

ROWAN COMPANIES INC

Form DEF 14A

March 23, 2009

**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

**Rowan Companies, Inc.**

(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)(1) and 0-11.

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

2) Aggregate number of securities to which transaction applies:

3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

4) Proposed maximum aggregate value of transaction:

5) Total fee paid:

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

1) Amount Previously Paid:

2) Form, Schedule or Registration Statement No.:

3) Filing Party:

4) Date Filed:

**Table of Contents**

March 19, 2009

Dear Stockholder:

You are cordially invited to attend the 2009 Annual Meeting of Stockholders of Rowan Companies, Inc. on May 5, 2009, at 9:00 a.m., local time, in the Beacon Room, Williams Tower, 2800 Post Oak Boulevard, 62nd Floor, Houston, Texas.

At the Annual Meeting, you will be asked to:

Elect four Class III Directors to serve for three years and until their successors are duly elected and qualified;

Approve the 2009 Rowan Companies, Inc. Incentive Plan;

Ratify the appointment of our independent auditors; and

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

Please refer to the proxy statement for detailed information on each of these proposals.

It is very important that your shares are represented and voted at the meeting. Your shares may be voted electronically on the Internet, by telephone or by returning the enclosed proxy card. Your proxy will not be used if you are present and prefer to vote in person or if you revoke your proxy. We would appreciate your informing us on the proxy card if you expect to attend the meeting so that we can provide adequate seating.

We appreciate the continuing interest of our stockholders in the business of Rowan Companies, Inc., and we hope you will be able to attend the meeting.

Sincerely,

Henry E. Lentz  
*Chairman of the Board of Directors*

---

**Table of Contents**

**Notice of Annual Meeting of Stockholders  
To Be Held May 5, 2009**

Rowan Companies, Inc., a Delaware corporation, will hold its Annual Meeting of Stockholders (the Annual Meeting ), on Tuesday, May 5, 2009, at 9:00 a.m., local time, in the Beacon Room, Williams Tower, 2800 Post Oak Boulevard, 62nd Floor, Houston, Texas. The Notice of Annual Meeting of Stockholders, proxy statement and proxy card from the Board of Directors are enclosed. The materials provide further information concerning the meeting.

At the Annual Meeting, you will be asked to:

- Elect four Class III Directors to serve for three years and until their successors are duly elected and qualified;
- Approve the 2009 Rowan Companies, Inc. Incentive Plan;
- Ratify the appointment of our independent auditors; and
- Conduct other business as may properly come before the meeting or any adjournment or postponement thereof.

These items are fully described in the following pages, which are made a part of this Notice. The Board of Directors has set Monday, March 9, 2009, at the close of business, as the record date for the determination of stockholders entitled to notice of and to vote at the meeting and at any adjournment or postponement of the meeting.

We request that you vote your shares as promptly as possible. If you have shares registered in your own name, you may vote your shares in a number of ways:

- electronically via the Internet at *www.proxyvote.com*,
- by telephone, if you are in the U.S. and Canada, by calling 800-579-1639, or
- by marking your votes, dating and signing the proxy card or voting instruction form enclosed and returning it in the postage-paid envelope provided.

If you hold Rowan Companies, Inc. shares with a broker or bank, you may also be eligible to vote via the Internet or by telephone if your broker or bank participates in the proxy voting program provided by Broadridge Investor Communication Services.

**IF YOU PLAN TO ATTEND:**

**Attendance at the meeting is limited to stockholders. No guests will be admitted. Admission will be on a first-come, first-served basis. Registration will begin at 8:30 a.m., and the meeting will begin promptly at 9:00 a.m. Each stockholder holding Rowan Companies, Inc. shares in a brokerage account is required to bring a copy of a brokerage statement reflecting stock ownership as of the record date. Please note that you may be asked to present valid picture identification, such as a driver's license or passport.**

By Order of the Board of Directors,

Melanie M. Trent  
*Corporate Secretary*



**TABLE OF CONTENTS**

	<b>Page</b>
<b><u>Questions and Answers About Voting</u></b>	1
<b><u>Corporate Governance</u></b>	4
<b><u>Proposal No. 1 Election of Directors</u></b>	9
<b><u>Committees of the Board of Directors</u></b>	11
<b><u>Director Compensation and Attendance</u></b>	12
<b><u>Security Ownership of Certain Beneficial Owners and Management</u></b>	13
<b><u>Compensation Committee Report</u></b>	15
<b><u>Compensation Discussion and Analysis</u></b>	15
<b><u>Executive Compensation</u></b>	25
<b><u>Proposal No. 2 Approval of 2009 Rowan Companies, Inc. Incentive Plan</u></b>	29
<b><u>Proposal No. 3 Ratification of Independent Auditors</u></b>	35
<b><u>Audit Committee Report</u></b>	35
<b><u>Additional Information</u></b>	36
<b>Rowan Companies, Inc. 2009 Incentive Plan</b>	Appendix A

---

**Table of Contents**

**PROXY STATEMENT**

We are providing this proxy statement and the enclosed proxy card to you in connection with the solicitation of proxies by the Board of Directors of Rowan Companies, Inc. for use at the 2009 Annual Meeting of Stockholders to be held on Tuesday, May 5, 2009, in the Beacon Room of Williams Tower, 62nd Floor, 2800 Post Oak Boulevard, Houston, Texas, at 9:00 a.m. local time, and at any adjournment or postponement thereof. In this proxy statement, we refer to Rowan Companies, Inc. as the Company, Rowan, we, our or us.

