

CHESAPEAKE ENERGY CORP
Form S-4/A
December 16, 2004
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As filed with the Securities and Exchange Commission on December 16, 2004

Registration No. 333-120874

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Amendment No. 1

to

FORM S-4

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

CHESAPEAKE ENERGY CORPORATION

(exact name of registrant as specified in its charter)

Oklahoma
(state or other jurisdiction
of incorporation or organization)

1311
(Primary Standard Industrial
Classification Code)

75-1395733
(I.R.S. employer
identification no.)

6100 North Western Avenue

Aubrey K. McClendon
Chairman of the Board and

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Oklahoma City, Oklahoma 73118

(405) 848-8000

(Address, including zip code,

and telephone number, including area code,

of Registrant's principal executive offices)

Chief Executive Officer

6100 North Western Avenue

Oklahoma City, Oklahoma 73118

(405) 848-8000

(Name, address, including zip code,

and telephone number, including

area code, of agent for service)

With Copies to:

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Approximate date of commencement of proposed sale to the public:

As soon as practicable after the effective date of this Registration Statement and all other

conditions to the exchange offer described herein have been satisfied or waived

If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. "

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment that specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

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The information in this prospectus may change. We may not complete the exchange offer and issue these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer is not permitted.

EXCHANGE OFFER PROSPECTUS

Chesapeake Energy Corporation

Offer to Exchange

Shares of Common Stock

for

Each Outstanding Share of

6.00% Cumulative Convertible Preferred Stock

(CUSIP Nos. 165167-70-1/

165167-60-2 (144A))

We are offering to exchange shares of our common stock for each validly tendered and accepted share of our 6.00% Cumulative Convertible Preferred Stock upon the terms and subject to the conditions set forth in this exchange offer prospectus and in the related letter of transmittal. On November 29, 2004, 4,000,000 shares of our 6.00% Cumulative Convertible Preferred Stock were outstanding. In this exchange offer prospectus, we refer to our 6.00% Cumulative Convertible Preferred Stock as Preferred Stock.

The number of shares of common stock to be exchanged for each share of Preferred Stock (which we refer to as the Exchange Ratio) will be fixed after 5:00 p.m. New York City time on Thursday, December 23, 2004, the Pricing Date, on the basis of the applicable pricing formula set forth herein, and announced prior to the opening of trading on Monday, December 27, 2004. The Exchange Ratio will be subject to a maximum of 5.5605 shares of common stock and a minimum of 5.1605 shares of common stock per share of Preferred Stock.

The exchange offer will expire at 12:00 midnight, New York City time, on Tuesday, December 28, 2004, unless extended or earlier terminated by us. You may withdraw shares of Preferred Stock that you tender at any time before the exchange offer expires. In addition, you may withdraw any tendered shares of Preferred Stock if we have not accepted them for payment within 40 business days from the commencement of our exchange offer on November 30, 2004.

The exchange offer is subject to the conditions described in The Exchange Offer Conditions to the Exchange Offer, including, among other things, the effectiveness of the registration statement of which this exchange offer prospectus forms a part. We reserve the right to extend or terminate the exchange offer if any condition of the exchange offer is not satisfied and otherwise to amend the exchange offer in any respect.

The Preferred Stock is listed on the New York Stock Exchange under the symbol CHKPrA , and our common stock is listed on the New York Stock Exchange under the symbol CHK . The New York Stock Exchange will consider de-listing any outstanding shares of Preferred Stock if, following the exchange, the number of publicly-held outstanding shares of Preferred Stock is less than 100,000, the number of holders of outstanding shares of Preferred Stock is less than 100, the aggregate market value of the outstanding shares of Preferred Stock is less than \$1 million, or for any other reason based on the suitability for the continued listing of the outstanding shares of Preferred Stock in light of all pertinent facts as determined by the New York Stock Exchange. On November 29, 2004, the last reported sale price of the Preferred Stock on the New York Stock Exchange was \$91.75 per share, and the last reported sale price of our common stock on the New York Stock Exchange was \$17.92 per share. The shares of our common stock to be issued in the exchange offer have been approved for listing on the New York Stock Exchange.

We urge you to carefully read the Risk Factors section beginning on page 14 before you make any decision regarding the exchange offer.

You must make your own decision whether to tender any shares of Preferred Stock in the exchange offer and, if so, the number of shares of Preferred Stock to tender. We do not make any recommendation as to whether or not holders of outstanding shares of Preferred Stock should tender their shares of Preferred Stock for exchange in the exchange offer.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the securities being offered in this exchange offer, or determined if this exchange offer prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

Dealer Manager

UBS Investment Bank

The date of this exchange offer prospectus is November 30, 2004 (as amended on December 16, 2004).

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You should rely only on the information contained or incorporated by reference in this exchange offer prospectus. We have not, and the dealer manager has not, authorized any other person to provide you with different or additional information. If anyone provides you with different or inconsistent information, you should not rely on it. We are offering to exchange, and are seeking tenders of, these securities only in jurisdictions where the offers or tenders are permitted. You should assume that the information appearing in this exchange offer prospectus and the documents incorporated by reference in this exchange offer prospectus is accurate only as of the dates of the exchange offer prospectus or of those documents. Our business, financial condition, results of operations and prospects may have changed since those dates.

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QUESTIONS AND ANSWERS ABOUT THE EXCHANGE OFFER

These answers to questions that you may have as a holder of shares of our 6.00% Cumulative Convertible Preferred Stock, as well as the summary that follows, highlight selected information included elsewhere or incorporated by reference in this exchange offer prospectus. To fully understand the exchange offer and the other considerations that may be important to your decision about whether to participate in the exchange offer, you should carefully read this exchange offer prospectus in its entirety, including the section entitled Risk Factors, as well as the information incorporated by reference in this exchange offer prospectus. For further information regarding Chesapeake Energy Corporation, see the section of this exchange offer prospectus entitled Where You Can Find More Information. Except as otherwise specified, the words Chesapeake Energy Corporation, Chesapeake, the Company, we, our, ours, and us refer to Chesapeake Energy Corporation and its subsidiaries. In this exchange offer prospectus, we refer to the 6.00% Cumulative Convertible Preferred Stock as Preferred Stock .

Why are we making the exchange offer?

We are making the exchange offer to reduce our fixed dividend obligations. The exchange offer allows current holders of shares of Preferred Stock to receive a number of shares of common stock in excess of the shares of common stock that they would receive upon conversion of the Preferred Stock.

How many shares of Preferred Stock are being sought in the exchange offer?

We are offering to exchange all outstanding shares of the Preferred Stock. As of November 29, 2004, 4,000,000 shares of Preferred Stock were outstanding.

What will I receive in the exchange offer if I tender shares of Preferred Stock and they are accepted?

For each share of Preferred Stock that we accept in the exchange offer, you will receive a number of shares of our common stock equal to the Exchange Ratio upon the terms and subject to the conditions set forth in this exchange offer prospectus and the related letter of transmittal. The Exchange Ratio will be calculated after 5:00 p.m., New York City time, on December 23, 2004 (the Pricing Date), as the sum of:

4.8605 shares of common stock; plus

\$7.75 divided by the Weighted Average Price,

subject to a minimum Exchange Ratio of 5.1605 shares of common stock and a maximum Exchange Ratio of 5.5605 shares of common stock. The Exchange Ratio will be rounded to the nearest fourth decimal place.

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For purposes of these calculations **Weighted Average Price** means the arithmetic daily volume-weighted average price of our common stock, beginning on December 10, 2004 and ending on the Pricing Date. The dollar volume-weighted average shall equal the dollar volume-weighted average price for our common stock on the New York Stock Exchange during the period beginning at 9:30:01 a.m., New York City time (or such other time as is the official open of trading at the New York Stock Exchange) and ending at 4:00:00 p.m., New York City time (or such other time as is the official close of trading at the New York Stock Exchange), as reported by Bloomberg Financial Services through its **Volume at Price** (CHK [Equity] VAP [Go]) functions. The Weighted Average Price will be rounded to the nearest whole cent.

Our common stock and the Preferred Stock are listed on the New York Stock Exchange under the symbols **CHK** and **CHKPrA**, respectively. On November 29, 2004, the last reported sale price per share of our common stock on the New York Stock Exchange was \$17.92 and the last reported sale price per share of the Preferred Stock on the New York Stock Exchange was \$91.75.

When will I know the Exchange Ratio for the exchange offer?

We will calculate the Exchange Offer on the Pricing Date and will announce the Exchange Ratio prior to 9:00 a.m., New York City time, on the next business day, December 27, 2004 (the **Announcement Date**). In

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addition, from the commencement of the offer, you will know the minimum and maximum Exchange Ratio. You can also obtain relevant information with respect to the Exchange Ratio on a daily basis during the offer period as well as the final Exchange Ratio, after their determination on the Pricing Date, by calling the information agent or the dealer manager at their respective toll-free numbers provided on the back cover of this prospectus. See [The Exchange Offer Exchange Ratio](#).

Will I have an opportunity to tender my Preferred Stock in the exchange offer, or withdraw previously tendered shares of Preferred Stock, after the determination of the Exchange Ratio?

