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Six Flags Files for Chapter 11 in Accord With Lenders

By MIKE SPECTOR and JEFFREY MCCracken

Six Flags Inc., one of the world's largest amusement-park chains, will be mostly owned by its lenders if a bankruptcy judge approves a deal negotiated between the company and its debt holders.

The theme-park company filed for Chapter 11 bankruptcy protection early Saturday amid a mountain of debt topping \$2 billion and a looming \$300 million payment due to preferred stockholders in August. Six Flags, which attracts 25 million visitors a year to its 120 roller coasters and other attractions, failed to persuade enough lenders to swap debt for equity over the past two months, forcing it into bankruptcy court.

Six Flags hopes to exit court quickly with a prenegotiated reorganization plan in which the company would eliminate about \$1.8 billion in debt and a \$300 million preferred-equity payment due later this summer. Senior secured lenders, which hold about \$1.13 billion in bank debt through secured and revolving credit lines, would likely get about a 90% ownership stake, according to people familiar with the matter.

Bondholders, owed about \$1.29 billion, would likely get around a 10% stake.

J.P. Morgan Chase & Co. represented the senior lenders in the deal. Other large holders of bank debt in position to take ownership of Six Flags include hedge funds Silver Point Capital LP and Avenue Investments, as well as Fidelity Management & Research Co. The holders declined to comment.

Six Flags' bankruptcy is a setback for Daniel Snyder, the Washington Redskins football-team owner who took control of the Six Flags in a proxy fight in 2005 and installed his own management team. The bankruptcy would likely wipe out Mr. Snyder's 6% stake.

Besides Mr. Snyder, big owners include Microsoft Corp. founder [Bill Gates](#), whose Cascade Investment LLC owns about an 11% stake. Other big equity holders include Dwight Schar, a Six Flags board member and part owner of the Redskins, with a 5% stake; [Citigroup](#) Inc. with 9%; Barclays PLC with 6.7%; and hedge fund Renaissance Technologies LLC with 5.5%.

Mr. Snyder will remain chairman of Six Flags' board, said [Mark Shapiro](#), Six Flags' chief executive. "Yes, he lost money, but the [turnaround strategy] is working," Mr. Shapiro said in an interview.

Mr. Snyder in a prepared statement said Six Flags' current management team "exceeded every operational goal we set out three years ago" and that the "harsh realities of today's credit markets, and the onerous debt we inherited from previous management, have brought us to this place."

Mr. Shapiro, a former ESPN executive, has made some progress of late. Last year, Six Flags for the first time brought

in more cash than it spent. The company's loss narrowed in 2008 and sales nudged 5% higher. Attendance also rose a bit.

Six Flags also sold 10 parks and laid off about 300 workers. It tried to make its parks more "family friendly," banning smoking in most areas.

But last summer's record fuel prices, plunging consumer confidence and deteriorating credit markets weighed on Six Flags' balance sheet. The company, with 20 parks across North America, lost additional revenue when the recent swine-flu outbreak forced a temporary closure of its park in Mexico City. It has been unprofitable for the past few years.

Still, Mr. Shapiro said that the company last year had its best season ever. That, along with the onset of this year's busy summer season, should leave Six Flags with enough cash to help fund its stay in bankruptcy court, Mr. Shapiro said. He said he hopes Six Flags will emerge before January.

Six Flags in its bankruptcy filing listed assets of \$3 billion and debt of \$2.4 billion. It had about \$3.4 billion in liabilities as of the end of March. Its largest unsecured creditors include HSBC Bank USA and [Bank of New York Mellon Corp.](#) as trustees for various debt notes totaling more than \$1 billion.

A few months ago, Six Flags hired law firm Paul Hastings Janofsky & Walker LLP to prepare for a bankruptcy filing. It also hired Houlihan Lokey Howard & Zukin to negotiate with creditors.

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