded in markets outside the United States or denominated in currencies other than the U.S. dollar may be affected significantly on a day that the New York Stock Exchange ( NYSE ) is closed.

The prices used by the Fund to value securities may differ from the value that would be realized if the securities were sold and these differences could be material. The Fund's NAV is normally determined as of the close of regular trading (normally, 4:00 p.m. Eastern time) on the NYSE on each day the NYSE is open for business.

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- (a) Private Placement Restricted as to resale and may not have a readily available market. Securities with an aggregate value of \$214,229,890, representing 24.8% of total investments.
- (b) Illiquid.
- (c) These securities generally pay interest at rates which are periodically pre-determined by reference to a base lending rate plus a premium. These base lending rates are generally either the lending rate offered by one or more major European banks, such as the LIBOR or the prime rate offered by one or more major United States banks, or the certificate of deposit rate. These securities are generally considered to be restricted as the Fund is ordinarily contractually obligated to receive approval from the agent bank and/or borrower prior to disposition. Remaining maturities of senior loans may be less than the stated maturities shown as a result of contractual or optional payments by the borrower. Such prepayments cannot be predicted with certainty. The interest rate disclosed reflects the rate in effect on July 31, 2012.
- (d) 144A Exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration, typically only to qualified institutional buyers. Unless otherwise indicated, these securities are not considered to be illiquid.
- (e) In default.
- (f) Perpetual maturity. The date shown is the next call date. For Corporate Bonds & Notes, the interest rate is fixed until the first call date and variable thereafter.
- (g) Variable or Floating Rate Security Security with an interest rate that changes periodically. The interest rate disclosed reflects the rate in effect on July 31, 2012.
- (h) All or partial amount segregated for the benefit of the counterparty as collateral for derivatives.
- (i) All or partial amount transferred for the benefit of the counterparty as collateral for reverse repurchase agreements.
- (j) Restricted. The aggregate acquisition cost of such securities is \$6,014,146 and the aggregate market value is \$6,317,126, representing 0.7% of total investments.
- (k) Dividend rate is fixed until the first call date and variable thereafter.
- (l) Rates reflect the effective yields at purchase date.
- (m) At July 31, 2012, the cost basis of portfolio securities for federal income tax purposes was \$749,470,852. Gross unrealized appreciation was \$125,544,275; gross unrealized depreciation was \$10,784,873; and net unrealized appreciation was \$114,759,402. The difference between book and tax cost basis was attributable to wash sale loss deferrals.

### Glossary:

AMBAC insured by American Municipal Bond Assurance Corp.

£ British Pound

CAD Canadian Dollar

CMO Collateralized Mortgage Obligation

CP Certificates of Participation

Euro

FRN Floating Rate Note

GO General Obligation Bond



LIBOR London Inter-Bank Offered Rate

MXN Mexican Peso

NPFGC insured by National Public Finance Guarantee Corp.

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**Other Investments:**

(A) Forward foreign currency contracts outstanding at July 31, 2012:

|  | Counterparty   | U.S.\$ Value on<br>Origination Date | U.S.\$ Value<br>July 31, 2012 | Unrealized<br>Appreciation<br>(Depreciation) |
|--|----------------|-------------------------------------|-------------------------------|--|
| <b>Purchased:</b>                          |                |                                     |                               |  |
| 11,234,857 Brazilian Real settling 8/2/12  | Barclays Bank  | \$5,509,539                         | \$5,482,558                   | \$(26,981)                                   |
| 642,630 Brazilian Real settling 8/2/12     | HSBC Bank      | 313,493                             | 313,600                       | 107  |
| 625,291 Brazilian Real settling 8/2/12     | JPMorgan Chase | 306,831                             | 305,139                       | (1,692)                                      |
| 111,331 Brazilian Real settling 8/2/12     | UBS            | 55,402                              | 54,329                        | (1,073)                                      |
| 135,000 British Pound settling 9/4/12      | Barclays Bank  | 209,146                             | 211,656                       | 2,510  |
| 327,000 British Pound settling 8/2/12      | Citigroup      | 504,102                             | 512,687                       | 8,585  |
| 17,241,000 British Pound settling 8/2/12   | JPMorgan Chase | 26,995,958                          | 27,031,307                    | 35,349                                       |
| 7,504,000 Euro settling 8/2/12             | Deutsche Bank  | 9,199,154                           | 9,232,920                     | 33,766                                       |
| 1,609,000 Euro settling 10/15/12           | UBS            | 1,982,426                           | 1,981,535                     | (891)  |
| 14,978,572 Mexican Peso settling 8/15/12   | HSBC Bank      | 1,117,304                           | 1,124,969                     | 7,665  |
| 562,718 Mexican Peso settling 8/15/12      | UBS            | 40,941                              | 42,263                        | 1,322  |
| <b>Sold:</b>                               |                |                                     |                               |  |
| 11,234,857 Brazilian Real settling 8/2/12  | Barclays Bank  | 5,746,142                           | 5,482,557                     | 263,585                                      |
| 642,630 Brazilian Real settling 8/2/12     | HSBC Bank      | 310,000                             | 313,600                       | (3,600)                                      |
| 625,291 Brazilian Real settling 8/2/12     | JPMorgan Chase | 305,035                             | 305,139                       | (104)  |
| 111,331 Brazilian Real settling 8/2/12     | UBS            | 54,310                              | 54,329                        | (19)   |
| 111,331 Brazilian Real settling 10/2/12    | UBS            | 54,867                              | 53,727                        | 1,140  |
| 17,241,000 British Pound settling 9/4/12   | JPMorgan Chase | 26,994,217                          | 27,030,790                    | (36,573)                                     |
| 17,568,000 British Pound settling 8/2/12   | UBS            | 27,412,492                          | 27,543,994                    | (131,502)                                    |
| 1,063,000 Canadian Dollar settling 9/20/12 | UBS            | 1,034,137                           | 1,058,865                     | (24,728)                                     |
| 7,531,000 Euro settling 8/2/12             | BNP Paribas    | 9,401,173                           | 9,266,140                     | 135,033                                      |
| 7,504,000 Euro settling 10/15/12           | Deutsche Bank  | 9,207,971                           | 9,241,416                     | (33,445)                                     |
| 1,378,000 Mexican Peso settling 8/15/12    | Barclays Bank  | 100,000                             | 103,495                       | (3,495)                                      |
| 1,378,600 Mexican Peso settling 8/15/12    | HSBC Bank      | 100,000                             | 103,540                       | (3,540)                                      |
| 14,978,572 Mexican Peso settling 12/3/12   | HSBC Bank      | 1,106,165                           | 1,113,226                     | (7,061)                                      |
| 10,028,490 Mexican Peso settling 8/15/12   | JPMorgan Chase | 767,173                             | 753,192                       | 13,981                                       |
| 2,756,200 Mexican Peso settling 8/15/12    | Morgan Stanley | 200,000                             | 207,005                       | (7,005)                                      |
| 1,100,000 Mexican Peso settling 8/23/12    | Morgan Stanley | 79,040                              | 82,554                        | (3,514)                                      |
| 38,462,972 Mexican Peso settling 8/23/12   | UBS            | 2,771,578                           | 2,886,616                     | (115,038)                                    |
|  |                |                                     |                               | \$102,782                                    |

At July 31, 2012, the Fund held \$785,000 in cash as collateral for derivative contracts.

Cash collateral held may be invested in accordance with the Fund's investment strategy.