Yes. Since the Exchange Ratio can be calculated and will be announced by us prior to 9:00 a.m., New York City time, on December 27, 2004 and the exchange offer will not expire earlier than 12:00 midnight, New York City time, on December 28, 2004, you will have a minimum of two trading days after the Announcement Date to tender your shares of Preferred Stock in the exchange offer or to withdraw your previously tendered shares of Preferred Stock. See [The Exchange Offer Exchange Ratio](#) and [The Exchange Offer Withdrawals of Tenders](#).

How does the consideration I will receive if I tender my shares of Preferred Stock compare to the payments I would receive on the shares of Preferred Stock if I do not tender?

The formula under which the Exchange Ratio will be calculated, represents the number of shares of common stock you would receive upon the conversion of one share of Preferred Stock, based on the conversion price of \$10.287, plus a number of shares of common stock calculated to have a market value of approximately \$7.75, based on the Weighted Average Price.

If you do not participate in the exchange offer, you will continue to receive, when, as and if declared by our board of directors, dividend payments of approximately \$0.75 for each share of Preferred Stock on March 15, June 15, September 15 and December 15 of each year for as long as such shares remain outstanding. Assuming the closing price of our common stock equals or exceeds \$13.37 for 20 trading days during the consecutive 30 trading day period ending on March 19, 2006, including the last trading day of such period, we may exercise our right to cause the conversion of the Preferred Stock into shares of our common stock on March 20, 2006. If we exercise this right, dividends on the shares of Preferred Stock called for conversion will cease to accrue.

If you validly tender your shares of Preferred Stock and we accept them for exchange, you will be entitled to receive cash dividends on our common stock if, as and when declared by our board of directors on or after the closing date of the exchange offer. In the third quarter of 2004, we began paying a quarterly dividend of \$0.045 per share of our common stock. We intend to continue to pay this quarterly dividend, however, the payment of future cash dividends will depend upon, among other things, our financial condition, funds from operations, the level of our capital and development expenditures, our future business prospects and any contractual restrictions. Our ability to pay dividends is subject to restrictions under the indentures governing our senior notes and under Oklahoma law.

What other rights will I lose if I tender my shares of Preferred Stock in the exchange offer?

If you validly tender your shares of Preferred Stock and we accept them for exchange, you would lose the rights of a holder of Preferred Stock, which are described below in this exchange offer prospectus. For example you would lose the right to receive quarterly dividends, when, if and as declared by the board of directors. You would also lose the right to receive, out of the Company's assets available for distribution to its stockholders and before any distribution is made to the holders of stock ranking junior to the Preferred Stock (including common stock), a

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liquidation preference in the amount of \$50 per share of Preferred Stock, plus accumulated and unpaid dividends, upon any voluntary or involuntary liquidation, winding up or dissolution of the Company.

May I tender only a portion of the shares of Preferred Stock that I hold?

Yes. You do not have to tender all of your shares of Preferred Stock to participate in the exchange offer.

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If the exchange offer is consummated and I do not participate in the exchange offer or I do not tender all of my shares of Preferred Stock in the exchange offer, how will my rights and obligations under my remaining outstanding shares of Preferred Stock be affected?

The terms of your shares of Preferred Stock, if any, that remain outstanding after the consummation of the exchange offer will not change as a result of the exchange offer.

What do we intend to do with the shares of Preferred Stock that are tendered in the exchange offer?

Shares of Preferred Stock accepted for exchange by us in the exchange offer will be retired and cancelled.

Are we making a recommendation regarding whether you should tender in the exchange offer?

We are not making any recommendation regarding whether you should tender or refrain from tendering your shares of Preferred Stock in the exchange offer. Accordingly, you must make your own determination as to whether to tender your shares of Preferred Stock in the exchange offer and, if so, the number of shares of Preferred Stock to tender. Before making your decision, we urge you to carefully read this exchange offer prospectus in its entirety, including the information set forth in the section of this exchange offer prospectus entitled **Risk Factors**, and the other documents incorporated by reference in this exchange offer prospectus.

Will the common stock to be issued in the exchange offer be listed for trading?

Yes. The shares of our common stock to be issued in the exchange offer have been approved for listing on the New York Stock Exchange. Generally, the common stock you receive in the exchange offer will be freely tradeable, unless you are considered an **affiliate** of ours, as that term is defined in the Securities Act of 1933. For more information regarding the market for our common stock, see the section of this exchange offer prospectus entitled **Market for Common Stock and Preferred Stock**.

What are the conditions to the exchange offer?

The exchange offer is conditioned upon:

the effectiveness of the registration statement of which this exchange offer prospectus forms a part; and

the other closing conditions described in **The Exchange Offer Conditions to the Exchange Offer**.

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We may waive certain conditions of this exchange offer. If any of the conditions is not satisfied or waived, we will not accept and exchange any validly tendered shares of Preferred Stock. For more information regarding the conditions to the exchange offer (including conditions we cannot waive), see the section of this exchange offer prospectus entitled "The Exchange Offer - Conditions to the Exchange Offer."

How will fluctuations in the trading price of our common stock affect the consideration offered to holders of shares of Preferred Stock?

We are offering to exchange a number of shares of our common stock for each share of Preferred Stock equal to 4.8605 plus a number of shares of common stock with a value equivalent to \$7.75 based on the Weighted Average Price. If the market price of our common stock declines, the value of the fixed portion of the shares of common stock you will receive in exchange for your shares of Preferred Stock will decline, however the number of shares equivalent to the value of \$7.75 will increase, and you will therefore receive a greater number of shares in total. The trading value of our common stock could fluctuate depending upon any number of factors, including those specific to us and those that influence the trading prices of equity securities generally.

When does the exchange offer expire?

The exchange offer will expire at 12:00 midnight, New York City time, on December 28, 2004, unless extended or earlier terminated by us.

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Under what circumstances can the exchange offer be extended, amended or terminated?

We reserve the right to extend the exchange offer for any reason or no reason at all. We also expressly reserve the right, at any time or from time to time, to amend the terms of the exchange offer in any respect prior to the expiration date of the exchange offer. Further, we may be required by law to extend the exchange offer if we make a material change in the terms of the exchange offer or in the information contained in this exchange offer prospectus or waive a material condition to the exchange offer. During any extension of the exchange offer, shares of Preferred Stock that were previously tendered and not validly withdrawn will remain subject to the exchange offer. We reserve the right, in our sole and absolute discretion, to terminate the exchange offer, at any time prior to the expiration date of the exchange offer if any condition to the exchange offer is not met. If the exchange offer is terminated, no shares of Preferred Stock will be accepted for exchange and any shares of Preferred Stock that have been tendered will be returned to the holder promptly after the termination. For more information regarding our right to extend, amend or terminate the exchange offer, see the section of this exchange offer prospectus entitled "The Exchange Offer Extension, Delay in Acceptance, Amendment or Termination."

How will I be notified if the exchange offer is extended, amended or terminated?

If the exchange offer is extended, amended or terminated, we will promptly make a public announcement by issuing a press release, with the announcement in the case of an extension to be issued no later than 9:00 a.m., New York City time, on the first business day after the previously scheduled expiration date of the exchange offer. For more information regarding notification of extensions, amendments or the termination of the exchange offer, see the section of this exchange offer prospectus entitled "The Exchange Offer Extension, Delay in Acceptance, Amendment or Termination."

What risks should I consider in deciding whether or not to tender my Preferred Stock?

In deciding whether to participate in the exchange offer, you should carefully consider the discussion of risks and uncertainties affecting our business, the Preferred Stock and our common stock described in the section of this exchange offer prospectus entitled "Risk Factors," and the documents incorporated by reference in this exchange offer prospectus.

What are the federal income tax consequences of my participating in the exchange offer?

Please see the section of this exchange offer prospectus entitled "Material United States Federal Income Tax Consequences." The tax consequences to you of the early settlement offer will depend on your individual circumstances. You should consult your own tax advisor for a full understanding of the tax consequences of participating in the exchange offer.

How will the exchange offer affect the trading market for the shares of Preferred Stock that are not exchanged?

If a sufficiently large number of shares of Preferred Stock do not remain outstanding after the exchange offer, the trading market for the remaining outstanding shares of Preferred Stock may be less liquid and more sporadic, and market prices may fluctuate significantly depending

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on the volume of trading in shares of Preferred Stock. In addition, if more than 3,900,000 shares of Preferred Stock are tendered and accepted in the exchange offer, the shares of Preferred Stock may be de-listed from the New York Stock Exchange. We do not intend to reduce the number of shares of Preferred Stock accepted in the exchange offer to prevent the de-listing of the Preferred Stock. If the Preferred Stock is de-listed, your ability to sell your shares of Preferred Stock not tendered in the exchange offer may be impaired.

Are the financial condition and results of operations of Chesapeake relevant to my decision to tender in the exchange offer?

Yes. The price of both our common stock and the Preferred Stock are closely linked to our financial condition and results of operations. For information about the accounting treatment of the exchange offer, see the section of this exchange offer prospectus entitled "The Exchange Offer Accounting Treatment."

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Will Chesapeake receive any cash proceeds from the exchange offer?

No. We will not receive any cash proceeds from the exchange offer.

How do I tender my shares of Preferred Stock?

