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CHESAPEAKE ENERGY CORP

Form 11-K

July 13, 2001

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 11-K

ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

(Mark One)

☒ Annual Report pursuant to Section 15(d) of the Securities Exchange Act
of 1934

[No Fee Required]

For the Fiscal Year ended December 31, 2000

Or

☐ Transition Report pursuant to Section 13 or 15(d) of the Securities Act
of 1934

[No Fee Required]

For the transition period from _____ to _____

Commission File No. 1-13726

A. Full title of the plan and the address of the plan, if different
from that of the issuer named below

CHESAPEAKE ENERGY CORPORATION SAVINGS AND INCENTIVE STOCK
BONUS PLAN
6100 NORTH WESTERN AVENUE
OKLAHOMA CITY, OK 73118

B. Name of issuer of the securities held pursuant to the plan and the
address of its principal executive office

CHESAPEAKE ENERGY CORPORATION
6100 NORTH WESTERN AVENUE
OKLAHOMA CITY, OK 73118

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CHESAPEAKE ENERGY
CORPORATION SAVINGS AND
INCENTIVE STOCK BONUS PLAN

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REPORT ON AUDIT OF FINANCIAL STATEMENTS
AND SUPPLEMENTAL SCHEDULES
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999

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CHESAPEAKE ENERGY CORPORATION
SAVINGS AND INCENTIVE STOCK BONUS PLAN
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REPORT OF INDEPENDENT ACCOUNTANTS

To the Participants and the Members of the Oversight Committee of the
Chesapeake Energy Corporation Savings and Incentive Stock Bonus Plan

In our opinion the accompanying statements of net assets available for benefits and the related statements of changes in net assets available for benefits present fairly, in all material respects, the net assets available for benefits of the Chesapeake Energy Corporation Savings and Incentive Stock Bonus Plan (the "Plan") at December 31, 2000 and 1999, and the changes in net assets available for benefits for the years then ended, in conformity with accounting principles

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generally accepted in the United States of America. These financial statements are the responsibility of the Plan's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedules of Assets Held For Investment Purposes and Reportable Transactions are presented for the purpose of additional analysis and are not a required part of these basic financial statements but are supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974 ("ERISA"). These supplemental schedules are the responsibility of the Plan's management. These supplemental schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

PricewaterhouseCoopers LLP

Tulsa, Oklahoma
July 1, 2001

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CHESAPEAKE ENERGY CORPORATION
SAVINGS AND INCENTIVE STOCK BONUS PLAN
STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS
AT DECEMBER 31, 2000 AND 1999

| December 31, | |
|--------------|-------|
| 2000 | 1999 |
| ----- | ----- |

ASSETS

| | | |
|---------------------------|--------------|--------------|
| Investments (Note 3) | \$23,481,297 | \$ 8,143,689 |
| Contributions receivable: | | |

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| | | |
|-----------------------------------|--------------|--------------|
| Employer | 51,460 | - |
| Participants | 50,393 | - |
| Cash | 10,746 | 154,011 |
| | ----- | ----- |
| Total assets | \$23,593,896 | \$ 8,297,700 |
| | ===== | ===== |
| LIABILITIES | | |
| Accrued liabilities | \$ -- | \$ 1,086 |
| | ----- | ----- |
| Net assets available for benefits | \$23,593,896 | \$ 8,296,614 |
| | ===== | ===== |

The accompanying notes are an integral part of these financial statements.

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CHESAPEAKE ENERGY CORPORATION SAVINGS AND INCENTIVE STOCK BONUS PLAN STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999

| | DECEMBER 31, | |
|---|--------------|------------|
| | 2000 | 1999 |
| | ----- | ----- |
| Additions to net assets attributed to: | | |
| Investment income: | | |
| Interest and dividends | \$ 73,753 | \$ 100,094 |
| Income on participants' loans | 16,744 | 15,668 |
| Net appreciation in fair value of investments | 12,510,887 | 1,933,141 |
| | ----- | ----- |
| Total investment income | 12,601,384 | 2,048,903 |
| | ----- | ----- |
| Contributions: | | |
| Employer | 1,383,109 | 1,162,678 |
| Participants | 1,866,900 | 1,626,821 |
| | ----- | ----- |
| Total contributions | 3,250,009 | 2,789,499 |
| | ----- | ----- |

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| | | |
|---|---------------|--------------|
| Total additions | 15,851,393 | 4,838,402 |
| | ----- | ----- |
| Deductions from net assets attributed to: | | |
| Benefits paid to participants | 478,499 | 1,396,360 |
| Administrative expenses | 75,612 | 52,968 |
| | ----- | ----- |
| Total deductions | 554,111 | 1,449,328 |
| | ----- | ----- |
| Net increase | 15,297,282 | 3,389,074 |
| Net assets at beginning of year | 8,296,614 | 4,907,540 |
| | ----- | ----- |
| Net assets at end of year | \$ 23,593,896 | \$ 8,296,614 |
| | ----- | ----- |

The accompanying notes are an integral part of these financial statements.

