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### Companies & Industries

## The Corporate Storm Behind OKC's Thunder

By [Kirsten Salyer](#) on June 14, 2012

<http://www.businessweek.com/articles/2012-06-12/the-corporate-storm-behind-okcs-thunder>

*(Corrects the description of McClendon's use of company employees in the fourth paragraph.)*

For star players Kevin Durant and Russell Westbrook of the Oklahoma City Thunder, Tuesday night's opening game of the NBA finals will celebrate a long climb to the top of the basketball heap. For team co-owner Aubrey McClendon, whose company's name adorns the Oklahoma City arena, it may be nice just to have the spotlight on someone else for a change.

McClendon, chief executive officer of Chesapeake Energy ([CHK](#)), the second-largest natural gas producer in the U.S., has been facing shareholder scorn and regulatory scrutiny in the wake of reports that he used company finances for personal business. The Chesapeake Energy Arena stands as perhaps the most visible sign of McClendon's having mixing personal interests with Chesapeake business. McClendon, who owns a 19 percent stake in the Thunder, is a regular at home playoff games, sitting a few rows back from courtside. The energy company, based in Oklahoma City, has a \$36 million sponsorship deal with the NBA franchise and pays up to \$4 million annually to brand the Chesapeake Energy Arena, which is "known by the cool kids as The Peake," [notes Jenni Carlson](#), a sports columnist for *NewsOK*.

"When the arena was renamed before the season started, I don't think anyone was surprised," Carlson says in a phone interview. "We see the company's reach everywhere. The naming of the stadium is one of the most out-there examples." (According to federal filings [reported by Bloomberg](#), McClendon agreed to donate the money he receives from the arena naming-rights deal to Oklahoma schools for two years.)

The fireworks began for McClendon in April with a [report by Reuters](#) that he ran up hundreds of millions of dollars in personal loans to purchase stakes in company wells. Those deals brought scrutiny from both the Internal Revenue Service and the Securities and Exchange Commission. McClendon had six full-time company employees managing his personal business affairs and used company aircraft to fly his family to Amsterdam and Paris, [Reuters reported](#). McClendon reimbursed the company all but \$250,000 of \$3 million in 2010 and \$3.2 million in 2011 for services rendered by Chesapeake employees. The company and McClendon have been [scrambling](#) to make up a \$22 billion cash shortfall created when McClendon bet wrong on natural gas prices last year. Its plunging stock price attracted the attention of Carl Icahn, who revealed on May 25 that he'd taken a 7.6 percent interest.

The upshot: Last week, while Durant and company were bulling their way past San Antonio to reach the finals for the first time (the team moved in 2008 from Seattle, where it won a championship in 1979 as the

Supersonics), McClendon was suffering the corporate equivalent of an in-your-face dunk. The Chesapeake board removed him as chairman (he's still CEO) and stripped the membership of four directors. At the July 8 annual meeting, [fed-up shareholders rejected](#) two of the four directors, who will be replaced June 22, and demanded more influence over the company. (A Chesapeake spokesman said Monday that McClendon wasn't available for interviews.)

Chesapeake Energy Arena is hardly the first stadium to suffer an awkward corporate branding. The foremost example is Enron Field, which was the brand-new home to the Houston Astros baseball team until the company's 2001 infamous accounting scandal and bankruptcy.

The other way to look at it, of course, is that trying times are exactly why companies invest in sports marketing in the first place. In a world of TiVo ([TIVO](#)) and Internet media, live sporting events are one of the few ways for advertisers to directly reach large numbers of people, says David Abrutyn, head of IMG Global Consulting. "You use the power of those marketing platforms to offset other news that's going on, or make sure that people understand accurately what a company is about."

This opportunity is especially potent with the Thunder holding home-court advantage in the finals, said Dany Berghoff, vice president of business development at 21 Sports and Entertainment Marketing Group. "Unless it's proven that the scandal went beyond the CEO and is endemic to the company, the exposure Chesapeake Energy will get from the NBA finals is the most beneficial it could have gotten for the money they spent," he says.

Let's face it: Few basketball fans know the first thing about how Chesapeake finances its gas wells. Excitement in Oklahoma City about the team has trumped any concerns people might have about the team's corporate connections, Carlson says. "Oklahoma City is still getting its mind wrapped around playing in the NBA Finals. It's still a pinch-me moment."

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