If you beneficially own shares of Preferred Stock that are held in the name of a broker or other nominee and wish to tender such shares of Preferred Stock, you should promptly instruct your broker or other nominee to tender on your behalf. To tender shares of Preferred Stock, UMB Bank, N.A., the exchange agent, must receive, prior to the expiration date of the exchange offer, a timely confirmation of book-entry transfer of such shares of Preferred Stock and an agent's message through the automated tender offer program of The Depository Trust Company, which we refer to in this exchange offer prospectus as the depository or DTC, according to the procedure for book-entry transfer described in this exchange offer prospectus. For more information regarding the procedures for tendering your shares of Preferred Stock, see the section of this exchange offer prospectus entitled *The Exchange Offer Procedures for Tendering Shares of Preferred Stock*.

What happens if some or all of my shares of Preferred Stock are not accepted for exchange?

If we decide for any reason not to accept some or all of your shares of Preferred Stock, the shares of Preferred Stock not accepted by us will be returned to you, at our expense, promptly after the expiration or termination of the exchange offer by book entry transfer into the exchange agent's account at DTC. DTC will credit any validly withdrawn or unaccepted shares of Preferred Stock to your account at DTC. For more information, see the section of this exchange offer prospectus entitled *The Exchange Offer Return of Unaccepted Shares of Preferred Stock*.

Until when may I withdraw previously tendered shares of Preferred Stock?

If not previously returned, you may withdraw previously tendered shares of Preferred Stock at any time until the exchange offer has expired. In addition, you may withdraw any shares of Preferred Stock that you tender that are not accepted for exchange by us after the expiration of 40 business days from November 30, 2004. For more information, see the section of this exchange offer prospectus entitled *The Exchange Offer Withdrawals of Tenders*.

How do I withdraw previously tendered shares of Preferred Stock?

To withdraw previously tendered shares of Preferred Stock, you must comply with the appropriate procedures of DTC's automated tender offer program. For more information regarding the procedures for withdrawing tendered shares of Preferred Stock, see the section of this exchange offer prospectus entitled *The Exchange Offer Withdrawals of Tenders*.

Will I have to pay any fees or commissions if I tender my shares of Preferred Stock?

If your shares of Preferred Stock are held through a broker or other nominee who tenders the Preferred Stock on your behalf (other than those tendered through one of the dealer managers), your broker may charge you a commission for doing so. You should consult with your broker or nominee to determine whether any charges will apply.

With whom may I talk if I have questions about the exchange offer?

If you have questions regarding the exchange offer or whether or not to participate in the exchange offer, please contact the dealer manager, UBS Securities LLC. You may call UBS Securities LLC toll-free at (888) 722-9555 x4210 or (203) 719-4210 (collect). If you have questions regarding the procedures for tendering in the exchange offer, require additional exchange offer materials or require assistance in tendering your shares of Preferred Stock, please contact MacKenzie Partners, Inc., the information agent. You can call the information agent toll-free at (800) 322-2885 or (212) 929-5500 (collect). You may also write to the information agent or the dealer manager at one of their respective addresses set forth on the back cover of this exchange offer prospectus.

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SUMMARY

This summary highlights selected information contained or incorporated by reference in this exchange offer prospectus. It likely does not contain all of the information that may be important to you or that you should consider when making a decision regarding the exchange offer. You should carefully read this entire exchange offer prospectus, including Risk Factors, and the information we have incorporated by reference before making a decision to participate in the exchange offer.

Chesapeake

We are one of the six largest independent producers of natural gas in the U.S. and own interests in approximately 19,000 producing oil and gas wells. Our internally-estimated proved oil and natural gas reserves as of September 30, 2004 were approximately 4.45 tcf. Approximately 89% of our proved reserves by volume at September 30, 2004 were natural gas, and approximately 74% of our proved oil and natural gas reserves by volume at September 30, 2004 were located in our primary operating area the Mid-Continent region of the United States, which includes Oklahoma, western Arkansas, southwestern Kansas, the Texas Panhandle and North Texas. In addition, we are building significant operating areas in the Permian Basin of western Texas and eastern New Mexico, in the Ark- La-Tex area of eastern Texas and northern Louisiana and in the South Texas and Texas Gulf Coast regions.

Since January 1, 1998, we have been one of the most active consolidators of onshore U.S. natural gas assets, having purchased, after giving effect to the pending acquisition discussed below, approximately 3.8 tcf of proved reserves at a total cost of approximately \$4.5 billion (excluding \$616 million of deferred taxes in connection with certain corporate acquisitions). During 2004, we have remained active in the acquisitions market. In January 2004, we purchased Permian Basin and Mid-Continent oil and gas assets by acquiring privately-held Concho Resources Inc. for cash consideration of \$420 million (excluding employee severance and other miscellaneous costs). In June 2004, we acquired Greystone Petroleum LLC, a privately-held oil and natural gas company, for \$425 million in cash.

In the third quarter of 2004, we made three acquisitions for a combined purchase price of \$570 million: privately-held Bravo Natural Resources, Inc. and certain assets from Legend Natural Gas, LP and Tilford Pinson Exploration, LLC. Our internal estimates of proved reserves associated with these three acquisitions are 310 bcf and current daily production is 60 mmcf. Approximately 56% of these assets are located in the Mid-Continent and 44% are located in South Texas.

Through all of our completed 2004 acquisitions, we have acquired an internally estimated 949 bcf of proved oil and natural gas reserves at a cost of \$1.43 per mcf (excluding \$0.40 per mcf of deferred taxes in connection with certain corporate acquisitions).

In November 2004, we agreed to acquire certain oil and gas and marketing assets from Hallwood Energy Corporation for a cash purchase price of \$292 million. These assets include interests in an approximately 18,000 acre block located adjacent to our existing assets in North Texas. Our internal estimates of proved reserves associated with this acquisition are 135 bcf and current daily production is 25 mmcf. This acquisition is expected to close on December 15, 2004 and is subject to customary closing conditions. We intend to finance this acquisition with proceeds from our pending senior notes offering. There is no assurance that this pending acquisition will be completed, or that our internal estimates of the reserves being acquired will prove correct.

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Our executive offices are located at 6100 North Western Avenue, Oklahoma City, Oklahoma 73118, and our telephone number is (405) 848-8000.

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Business Strategy

Since the company's inception in 1989, our goal has been to create value for our investors by building one of the largest onshore natural gas resource bases in the United States. For the past seven years, our strategy to accomplish this goal has been to build the dominant operating position in the Mid-Continent region, the third largest gas supply region in the U.S. In building this industry-leading position in the Mid-Continent, we have integrated an aggressive and technologically advanced drilling program with an active property consolidation program focused on small to medium-sized corporate and property acquisitions of up to \$600 million.

We are now building significant operating areas in the Permian Basin, Ark-La-Tex, South Texas and Texas Gulf Coast regions. These are areas to which we believe significant elements of our successful Mid-Continent strategy can be transferred. Key elements of this business strategy are further explained below:

Make High-Quality Acquisitions. Our acquisition program is focused on small to medium-sized acquisitions of natural gas properties, primarily in the Mid-Continent, that offer high-quality, long-lived production and significant development and higher potential deeper drilling opportunities. Since January 1, 1998, and including the pending Hallwood acquisition, we have acquired \$4.5 billion of such properties (largely through 46 separate transactions of greater than \$10 million each) at an estimated average cost of \$1.19 per mcf of proved reserves (excluding \$0.17 per mcf of deferred taxes in connection with certain corporate acquisitions). The vast majority of these acquisitions either increased our ownership in existing wells or fields or added additional drilling locations in our primary Mid-Continent operating area, and more recently in our other operating areas. Because our operating areas contain many small companies seeking liquidity opportunities and larger companies seeking to divest non-core assets, we expect to continue to find additional attractive acquisition opportunities in the future.

Grow through the Drillbit. One of our most distinctive characteristics is our ability to increase reserves and production through the drillbit. We are currently utilizing 67 operated drilling rigs and 79 nonoperated drilling rigs to conduct what we believe is the most active drilling program in the United States, which is focused on finding significant new gas reserves and developing existing proved reserves primarily in the Mid-Continent, and principally at deeper depths than the industry average. For the past seven years, we have been aggressively investing in the leasehold, 3-D seismic information and human capital to be able to take advantage of the favorable drilling economics that exist in our industry today. In an industry characterized by declining natural gas production during the past few years, we are one of the few mid to large-cap companies that have been able to increase its production, as we have successfully done for the past 16 years and 13 consecutive quarters. In the Mid-Continent, our drilling program remains the most active in the region and is supported by our ownership of the region's largest leasehold and 3-D seismic inventories. Across our operating areas, we seek a balanced approach to drilling with approximately one-third of our expenditures focused on targets located at depths shallower than 10,000 feet, one-third on medium depth drilling between 10-15,000 feet and one-third targeting deeper objectives below 15,000 feet.

Build Regional Scale. We believe one of the keys to success in the natural gas exploration industry is to build significant operating scale in a limited number of core operating areas. Achieving such scale provides many benefits, the most important of which are higher per unit revenues, lower per unit operating costs, greater rates of drilling success, a lower likelihood of making unsuccessful acquisitions and higher returns on invested capital. We first began pursuing this focused strategy in the Mid-Continent in 1997 and we are now the largest natural gas producer, the most active driller and the most active acquirer of leasehold and producing properties in the Mid-Continent. We believe this region, which trails only the Gulf Coast and Rocky Mountain basins in current U.S. gas production, has many attractive characteristics. These characteristics include long-lived natural gas properties with predictable decline curves; multi-pay geological targets that decrease drilling risk and have resulted in

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a drilling success rate of 92% over the past twelve years; favorable basis differentials to benchmark commodity prices; generally lower service costs than in more competitive or more remote basins; and a favorable regulatory environment with virtually no federal land ownership. We believe our other operating areas possess many of these same favorable characteristics.