**The accompanying proxy is solicited by the Board of Directors of the Company (the Board of Directors or the Board ) and is revocable by the stockholder any time before it is voted.** This proxy statement, the form of proxy and voting instructions are being made available to stockholders on or about March 24, 2009, at [www.proxyvote.com](http://www.proxyvote.com). You may also request a printed copy of this proxy statement and the form of proxy by any of the following methods: (a) telephone at 800-579-1639 (b) internet at [www.proxyvote.com](http://www.proxyvote.com); or (c) e-mail at [sendmaterial@proxyvote.com](mailto:sendmaterial@proxyvote.com). Our Annual Report, including financial statements for the fiscal year ended December 31, 2008, is being made available at the same time and by the same methods. The Annual Report is not to be considered as a part of the proxy solicitation material or as having been incorporated by reference.

Our principal executive office is located at 2800 Post Oak Boulevard, Suite 5450, Houston, Texas 77056, our telephone number is (713) 621-7800 and our website address is [www.rowancompanies.com](http://www.rowancompanies.com). Information contained on our website, including information referred to in this proxy statement, is not to be considered as part of the proxy solicitation material and is not incorporated into this proxy statement.

**QUESTIONS AND ANSWERS ABOUT VOTING**

**Who is entitled to vote?**

Only holders of record of the Company's common stock on March 9, 2009 are entitled to notice of, and to vote at, the meeting or any adjournment or postponement thereof. As of the record date, there were 113,116,798 shares of common stock outstanding and entitled to vote at the meeting. Each share of common stock is entitled to one vote on all matters. No other class of securities will be entitled to vote at the meeting. There are no cumulative voting rights.

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

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

**Who is soliciting my proxy to vote my shares?**

Our Board of Directors is soliciting your proxy, or your authorization for our representatives to vote your shares. Your proxy will be effective for the Annual Meeting and at any adjournment or postponement of that meeting.

**What are the Board of Directors' Voting Recommendations regarding the election of directors and proposals?**

**The Board of Directors recommends that you vote as follows:**

<b>Proposal to be Voted Upon:</b>		<b>Board Recommendation:</b>
<b>Proposal No. 1</b>	<b>Election of four Class III nominees to the Board of Directors</b>	<b>FOR Each Nominee</b>
<b>Proposal No. 2</b>	<b>Approval of the 2009 Rowan Companies, Inc. Incentive Plan</b>	<b>FOR</b>
<b>Proposal No. 3</b>	<b>Ratification of the Company's independent auditors</b>	<b>FOR</b>

---



## **Table of Contents**

### **What constitutes a quorum?**

For business to be conducted at the meeting, a quorum constituting a majority of the shares of Rowan common stock issued and outstanding and entitled to vote must be in attendance or represented by proxy.

### **How do I give voting instructions?**

Proxies may be submitted over the Internet, by telephone or by mail. Votes submitted over the Internet or by telephone must be received by 11:59 p.m., Eastern Time, on Monday, May 4, 2009. Giving us your proxy means you authorize the persons appointed as proxies to vote your shares at the Annual Meeting in the manner that you have indicated. If you sign and return the enclosed proxy card but do not indicate your vote, the appointed proxies will vote your shares FOR the Board's director nominees, FOR the 2009 Rowan Companies, Inc. Incentive Plan ( 2009 Plan ) and FOR the ratification of the appointment of our independent auditors.

### **Can I change my vote?**

A proxy may be revoked by a stockholder at any time before it is voted by giving notice of the revocation in writing to the Company's Corporate Secretary at 2800 Post Oak Blvd, Suite 5450, Houston, Texas 77056, by submitting another valid proxy by mail, telephone or over the Internet that is later dated and, if mailed, is properly signed, or by voting in person at the meeting.

### **What are the requirements to elect the directors and approve each of the proposals?**

The standard for the election of directors at the Annual Meeting will be majority voting, and a nominee for director will be elected to the Board if the votes cast for such nominee's election exceed the votes cast against such nominee's election.

The 2009 Plan will be approved if the votes cast for the adoption of the 2009 Plan exceed the votes cast against adoption.

