Electrical Works Pension Fund, Local 103, I.B.E.W. v. Six Flags Entertainment Corporation

COURT: United States District Court for the Northern District of Texas
CASE NUMBER: 4:20-cv-00201-P
CLASS PERIOD: 04/25/2018 - 02/19/2020
CASE LEADERS: Katherine M. Sinderson, Hannah Ross, Abe Alexander, Adam Hollander

On February 12, 2020, Bernstein Litowitz Berger & Grossmann filed a class action lawsuit for violations of the federal securities laws in the U.S. District Court for the Northern District of Texas against Six Flags Entertainment Corporation ("Six Flags" or the "Company") and certain of the Company's current and former senior executives (collectively, "Defendants"), on behalf of investors in Six Flags common stock between April 25, 2018 and February 19, 2020, inclusive (the "Class Period").

BLB&G filed this action on behalf of its client, the Electrical Workers Pension Fund, Local 103, I.B.E.W., and the case is captioned *Electrical Workers Pension Fund, Local 103, I.B.E.W. v. Six Flags Entertainment Corporation*, No. 4:20-cv-00201-P (N.D. Tex.). The complaint is based on an extensive proprietary investigation and a careful evaluation of the merits of this case.

Six Flags' Alleged Fraud

Six Flags is the world's largest regional theme park operator. The claims alleged in this case arise from Defendants' misrepresentations and omissions relating to the Company's prospects of developing Six Flags-branded parks in China through licensing agreements with Chinese real estate developer, Riverside Investment Group Co. Ltd. ("Riverside"), and the financial problems at Riverside.

The complaint alleges that, throughout the Class Period, Defendants made materially false and misleading statements regarding the Company's business, operations, and growth prospects related to its agreements with Riverside to develop parks in China. As development of those parks began to face delays, Defendants misled investors by downplaying the problems as "short-term" and "not material in the context of the long-term opportunity." Defendants also assured investors that Riverside was "work[ing] through" the macroeconomic issues in China and that Riverside was in "great shape" financially. In truth, Riverside was in severe financial distress and did not have the resources to timely complete its projects with Six Flags. As a result of Defendants' misrepresentations, shares of Six Flags' common stock traded at artificially inflated prices throughout the Class Period.

The truth emerged through a series of disclosures, beginning on February 14, 2019, when Six Flags announced a negative $15 million revenue adjustment for the fourth quarter of 2018 due to delays in the expected opening dates of some of its China parks, which the Company falsely blamed on macroeconomic issues in China.

Then, on October 23, 2019, Six Flags again postponed the timing of its park openings in China, stating "it's unrealistic to think it's going to be exactly as we've outlined."

On January 10, 2020, the Company disclosed that the development of its Six Flags-branded parks in China continued to encounter challenges and had not progressed as expected, placing the future of its China parks in jeopardy. The

Company also revealed that Riverside continued to face significant financial challenges, which caused Riverside to default on its payment obligations to Six Flags. As a result of these disclosures, the price of Six Flags common stock declined precipitously.

Finally, on February 20, 2020, the Company revealed that it had terminated its development agreements with Riverside because Riverside had defaulted on its payment obligations to the Company during 2019. The Company also stated that it is unlikely that Six Flags would recognize any revenue or income from the development of its Six Flags-branded parks in China, and provided a dismal earnings outlook for 2020, driven by significantly lower revenue contribution from Six Flags' international development agreements. In response to these additional disclosures, the price of Six Flags' common stock again dropped significantly.

On May 8, 2020, the Honorable Judge Mark Pittman appointed Bernstein Litowitz lead counsel, representing lead plaintiffs Oklahoma Firefighters Pension and Retirement System and Electrical Workers Pension Fund, Local 103, I.B.E.W.

On July 2, 2020, Lead Plaintiffs filed their amended complaint. On August 3, 2020, Defendants filed a motion to dismiss. On September 2, 2020, Lead Plaintiffs filed their opposition to the motion to dismiss. On September 16, 2020, Defendants filed their reply brief. On March 3, 2021, the Court granted Defendants' motion to dismiss.

On March 31, 2021, Lead Plaintiffs moved to set aside the judgment and for leave to amend the complaint. Defendants' opposition was filed on April 21, 2021.

Case Documents

- July 2, 2020 - Consolidated Class Action Complaint for Violations of The Federal Securities Laws