Focus on Low Costs. By minimizing lease operating costs and general and administrative expenses through focused activities and increased scale, we have been able to deliver attractive financial returns through all phases of the commodity price cycle. We believe our low cost structure is the result of management's effective cost-control programs, a high-quality asset base and the extensive and competitive services, gas processing and transportation infrastructures that exist in our key operating areas. We believe our acquisitions to date in 2004 will help maintain our low per unit operating and administrative costs because of our large existing scale of operations and the reimbursements we will receive from third parties in the approximately 1,700 wells on which we have assumed operations during 2004. As of September 30, 2004, we operated approximately 7,800 wells, or approximately 82% of the value of our estimated proved reserves.

Improve Our Balance Sheet. We have made significant progress in improving our balance sheet over the past five years. From December 31, 1998 through September 30, 2004, we have increased our shareholders' equity by \$3.1 billion through a combination of earnings and common and preferred equity issuances. Our debt to total capitalization ratio has declined from 137% as of December 31, 1998 to 52% as of September 30, 2004, pro forma for our pending senior notes offering. We plan to continue improving our balance sheet in years ahead.

Based on our view that natural gas will be in a tight supply/demand relationship in the U.S. during at least the next five years because of declining supply and growing demand for this clean-burning, domestically-produced fuel, we believe our focused natural gas acquisition, exploitation and exploration strategy should provide substantial value-creating growth opportunities in the years ahead. Although U.S. gas production has been steadily declining during the past three years, we have increased our natural gas production in each of the past 13 quarters and in each of the 16 years since our inception in 1989. Our goal is to increase our overall production by 10% to 20% per year, with an estimated 10% of this growth generated organically through the drillbit and the remaining growth generated through future acquisitions. We have reached or exceeded this overall production goal in 10 of our 12 years as a public company.

Company Strengths

We believe the following six characteristics distinguish our past performance and future growth potential from other independent natural gas producers:

High-Quality Asset Base. Our producing properties are characterized by long-lived reserves, established production profiles and an emphasis on natural gas. Based upon current production and reserve estimates, including estimates for the acquisitions pending or closed in 2004, our proved reserves-to-production ratio, or reserve life, is approximately 12.0 years. In each of our operating areas, our properties are concentrated in locations that enable us to establish substantial economies of scale in drilling and production operations and facilitate the application of more effective reservoir management practices. We intend to continue building our asset base in each of our operating areas through a balance of acquisitions, exploitation and exploration.

Low-Cost Producer. Our high-quality asset base, the work ethic of our employees, our hands-on management style and our location in Oklahoma City have enabled us to achieve a low operating and administrative cost structure. During the nine months ended September 30, 2004, our operating costs per unit of production were \$0.93 per mcf, which consisted of general and administrative expenses of \$0.10 per mcf (including non-cash stock-based compensation of \$0.01 per mcf), production expenses

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of \$0.57 per mcf and production taxes of \$0.26 per mcf. We believe this is one of the lowest cost structures among publicly traded mid- to large-cap independent oil and natural gas producers. We seek to control operations of the properties in which we own an interest. We operate properties accounting for approximately 82% of our proved reserves by value as of September 30, 2004. This large percentage of operated properties provides us with a high degree of operating flexibility and cost control.

Successful Acquisition Program. Our experienced asset acquisition team focuses on enhancing and expanding our existing assets in each of our operating areas. These areas are characterized by long-lived natural gas reserves, low lifting costs, multiple geological targets, favorable basis differentials to benchmark commodity prices, well-developed oil and gas transportation infrastructures and considerable potential for further consolidation of assets. Since 1998, and including the pending Hallwood acquisition, we have completed \$4.5 billion in acquisitions at an average cost of \$1.19 per mcf of estimated proved reserves (excluding \$0.17 per mcf of deferred taxes in connection with certain corporate acquisitions). We believe we are well-positioned to continue making attractive small and medium-sized acquisitions as a result of our extensive track record of identifying, completing and integrating multiple successful acquisitions, our large operating scale and our knowledge and expertise in the regions in which we operate.

Large Inventory of Drilling Projects. During the 16 years since our inception, we have been among the ten most active drillers of new wells in the United States. Presently, we believe we are the most active driller in the United States (with 67 operated and 79 non-operated rigs drilling) and the most active driller in the Mid-Continent (with 53 of our 67 operated rigs). Through this high level of activity over the years, we have developed an industry-leading expertise in drilling deep vertical and horizontal wells in search of large natural gas accumulations in challenging reservoir conditions. We pursue deep drilling targets because of our view that most undiscovered gas reserves in the U.S. will be found at depths below 15,000 feet. In addition, we believe that our large 3-D seismic inventory, much of which is proprietary to us, provides us with significant advantages over our competitors, which largely prefer to drill shallower development wells. As a result of our aggressive leasehold acquisition and seismic acquisition strategies, we have been able to accumulate an onshore leasehold position of approximately 3.5 million net acres and have acquired rights to over nine million acres of 3-D seismic data to help evaluate our expansive acreage inventory. On this very large acreage position, our technical teams have identified over 5,000 exploratory and developmental drillsites, representing a backlog of more than seven years of future drilling opportunities.

Hedging Program. We have used and intend to continue using hedging programs to reduce the risks inherent in producing oil and natural gas, commodities that are frequently characterized by significant price volatility. We believe this price volatility is likely to continue and may even increase in the years ahead, but that we can use this volatility to our benefit by taking advantage of prices when they reach levels that management believes lock in unusually high rates of return on our invested capital. Between January 1, 2001 and September 30, 2004, we have increased our oil and gas revenues by \$116 million of net realized gains through our successful hedging programs. We currently have gas hedges in place covering 86% of our anticipated gas production for the fourth quarter of 2004 and 39% of our anticipated gas production for 2005 at average NYMEX prices of \$5.77 and \$6.10 per mcf, respectively. In addition, we have 96% of our projected oil production hedged for the fourth quarter of 2004 and 30% of our projected oil production hedged for 2005 at average NYMEX prices of \$30.10 and \$40.20 per barrel of oil, respectively.

Entrepreneurial Management. Our management team formed the company in 1989 with an initial capitalization of \$50,000. Since then, our current management team has guided the company through various operational and industry challenges and extremes of oil and gas prices to create one of the six largest independent producers of natural gas in the U.S. with an enterprise value of approximately

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\$9.2 billion (pro forma for this offering and based on a \$17.50 stock price). Our co-founders, Aubrey K. McClendon and Tom L. Ward, have been business partners in the oil and gas industry for 21 years and beneficially own, as of November 23, 2004, approximately 17.0 million and 18.5 million of our common shares, respectively.

Recent Developments

Senior Notes Offering. On November 30, 2004, we commenced a private placement of \$600 million aggregate principal amount of our Senior Notes due 2015. The net proceeds from the offering, after deducting discounts to the initial purchasers and estimated expenses of the offering, are expected to be approximately \$588.8 million. We intend to use approximately \$229.1 million of the net proceeds to fund our recently announced tender offer for our 8.375% Senior Notes due 2008, assuming all outstanding notes are tendered. We intend to use approximately \$292 million of the net proceeds to finance our pending Hallwood acquisition. The remainder of the net proceeds will be used to repay amounts borrowed under our revolving bank credit facility and for general corporate purposes.

Tender Offer for 8.375% Senior Notes due 2008. On November 30, 2004, we commenced a cash tender offer for all of the approximately \$209.8 million outstanding principal amount of our 8.375% Senior Notes due 2008. The tender offer is conditioned upon the closing of our senior notes offering and the receipt of consents to remove substantially all of the restrictive covenants on the 8.375% Senior Notes from holders of a majority of the outstanding principal amount of the notes. If all outstanding notes are tendered, it is expected the tender offer will cost approximately \$229.1 million, including fees and expenses, which would be funded with a portion of the net proceeds from our senior notes offering. There is no assurance that the tender offer, which is expected to be completed on December 28, 2004, will be consummated or, if consummated, what aggregate principal amount of notes will be tendered and purchased.

Conversion of 6.75% Cumulative Convertible Preferred Stock. On November 18 and 19, 2004, holders of 676,200 shares of our 6.75% Cumulative Convertible Preferred Stock converted such shares into shares of our common stock. On November 22, 2004, the remaining 2,038,000 shares of our 6.75% preferred stock, with an aggregate liquidation value of \$101.9 million, was converted into shares of our common stock, pursuant to the exercise of our option to automatically convert such shares under the certificate of designation of the series. Approximately 17,624,657 shares of common stock were issued in these transactions.