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

### **If my shares are held in street name by my broker, will my broker vote my shares for me?**

If you are a beneficial holder and your broker holds your shares in its name, the broker is permitted to vote your shares on discretionary matters, even if the broker does not receive voting instructions from you. However, a broker may not vote your shares on non-discretionary matters unless the broker receives voting instructions from you. Broker non-votes are not votes cast and will have no effect on the outcome of any of the proposals. Broker non-votes will be counted for purposes of meeting the quorum requirement of the vote on those matters.

### **What happens if I am a registered holder?**

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

### **What happens if I abstain or withhold my vote on any proposal?**

Abstentions are counted as present in determining whether the quorum requirement is satisfied. Abstentions from voting are not votes cast and will not be taken into account in determining the outcome of the election of directors, the approval of the 2009 Plan or the ratification of the appointment of the independent auditors.

**Does Rowan offer electronic delivery of proxy materials?**

Yes. We encourage you to reduce printing and mailing costs by signing up for electronic delivery of our stockholder communications. With electronic delivery, you will receive documents such as the Annual Report and the proxy statement as soon as they are available, without waiting for them to arrive in the mail. Electronic delivery

## **Table of Contents**

can also help reduce the number of bulky documents in your personal files and eliminate duplicate mailings. To sign up for electronic delivery, please follow the instructions on your proxy card to vote by internet at [www.proxyvote.com](http://www.proxyvote.com) and, when prompted, indicate that you agree to receive or access stockholder communications electronically in future years.

### **What is householding?**

Securities and Exchange Commission rules now allow us to deliver a single copy of an annual report and proxy statement to any household not participating in electronic proxy material delivery at which two or more stockholders reside, if we believe the stockholders are members of the same family. This rule benefits both you and the Company. We believe it eliminates irritating duplicate mailings that stockholders living at the same address receive and it reduces our printing and mailing costs. This rule applies to any annual reports or proxy statements. Each stockholder will continue to receive a separate proxy card or voting instruction card.

Your household may have received a single set of proxy materials this year. If you prefer to receive your own copy now or in future years, please request a duplicate set by calling 800-579-1639, using the website [www.proxyvote.com](http://www.proxyvote.com), or by e-mail at [sendmaterial@proxyvote.com](mailto:sendmaterial@proxyvote.com), or in writing to Rowan Companies, Inc., c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717.

If a broker or other nominee holds your shares, you may continue to receive some duplicate mailings. Certain brokers will eliminate duplicate account mailings by allowing stockholders to consent to such elimination, or through implied consent if a stockholder does not request continuation of duplicate mailings. Since not all brokers and nominees may offer stockholders the opportunity this year to eliminate duplicate mailings, you may need to contact your broker or nominee directly to discontinue duplicate mailings to your household.

### **What if I plan to attend the Annual Meeting?**

Attendance at the Annual Meeting will be limited to stockholders as of the record date. Each stockholder may be asked to present valid picture identification, such as a driver's license or passport. Stockholders holding stock in brokerage accounts or by a bank or other nominee are required to show a brokerage statement or account statement reflecting stock ownership as of the record date. Cameras, recording devices and other electronic devices will not be permitted at the Annual Meeting.

### **How does the Company solicit proxies?**

We solicit the proxies and will bear the entire cost of this solicitation. The initial solicitation of proxies may be supplemented by additional mail communications and by telephone, fax, e-mail, Internet and personal solicitation by our directors, officers or other regular employees, or our proxy solicitor. No additional compensation for soliciting proxies will be paid to our directors, officers or other regular employees for their proxy solicitation efforts. We have retained Innisfree M&A Incorporated to assist in the solicitation of proxies at a cost of \$12,500 plus reasonable out-of-pocket expenses. We also reimburse brokerage houses and other custodians, nominees and fiduciaries for their expenses in sending these materials to you.

### **What do I do if I receive more than one proxy card?**

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

**Will there be any other business conducted at the Annual Meeting?**

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

**Table of Contents**

**Who is the Transfer Agent?**

Our Transfer Agent is Wells Fargo Bank, N.A. All communications concerning stockholders of record accounts, including address changes, name changes, common stock transfer requirements, and similar issues can be handled by contacting Wells Fargo Bank, N.A. at 800-401-1952 (U.S.), 651-450-4064 (outside the U.S.), [www.wellsfargo.com/shareownerservices](http://www.wellsfargo.com/shareownerservices) or in writing at 161 North Concord Exchange, South St. Paul, MN 55075.

**CORPORATE GOVERNANCE**

**Corporate Governance Guidelines**

Our Board has adopted corporate governance guidelines ( Guidelines ) that, along with the charters of the Board committees, provide the framework for the governance of the Company. The Board's Nominating and Corporate Governance Committee is responsible for overseeing and reviewing the Guidelines at least annually, and recommending any proposed changes to the Board for approval. The Guidelines are available on our web site at [www.rowancompanies.com](http://www.rowancompanies.com) under Investor Relations Governance Amended and Restated Corporate Governance Guidelines.

**Executive Sessions**

During each of our Board of Directors' regularly scheduled meetings, the non-management directors meet in executive session; Mr. H.E. Lentz, our Lead Director from October 2007 until his election as Chairman of the Board of Directors effective as of January 1, 2009, presided over every executive session conducted in 2008.

