

CEDAR FAIR L P  
Form 10-Q  
August 03, 2016  
Table of Contents

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q  
(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 26, 2016

OR  
 TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_.

Commission File Number: 1-9444

CEDAR FAIR, L.P.

(Exact name of registrant as specified in its charter)

DELAWARE 34-1560655  
(State or other jurisdiction of (I.R.S. Employer  
incorporation or organization) Identification No.)  
One Cedar Point Drive, Sandusky, Ohio 44870-5259  
(Address of principal executive offices) (Zip Code)  
(419) 626-0830  
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

Title of Class Units Outstanding as of August 1, 2016  
Units Representing Limited Partner Interests 56,076,294

Table of Contents

CEDAR FAIR, L.P.  
INDEX  
FORM 10 - Q

Part I - Financial Information

Item 1.	<u>Financial Statements</u>	<u>3</u>
Item 2.	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>27</u>
Item 3.	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>33</u>
Item 4.	<u>Controls and Procedures</u>	<u>34</u>

Part II - Other Information

Item 1.	<u>Legal Proceedings</u>	<u>34</u>
Item 1A.	<u>Risk Factors</u>	<u>34</u>
Item 2.	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>35</u>
Item 6.	<u>Exhibits</u>	<u>35</u>
	<u>Signatures</u>	<u>36</u>
	<u>Index to Exhibits</u>	<u>37</u>

---

Table of Contents

## PART I - FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

## CEDAR FAIR, L.P.

## UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands)

	6/26/2016	12/31/2015	6/28/2015
<b>ASSETS</b>			
Current Assets:			
Cash and cash equivalents	\$68,085	\$119,557	\$35,447
Receivables	78,006	29,494	70,019
Inventories	46,207	25,029	46,627
Prepaid advertising	20,915	1,521	18,648
Other current assets	11,559	8,425	11,156
	224,772	184,026	181,897
Property and Equipment:			
Land	272,534	267,782	271,593
Land improvements	392,436	381,191	385,451
Buildings	674,251	647,514	654,619
Rides and equipment	1,655,689	1,561,234	1,593,907
Construction in progress	26,095	50,962	16,756
	3,021,005	2,908,683	2,922,326
Less accumulated depreciation	(1,444,511 )	(1,393,805 )	(1,347,595 )
	1,576,494	1,514,878	1,574,731
Goodwill	217,026	210,811	221,662
Other Intangibles, net	36,833	35,895	37,278
Other Assets	17,256	17,410	18,269
	\$2,072,381	\$1,963,020	\$2,033,837
<b>LIABILITIES AND PARTNERS' EQUITY</b>			
Current Liabilities:			
Current maturities of long-term debt	\$—	\$2,475	\$—
Accounts payable	40,242	17,122	39,917
Deferred revenue	173,062	69,514	147,943
Accrued interest	11,710	9,910	12,455
Accrued taxes	30,829	41,937	12,143
Accrued salaries, wages and benefits	33,962	26,916	32,233
Self-insurance reserves	25,588	23,996	24,020
Current derivative liability	—	—	6,895
Other accrued liabilities	14,047	6,801	15,433
	329,440	198,671	291,039
Deferred Tax Liability	138,229	129,763	133,021
Derivative Liability	30,900	22,918	18,806
Other Liabilities	12,474	17,983	16,061
Long-Term Debt:			
Revolving credit loans	55,000	—	42,000
Term debt	595,902	598,346	599,691
Notes	938,863	938,330	936,750
	1,589,765	1,536,676	1,578,441

Commitments and Contingencies (Note 10)

Partners' Equity:

Special L.P. interests	5,290	5,290	5,290
General partner	(1	) —	—
Limited partners, 56,072, 56,018 and 56,008 units outstanding at June 26, 2016, December 31, 2015 and June 28, 2015, respectively	(29,525	) 48,428	(3,049 )
Accumulated other comprehensive income	(4,191	) 3,291	(5,772 )
	(28,427	) 57,009	(3,531 )
	\$2,072,381	\$1,963,020	\$2,033,837

The accompanying Notes to Unaudited Condensed Consolidated Financial Statements are an integral part of these statements.