Exchange of 6.00% Cumulative Convertible Preferred Stock. On November 18, 2004, we entered into an unsolicited transaction with a holder of our 6.00% Cumulative Convertible Preferred Stock to issue 3,225,000 shares of our common stock in exchange for 600,000 shares of our 6.00% preferred stock, representing 13% or \$30 million of the aggregate outstanding liquidation value of our 6.00% preferred stock. The transaction closed on November 23, 2004 and the 600,000 shares of 6.00% preferred stock were retired upon receipt. The issuance of the shares of common stock in this transaction was exempt from registration under the Securities Act of 1933 pursuant to Rule 3(a)(9) under the Securities Act.

Amendment of Revolving Bank Credit Facility. On November 17, 2004, we entered into an amendment to our revolving bank credit facility with the lenders party thereto to effect an increase in the aggregate commitments under such facility from \$500 million to \$600 million. In addition, the amendment extends the current margin applicable to our interest rates and commitment fees through December 31, 2005. Other terms of the facility, including maturities, were not changed.

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THE EXCHANGE OFFER

The material terms of the exchange offer are summarized below. In addition, we urge you to read the detailed descriptions in the sections of this exchange offer prospectus entitled *The Exchange Offer*, *Description of Capital Stock*, *Description of the Preferred Stock* and *Comparison of Rights Between the Preferred Stock and Our Common Stock*.

Offeror	Chesapeake Energy Corporation.
Securities Subject to the Exchange Offer	Up to an aggregate of 4,000,000 shares of Preferred Stock, representing all of the outstanding shares of Preferred Stock.
The Exchange Offer	<p>We are offering to exchange a number of shares of our common stock equal to the Exchange Ratio for each validly tendered and accepted share of Preferred Stock upon the terms and subject to the conditions set forth in this exchange offer prospectus and in the related letter of transmittal.</p> <p>Fractional shares will not be issued in the exchange offer and cash will be paid in lieu of any fractional shares.</p> <p>Any shares of Preferred Stock not exchanged will remain outstanding. The shares of Preferred Stock validly tendered and accepted for exchange in the exchange offer will be retired and cancelled.</p>
Exchange Ratio	<p>The Exchange Ratio will be calculated after 5:00 p.m., New York City time, on December 23, 2004 (Pricing Date), as the sum of:</p> <p style="text-align: center;">4.8605 shares of common stock; plus</p> <p style="text-align: center;">\$7.75 divided by the Weighted Average Price,</p> <p>subject to a minimum Exchange Ratio of 5.1605 shares of common stock and a maximum Exchange Ratio of 5.5605 shares of common stock. The Exchange Ratio will be rounded to the nearest fourth decimal place.</p> <p>For purposes of these calculations <i>Weighted Average Price</i> means the arithmetic daily volume-weighted average price of our common stock, beginning on December 10, 2004 and ending on the Pricing Date.</p>
Expiration Date	The exchange offer will expire at 12:00 midnight, New York City time, on December 28, 2004, unless extended or earlier terminated by us.

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Certain Consequences to Non-Tendering
Holders

Shares of Preferred Stock not exchanged in the exchange offer will remain outstanding after the consummation of the exchange offer. If a sufficiently large number of shares of Preferred Stock do not remain outstanding after the exchange offer, the trading market for the remaining outstanding shares of Preferred Stock may be less liquid

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and more sporadic, and market prices may fluctuate significantly depending on the volume of trading in shares of Preferred Stock. In addition, if less than 3,900,000 shares of Preferred Stock remain outstanding following the exchange offer, the New York Stock Exchange may cause the Preferred Stock to be de-listed.

Conditions to the Exchange Offer

The exchange offer is conditioned upon:

the effectiveness of the registration statement of which this exchange offer prospectus forms a part; and

the other closing conditions described in *The Exchange Offer* Conditions to the Exchange Offer.

No Appraisal Rights

No appraisal rights are available to holders of Preferred Stock in connection with the exchange offer.

Procedures For Tendering Shares of Preferred Stock

To tender shares of Preferred Stock, UMB Bank, N.A., the exchange agent, must receive, prior to the expiration date of the exchange offer, a timely confirmation of book-entry transfer of such shares of Preferred Stock and an agent's message through the automated tender offer program of DTC according to the procedure for book-entry transfer described in this exchange offer prospectus. If you tender under DTC's automated tender offer program, you will agree to be bound by the letter of transmittal that we are providing with this exchange offer prospectus as though you had signed the letter of transmittal.

If you wish to tender shares of Preferred Stock that are held in the name of a broker or other nominee, you should instruct your broker or other nominee to tender on your behalf.

We describe the procedures for tendering shares of Preferred Stock in more detail in the section of this exchange offer prospectus entitled *The Exchange Offer* Procedures for Tendering Shares of Preferred Stock.

Withdrawal Rights

You may withdraw previously tendered shares of Preferred Stock at any time before the expiration date of the exchange offer. In addition, you may withdraw any shares of Preferred Stock that you tender that are not accepted by us for purchase after the expiration of 40 business days from November 30, 2004. See the section of this exchange offer prospectus entitled *The Exchange Offer* Withdrawals of Tenders.

Risk Factors

You should consider carefully all of the information set forth in this exchange offer prospectus and, in particular, you should evaluate the specific factors set forth under *Risk Factors* before deciding whether to participate in the exchange offer.

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Material United States Federal Income Tax Consequences For Preferred Stock Holders	We intend to treat the exchange of your shares of Preferred Stock for shares of our common stock pursuant to the exchange offer as a conversion of Preferred Stock into shares of Common Stock. For a detailed discussion, please see the section titled "Material United States Federal Income Tax Consequences."
Brokerage Commissions	You are not required to pay any brokerage commissions to the dealer manager. If your shares of Preferred Stock are held through a broker or other nominee who tenders shares of Preferred Stock on your behalf (other than those tendered through one of the dealer managers), your broker may charge you a commission for doing so.
Dealer Manager	UBS Securities LLC.
Information Agent	MacKenzie Partners, Inc.
Exchange Agent	UMB Bank, N.A.
Market-Trading	The Preferred Stock is listed on the New York Stock Exchange under the symbol "CHKPrA", and our common stock is listed on the New York Stock Exchange under the symbol "CHK". On November 29, 2004, the last reported sale price of the Preferred Stock on the New York Stock Exchange was \$91.75 per share, and the last reported sale price of our common stock on the New York Stock Exchange was \$17.92 per share. The shares of our common stock to be issued in the exchange offer have been approved for listing on the New York Stock Exchange.
Further Information	If you have questions regarding the information in this exchange offer prospectus, please contact the dealer manager. If you have questions regarding the procedures for tendering in the exchange offer or require assistance in tendering your shares of Preferred Stock, please contact the information agent. If you would like additional copies of this exchange offer prospectus, our annual, quarterly, and current reports, proxy statement and other information that we incorporate by reference in this exchange offer prospectus, please contact either the information agent or Investor Relations at Chesapeake. For all other questions, please contact the dealer manager. The contact information is set forth on the back cover of this exchange offer prospectus.

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RISK FACTORS

In considering whether to participate in the exchange offer, you should carefully consider the risks described below and the other information we have included or incorporated by reference in this exchange offer prospectus.

Risks Related to the Exchange Offer

The value of the common stock that you receive may fluctuate.

We are offering to exchange a number of shares of our common stock equal to the Exchange Ratio for each share of Preferred Stock. The price of our common stock may fluctuate widely in the future. If the market price of our common stock declines, the value of the shares you will receive in exchange for your shares of Preferred Stock will decline. The trading value of our common stock could fluctuate depending upon any number of factors, including those specific to us and those that influence the trading prices of equity securities generally, many of which are beyond our control: Please see Risks Related to Our Business.

All of our debt obligations and our senior capital stock, including any shares of Preferred Stock that remain outstanding after the exchange offer, will have priority over our common stock with respect to payment in the event of a liquidation, dissolution or winding up.

In any liquidation, dissolution or winding up of Chesapeake, our common stock would rank below all debt claims against Chesapeake and all of our outstanding shares of preferred stock, including the shares of Preferred Stock that are not tendered and accepted by us in this exchange offer. As a result, holders of our common stock will not be entitled to receive any payment or other distribution of assets upon the liquidation or dissolution until after our obligations to our debt holders and holders of preferred stock have been satisfied.

By tendering your shares of Preferred Stock, you will lose your right to receive certain cash payments.

Holders of shares of our Preferred Stock are entitled to quarterly dividends, which are paid when, if and as declared by our board of directors. If your shares of Preferred Stock are validly tendered and accepted for exchange you will lose the right to receive any dividend payments to be made after completion of the exchange offer.

Our certificate of incorporation, bylaws, the Oklahoma General Corporation Act and our shareholder rights agreement contain provisions that could discourage an acquisition or change of control of our company.

Our shareholder rights agreement and the Oklahoma Business Combination Statute, together with certain provisions of our certificate of incorporation and bylaws, may make it more difficult to effect a change in control of our company, to acquire us or to replace incumbent management. These provisions could potentially deprive our stockholders of opportunities to sell shares of our stock at above-market prices.

Please read Description of Capital Stock Anti-Takeover Provisions.

Risks Related to Holding Shares of Preferred Stock After the Exchange Offer

Shares of Preferred Stock that you continue to hold after the exchange offer are expected to become less liquid following the exchange offer.