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CHESAPEAKE ENERGY CORPORATION
SAVINGS AND INCENTIVE STOCK BONUS PLAN
SCHEDULE OF ASSETS HELD FOR INVESTMENT PURPOSES AT END OF YEAR
FORM 5500, SCHEDULE H, LINE 4i
AT DECEMBER 31, 2000

1. DESCRIPTION OF THE PLAN

The following is a brief summary of the various provisions of the Chesapeake Energy Corporation Savings and Incentive Stock Bonus Plan (the "Plan"). Participants should refer to the Plan agreement for a complete description of the Plan's provisions.

GENERAL - The Plan is a defined contribution plan covering all employees of Chesapeake Energy Corporation and its subsidiaries (the "Company") who have completed six consecutive months of employment and are age twenty-one or older. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 ("ERISA"). Approximately 524 employees were actively participating in the Plan as of December 31, 2000.

CONTRIBUTIONS - Each year, participants may contribute up to 15 percent of pre-tax annual compensation, as defined in the Plan. Participants may also contribute amounts representing rollover distributions from other qualified plans. The Company contributes 100 percent of the first 10 percent of base compensation that a participant contributes to the Plan. Additional amounts may be contributed at the option of the Company's board of directors. Contributions are subject to certain limitations. The Company's matching contribution is used to purchase

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shares of Chesapeake Energy Corporation Common Stock on the open market.

PARTICIPANT ACCOUNTS - Each participant's account is credited with the participant's contribution and allocations of the Company's contribution and Plan earnings. Allocations are based on participant earnings or account balances, as defined. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.

VESTING - Participants are immediately vested in their contributions plus actual earnings thereon. Vesting in the Company's matching portion of their accounts plus actual earnings thereon is based on years of credited service. A participant is 100 percent vested after seven years of credited service.

PARTICIPANT NOTES RECEIVABLE - Participants may borrow from their fund accounts a minimum of \$1,000 up to a maximum equal to the lesser of \$50,000 or 50 percent of their vested account balance. Loan terms range from 1-5 years or up to 10 years for the purchase of a primary residence. The loans are collateralized by the balance in the participant's account and bear interest at the Prime Interest Rate. Principal and interest is paid ratably through semi-monthly payroll deductions.

PAYMENT OF BENEFITS - Upon termination a participant may elect to receive either a lump-sum amount equal to the value of the participant's vested interest in his or her account, annual installments, annuity payments or have the value rolled over to another qualified plan or IRA.

AMOUNTS FORFEITED - Forfeited nonvested amounts are used to pay administrative expenses of the Plan or to restore such amounts to re-employed Participants. If there are any amounts forfeited remaining, they will be allocated to other Participants during the last quarter of the year in the same manner as other Company contributions. Forfeited nonvested accounts totaled \$219,028 and \$227,002 at December 31, 2000 and 1999, respectively.

The accompanying notes are an integral part of these financial statements.

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CHESAPEAKE ENERGY CORPORATION
SAVINGS AND INCENTIVE STOCK BONUS PLAN
SCHEDULE OF ASSETS HELD FOR INVESTMENT PURPOSES AT END OF YEAR
FORM 5500, SCHEDULE H, LINE 4i
AT DECEMBER 31, 2000

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING - The financial statements of the Plan are prepared under the accrual method of accounting.

USE OF ESTIMATES - The preparation of financial statements in conformity with generally accepted accounting principles requires

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management to make estimates and assumptions that affect the reported amounts of net assets available for benefits at the date of the financial statements and the changes in net assets available for benefits during the reporting period. Actual results could differ from those estimates.

INVESTMENTS VALUATION AND INCOME RECOGNITION - The Plan's investments are stated at fair value as measured by quoted market prices, except for the guaranteed interest contract which is valued at contract value. Shares of registered investment companies are valued at quoted market prices which represent the net asset value of shares held by the Plan at year-end. Participant loans receivable are valued at cost.

Purchases and sales of securities are recorded on a trade-date basis. Investment income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

The Plan presents, in the statement of changes in net assets available for benefits, the net appreciation (depreciation) in the fair value of investments which consists of the realized gains or losses and the unrealized appreciation (depreciation) on those investments.