(B) Open reverse repurchase agreements at July 31, 2012:

| Counterparty  | Rate  | Trade Date | Due Date | Principal & Interest | Principal  |
|---------------|-------|------------|----------|----------------------|------------|
| Barclays Bank | 0.80% | 6/22/12    | 9/24/12  | 25,973,067           | 25,950,000 |
| Deutsche Bank | 0.65  | 5/7/12     | 8/10/12  | 22,629,083           | 22,594,000 |

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|                      |       |         |          |            |             |
|----------------------|-------|---------|----------|------------|-------------|
|                      | 0.65  | 6/15/12 | 9/17/12  | 4,963,208  | 4,959,000   |
| Royal Bank of Canada | 0.818 | 6/7/12  | 9/7/12   | 24,058,028 | 24,028,000  |
| UBS                  | 0.50  | 5/7/12  | 8/7/12   | 3,721,440  | 3,717,000   |
|                      | 0.54  | 6/15/12 | 9/18/12  | 13,262,343 | 13,253,000  |
|                      | 0.55  | 5/2/12  | 8/2/12   | 7,883,946  | 7,873,000   |
|                      | 0.55  | 7/31/12 | 10/26/12 | 1,186,000  | 1,186,000   |
|                      | 0.57  | 6/15/12 | 9/18/12  | 10,785,020 | 10,777,000  |
|                      | 0.58  | 5/7/12  | 8/7/12   | 1,674,317  | 1,672,000   |
|                      | 0.58  | 6/7/12  | 8/29/12  | 3,634,217  | 3,631,000   |
|                      | 0.58  | 7/2/12  | 10/4/12  | 4,377,115  | 4,375,000   |
|                      |       |         |          |            | 124,015,000 |

The weighted average daily balance of reverse repurchase agreements outstanding during the nine months ended July 31, 2012 was \$141,992,668 at a weighted average interest rate of 0.73%. The total market value of underlying collateral (refer to the Schedule of Investments for positions transferred for the benefit of the counterparty as collateral) for open reverse repurchase agreements at July 31, 2012 was \$136,304,995.

At July 31, 2012, the Fund held \$1,247,703 in principal value of U.S. Treasury Obligations and \$2,890,000 in Corporate Bonds & Notes, respectively, as collateral for reverse repurchase agreements. Securities held as collateral will not be pledged and are not reflected in the Fund's Schedule of Investments.

## Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e. the exit price) in an orderly transaction between market participants. The three levels of the fair value hierarchy are described below:

- Level 1 quoted prices in active markets for identical investments that the Fund has the ability to access
- Level 2 valuations based on other significant observable inputs, which may include, but are not limited to, quoted prices for similar assets or liabilities, interest rates, yield curves, volatilities, prepayment speeds, loss severities, credit risks and default rates or other market corroborated inputs.
- Level 3 valuations based on significant unobservable inputs (including the Sub-Adviser's or Valuation Committee's own assumptions and single source broker quotes in determining the fair value of investments)

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. The following are certain inputs and techniques that the Fund generally uses to evaluate how to classify each major category of assets and liabilities for Level 2 and Level 3, in accordance with Generally Accepted Accounting Principles.

Equity Securities (Common and Preferred Stock) Equity securities traded in inactive markets are valued using inputs which include broker-dealer quotes, recently executed transactions adjusted for changes in the benchmark index, or evaluated price quotes received from independent pricing services that take into account the integrity of the market sector and issuer, the individual characteristics of the security, and information received from broker-dealers and other market sources pertaining to the issuer or security. To the extent that these inputs are observable, the values of equity securities are categorized as Level 2. To the extent that these inputs are unobservable, the values are categorized as Level 3.

U.S. Treasury Obligations U.S. Treasury obligations are valued by independent pricing services based on pricing models that evaluate the mean between the most recently quoted bid and ask price. The models also take into consideration data received from active market makers and broker-dealers, yield curves, and the spread over comparable U.S. Treasury issues. The spreads change daily in response to market conditions and are generally obtained from the new issue market and broker-dealer sources. To the extent that these inputs are observable, the values of U.S. Treasury obligations are categorized as Level 2. To the extent that these inputs are unobservable, the values are categorized as Level 3.