**Lead Independent Director; Chairman**

In 2008, Mr. H.E. Lentz, as Lead Director, coordinated the activities of the other independent directors and performed such other duties and responsibilities as the Board of Directors determined. As contained in the Guidelines, the responsibilities of the Lead Director included:

To act as a focus for the views of the independent directors, with respect to the strategic issues facing the Company;

To act as a mentor/facilitator for the Chairman in fulfilling his Board duties;

To consult with the Chairman on the agenda and items to be discussed at Board meetings;

To be available to the Chairman for advice and counsel and to provide support on strategic, operational and human resource issues of significance to the Company; and

To provide advice on investor relations.

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

Effective as of January 1, 2009, the Lead Director position was eliminated and the roles of Chairman and CEO were separated. Mr. Lentz now serves as Chairman of our Board and Mr. W. Matt Ralls serves as our CEO. In January

2009, the Board amended our Guidelines to eliminate the Lead Director responsibilities and to add the following Non-Executive Chairman duties:

To be designated and serve as the lead director and presiding director under the rules of the New York Stock Exchange and the Securities and Exchange Commission;

To be available to discuss with any director, strategic issues facing the Company and any concerns that a director may have regarding the Board, the Company, or management;

**Table of Contents**

To consult with the CEO and President with regard to the agenda and items to be discussed at Board meetings, and the scheduling of time available for discussion of all agenda items;

To be available to the CEO and President for advice and counsel on issues of significance to the Company;

To preside over Annual Meetings of Stockholders; and

To oversee the process for stockholder communications with the Board and to be available for consultation and direct communication with major stockholders upon stockholder request or upon request of the Board or the CEO and President.

In addition, the non-executive Chairman shall preside at all meetings of the Board of Directors, including executive sessions; may attend all meetings of Board Committees, other than executive sessions; and have authority to call meetings of the independent directors.

**Communication with Directors**

The Board of Directors has adopted the following process for stockholders and other interested parties to send communications to members of the Board. Stockholders and other interested parties may communicate with the Chairman, the chairs of the Audit, Compensation, and Nominating and Corporate Governance Committees of the Board, or with any of our other independent directors, by sending a letter to the following address: Rowan Companies, Inc., c/o Corporate Secretary, 2800 Post Oak Blvd., Suite 5450, Houston, Texas 77056.

**Director Independence**

In accordance with the definition of independence under NYSE rules, at least a majority of the directors of the Company must be independent directors, and free from any relationship that in the determination of the Board would interfere with the exercise of independent judgment as a director of the Company. In addition, all members of the Compensation Committee, the Nominating and Corporate Governance Committee and the Audit Committee must be independent directors.

Under the rules of the NYSE, the Board has adopted categorical standards to assist in making determinations of the independence of directors and nominees for director. Under these standards, the Board has determined that any of the following business relationships would not, on its own, prevent a director from being considered by the Board to be an independent director: if the director is a consultant or advisor to, or is employed by, affiliated or associated with, a law firm, investment bank, or lender to which the Company has made payments (other than any reimbursement or repayment of principal) during any of the preceding three fiscal years that do not exceed 2% of the annual gross revenues of the other entity.

The Board considers all material relationships with each director and all facts and circumstances it deems relevant in making its independence determinations. In connection with these independence determinations, the Nominating and Corporate Governance Committee and the Board of Directors considered all of the relationships between each director and the Company, including those relationships deemed immaterial under the categorical standards for independence determinations, including the relationships described below.

Mr. Lentz, a Class I Director and Chairman of the Board of the Company, was formerly Managing Director of Barclays Capital (formerly Lehman Brothers Inc.), an investment banking firm that has provided investment banking services to the Company in the past and continues to advise the Company from time to time. Mr. Lentz resigned from

Barclays Capital in March 2009. In 2008, the Company paid \$4.1 million in fees to Barclays Capital in connection with advisory work relating to a planned transaction involving our manufacturing subsidiary and a potential election contest. The level of 2008 compensation received by Mr. Lentz from Barclays Capital was not tied to any fees paid or payable by Rowan to Barclays Capital or Lehman. Whenever Barclays Capital has been engaged by the Company, the engagement has been approved by the remaining Board members, with Mr. Lentz abstaining from the vote.

Mr. Peacock, a Class I Director of the Company, is Of Counsel to Andrews Kurth LLP, a law firm from which Mr. Peacock retired as a partner in 1997. The Company seeks legal advice from many different law firms and often relies on Andrews Kurth for corporate and securities law matters. During 2008, Rowan paid Andrews Kurth



## **Table of Contents**

approximately \$1.6 million in legal fees, which the Company believes reflected market rates for services rendered. The 2008 fees were a small portion of total legal fees paid by the Company and the Company believes such fees represented less than six-tenths of one percent (0.6%) of the law firm's 2008 revenues. The engagement of Andrews Kurth was approved by the Board of Directors. Mr. Peacock is not eligible for any bonus from the firm, and his compensation is not related in any way to services provided to the Company by Andrews Kurth.