If a sufficiently large number of shares of Preferred Stock do not remain outstanding after the exchange offer, the trading market for the remaining outstanding shares of Preferred Stock may be less liquid and market prices may fluctuate significantly depending on the volume of trading in shares of Preferred Stock. Furthermore, a security with a smaller float may command a lower price and trade with greater volatility or much less frequently than would a comparable security with a greater float. This decreased liquidity may also make it more difficult for holders of shares of Preferred Stock that do not tender to sell their shares of Preferred Stock. In addition, if less than 100,000 shares of Preferred Stock remain outstanding following the exchange offer, the New York Stock Exchange may cause the Preferred Stock to be de-listed.

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If you do not participate in the exchange offer, your shares of Preferred Stock will continue to be subject to our right to cause the conversion of the Preferred Stock into shares of common stock upon satisfaction of certain conditions.

On or after March 20, 2006, if the closing price of our common stock exceeds 130% of the conversion price for 20 trading days during any consecutive 30 day period, we may at our option cause each outstanding share of Preferred Stock to be converted into shares of common stock at the then prevailing conversion price. The conversion price is subject to adjustment upon the occurrence of certain change of control transactions and other events.

We may not be able to pay cash dividends on our capital stock.

We are required to pay all declared dividends on our preferred stock in cash. Our existing indentures limit, and any indentures and other financing agreements that we enter into in the future will likely limit, our ability to pay cash dividends on our capital stock. Specifically, under our existing indentures, we may pay cash dividends and make other distributions on or in respect of our capital stock, including our preferred and common stock, only if certain financial tests are met.

Under Oklahoma law, cash dividends on capital stock may only be paid from surplus or, if there is no surplus, from the corporation's net profits for the then current or the preceding fiscal year. Unless we continue to operate profitably, our ability to pay cash dividends on our capital stock would require the availability of adequate surplus, which is defined as the excess, if any, of our net assets (total assets less total liabilities) over our capital. Further, even if adequate surplus is available to pay cash dividends on the preferred stock and common stock (if declared), we may not have sufficient cash to pay dividends on our preferred stock or common stock, as the case may be.

The trading prices for the shares of Preferred Stock that remain outstanding after the exchange offer will be directly affected by the trading prices of our common stock.

Because the Preferred Stock is convertible into shares of our common stock, the trading prices of the Preferred Stock in the secondary market is directly affected by the trading prices of our common stock, the general level of interest rates and our credit quality. It is impossible to predict whether the price of the common stock or interest rates will rise or fall. Trading prices of the common stock will be influenced by the factors described in the section of this exchange offer prospectus entitled Risks Related to the Exchange Offer. The value of the common stock that you receive may fluctuate and Risks Related to Our Business.

Risks Related to Our Business

Oil and gas prices are volatile. A decline in prices could adversely affect our financial position, financial results, cash flows, access to capital and ability to grow.

Our revenues, operating results, profitability, future rate of growth and the carrying value of our oil and gas properties depend primarily upon the prices we receive for the oil and gas we sell. Prices also affect the amount of cash flow available for capital expenditures and our ability to

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borrow money or raise additional capital. The amount we can borrow from banks is subject to periodic redeterminations based on prices specified by our bank group at the time of redetermination. In addition, we may have ceiling test write-downs in the future if prices fall significantly.

Historically, the markets for oil and gas have been volatile and they are likely to continue to be volatile. Wide fluctuations in oil and gas prices may result from relatively minor changes in the supply of and demand for oil and natural gas, market uncertainty and other factors that are beyond our control, including:

worldwide and domestic supplies of oil and gas;

weather conditions;

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the level of consumer demand;

the price and availability of alternative fuels;

the availability of pipeline capacity;

the price and level of foreign imports;

domestic and foreign governmental regulations and taxes;

the ability of the members of the Organization of Petroleum Exporting Countries to agree to and maintain oil price and production controls;

political instability or armed conflict in oil-producing regions; and

the overall economic environment.

These factors and the volatility of the energy markets make it extremely difficult to predict future oil and gas price movements with any certainty. Declines in oil and gas prices would not only reduce revenue, but could reduce the amount of oil and gas that we can produce economically and, as a result, could have a material adverse effect on our financial condition, results of operations and reserves. Further, oil and gas prices do not necessarily move in tandem. Because approximately 89% of our pro forma proved reserves at September 30, 2004 are natural gas reserves, we are more affected by movements in natural gas prices.

Our level of indebtedness and preferred stock may adversely affect operations and limit our growth, and we may have difficulty making debt service and preferred stock dividend payments on our indebtedness and our preferred stock as such payments become due.

As of September 30, 2004, we had long term indebtedness of \$2.76 billion (\$3.04 billion pro forma for our pending senior notes offering and cash tender offer for our outstanding 8.375% Senior Notes due 2008), with approximately \$152 million drawn under our \$500 million revolving bank credit facility. Our long-term indebtedness represented 49% of our total book capitalization at September 30, 2004 (52% on a pro forma basis). As of November 29, 2004, we had \$242 million outstanding under our recently amended \$600 million revolving bank credit facility. We expect to continue to be highly leveraged in the foreseeable future.

Our level of indebtedness and preferred stock affects our operations in several ways, including the following:

a significant portion of our cash flows must be used to service our indebtedness and pay dividends on preferred stock, and our business may not generate sufficient cash flow from operations to enable us to continue to meet our obligations under our indebtedness and our stated dividends on our preferred stock;

a high level of debt and preferred stock increases our vulnerability to general adverse economic and industry conditions;

the covenants contained in the agreements governing our outstanding indebtedness may limit our ability to borrow additional funds, dispose of assets, pay dividends and make certain investments;

our debt covenants may also affect our flexibility in planning for, and reacting to, changes in the economy and in our industry, and the rights and preferences applicable to our preferred stock may limit our ability to pay dividends on our common stock; and

a high level of debt and preferred stock may impair our ability to obtain additional financing in the future for working capital, capital expenditures, acquisitions, general corporate or other purposes.

We may incur additional debt, including significant secured indebtedness, or issue additional series of preferred stock, in order to make future acquisitions or to develop our properties. A higher level of indebtedness and additional preferred stock increases the risk that we may default on our debt obligations. Our ability to meet our debt obligations and to reduce our level of indebtedness depends on our future performance.

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economic conditions, oil and gas prices and financial, business and other factors affect our operations and our future performance. Many of these factors are beyond our control. We may not be able to generate sufficient cash flow to pay the interest on our debt, and future working capital, borrowings or equity financing may not be available to pay or refinance such debt. Factors that will affect our ability to raise cash through an offering of our capital stock or a refinancing of our debt include financial market conditions, the value of our assets and our performance at the time we need capital.

In addition, our bank borrowing base is subject to periodic redeterminations. We could be forced to repay a portion of our bank borrowings due to redeterminations of our borrowing base. If we are forced to do so, we may not have sufficient funds to make such repayments. If we do not have sufficient funds and are otherwise unable to negotiate renewals of our borrowings or arrange new financing, we may have to sell significant assets. Any such sale could have a material adverse effect on our business and financial results.

Competition in the oil and natural gas industry is intense, and many of our competitors have greater financial and other resources than we do.

We operate in the highly competitive areas of oil and natural gas acquisition, development, exploitation, exploration and production. We face intense competition from both major and other independent oil and natural gas companies in each of the following areas:

seeking to acquire desirable producing properties or new leases for future exploration; and

seeking to acquire the equipment and expertise necessary to develop and operate our properties.

Many of our competitors have financial and other resources substantially greater than ours, and some of them are fully integrated oil companies. These companies may be able to pay more for development prospects and productive oil and natural gas properties and may be able to define, evaluate, bid for and purchase a greater number of properties and prospects than our financial or human resources permit. Our ability to develop and exploit our oil and natural gas properties and to acquire additional properties in the future will depend upon our ability to successfully conduct operations, evaluate and select suitable properties and consummate transactions in this highly competitive environment.

The actual quantities and present value of our proved reserves may prove to be lower than we have estimated.

This prospectus and the documents incorporated by reference in this prospectus contain estimates of our proved reserves and the estimated future net revenues from our proved reserves as well as estimates relating to recent and pending acquisitions. These estimates are based upon various assumptions, including assumptions required by the SEC relating to oil and gas prices, drilling and operating expenses, capital expenditures, taxes and availability of funds. The process of estimating oil and gas reserves is complex. The process involves significant decisions and assumptions in the evaluation of available geological, geophysical, engineering and economic data for each reservoir. Therefore, these estimates are inherently imprecise.

Actual future production, oil and gas prices, revenues, taxes, development expenditures, operating expenses and quantities of recoverable oil and gas reserves most likely will vary from these estimates. Such variations may be significant and could materially affect the estimated quantities and present value of our proved reserves. In addition, we may adjust estimates of proved reserves to reflect production history, results of exploration and development drilling, prevailing oil and gas prices and other factors, many of which are beyond our control. Our properties may

also be susceptible to hydrocarbon drainage from production by operators on adjacent properties.

At December 31, 2003, approximately 26% of our estimated proved reserves by volume were undeveloped. Recovery of undeveloped reserves requires significant capital expenditures and successful drilling operations. These reserve estimates include the assumption that we will make significant capital expenditures to develop the reserves, including \$351 million in 2004. You should be aware that the estimated costs may not be accurate, development may not occur as scheduled and results may not be as estimated.