INVESTMENT CONTRACT WITH INSURANCE COMPANY - In 1999, participants could invest in a benefit-responsive contract with Mass Mutual. Mass Mutual maintained the contributions in a pooled separate account. The account was credited with earnings on the underlying investments and charged for Plan withdrawals and administrative expenses. The contract was included in the financial statements at contract value as reported to the Plan by Mass Mutual. Contract value represented contributions made under the contract, plus earnings, less participant withdrawals and administrative expenses. Participants may ordinarily direct the withdrawal or transfer of all or a portion of their investment at contract value. In February, 2000, all assets of the Plan held by Mass Mutual and Smith Barney were transferred to Fidelity Investments.

PAYMENT OF BENEFITS - Benefits are recorded when paid. Benefits related to participants who elected to withdraw from the Plan prior to December 31, 2000, but received distributions subsequent to period end, totaled approximately \$73,000.

The accompanying notes are an integral part of these financial statements.

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CHESAPEAKE ENERGY CORPORATION
SAVINGS AND INCENTIVE STOCK BONUS PLAN
SCHEDULE OF ASSETS HELD FOR INVESTMENT PURPOSES AT END OF YEAR
FORM 5500, SCHEDULE H, LINE 4i
AT DECEMBER 31, 2000

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

RISKS AND UNCERTAINTIES - Investment securities are exposed to various risks, such as interest rate, market, and credit risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in value of investment securities will

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occur in the near term and that such changes could materially affect participant's account balances and the amounts reported in the statement of net assets available for plan benefits and the statement of changes in net assets available for plan benefits. For example, the quoted market price of Chesapeake Energy Common Stock included in the December 31, 2000 financial statements was \$10.13 per share. Subsequently, the quoted market price of the stock decreased to \$6.80 per share as of July 1, 2001.

3. INVESTMENTS

The following investments were held by the Plan at December 31, 2000 and 1999:

| | DECEMBER 31, | |
|---|---------------|--------------|
| | 2000 | 1999 |
| Guaranteed Interest Contract | \$ -- | \$ 627,547* |
| Core Equity Fund Separate Investment Account | -- | 1,860,947* |
| Small Cap Fund Separate Investment Account | -- | 387,615 |
| Intermediate Bond Fund Separate Investment Account | -- | 830,671* |
| International Equity Fund Separate Investment Account | -- | 888,642* |
| Participant loans | 329,077 | 196,389 |
| Chesapeake Energy Corporation Common Stock | 17,295,431* | 3,351,878* |
| Fidelity Equity Inc. | 154,533 | -- |
| Fidelity Growth Co. | 326,367 | -- |
| Fidelity OTC Port | 171,209 | -- |
| Fidelity Low Pr Stk | 747,289 | -- |
| Fidelity Aggressive Growth | 290,209 | -- |
| Fidelity Divers Intl | 820,280 | -- |
| Fidelity Freedom Income | 1,307 | -- |
| Fidelity Freedom 2000 | 21,449 | -- |
| Fidelity Freedom 2010 | 142,861 | -- |
| Fidelity Freedom 2020 | 125,177 | -- |
| Fidelity Freedom 2030 | 67,628 | -- |
| Fidelity Retire Mmkt | 1,237,554* | -- |
| Spartan US Gg Index | 1,559,308* | -- |
| Brokeragelink | 146,413 | -- |
| Ofen Alger Small Cap RTM | 28,693 | -- |
| Templeton Foreign A | 16,512 | -- |
| | \$ 23,481,297 | \$ 8,143,689 |

* Investments which represent 5 percent or more of total net assets available for benefits.

The accompanying notes are an integral part of these financial statements.

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CHESAPEAKE ENERGY CORPORATION
SAVINGS AND INCENTIVE STOCK BONUS PLAN
SCHEDULE OF ASSETS HELD FOR INVESTMENT PURPOSES AT END OF YEAR
FORM 5500, SCHEDULE H, LINE 4i
DECEMBER 31, 2000

3. INVESTMENTS, Continued

The Plan's investments (including gains and losses on investments bought and sold, as well as held during the year) appreciated (depreciated) in value as follows:

| | FOR THE YEAR ENDED DECEMBER 31, | |
|--|------------------------------------|--------------|
| | 2000 | 1999 |
| Mutual funds | \$ (306,466) | \$ 216,000 |
| Chesapeake Energy Corporation Common Stock | 12,817,353 | 1,717,141 |
| | \$ 12,510,887 | \$ 1,933,141 |

4. NONPARTICIPANT - DIRECTED INVESTMENTS

Information about the net assets and the significant components of the changes in net assets relating to the nonparticipant-directed investments is as follows:

| | DECEMBER 31, | |
|---|---------------|--------------|
| | 2000 | 1999 |
| Net assets - Chesapeake Energy Corporation common stock | \$ 17,295,431 | \$ 3,351,878 |