Table of Contents

CEDAR FAIR, L.P.

## UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

(In thousands, except per unit amounts)

	Three months ended		Six months ended	
	6/26/2016	6/28/2015	6/26/2016	6/28/2015
Net revenues:				
Admissions	\$214,338	\$207,568	\$242,998	\$230,351
Food, merchandise and games	129,924	128,633	151,691	146,577
Accommodations, extra-charge products and other	43,772	41,207	51,783	47,297
	388,034	377,408	446,472	424,225
Costs and expenses:				
Cost of food, merchandise, and games revenues	34,566	33,106	40,803	38,694
Operating expenses	157,525	157,325	242,129	235,455
Selling, general and administrative	51,371	46,065	76,983	71,883
Depreciation and amortization	48,299	47,105	53,490	51,116
Loss on impairment / retirement of fixed assets, net	1,415	780	4,027	3,683
	293,176	284,381	417,432	400,831
Operating income	94,858	93,027	29,040	23,394
Interest expense	21,125	21,473	40,912	42,005
Net effect of swaps	5,410	(1,407 )	7,252	(1,523 )
Unrealized/realized foreign currency (gain) loss	(11,455 )	(7,911 )	(31,016 )	30,307
Interest income	(8 )	(5 )	(26 )	(45 )
Income (loss) before taxes	79,786	80,877	11,918	(47,350 )
Provision (benefit) for taxes	21,803	23,294	2,421	(21,100 )
Net income (loss)	57,983	57,583	9,497	(26,250 )
Net income (loss) allocated to general partner	—	1	—	—
Net income (loss) allocated to limited partners	\$57,983	\$57,582	\$9,497	\$(26,250 )
Net income (loss)	\$57,983	\$57,583	\$9,497	\$(26,250 )
Other comprehensive income (loss), (net of tax):				
Cumulative foreign currency translation adjustment	(2,449 )	(1,758 )	(6,844 )	5,456
Unrealized gain (loss) on cash flow hedging derivatives	1,993	1,841	(638 )	(598 )
Other comprehensive income (loss), (net of tax)	(456 )	83	(7,482 )	4,858
Total comprehensive income (loss)	\$57,527	\$57,666	\$2,015	\$(21,392 )
Basic income (loss) per limited partner unit:				
Weighted average limited partner units outstanding	55,940	55,734	55,909	55,696
Net income (loss) per limited partner unit	\$1.04	\$1.03	\$0.17	\$(0.47 )
Diluted income (loss) per limited partner unit:				
Weighted average limited partner units outstanding	56,358	56,285	56,406	55,696
Net income (loss) per limited partner unit	\$1.03	\$1.02	\$0.17	\$(0.47 )

The accompanying Notes to Unaudited Condensed Consolidated Financial Statements are an integral part of these statements.

Table of Contents

CEDAR FAIR, L.P.

## UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF PARTNERS' EQUITY

(In thousands)

	Six months ended	
	6/26/2016	6/28/2015
Limited Partnership Units Outstanding		
Beginning balance	56,018	55,828
Limited partnership unit options exercised	10	48
Limited partnership unit forfeitures	—	(1 )
Issuance of limited partnership units as compensation	44	133
	56,072	56,008
Limited Partners' Equity		
Beginning balance	\$48,428	\$101,556
Net income (loss)	9,497	(26,250 )
Partnership distribution declared (\$1.65 and \$1.50 per limited partnership unit)	(92,675 )	(84,153 )
Expense recognized for limited partnership unit options	5	353
Tax effect of units involved in treasury unit transactions	(1,604 )	(2,048 )
Issuance of limited partnership units as compensation	6,824	7,493
	(29,525 )	(3,049 )
General Partner's Equity		
Beginning balance	—	1
Partnership distribution declared	(1 )	(1 )
	(1 )	—
Special L.P. Interests	5,290	5,290
Accumulated Other Comprehensive Income		
Cumulative foreign currency translation adjustment:		
Beginning balance	22,591	5,936
Period activity, net of tax \$3,934 and (\$3,136)	(6,844 )	5,456
	15,747	11,392
Unrealized loss on cash flow hedging derivatives:		
Beginning balance	(19,300 )	(16,566 )
Period activity, net of tax \$92 and \$185	(638 )	(598 )
	(19,938 )	(17,164 )
	(4,191 )	(5,772 )
Total Partners' Equity	\$ (28,427)	\$ (3,531 )

