

Duke University Makes Claim on Estate of Aubrey McClendon

School says oil magnate died before making good on about \$10 million in pledges



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The late Aubrey McClendon attended Duke University. Photo: Getty Images

By

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The late oil magnate [Aubrey McClendon](#) held his alma mater in such high regard that he built the headquarters of his company in the image of Duke University's campus.

And back in Durham, N.C., the feeling was mutual: There's the McClendon Commons and McClendon Tower, McClendon Plaza and the Kathleen Upton Byrns McClendon Pipe Organ. All told, Mr. McClendon gave more than \$20 million to the school where he met his wife, sent his children and connected with the friend who would help bankroll his rise.

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Mr. McClendon graduated in 1981 and became a major benefactor of Duke after he struck riches in the oil patch. When he [died in March in a car crash](#) in Oklahoma City, Mr. McClendon had unfunded commitments to athletics funds, scholarships and campus-improvement projects totaling about \$9.94 million, the university said in a probate court filing that became public late Tuesday.

Duke is the latest player in a complicated legal drama unfolding in an Oklahoma City court, where a growing roster of creditors has come forward with claims against the late wildcatter.

Mr. McClendon [borrowed heavily to fund new business ventures](#) and gave generously to hometown projects and charitable organizations, but the value of many of his energy-heavy holdings is in question amid the biggest oil bust in a generation.

The move also raises questions about just how far recipients of pledges should pursue money promised before a person's death. Lawyers say the aggressive pursuit of an estate could hurt the university's ability to persuade alumni to make the kind of firm commitments its endowment needs to fund obligations into the future.

In a statement, Duke called Mr. McClendon "one of Duke's most passionate and generous alumni...This is a routine transaction that in no way diminishes Duke's respect for the McClendon family and our gratitude for their relationship to Duke."

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Tom Blalock, a longtime associate of Mr. McClendon who is administering his estate, didn't respond to requests for comment. Mr. McClendon's creditors, which so far range from Wall Street banks to a former employee to a farm-equipment maker, have until Sept. 16 to file claims.

Mr. McClendon left behind a vast tangle of assets and debts when his speeding Chevy Tahoe crashed into a concrete underpass the morning of March 2. He had been ousted from Chesapeake over corporate-governance issues three years earlier and had leveraged many of his personal holdings to finance a comeback.

From the Archives

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Aubrey McClendon, one of the pioneers of the U.S. shale boom and former CEO of Chesapeake Energy Corp., died in a single-vehicle crash early Wednesday. Photo: AP (Originally published

Collapsing oil prices in late 2014 strained the new oil-and-gas empire he had assembled, and he struggled in his final year to raise more cash to keep it afloat.

Oklahoma records show he had pledged assets as collateral for loans, including his roughly 20% stake of the Oklahoma City Thunder basketball team, fine wine, investments in tech startups and antique boats.

Lawyers for Mr. McClendon's creditors have said they think Mr. McClendon, who during his Chesapeake heyday was a billionaire, left behind more debt than assets. The entrepreneur's debts so far amount to about \$500 million, according to Oklahoma probate records.

But Martin Stringer, a lawyer for Mr. McClendon's estate, said claiming it is insolvent is "incorrect" because "nobody has the facts," according to a transcript of a May probate court hearing. The value of many assets "depends on commodity prices," he added. He said that the estate includes interests in more than 180 companies and other business ventures.



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Aubrey McClendon in 2012 Photo: Reuters

Duke's claim is the only one yet tied to McClendon's pledged donations. The university said Mr. McClendon's commitments are in writing and documented.

"If there's a signed letter of commitment, generally speaking, that's considered legally binding," said Richard Marker, a professor of philanthropy at the University of Pennsylvania and New York University, who added that he doesn't know the specifics of Mr. McClendon's pledge to Duke.

With documented pledges, Duke should have similar standing to Mr. McClendon's unsecured creditors, said Laura Zwicker, a partner at Los Angeles law firm Greenberg Glusker Fields Claman & Machtinger LLP who

specializes in estate matters for wealthy clients. Government agencies, such as the Internal Revenue Service, are paid first, followed by secured creditors, who receive the value of their collateral, she said.

Whatever assets the estate has left are usually doled out proportionally to unsecured creditors as well as secured creditors whose claims were not satisfied by collateral, said Ms. Zwicker.

Duke said that over the years, the McClendons have given more than \$20 million to the school. Mr. McClendon met his wife, Kathleen McClendon, at Duke, and the couple sent each of their three children there.

Duke is where Mr. McClendon met his close friend Ralph Eads, an investment banker who years after their fraternity days helped Mr. McClendon raise the cash needed to lease huge swaths of shale-drilling property that made Chesapeake the country's second-largest natural gas producer. He built Chesapeake's Oklahoma City headquarters with rows of redbrick Georgian buildings in the image of the campus.

McClendon Commons is a visitors' center adjacent to Duke's admissions office. The McClendons gave at least \$1.2 million for the restoration of the massive pipe organ in the university's chapel.

The university in 2002 tried to memorialize the couple with a pair of gargoyles carved in their likenesses and installed above an entrance to McClendon Tower, but the couple insisted they be removed, according to news reports at the time.

People close to Duke said that news of the appeal caught at least some members of the university's fundraising office by surprise.

"How positive is it to see a university sue a donor?" asks Doug White, former director of the nonprofit management program at Columbia University. "If it were up to me, I wouldn't push it that hard."

Duke ran into a problem with a pledge from a different donor a decade ago. In 2003, Boston Scientific co-founder Peter Nicholas pledged \$72 million to Duke, which at the time made headlines as the largest contribution in the school's history. The deadline for payment was December 2008, but it was unfulfilled as of September 2010, according to The Chronicle, Duke's student newspaper. Mr. Nicholas is still paying off the pledge, according to people familiar with the matter. Mr. Nicholas, who retired as a director of Boston Scientific in May, couldn't be reached for comment.

As of 2015 Duke University had the 18th largest endowment among U.S. schools with \$6.5 billion, according to the Council for Aid to Education, a nonprofit organization that tracks endowments. Duke's endowment nearly doubled from \$3.3 billion over the past decade, an increase in line with most schools.

—Ben Cohen and Douglas Belkin contributed to this article.

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