FOR THE YEAR ENDED
DECEMBER 31,

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| | 2000 | 1999 |
|-------------------------------|---------------|--------------|
| Changes in net assets: | | |
| Contributions | \$ 1,383,109 | \$ 1,162,678 |
| Net appreciation | 12,817,353 | 1,717,141 |
| Benefits paid to participants | (236,770) | (269,000) |
| | \$ 13,963,692 | \$ 2,610,819 |

5. TAX STATUS

The Plan obtained its latest determination letter on April 22, 1997, in which the Internal Revenue Service stated that the Plan, as then designed, was in compliance with the applicable requirements of the Internal Revenue Code. The Plan has been amended since receiving the determination letter. However, the plan administrator and the plan's tax counsel believe the Plan is currently designed and being operated in compliance with the applicable requirements of the Internal Revenue Code. Therefore, no provision for income taxes has been included in the plan's financial statements.

The accompanying notes are an integral part of these financial statements.

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CHESAPEAKE ENERGY CORPORATION
SAVINGS AND INCENTIVE STOCK BONUS PLAN
SCHEDULE OF ASSETS HELD FOR INVESTMENT PURPOSES AT END OF YEAR
FORM 5500, SCHEDULE H, LINE 4i
DECEMBER 31, 2000

| IDENTITY OF ISSUE, BORROWER, LESSOR, OR SIMILAR PARTY | DESCRIPTION OF INVESTMENT INCLUDING MATURITY DATE RATE OF INTEREST, COLLATERAL, PAR, OR MATURITY VALUE | COST |
|--|---|--------------|
| *Chesapeake Energy Corporation | Common Stock | \$ 4,271,490 |
| Fidelity Equity Inc. | Mutual Funds | -- |
| Fidelity Growth Co. | Mutual Funds | -- |
| Fidelity OTC Port | Mutual Funds | -- |
| Fidelity Low Pr Stk | Mutual Funds | -- |
| Fidelity Aggressive Growth | Mutual Funds | -- |
| Fidelity Divers Intl | Mutual Funds | -- |
| Fidelity Freedom Income | Mutual Funds | -- |
| Fidelity Freedom 2000 | Mutual Funds | -- |
| Fidelity Freedom 2010 | Mutual Funds | -- |

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| | | |
|--------------------------|--|--------------|
| Fidelity Freedom 2020 | Mutual Funds | -- |
| Fidelity Freedom 2030 | Mutual Funds | -- |
| Fidelity Retire Mmkt | Mutual Funds | -- |
| Spartan US Gg Index | Mutual Funds | -- |
| Brokeragelink | Mutual Funds | -- |
| Ofen Alger Small Cap RTM | Mutual Funds | -- |
| Templeton Foreign A | Mutual Funds | -- |
| Participant Loans | Interest Rates Ranging From 7.5% to 9.75% | -- |
| | | ----- |
| | | \$ 4,271,490 |
| | | ----- |

The accompanying notes are an integral part of these financial statements.

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CHESAPEAKE ENERGY CORPORATION
SAVINGS AND INCENTIVE STOCK BONUS PLAN
SCHEDULE OF REPORTABLE TRANSACTIONS
FORM 5500, SCHEDULE H, LINE 4j FOR THE YEAR ENDED
DECEMBER 31, 2000

| IDENTITY OF PARTY INVOLVED | DESCRIPTION OF ASSET | PURCHASE PRICE | SELLING PRICE | LEASE RENTAL | EXPENSE INCURRED WITH TRANSACTION | COST OF ASSET | T |
|----------------------------------|---------------------------------|-------------------|------------------|-----------------|--|------------------|----|
| ----- | | | | | | | |
| Fidelity Investments | Chesapeake Energy Common Stock: | | | | | | |
| | Purchases | \$ 1,830,124 | \$ -- | \$ -- | \$ -- | \$1,830,124 | \$ |
| | Sales | -- | 745,802 | -- | -- | 381,472 | |

The accompanying notes are an integral part of these financial statements.

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SIGNATURES

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Pursuant to the requirements of the Securities Exchange Act of 1934, the trustee has duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

CHESAPEAKE ENERGY CORPORATION
SAVINGS AND INCENTIVE STOCK BONUS
PLAN

/s/ Mary Whitson

Mary Whitson, Trustee

Date: July 13, 2001

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EXHIBIT INDEX

EXHIBIT

DESCRIPTION

23.1.....Consent of PriceWaterhouseCoopers LLP

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