Government Sponsored Enterprise and Mortgage-Backed Securities Government sponsored enterprise and mortgage-backed securities are valued by independent pricing services using pricing models based on inputs that include issuer type, coupon, cash flows, mortgage prepayment projection tables and Adjustable Rate Mortgage evaluations that incorporate index data, periodic and life caps, the next coupon reset date, and the convertibility of the bond. To the extent that these inputs are observable, the values of government sponsored enterprise and mortgage-backed securities are categorized as Level 2. To the extent that these inputs are unobservable, the values are categorized as Level 3.

Municipal Bonds Municipal bonds are valued by independent pricing services based on pricing models that take into account, among other factors, information received from market makers and broker-dealers, current trades, bid-want lists, offerings, market movements, the callability of the bond or note, state of issuance, benchmark yield curves, and bond or note insurance. To the extent that these inputs are observable, the values of municipal bonds are categorized as Level 2. To the extent that these inputs are unobservable, the values are categorized as Level 3.

Sovereign Debt Obligations Sovereign debt obligations are valued by independent pricing services based on discounted cash flow models that incorporate option adjusted spreads along with benchmark curves and credit spreads. In addition, international bond markets are monitored regularly for information pertaining to the issuer and/or the specific issue. To the extent that these inputs are observable, the values of sovereign debt obligations are categorized as Level 2. To the extent that these inputs are unobservable, the values are categorized as Level 3.

Corporate Bonds & Notes Corporate bonds & notes are generally comprised of two main categories: investment grade bonds and high yield bonds. Investment grade bonds are valued by independent pricing services using various inputs and techniques, which include broker-dealer quotations, live trading levels, recently executed transactions in securities of the issuer or comparable issuers, and option adjusted spread models that include base curve and spread curve inputs. Adjustments to individual bonds can be applied to recognize trading differences compared to other bonds issued by the same issuer. High yield bonds are valued by independent pricing services based primarily on broker-dealer quotations from relevant market makers and recently executed transactions in securities of the issuer or comparable issuers. The broker-dealer quotations received are supported by credit analysis of the issuer that takes into consideration credit quality assessments, daily trading activity, and the activity of the underlying equities, listed bonds and sector-specific trends. To the extent that these inputs are observable, the values of corporate bonds & notes are categorized as Level 2. To the extent that these inputs are unobservable, the values are categorized as Level 3.

Asset-Backed Securities and Collateralized Mortgage Obligations Asset-backed securities and collateralized mortgage obligations are valued by independent pricing services using pricing models based on a security's average life volatility. The models also take into account tranche characteristics such as coupon, average life, collateral types, ratings, the issuer and tranche type, underlying collateral and performance of the collateral, and discount margin for certain floating rate issues. To the extent that these inputs are observable, the values of asset-backed securities and collateralized mortgage obligations are categorized as Level 2. To the extent that these inputs are unobservable, the values are categorized as Level 3.

Forward Foreign Currency Contracts Forward foreign currency contracts are valued by independent pricing services using various inputs and techniques, which include broker-dealer quotations, actual trading information and foreign currency exchange rates gathered from leading market makers and foreign currency exchange trading centers throughout the world. To the extent that these inputs are observable, the values of forward foreign currency contracts are categorized as Level 2. To the extent that these inputs are unobservable, the values are categorized as Level 3.

Senior Loans Senior loans are valued by independent pricing services based on the average of quoted prices received from multiple dealers or valued relative to other benchmark securities when broker-dealer quotes are unavailable. To the extent that these inputs are observable, the values of senior loans are categorized as Level 2. To the extent that these inputs are unobservable, the values are categorized as Level 3.

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The valuation techniques used by the Fund to measure fair value during the six months ended July 31, 2012 maximized the use of observable inputs and minimized the use of unobservable inputs.