The Nominating and Corporate Governance Committee and the Board of Directors determined that these relationships are not material in conducting the analysis of independence within the meaning of the rules of the NYSE. The Board has determined the following Board members and nominees meet the NYSE standards for independence and are also free from any material relationships that in the opinion of the Board would interfere with their exercise of independent judgment: Messrs. Fox, Hix, Kramek, Lausen, Lentz, Peacock, Quicke and Ruisi, Sir Graham Hearne and Lord Moynihan. Neither Mr. Croyle nor Mr. Ralls is considered independent due to his former or current status as an officer of the Company.

### **Audit Committee Financial Expert**

The Board of Directors has determined that William T. Fox III, a Class I director and the current Audit Committee Chair, is an audit committee financial expert, as such term is defined in Item 407(d)(5)(ii) of Regulation S-K.

### **Director Nominations**

The Nominating and Corporate Governance Committee of the Board of Directors is responsible for, among other things, the selection and recommendation to the Board of Directors of nominees for election as directors.

Stockholders may nominate candidates for election as directors if they follow the procedures and comply with the deadlines specified in our Bylaws, as may be amended from time to time. A copy of our Bylaws is available to any stockholder who makes a written request to the Corporate Secretary. Stockholders may submit in writing recommendations for consideration by the Committee to our Corporate Secretary at 2800 Post Oak Blvd, Suite 5450, Houston, Texas 77056.

Recommendations should contain a detailed discussion of the qualifications of each recommended candidate and any other material information the stockholder wants the Committee to consider. Director nominees should have the highest professional and personal integrity, values and ethics, and must be committed to representing the interests of all stockholders of the Company. They must also have substantial experience at the policy-making level in business, government, technology, engineering, energy, finance, law or in other areas that are relevant to our business and operations. Director nominees must have sufficient time to carry out their duties effectively. They must have mature judgment developed through business experience and/or educational background and must meet criteria of independence and expertise that satisfy applicable NYSE and legal regulations. Each individual nominee must have the potential to contribute to the effective functioning of the Board of Directors as a whole.

Evaluation of stockholder recommendations is the responsibility of the Nominating and Corporate Governance Committee under its charter, which is posted on the Company's website at [www.rowancompanies.com](http://www.rowancompanies.com). The Committee will evaluate a person recommended by a stockholder in the same manner as any other person it considers, and reserves the right to request additional background and supporting information to evaluate each candidate recommended by a stockholder.

After reviewing the materials submitted by a stockholder, if the Committee believes that the person merits additional consideration, the Committee (or individual members) would interview the potential nominee and conduct appropriate reference checks. The Committee would then determine whether to recommend to the Board of Directors that the

Board nominate and recommend election of the person at the next annual meeting.

In the past, we have not required the services of third parties to identify potential nominees, although we reserve the right to retain a search firm in the future, if necessary.

On February 5, 2009, the Company and Steel Partners II, L.P. ( Steel ) entered into a letter agreement (as amended, the Agreement ), pursuant to which Steel agreed not to seek to nominate any candidates to stand for

## **Table of Contents**

election to the Board of Directors of the Company or engage in the solicitation of proxies with respect to the election or removal of directors or any other matter to be voted on at the 2009 Annual Meeting. The Company agreed to nominate a Steel designee for election to Class III of the Board at the 2009 Annual Meeting and to recommend the election and solicit proxies for the election of the Steel designee and three other nominees to be chosen by the Board. Lawrence J. Ruisi is such Steel designee.

Immediately before such election, the Board will increase the size of the Board from 11 members to 12 members. Until after the Company's 2010 Annual Meeting of Stockholders, the Board will not increase the size of the Board in excess of 12 members and will not take any action that would cause the number of directors comprising Class I of the Board to change from four members. The parties agreed that either Mr. Ruisi or Mr. Quicke will serve on the Audit Committee of the Board and the other will serve on the Compensation Committee of the Board, effective promptly following the 2009 Annual Meeting.

Additionally, the Company will reimburse Steel for its reasonable, documented, out-of-pocket expenses incurred in connection with Steel's intended nomination of directors and solicitation of proxies from the Company's stockholders at the 2009 Annual Meeting and the negotiation of the Agreement, in an aggregate amount not to exceed \$25,000.

The Company will cease to have any obligations under the Agreement and Steel will cause Mr. Ruisi to resign as a director if, at any time, Steel and certain of its affiliates cease at any time to beneficially own and have an economic interest in or representing in the aggregate at least 5% of the total shares of common stock of the Company then outstanding.