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You should not assume that the present values referred to in this prospectus and the documents incorporated by reference herein represent the current market value of our estimated oil and gas reserves. In accordance with SEC requirements, the estimates of our present values are based on prices and costs as of the date of the estimates. The December 31, 2003 present value is based on weighted average oil and gas prices of \$30.22 per barrel of oil and \$5.68 per mcf of natural gas. Actual future prices and costs may be materially higher or lower than the prices and costs as of the date of an estimate.

Any changes in consumption by oil and gas purchasers or in governmental regulations or taxation will also affect actual future net cash flows.

The timing of both the production and the expenses from the development and production of oil and gas properties will affect both the timing of actual future net cash flows from our proved reserves and their present value. In addition, the 10% discount factor, which is required by the SEC to be used in calculating discounted future net cash flows for reporting purposes, is not necessarily the most accurate discount factor. The effective interest rate at various times and the risks associated with our business or the oil and gas industry in general will affect the accuracy of the 10% discount factor.

Reserve estimates of properties acquired in 2004 have not been prepared by independent petroleum engineers. Our internal estimates may not be as reliable as estimates of those reserves by independent engineers.

Our estimates of proved reserves attributed to our 2004 acquisitions, including our pending acquisition described under Summary Chesapeake, included herein or incorporated by reference in this prospectus have not been reviewed or reported on by independent petroleum engineers. These estimates were prepared by our own engineers and professionals using criteria otherwise in compliance with SEC rules. Furthermore, our internal reserve estimates for these acquisitions are based upon data available to us which may not be as complete as data available on our other properties. Oil and gas pricing can affect estimates of quantities of proved reserves due to the impact of pricing on ultimate economic recovery. Estimates prepared by independent engineers might be different than our internal estimates.

We may not have funds sufficient to make the significant capital expenditures required to replace our reserves.

Our exploration, development and acquisition activities require substantial capital expenditures. Historically, we have funded our capital expenditures through a combination of cash flows from operations, our bank credit facility and debt and equity issuances. Future cash flows are subject to a number of variables, such as the level of production from existing wells, prices of oil and gas, and our success in developing and producing new reserves. If revenue were to decrease as a result of lower oil and gas prices or decreased production, and our access to capital were limited, we would have a reduced ability to replace our reserves. If our cash flow from operations is not sufficient to fund our capital expenditure budget, we may not be able to access additional bank debt, debt or equity or other methods of financing to meet these requirements.

If we are not able to replace reserves, we may not be able to sustain production.

Our future success depends largely upon our ability to find, develop or acquire additional oil and gas reserves that are economically recoverable. Unless we replace the reserves we produce through successful development, exploration or acquisition activities, our proved reserves will decline over time. In addition, approximately 26% of our total estimated proved reserves by volume at December 31, 2003 were undeveloped. By their nature, estimates of undeveloped reserves are less certain. Recovery of such reserves will require significant capital expenditures and successful drilling operations. We may not be able to successfully find and produce reserves economically in the future. In addition, we may not

be able to acquire proved reserves at acceptable costs.

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Acquisitions may prove to be worth less than we paid because of uncertainties in evaluating recoverable reserves and potential liabilities.

A significant portion of our recent growth is due to acquisitions of exploration and production companies, producing properties and undeveloped leasehold. We expect acquisitions will also contribute to our future growth. Successful acquisitions require an assessment of a number of factors, including estimates of recoverable reserves, exploration potential, future oil and gas prices, operating costs and potential environmental and other liabilities. Such assessments are inexact and their accuracy is inherently uncertain. In connection with our assessments, we perform a review of the acquired properties which we believe is generally consistent with industry practices. However, such a review will not reveal all existing or potential problems. In addition, our review may not permit us to become sufficiently familiar with the properties to fully assess their deficiencies and capabilities. We do not inspect every well. Even when we inspect a well, we do not always discover structural, subsurface and environmental problems that may exist or arise.

We are generally not entitled to contractual indemnification for preclosing liabilities, including environmental liabilities. Normally, we acquire interests in properties on an as is basis with limited remedies for breaches of representations and warranties.

Competition for producing oil and gas properties is intense and many of our competitors have financial and other resources that are substantially greater than those available to us. Therefore, we may not be able to acquire oil and gas properties that contain economically recoverable reserves or be able to complete such acquisitions on acceptable terms.

Additionally, significant acquisitions can change the nature of our operations and business depending upon the character of the acquired properties, which may have substantially different operating and geological characteristics or be in different geographic locations than our existing properties. It is our current intention to continue focusing on acquiring properties with development and exploration potential located in the Mid-Continent, South Texas, Ark-La-Tex and Permian regions. To the extent that we acquire properties substantially different from the properties in our primary operating regions or acquire properties that require different technical expertise, we may not be able to realize the economic benefits of these acquisitions as efficiently as in our prior acquisitions.

Future price declines may result in a write-down of our asset carrying values.

We utilize the full cost method of accounting for costs related to our oil and gas properties. Under this method, all such costs (for both productive and nonproductive properties) are capitalized and amortized on an aggregate basis over the estimated lives of the properties using the unit-of-production method. However, these capitalized costs are subject to a ceiling test which limits such pooled costs to the aggregate of the present value of future net revenues attributable to proved oil and gas reserves discounted at 10% plus the lower of cost or market value of unproved properties. The full cost ceiling is evaluated at the end of each quarter using the prices for oil and gas at that date, adjusted for the impact of derivatives accounted for as cash flow hedges. A significant decline in oil and gas prices from current levels, or other factors, without other mitigating circumstances, could cause a future writedown of capitalized costs and a non-cash charge against future earnings. Our aggregate present value of future net revenues plus the value of the unproved properties would equal the recorded net book value of our oil and gas properties at December 31, 2003, assuming an index price of approximately \$3.25 per mcf for gas and \$32.25 per barrel for oil. If index prices were to fall below these levels, we could experience a write-down of the book value of our oil and gas assets.

Our hedging activities may reduce the realized prices received for our oil and gas sales and require us to provide collateral for hedging liabilities.

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In order to manage our exposure to price volatility in marketing our oil and gas, we enter into oil and gas price risk management arrangements for a portion of our expected production. Commodity price hedging may limit the prices we actually realize and therefore reduce oil and gas revenues in the future. The fair value of our

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oil and gas derivative instruments outstanding as of September 30, 2004 was a liability of approximately \$257 million. In addition, our commodity price risk management transactions may expose us to the risk of financial loss in certain circumstances, including instances in which:

our production is less than expected;

there is a widening of price differentials between delivery points for our production and the delivery point assumed in the hedge arrangement; or

the counterparties to our contracts fail to perform under the contracts.

Some of our commodity price and interest rate risk management arrangements require us to deliver cash collateral or other assurances of performance to the counterparties in the event that our payment obligations exceed certain levels. As of September 30, 2004, we were required to post a total of \$72 million of collateral with our counterparties through letters of credit issued under our bank credit facility with respect to commodity price and financial risk management transactions. As of November 29, 2004, we were required to post a total of \$90 million of collateral. Future collateral requirements are uncertain and will depend on arrangements with our counterparties, highly volatile natural gas and oil prices and fluctuations in interest rates.

Oil and gas drilling and producing operations are hazardous and expose us to environmental liabilities.

Oil and gas operations are subject to many risks, including well blowouts, cratering and explosions, pipe failure, fires, formations with abnormal pressures, uncontrollable flows of oil, natural gas, brine or well fluids, and other environmental hazards and risks. Our drilling operations involve risks from high pressures and from mechanical difficulties such as stuck pipes, collapsed casings and separated cables. If any of these risks occurs, we could sustain substantial losses as a result of:

injury or loss of life;

severe damage to or destruction of property, natural resources and equipment;

pollution or other environmental damage;

clean-up responsibilities;

regulatory investigations and penalties; and

suspension of operations.

Our liability for environmental hazards includes those created either by the previous owners of properties that we purchase or lease or by acquired companies prior to the date we acquire them. We maintain insurance against some, but not all, of the risks described above. Our insurance may not be adequate to cover casualty losses or liabilities. Also, in the future we may not be able to obtain insurance at premium

levels that justify its purchase.

Exploration and development drilling may not result in commercially productive reserves.

We do not always encounter commercially productive reservoirs through our drilling operations. The new wells we drill or participate in may not be productive and we may not recover all or any portion of our investment in wells we drill or participate in. The seismic data and other technologies we use do not allow us to know conclusively prior to drilling a well that oil or gas is present or may be produced economically. The cost of drilling, completing and operating a well is often uncertain, and cost factors can adversely affect the economics of a project. Our efforts will be unprofitable if we drill dry wells or wells that are productive but do not produce enough reserves to return a profit after drilling, operating and other costs. Further, our drilling operations may be curtailed, delayed or canceled as a result of a variety of factors, including:

unexpected drilling conditions;

title problems;

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pressure or irregularities in formations;

equipment failures or accidents;

adverse weather conditions;

compliance with environmental and other governmental requirements; and

increases in the cost of, or shortages or delays in the availability of, drilling rigs and equipment.

The loss of key personnel could adversely affect our ability to operate.