The accompanying Notes to Unaudited Condensed Consolidated Financial Statements are an integral part of this statement.

Table of Contents

CEDAR FAIR, L.P.

## UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

	Six months ended	
	6/26/2016	6/28/2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income (loss)	\$9,497	\$(26,250)
Adjustments to reconcile net income (loss) to net cash from operating activities:		
Depreciation and amortization	53,490	51,116
Non-cash foreign currency (gain) loss on debt	(31,429 )	29,559
Other non-cash expenses	31,028	798
Net change in working capital	40,406	18,526
Net change in other assets/liabilities	(5,819 )	(472 )
Net cash from operating activities	97,173	73,277
<b>CASH FLOWS FOR INVESTING ACTIVITIES</b>		
Capital expenditures	(106,233)	(120,380)
Purchase of preferred equity investment	—	(2,000 )
Net cash for investing activities	(106,233)	(122,380)
<b>CASH FLOWS FOR FINANCING ACTIVITIES</b>		
Net borrowings on revolving credit loans	55,000	42,000
Term debt payments	(6,000 )	—
Distributions paid to partners	(92,676 )	(84,154 )
Tax effect of units involved in treasury unit transactions	(1,604 )	(2,048 )
Net cash for financing activities	(45,280 )	(44,202 )
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>	2,868	(3,088 )
<b>CASH AND CASH EQUIVALENTS</b>		
Net decrease for the period	(51,472 )	(96,393 )
Balance, beginning of period	119,557	131,840
Balance, end of period	\$68,085	\$35,447
<b>SUPPLEMENTAL INFORMATION</b>		
Cash payments for interest expense	\$38,557	\$39,378
Interest capitalized	1,474	1,943
Cash payments for income taxes, net of refunds	6,989	4,256
Capital expenditures in accounts payable	1,265	8,360
The accompanying Notes to Unaudited Condensed Consolidated Financial Statements are an integral part of these statements.		

Table of Contents

CEDAR FAIR, L.P.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIODS ENDED JUNE 26, 2016 AND JUNE 28, 2015

The accompanying unaudited condensed consolidated financial statements have been prepared from the financial records of Cedar Fair, L.P. (the Partnership) without audit and reflect all adjustments (consisting of normal recurring adjustments) which are, in the opinion of management, necessary to fairly present the results of the interim periods covered in this report. Due to the seasonal nature of the Partnership's amusement and water park operations, the results for any interim period may not be indicative of the results expected for the full fiscal year.

(1) Significant Accounting and Reporting Policies:

The Partnership's unaudited condensed consolidated financial statements for the periods ended June 26, 2016 and June 28, 2015 included in this Form 10-Q report have been prepared in accordance with the accounting policies described in the Notes to Consolidated Financial Statements for the year ended December 31, 2015, which were included in the Form 10-K filed on February 26, 2016. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission (the Commission). These financial statements should be read in conjunction with the financial statements and the notes thereto included in the Form 10-K referred to above.

Reclassifications

Certain prior year operating activity amounts in the unaudited condensed consolidated statements of cash flows have been reclassified to conform to fiscal 2016 presentation.