## **Stockholder Proposals**

Stockholder proposals intended for inclusion in our proxy materials for an Annual Meeting must be provided to us on a timely basis and satisfy the conditions set forth in Rule 14a-8 under the Securities Exchange Act of 1934 (the Exchange Act). A stockholder proposal intended for inclusion in our proxy materials for the 2010 Annual Meeting of Stockholders must be submitted in writing by November 25, 2009 to the Secretary of the Company at 2800 Post Oak Blvd, Suite 5450, Houston, Texas 77056. If a stockholder wishes to submit a proposal outside of the process of Rule 14a-8 under the Exchange Act, in order for such proposal to be considered timely for the purposes of Rule 14a-4(c) under the Exchange Act, the proposal must be received at the above address not later than January 5, 2010. In addition, our Bylaws require that proposals of stockholders made outside of Rule 14a-8 under the Exchange Act and nominations for the election of directors at the 2010 Annual Meeting of Stockholders must be submitted, in accordance with the requirements of our Bylaws, not later than January 5, 2010. Stockholders are also advised to review our Bylaws, which contain additional requirements about advance notice of stockholder proposals and director nominations.

## **Business Conduct Policies**

We have a Code of Business Conduct and Ethics that applies to all of our employees and directors and we have a Code of Ethics for Senior Financial Officers of the Company that applies to our chief executive, chief financial and chief accounting officers; both policies are available on our website [www.rowancompanies.com](http://www.rowancompanies.com) under Investor Relations Governance.

## **Related Party Transaction Policy**

Our Board of Directors has adopted a policy whereby all transactions with related parties must be made in compliance with the Sarbanes-Oxley Act and our Code of Business Conduct and Ethics. Such transactions must have a legitimate business purpose, and must be on terms no less favorable to us than could be obtained from unrelated third parties.

Our Audit Committee is responsible for reviewing all related person transactions and potential conflict of interest situations involving employees, where appropriate. Each of the transactions discussed below was reviewed by the Audit Committee and approved by the Board of Directors. The Nominating and Corporate Governance Committee reviews all potential related party transactions involving directors.

**Table of Contents**

In previous years, certain officers of the Company issued promissory notes in favor of Rowan in connection with their purchases from Rowan of one or more series of Floating Rate Subordinated Convertible Debentures. The promissory notes bear interest at the same rate as the debentures, prime + .5%, and mature at various dates from 2008-2011. The promissory notes are secured by a pledge of the debentures purchased and contain provisions for set-off, effectively protecting the Company from any credit risk since the face amount of the debentures are equal to the amount of the notes. All such promissory notes pre-dated enactment of the Sarbanes-Oxley Act. The largest amounts of such promissory notes outstanding during 2008 and the amounts outstanding at December 31, 2008 were as follows:

	<b>Largest Amount Outstanding</b>	<b>Outstanding at December 31, 2008</b>
D. F. McNease(1)	\$ 1,489,000	\$ 989,000
D. C. Eckermann(1)(2)	1,165,000	

(1) In 2008, Mr. McNease and Mr. Eckermann received \$55,288 and \$23,457, respectively, in interest on the debentures; those amounts were completely offset by the interest paid by Mr. McNease and Mr. Eckermann on the related promissory notes.

(2) Mr. Eckermann is the President of our manufacturing subsidiary.

The Company employs certain individuals who are related to either our former CEO or one of our named executive officers ( NEOs ) as follows: Mr. Michael D. Dubose, Vice President-Europe of our drilling operations, joined the Company in 1978 and is the brother-in-law of D. F. McNease, our former CEO. Mr. Dubose received approximately \$394,000 in compensation in 2008 (including \$200,000 in base wages, \$115,000 in profit sharing and bonus and \$79,000 in value from vesting of restricted stock). In addition, in 2008 Mr. Dubose's personal use of a company vehicle had an incremental cost to the Company of \$3,400. Mr. Matt G. Keller was the manager of our hunting lease camps from August 2006 until October 2008 and has been a marketing manager in our drilling division since that time. He is the brother of Mark A. Keller, one of our NEOs. From January 2002 to August 2006, Mr. Keller was a vice president at one of our manufacturing subsidiaries. In 2008, he received approximately \$235,000 in compensation (including \$131,000 in base wages, \$25,000 in profit sharing and bonus, \$11,000 in value from restricted stock vesting and \$69,000 in connection with the exercise of certain stock options previously granted him by the Company).

The Company purchases equipment and related services from S&N Pump Co. ( S&N ) from time to time, in the ordinary course of business. S&N employs the sister and brother-in-law of John L. Buvens, the Company's Executive Vice President - Legal. S&N is owned and operated by the family of Mr. Buvens' brother-in-law. Mr. Buvens has no role in purchases by the Company from S&N. The Company believes the amounts paid to S&N for equipment and services purchased were reasonable and reflected prices comparable to those charged by S&N to third parties for similar equipment and services. In 2008 and 2007, amounts paid to S&N were approximately \$1.5 million (approximately 6% of S&N sales) and \$1.1 million (approximately 5% of S&N sales), respectively.