We depend, and will continue to depend in the foreseeable future, on the services of our officers and key employees with extensive experience and expertise in evaluating and analyzing producing oil and gas properties and drilling prospects, maximizing production from oil and gas properties, marketing oil and gas production and developing and executing financing and hedging strategies. Our ability to retain our officers and key employees is important to our continued success and growth. The unexpected loss of the services of one or more of these individuals could have a detrimental effect on our business. We do not maintain key person life insurance on any of our personnel.

Lower oil and gas prices could negatively impact our ability to borrow.

Our revolving bank credit facility limits our borrowings to \$600 million, as of the date of this prospectus, based on our borrowing base. The borrowing base is determined periodically at the discretion of a majority of the banks and is based in part on oil and gas prices. Additionally, some of our indentures contain covenants limiting our ability to incur indebtedness in addition to that incurred under our bank credit facility. These indentures limit our ability to incur additional indebtedness unless we meet one of two alternative tests. The first alternative is based on our adjusted consolidated net tangible assets (as defined in all of our indentures), which is determined using discounted future net revenues from proved oil and gas reserves as of the end of each year. The second alternative is based on the ratio of our adjusted consolidated EBITDA (as defined in all of our indentures) to our adjusted consolidated interest expense over a trailing twelve-month period. As of the date of this prospectus, we are permitted to incur significant additional indebtedness under both of these debt incurrence tests. Lower oil and gas prices in the future could reduce our adjusted consolidated EBITDA, as well as our adjusted consolidated net tangible assets, and thus could reduce our ability to incur additional indebtedness.

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USE OF PROCEEDS

We will not receive any cash proceeds from the exchange offer. We will pay all fees and expenses related to the exchange offer, other than any commissions or concessions of any broker or dealer. Except as otherwise provided in the letter of transmittal, we will pay the transfer taxes, if any, on the exchange of any shares of Preferred Stock.

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The following table shows our unaudited capitalization as of September 30, 2004:

on a historical basis;

on a pro forma basis to reflect (i) our pending \$600 million private placement of Senior Notes due 2015 and the application of the net proceeds from such offering to fund our tender offer for all of our 8.375% Senior Notes due 2008 (assuming all outstanding notes are tendered) and to finance our pending Hallwood acquisition, and (ii) the application of cash on hand to reduce amounts outstanding under our revolving bank credit facility; and

on a pro forma basis as adjusted to reflect (i) the consummation of this exchange offer assuming the acceptance of all outstanding shares of Preferred Stock and assuming an Exchange Ratio of 5.3026 shares of common stock for each share of Preferred Stock tendered and accepted (which corresponds to an assumed Weighted Average Price of \$17.53), (ii) the conversion of all of the outstanding shares of our 6.75% Cumulative Convertible Preferred Stock into 17,624,657 shares of our common stock, (iii) the issuance of 3,225,000 shares of our common stock in exchange for 600,000 shares of the Preferred Stock, with an aggregate liquidation value of \$30 million.

This table should be read in conjunction with, and is qualified in its entirety by reference to, our historical financial statements and the accompanying notes included in our annual report on Form 10-K for the year ended December 31, 2003, and our quarterly report on Form 10-Q for the quarter ended September 30, 2004, which are incorporated by reference herein.

	As of September 30, 2004		
	Historical	Pro Forma	Pro Forma As Adjusted
	(in thousands)		
Cash and cash equivalents	\$ 49,073	\$	\$
Long-term debt:			
Revolving bank credit facility (1)	\$ 152,000	\$ 35,261	\$ 36,511
8.375% Senior Notes due 2008 (2)	209,815		
8.125% Senior Notes due 2011	245,407	245,407	245,407
9.000% Senior Notes due 2012	300,000	300,000	300,000
7.500% Senior Notes due 2013	363,823	363,823	363,823
7.000% Senior Notes due 2014	300,000	300,000	300,000
7.500% Senior Notes due 2014	300,000	300,000	300,000
7.750% Senior Notes due 2015	300,408	300,408	300,408
% Senior Notes due 2015 pending		600,000	600,000
6.875% Senior Notes due 2016	670,437	670,437	670,437
Discount, net of premium, on senior notes	(80,661)	(80,485)	(80,485)
Premium for interest rate swaps (3)	1,196	1,196	1,196
Total long-term debt	\$ 2,762,425	\$ 3,036,047	\$ 3,037,297

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Stockholders' equity:

Preferred stock, \$0.01 par value, 20,000,000 authorized

6.75% cumulative convertible preferred stock, 2,714,200 shares issued and outstanding, entitled in liquidation to \$135.7 million (no shares issued and outstanding pro forma, as adjusted)	135,710	135,710	
6.00% cumulative convertible preferred stock, 4,600,000 shares issued and outstanding, entitled in liquidation to \$230.0 million (no shares issued and outstanding pro forma, as adjusted)	230,000	230,000	
5.00% cumulative convertible preferred stock, 1,725,000 shares issued and outstanding, entitled in liquidation to \$172.5 million	172,500	172,500	172,500

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	As of September 30, 2004		
	Historical	Pro Forma	Pro Forma As Adjusted
	(in thousands)		
4.125% cumulative convertible preferred stock, 313,250 shares issued and outstanding, entitled in liquidation to \$313.3 million	313,250	313,250	313,250
Common stock, \$.01 par value, 500,000,000 shares authorized, 274,790,035 shares issued and outstanding (316,850,092 shares issued and outstanding pro forma, as adjusted)	2,748	2,748	3,169
Paid-in capital	2,074,691	2,074,691	2,438,730
Accumulated earnings	73,379	60,261	60,261
Accumulated other comprehensive loss	(122,423)	(122,423)	(122,423)
Unearned compensation	(34,449)	(34,449)	(34,449)
Less: treasury stock, at cost, 5,071,571 common shares	(22,091)	(22,091)	(22,091)
Total stockholders' equity	\$ 2,823,315	\$ 2,810,197	2,808,947
Total capitalization	\$ 5,585,740	\$ 5,846,244	\$ 5,846,244

- (1) As of November 29, 2004, we had approximately \$242 million outstanding under our revolving bank credit facility.
- (2) In the event that all of the outstanding notes are not tendered in our tender offer for this series, any excess proceeds from our pending senior notes offering will be applied to repay remaining amounts outstanding under our revolving bank credit facility and for general corporate purposes.
- (3) The premium is subject to change as the fair market value of the related derivative changes.

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Our common stock and Preferred Stock are listed on the New York Stock Exchange under the symbols CHK and CHKPrA, respectively. The following table sets forth the high and low sales price and dividends declared per share of our common stock and Preferred Stock on the New York Stock Exchange during the periods shown:

	Common Stock			Preferred Stock		
	HIGH	LOW	DIVIDENDS	HIGH	LOW	DIVIDENDS
YEAR ENDED DECEMBER 31, 2002:						
First Quarter	\$ 7.78	\$ 5.05	\$ 0.00			
Second Quarter	8.55	6.81	0.00			
Third Quarter	7.25	4.50	0.03			
Fourth Quarter	8.06	5.89	0.03			
YEAR ENDED DECEMBER 31, 2003:						
First Quarter	\$ 8.64	\$ 7.27	\$ 0.03			
Second Quarter	11.45	7.45	0.035			
Third Quarter	10.97	9.17	0.035			
Fourth Quarter	14.00	10.66	0.035			
YEAR ENDING DECEMBER 31, 2004:						
First Quarter	\$ 13.98	\$ 11.70	\$ 0.035	\$ 75.63	\$ 69.32	\$ 0.750
Second Quarter	15.05	12.68	0.045	77.53	72.00	0.750
Third Quarter	16.24	13.69	0.045	81.31	74.29	0.750
Fourth Quarter (through November 29, 2004)	18.27	15.86	0.045	90.00	80.00	0.750

On November 29, 2004, the closing sale price of our common stock, as reported by the New York Stock Exchange, was \$17.92 per share. On that date, there were approximately 1,200 holders of record. We believe we have over 115,000 beneficial owners of our common stock.

On November 29, 2004, the closing sale price of the Preferred Stock, as reported by the New York Stock Exchange, was \$91.75 per share. DTC is the holder of record of the Preferred Stock.

Future dividends will be payable on our common stock only when, as and if declared by our board of directors, and will be dependent upon business conditions, earnings, our cash requirements and other relevant factors. We do not currently anticipate any change in our dividend policy in 2005.

Table of Contents**SUMMARY CONSOLIDATED FINANCIAL DATA**

The following tables set forth summary consolidated financial data as of and for each of the five years ended December 31, 1999, 2000, 2001, 2002 and 2003 and the nine months ended September 30, 2003 and 2004. The data for each of the three years ended December 31, 2003 and for the nine months ended September 30, 2004 were derived from our audited consolidated financial statements included in our annual report on Form 10-K for the year ended December 31, 2003, and from our unaudited condensed consolidated financial statements included in our quarterly report on Form 10-Q for the nine months ended September 30, 2004, each of which are incorporated by reference herein. The data for the two years ended December 31, 2000 were derived from our audited consolidated financial statements for these years. The financial data below should be read together with, and are qualified in their entirety by reference to, our historical consolidated financial statements and the accompanying notes and the Management's Discussion and Analysis of Financial Condition and Results of Operations which are set forth in our annual report on Form 10-K and in our quarterly report on Form 10-Q, which are incorporated by reference herein.

Years Ended December 31,		Nine Months Ended September 30,
1999	2000	
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