



BANKRUPTCY LAW ALERT

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By: Michael S. Amato, Esq.
Sheryl P. Giugliano, Esq.

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Day Traders Provide Lifeline to Traditional Investors

The recent phenomenon of small traders, emboldened by social media outlets and day-trading apps, challenging more traditional hedge fund investors, has added a new wrinkle to the restructuring and bankruptcy arena – institutional equity holders in those companies are able to exit gracefully, without suffering the financial hit that many would have predicted just a few weeks ago.

AMC Entertainment Holdings Inc. has been struggling to avoid Chapter 11 as its theaters remain dark or substantially empty during the COVID 19 pandemic. Silver Lake Management, a private equity fund, provided millions of dollars in financing to AMC in recent months, and was the majority holder of AMC's convertible notes due 2026. Many in the restructuring community anticipated AMC's bankruptcy filing, and would have predicted potentially dire results for its equity holders in a bankruptcy. But the recent social media rally of AMC's stock permitted Silver Lake to exit its equity stake in AMC, converting bonds to equity and selling its shares in the movie theater chain, generating approximately \$113 million. Moreover, AMC reportedly recently raised new capital and allegedly is no longer in (imminent) danger of bankruptcy at all (Disclaimer: fundamental flaws remain constant for AMC and other brick-and-mortar based businesses, and recent events may not be indicative of AMC's future viability).

Macerich is a real estate investment trust and owns 52 shopping centers across the United States, including the Kings Plaza Shopping Center in Brooklyn and the Shops at North Bridge in Chicago. It has struggled in recent years as consumers transition to online shopping, and 2020's COVID-19 pandemic only deepened the hole for malls and their retail shops. Like AMC, a recent social media frenzy caused Macerich's shares to jump over 65% in four trading sessions. Ontario Teachers' Pension Plan, Macerich's largest shareholder holding 16.4% of the company, sold its entire holding of approximately 24.56 million shares for nearly \$500 million. Another example of a company's largest shareholder benefitting from the company's social media fueled stock rally, just as both of their fates seemed nearly sealed in a potential bankruptcy filing.

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In the cases of AMC and Macerich, large investors seized upon opportunities to exit their distressed investments. It remains unclear what long term impact social media driven day traders will have in the restructuring space, beyond giving some reprieve to large institutional shareholders at a time that they were anticipating losses. For now, we do not predict that the sudden uptick in share prices will lead to a slowdown for restructuring professionals, but savvy investors clearly reaped the benefits of this new phenomenon.

For more information, please contact:

Michael S. Amato, Esq.
mamato@rmfpc.com
516-663-6517

-or-

Sheryl P. Giugliano, Esq.
sgiugliano@rmfpc.com
516-663-6638