**Table of Contents**

**PROPOSAL NO. 1**

**ELECTION OF DIRECTORS**

Our Board of Directors has three classes with directors in each class elected to serve for three years, and until their successors are duly elected and qualified.

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

Class II has four directors who will stand for election in 2011; and

Class III has four directors who are standing for election in 2009.

The four nominees for Class III directors standing for election at this year's Annual Meeting are: Messrs. Thomas R. Hix, Robert E. Kramek, Frederick R. Lausen and Lawrence J. Ruisi. Messrs. Kramek and Lausen are incumbent Class III Directors. Mr. Hix is being nominated to replace Mr. John R. Huff, an incumbent director who has decided to retire from the Board. Mr. Ruisi is being nominated pursuant to an agreement between the Company and Steel Partners II, L.P. as described in "Director Nominations" beginning on page 6.

Information with respect to the nominees for Class III director and our continuing directors is set forth below. It is the intention of the persons named in the accompanying proxy card, unless otherwise instructed, to vote to elect the Class III director nominees. In the event that any such nominee is unable or unwilling to serve as a director, discretionary authority is reserved to vote for a substitute. The Board of Directors has no reason to believe that any nominee named herein will be unable to serve if elected.

**Our Nominees for Class III Directors**

**Thomas R. Hix**

Age 61  
2009 Nominee for Director  
Class III

Business consultant since January 2003. Senior Vice President of Finance and Chief Financial Officer of Cooper Cameron Corporation, an oil and gas products and services company, from 1995 to 2003; Senior Vice President of Finance, Treasurer and Chief Financial Officer of The Western Company of North America, an oil and gas services company, from 1993 to 1995. He serves on the Boards of El Paso Corporation and Health Care Service Corporation.

**Robert E. Kramek**

Age 69  
Director since 2007  
Class III

Past President of the Society of Naval Architects and Marine Engineers from 2006 to 2008. President, Chief Operating Officer and Director of the American Bureau of Shipping ( ABS ) from 2003 through 2006. Mr. Kramek joined ABS in 1998 after serving as Commandant of the United States Coast Guard, from which he retired as a Four Star Admiral.

**Frederick R. Lausen**

Age 71  
Director since 2000  
Class III

Formerly Vice President of Davis Petroleum, Inc., an oil and gas exploration and production company; retired in 2002.

**Lawrence J. Ruisi**

Age 60

2009 Nominee for Director

Class III

Private investor and consultant since 2002. Formerly President and Chief Executive Officer of Loews Cineplex Entertainment from 1998 to 2002 and Executive Vice President of Sony Pictures Entertainment from 1991 to 1998. He also serves on the Boards of Adaptec, Inc. and Hughes Communications, Inc.

**Recommendation of the Board**

**The Nominating and Corporate Governance Committee has recommended to the Board, and the Board also recommends, that the stockholders vote FOR the election of each of the Class III director nominees at the Annual Meeting to serve until the 2012 Annual Meeting and until their successors are duly elected and qualified.**

**Table of Contents**

**Our Continuing Directors**

**R. G. Croyle**

Age 66  
Director since 1998  
Class II

Formerly Vice Chairman and Chief Administrative Officer of the Company from August 2002 to December 2006; retired in 2006. He also serves on the boards of Boots & Coots, Inc. and Magellan Midstream Holdings GP, LLC.

**Lord Moynihan**

Age 53  
Director since 1996  
Class II

Executive Chairman of Pelamis Wave Energy since August 2005; Senior Partner of London-based CMA, an energy advisory firm, since 1993. Executive Director of Clipper Windpower Inc. and Chairman of Clipper Windpower Europe Limited, a wind turbine technology company, from 2004 to 2007. Active Member of the House of Lords since 1997 and Chairman of the British Olympic Association.

**W. Matt Ralls**

Age 59  
Director since 2009  
Class II

President and Chief Executive Officer since January 2009. Executive Vice President and Chief Operating Officer of GlobalSantaFe Corporation, an international contract drilling company, from June 2005 until November 2007. Prior to that time Mr. Ralls served as Senior Vice President and CFO of GlobalSantaFe. He also serves on the Board of Complete Production Services.

**John J. Quicke**

Age 59  
Director since 2009  
Class II

Managing Director and operating partner of Steel Partners LLC, a global management firm, since September 2005. Vice Chairman and Executive Officer (March 2004 to March 2005) and director (1993 to March 2005) of Sequa Corporation, a diversified industrial company. Previously, he served as President and Chief Operating Officer of Sequa from 1993 to February 2004. Mr. Quicke also serves on the boards of Adaptec, Inc. and WHX Corporation.

**William T. Fox III**

Age 63  
Director since 2001  
Class I

Formerly Managing Director responsible for the global energy and mining businesses of Citigroup, a corporate banking firm, from 1994 to 2003; retired in 2003.

