



The Office Of  
State Treasurer  
Denise L. Nappier

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## News

**FOR IMMEDIATE RELEASE**

June 10, 2010

### **Connecticut State Treasurer Co-Sponsors Effort to Call on Chesapeake Energy to Adopt Policy on Responsible Use of Company Stock**

*Joins Amalgamated bank in asking board to prohibit speculative trading activities by insiders*

HARTFORD—Connecticut State Treasurer Denise L. Nappier, principal fiduciary of the \$23 billion Connecticut Retirement Plans and Trust Funds (CRPTF), today joined Amalgamated Bank's LongView Funds in urging shareholders to vote in favor of a proposal promoting responsible use of company stock at Chesapeake Energy Corporation's June 11, 2010, annual meeting.

The proposal, introduced for the first time this year, asks the Chesapeake Energy board of directors to adopt a policy to prohibit named executive officers and directors from engaging in derivative or speculative transactions involving company stock, engaging in hedging or monetization transactions with respect to company stock, holding company stock in a margin account, or pledging company stock as collateral for a loan. The policy would promote the alignment of executives' and directors' long-term interests with those of shareholders in order to strengthen the link between pay and performance that is necessary to properly incentivize executives to maximize shareholder value.

The resolution was filed at Chesapeake Energy after an October 2008 margin call forced chief executive officer Aubrey McClendon to sell nearly all of his equity in the company – a 5.5 percent stake in the company that, prior to the margin call, made Mr. McClendon the company's third-largest shareholder. Following the margin call, the board of directors amended Mr. McClendon's employment contract to lower his stockholding requirements and granted him a \$75 million bonus. The board also approved a series of related party transactions between Chesapeake Energy and Mr. McClendon, including the purchase of a collection of historical maps from Mr. McClendon for \$12.1 million and an interest in the Oklahoma City Thunder, an NBA basketball team in which Mr. McClendon is a minority owner.

The CRPTF currently holds 375,205 shares of Chesapeake Energy. A copy of a joint press release is attached.

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## Press Release

**For Immediate Release**

June 10, 2010

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### **Investors Urge Prohibition of Speculative Trading in Company Stock by Insiders at Chesapeake Energy Corporation**

Amalgamated Bank and Connecticut Retirement Plans and Trust Funds to Present Shareholder Proposal at Annual Meeting in the Wake of Significant Margin Calls

New York, NY— Shareholders will vote tomorrow on a new proposal urging Chesapeake Energy Corporation to adopt a policy that would prohibit senior executives and Board directors from engaging in derivative or speculative transactions involving company stock, engaging in hedging or monetization transactions with respect to company stock, and holding company stock in a margin account or otherwise pledging company stock as collateral for a loan. The proposal is co-sponsored by Amalgamated Bank's LongView Funds and the Connecticut Retirement Plans and Trust Funds.

"We want those responsible for overseeing and implementing company strategy to have a long-term vested interest in the company's shareholder value," stated Scott Zdrazil, First Vice President of Amalgamated Bank. "Speculative trading has the potential of misaligning insiders' interests from those of other shareholders. Moreover, since margin calls typically occur when a company stock is already under pressure, forced sales risk further depressing stock prices."

The impact of insider margin trading was dramatically demonstrated at Chesapeake Energy Corporation in October 2008, when margin calls forced Chair and CEO Aubrey McClendon to liquidate about 31 million shares, or virtually all of his 5.5% ownership stake in the company. The margin call resulted in the Chair and CEO temporarily holding shares below the required level of the company's stock ownership guidelines. The Compensation Committee subsequently granted the Chair and CEO a "special incentive award" including a \$75 million bonus in December 2008.

Recent research by Gradient Analytics found empirical evidence that hedging activities might be used opportunistically by company insiders. The research firm found that share prices declined approximately 22 percent in the twelve months following insiders entering into certain types of hedging instruments. Research also suggested that firms where insiders entered into speculative trading were more likely to face securities-related litigation and restating financial statements during the following twelve months.

"The current economic crisis has revealed time and time again that even CEOs are not immune to the wide fluctuations in the capital markets we have seen over the past few years," stated Connecticut State Treasurer Denise L. Nappier. "It is therefore even more critical for boards to ensure that management's interests are closely aligned with those of shareholders through compensation structures—including equity ownership policies and practices—that strongly link pay to both individual and company-wide performance."

RiskMetrics, the leading proxy advisory service, has recommended that investors vote in favor of the proposal.

Amalgamated Bank's LongView Funds and the Connecticut Retirement Plans and Trust Funds hold 341,779 shares and 375,205 shares, respectively, of Chesapeake Energy Corporation.



*About Amalgamated Bank*

Founded in 1923, Amalgamated Bank manages approximately \$11 billion in assets through its LongView Funds. The LongView Funds work to enhance shareholder value through corporate governance reforms at portfolio companies. Amalgamated Bank is available online at [www.AmalgamatedBank.com](http://www.AmalgamatedBank.com).

*About Connecticut Retirement Plans and Trust Funds*

As principal fiduciary for \$23 billion Connecticut Retirement Plans and Trust Funds (CRPTF), which consists of six State pension plans and eight trust funds, Connecticut State Treasurer Denise L. Nappier is responsible for prudently managing the retirement funds for approximately 160,000 teachers, state, and municipal employees who are pension plan participants and beneficiaries. More information about the CRPTF can be found at [www.state.ct.us/ott](http://www.state.ct.us/ott).

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