Adopted Accounting Pronouncements

In April 2015, the FASB issued Accounting Standards Update No. 2015-03, Simplifying the Presentation of Debt Issuance Costs ("ASU 2015-03"). The amendments in ASU 2015-03 require that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct reduction from the carrying value of the corresponding debt liability, consistent with debt discounts. This ASU requires retrospective adoption and is effective for annual and interim periods beginning after December 15, 2015. The adoption of ASU 2015-03 did not have an impact on our unaudited condensed consolidated statements of operations or unaudited condensed consolidated statements of cash flows. The impact of the adoption of this guidance resulted in the reclassification of the unamortized debt issuance cost amounts from other assets to long-term debt on the unaudited condensed consolidated balance sheets for the prior periods, of \$19.7 million and \$22.4 million at December 31, 2015 and June 28, 2015, respectively.

In November 2015, the FASB issued Accounting Standards Update No. 2015-17, Balance Sheet Classification of Deferred Taxes ("ASU 2015-17"). The amendments in ASU 2015-17 require that deferred tax assets and liabilities be classified as non-current in the balance sheet. This ASU is effective for fiscal years beginning after December 15, 2016 and for interim periods within those fiscal years, with early adoption permitted. The guidance may be applied either prospectively to all deferred tax liabilities and assets or retrospectively to all periods presented. We adopted this guidance early and applied retrospective treatment. The impact of the adoption of this guidance resulted in the reclassification of the current deferred tax assets to net against the deferred tax liability in the unaudited condensed consolidated balance sheets, which reduced both the current deferred tax asset and deferred tax liability for the prior periods by \$12.2 million and \$20.0 million at December 31, 2015 and June 28, 2015, respectively.

New Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers ("ASU 2014-09"). The amendments in ASU 2014-09 provide for a single, principles-based model for revenue recognition that replaces the existing revenue recognition guidance. ASU 2014-09 is effective for annual and interim



periods beginning on or after December 15, 2017 and will replace most existing revenue recognition guidance under U.S. GAAP when it becomes effective. It permits the use of either a retrospective or cumulative effect transition method and early adoption is not permitted. The Partnership has not yet selected a transition method and is in the process of evaluating the effect this standard will have on the consolidated financial statements and related disclosures.

In February 2016, the FASB issued Accounting Standards Update No. 2016-02, Leases ("ASU 2016-02"). The amendments in ASU 2016-02 provide that most leases will now be recorded on the balance sheet. ASU 2016-02 is effective for annual and interim periods beginning on or after January 1, 2019 and will replace most existing lease guidance under U.S. GAAP when it becomes effective. This ASU requires a modified transition method for existing leases and applies to the earliest period presented in the

## Table of Contents

financial statements. The Partnership is in the process of evaluating the effect this standard will have on the consolidated financial statements and related disclosures.

### (2) Interim Reporting:

The Partnership owns and operates eleven amusement parks, three separately gated outdoor water parks, one indoor water park and five hotels. Virtually all of the Partnership's revenues from its seasonal amusement parks, as well as its outdoor water parks and other seasonal resort facilities, are realized during a 130- to 140-day operating period beginning in early May, with the major portion concentrated in the third quarter during the peak vacation months of July and August. Knott's Berry Farm is open daily on a year-round basis. Castaway Bay is generally open daily from Memorial Day to Labor Day, plus a limited daily schedule for the balance of the year.

To assure that these highly seasonal operations will not result in misleading comparisons of current and subsequent interim periods, the Partnership has adopted the following accounting and reporting procedures for its seasonal parks: (a) revenues on multi-use products are recognized over the estimated number of uses expected for each type of product and are adjusted periodically during the operating season prior to the ticket or product expiration, which occurs no later than the close of the operating season or December 31 each year, (b) depreciation, advertising and certain seasonal operating costs are expensed during each park's operating season, including certain costs incurred prior to the season which are amortized over the season, and (c) all other costs are expensed as incurred or ratably over the entire year. Revenues on multi-use products for the next operating season are deferred in the year received and recognized as revenue in the following operating season.