**Sir Graham Hearne**

Age 71  
Director since 2004  
Class I

Formerly Chairman of Enterprise Oil plc, an oil and gas exploration and production company, from 1991 to 2002, and Chief Executive Officer from 1984 to 1991; retired in 2002. He also serves as the non-executive chair of Catlin Group Limited, Braemar Shipping Services Group plc and Stratic Energy Corporation. He is a non-executive director of N. M. Rothschilds & Sons Ltd. and Wellstream Holdings plc.

**H. E. Lentz**

Age 64  
Director since 1990  
Class I

Chairman of the Board of Directors of the Company. Formerly Managing Director of Barclays Capital, an investment banking firm and successor to Lehman Brothers, from September 2008 to March 2009. In March 2009, Mr. Lentz accepted a position as Managing Director of Lazard Frères & Co (an investment banking firm), commencing in June 2009. Managing Director of Lehman



Brothers from 1993 to 2002; consultant to Lehman in 2003 and Advisory Director of Lehman from 2004 to September 2008. He also serves on the boards of Peabody Energy Corp. and CARBO Ceramics, Inc.

**P. Dexter Peacock**

Age 67

Director since 2004

Class I

Formerly Managing Partner of Andrews Kurth LLP, a law firm, retired as a Partner in 1997; Of Counsel to Andrews Kurth since 1997. He also serves on the board of Cabot Oil & Gas Corporation.

**Table of Contents****COMMITTEES OF THE BOARD OF DIRECTORS**

The table below shows the members of the committees of our Board of Directors, the principal function of each committee and how often each committee met during 2008. Additional information regarding the responsibilities of the Audit, Compensation and Nominating and Corporate Governance committees may also be found in their respective charters, which are available on the Company's website at [www.rowancompanies.com](http://www.rowancompanies.com).

	<b>Principal Function</b>	<b>2008 Meetings</b>
<b>Audit Committee</b> William T. Fox III, Chairman Frederick R. Lausen P. Dexter Peacock	The committee is directly responsible for the engagement, compensation and oversight of the independent registered public accounting firm engaged to issue an audit report on the Company's financial statements. In addition, the committee oversees our financial and accounting processes, certain compliance matters and performance of our internal audit function.	7
<b>Compensation Committee</b> P. Dexter Peacock, Chairman Sir Graham Hearne John R. Huff H. E. Lentz	The committee recommends to the Board of Directors the compensation to be paid to our CEO and other top officers. The committee administers our debenture, stock option and annual and long-term incentive plans. See Compensation Discussion and Analysis, beginning on page 15.	6
<b>Executive Committee</b> D. F. McNease, Chairman (now retired) William T. Fox III Sir Graham Hearne H. E. Lentz P. Dexter Peacock	The committee has the authority to exercise all of the powers of the Board in the management of the business and affairs of the Company, with certain exceptions noted in the Company's Bylaws.	
<b>Health, Safety and Environment Committee</b> Lord Moynihan, Chairman Robert G. Croyle John R. Huff Robert E. Kramek	The committee reviews our performance and policies with respect to health, safety and environmental matters and makes recommendations to the Board regarding such matters.	4
<b>Nominating and Corporate Governance Committee</b> Sir Graham Hearne, Chairman William T. Fox III	The committee generally identifies qualified board candidates and develops and recommends to the Board of Directors our corporate governance principles. As described under	3

Robert E. Kramek  
Frederick R. Lausen  
H. E. Lentz  
Lord Moynihan

Director Nominations on page 6, the committee will consider for election to the Board qualified nominees recommended by stockholders.

In addition, in 2008, the Board formed a Search Committee, chaired by Mr. Lentz with the following additional members: Messrs. Croyle, Fox, Kramek and Peacock. The purpose of the committee was to conduct a search for a new president and CEO, replacing Daniel F. McNease, who indicated he planned to retire effective as of December 31, 2008. The Search Committee met four times in 2008. In December 2008, Mr. W. Matt Ralls was selected to be our President and CEO effective as of January 1, 2009. At that time, the Search Committee was disbanded.

**Table of Contents****DIRECTOR COMPENSATION AND ATTENDANCE**

Depending on participation on committees and attendance at meetings, in 2008, our non-employee directors received the compensation shown below, plus reimbursement for reasonable travel expenses. Mr. McNease was an employee of the Company until his retirement on December 31, 2008; he did not receive any additional compensation for serving as a director.

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

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

In 2008, each non-employee director received a grant of 3,000 restricted stock units ( RSUs ) under the 2005 Rowan Companies, Inc. Long-Term Incentive Plan (the 2005 LTIP ). Newly elected outside directors receive 1,000 RSUs upon their election.

All of our incumbent directors attended 75% or more of the meetings of the Board and committees upon which they served during 2008. The Board of Directors held 19 meetings in 2008 (11 in-person meetings and eight telephonic meetings). Directors are strongly encouraged to attend our Annual Meetings of Stockholders and each of our directors attended our 2008 meeting.

The following table shows the aggregate compensation awarded to or earned by our directors during 2008.