The Fund's policy is to recognize transfers between levels at the end of the reporting period. An investment asset's or liability's level within the fair value hierarchy is based on the lowest level input, individually or in aggregate, that is significant to fair value measurement. The objective of fair value measurement remains the same even when there is a significant decrease in the volume and level of activity for an asset or liability and regardless of the valuation techniques used. Assets categorized as Level 1 or 2 as of period end may have been transferred between Levels 1 and 2 since the prior period due to changes in the valuation method utilized in valuing the investments.

A summary of the inputs used at July 31, 2012 in valuing the Fund's assets and liabilities is listed below (refer to the Schedule of Investments and Other Investments for more detailed information on Investments in Securities and Other Financial Instruments):

|   | Level 1 -<br>Quoted Prices | Level 2 -<br>Other Significant<br>Observable<br>Inputs | Level 3 -<br>Significant<br>Unobservable<br>Inputs | Value at<br>7/31/12  |
|---|----------------------------|--|--|----------------------|
| <b>Investments in Securities - Assets</b>         |                            |  |  |                      |
| Corporate Bonds & Notes:                          |                            |  |  |                      |
| Airlines  |                            | \$3,166,667  | \$4,337,098  | \$7,503,765          |
| Energy  |                            |  | 2,773,500  | 2,773,500            |
| All Other   |                            | 484,843,506  |  | 484,843,506          |
| Municipal Bonds                                   |                            | 188,226,080  |  | 188,226,080          |
| Mortgage-Backed Securities                        |                            | 93,861,296   | 273,581  | 94,134,877           |
| Preferred Stock:                                  |                            |  |  |                      |
| Banking   |                            |  | 1,558,320  | 1,558,320            |
| Real Estate Investment Trust                      |                            | 2,807,515  |  | 2,807,515            |
| All Other   | \$21,655,060               |  |  | 21,655,060           |
| Senior Loans                                      |                            | 19,108,340   |  | 19,108,340           |
| Convertible Preferred Stock                       | 17,081,474                 |  |  | 17,081,474           |
| Asset-Backed Securities                           |                            | 3,928,349  |  | 3,928,349            |
| Short-Term Investments                            |                            | 20,609,468   |  | 20,609,468           |
| <b>Total Investments in Securities - Assets</b>   | <b>\$38,736,534</b>        | <b>\$816,551,221</b>                                   | <b>\$8,942,499</b>                                 | <b>\$864,230,254</b> |
| <b>Other Financial Instruments* - Assets</b>      |                            |  |  |                      |
| Foreign Exchange Contracts                        |                            | \$503,043  |  | \$503,043            |
| <b>Other Financial Instruments* - Liabilities</b> |                            |  |  |                      |
| Foreign Exchange Contracts                        |                            | \$(400,261)  |  | \$(400,261)          |
| <b>Total Investments</b>                          | <b>\$38,736,534</b>        | <b>\$816,654,003</b>                                   | <b>\$8,942,499</b>                                 | <b>\$864,333,036</b> |

\*Other financial instruments are forward foreign currency contracts, not reflected in the Schedule of Investments, valued at the unrealized appreciation (depreciation) of the instrument.

A roll forward of fair value measurements using significant unobservable inputs (Level 3) for the nine months ended July 31, 2012, was as follows:

**Net Change**

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|   | Beginning<br>Balance<br>10/31/11 | Purchases | Sales                | Accrued<br>Discounts<br>(Premiums) | Net<br>Realized<br>Gain (Loss) | in Unrealized<br>Appreciation/<br>Depreciation | Transfers<br>into<br>Level 3** | Transfers<br>out of<br>Level 3*** | Ending<br>Balance<br>7/31/12 |
|---|----------------------------------|-----------|----------------------|------------------------------------|--------------------------------|--|--------------------------------|-----------------------------------|------------------------------|
| <b>Investments in Securities - Assets</b> |                                  |           |                      |                                    |                                |  |                                |                                   |                              |
| Corporate Bonds & Notes:                  |                                  |           |                      |                                    |                                |  |                                |                                   |                              |
| Airlines                                  | \$8,183,459                      |           | \$(862,349)          | \$(2,340)                          | \$(2,602)                      | \$187,597                                      |                                | \$(3,166,667)                     | \$4,337,098                  |
| Energy                                    | 2,494,000                        |           |                      | 2,432                              |                                | 277,068  |                                |                                   | 2,773,500                    |
| Financial Services                        | 1,782,000                        |           | (1,611,500)          | 3                                  | (1,686,164)                    | 1,515,661                                      |                                |                                   |                              |
| Transportation                            | 673,746                          |           | (666,250)            | (559)                              | (4,401)                        | (2,536)  |                                |                                   |                              |
| Mortgage-Backed Securities                | 432,166                          |           | (455,466)            | 111,159                            | 386,662                        | 76,811   |                                | (277,751)                         | 273,581                      |
| Preferred Stock: Banking                  |                                  |           |                      |                                    |                                |  | \$1,558,320                    |                                   | 1,558,320                    |
| <b>Total Investments</b>                  | <b>\$13,565,371</b>              |           | <b>\$(3,595,565)</b> | <b>\$110,695</b>                   | <b>\$(1,306,505)</b>           | <b>\$2,054,601</b>                             | <b>1,558,320</b>               | <b>\$(3,444,418)</b>              | <b>\$8,942,499</b>           |

\*\*Transferred out of Level 2 into Level 3 because a broker quote was unobservable.

\*\*\*Transferred out of Level 3 into Level 2 because independent prices became available.

The net change in unrealized appreciation/depreciation of Level 3 investments which the Fund held at July 31, 2012 was \$411,511.

The following table presents additional information about valuation techniques and inputs used for investments that are measured at fair value and categorized within Level 3 at July 31, 2012.

|   | Ending Balance<br>at 7/31/12 | Valuation<br>Technique Used | Unobservable<br>Inputs | Input Values  |
|---|------------------------------|-----------------------------|------------------------|---------------|
| <b>Investments in Securities - Assets</b> |                              |                             |                        |               |
| Corporate Bonds & Notes:                  |                              |                             |                        |               |
| Airlines                                  | \$4,337,098                  | Third-Party pricing vendor  | Broker quote           | 107.48-114.13 |
| Energy                                    | \$2,773,500                  | Third-Party pricing vendor  | Broker quote           | \$64.50       |
| Mortgage-Backed Securities                | 273,581                      | Third-Party pricing vendor  | Broker quote           | \$18.00       |
| Preferred Stock:                          |                              |                             |                        |               |
| Banking                                   | 1,558,320                    | Third-Party pricing vendor  | Broker quote           | \$51.60       |
| <b>Total Investments</b>                  | <b>\$8,942,499</b>           |                             |                        |               |

**Item 2. Controls and Procedures**

(a) The registrant's President & Chief Executive Officer and Treasurer, Principal Financial & Accounting Officer have concluded that the registrant's disclosure controls and procedures (as defined in Rule 30a-3(c) under the Act (17 CFR270.3a-3(c))), are effective based on their evaluation of these controls and procedures as of a date within 90 days of the filing date of this document.

(b) There were no significant changes in the registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the Act (17 CFR270.30a-3(d))) that occurred during the registrant's last fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

**Item 3. Exhibits**

(a) Exhibit 99.302 Cert. Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Registrant: PIMCO Corporate & Income Strategy Fund

By /s/ Brian S. Shlissel  
President & Chief Executive Officer

Date: September 19, 2012

By /s/ Lawrence G. Altadonna  
Treasurer, Principal Financial & Accounting Officer

Date: September 19, 2012

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By /s/ Brian S. Shlissel  
President & Chief Executive Officer

Date: September 19, 2012

By /s/ Lawrence G. Altadonna  
Treasurer, Principal Financial & Accounting Officer

Date: September 19, 2012

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