### (3) Long-Lived Assets:

Long-lived assets are reviewed for impairment upon the occurrence of events or changes in circumstances that would indicate that the carrying value of the assets may not be recoverable. In order to determine if an asset has been impaired, assets are grouped and tested at the lowest level for which identifiable, independent cash flows are available. A significant amount of judgment is involved in determining if an indicator of impairment has occurred. Such indicators may include, among others: a significant decline in expected future cash flows; a sustained, significant decline in equity price and market capitalization; a significant adverse change in legal factors or in the business climate; unanticipated competition; and slower growth rates. Any adverse change in these factors could have a significant impact on the recoverability of these assets and could have a material impact on our consolidated financial statements.

The long-lived operating asset impairment test involves a two-step process. The first step is a comparison of each asset group's carrying value to its estimated undiscounted future cash flows expected to result from the use of the assets, including disposition. Projected future cash flows reflect management's best estimates of economic and market conditions over the projected period, including growth rates in revenues and costs, estimates of future expected changes in operating margins and cash expenditures. Other significant estimates and assumptions include terminal value growth rates and future estimates of capital expenditures. If the carrying value of the asset group is higher than its undiscounted future cash flows, there is an indication that impairment exists and the second step must be performed to measure the amount of impairment loss. The amount of impairment is determined by comparing the implied fair value of the asset group to its carrying value in a manner consistent with the highest and best use of those assets.

The Partnership estimates fair value of operating assets using an income, market, and/or cost approach. The income approach uses an asset group's projection of estimated operating results and cash flows that is discounted using a weighted-average cost of capital reflective of current market conditions. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. The cost approach is based on the amount currently required to replace the service capacity of an asset adjusted for obsolescence. If the implied fair value of the assets is less than their carrying value, an impairment charge is recorded for the difference.

Non-operating assets are evaluated for impairment based on changes in market conditions. When changes in market conditions are observed, impairment is estimated using a market-based approach. If the estimated fair value of the non-operating assets is less than their carrying value, an impairment charge is recorded for the difference.

Table of Contents

## (4) Goodwill and Other Intangible Assets:

In accordance with the applicable accounting rules, goodwill is not amortized, but, along with indefinite-lived trade names, is evaluated for impairment on an annual basis or more frequently if indicators of impairment exist. As of June 26, 2016, there were no indicators of impairment. The Partnership's annual testing date is the first day of the fourth quarter.

There were no impairments for any period presented.

A summary of changes in the Partnership's carrying value of goodwill for the six months ended June 26, 2016 and June 28, 2015 is as follows:

(In thousands)	Goodwill (gross)	Accumulated Impairment Losses	Goodwill (net)
Balance at December 31, 2015	\$290,679	\$ (79,868 )	\$210,811
Foreign currency translation	6,215	—	6,215
Balance at June 26, 2016	\$296,894	\$ (79,868 )	\$217,026
Balance at December 31, 2014	\$308,159	\$ (79,868 )	\$228,291
Foreign currency translation	(6,629 )	—	(6,629 )
Balance at June 28, 2015	\$301,530	\$ (79,868 )	\$221,662

At June 26, 2016, December 31, 2015, and June 28, 2015 the Partnership's other intangible assets consisted of the following:

	Gross Carrying Amount	Accumulated Amortization	Net Carrying Value
June 26, 2016			
(In thousands)			
Other intangible assets:			
Trade names	\$36,086	\$ —	\$36,086
License / franchise agreements	1,476	729	747
Total other intangible assets	\$37,562	\$ 729	\$36,833

## December 31, 2015

(In thousands)

Other intangible assets:

Trade names	\$35,208	\$ —	\$35,208
License / franchise agreements	1,067	380	687
Total other intangible assets	\$36,275	\$ 380	\$35,895

## June 28, 2015

(In thousands)

Other intangible assets:

Trade names	\$36,744	\$ —	\$36,744
License / franchise agreements	877	343	534
Total other intangible assets	\$37,621	\$ 343	\$37,278

Amortization expense of other intangible assets is expected to be immaterial going forward.

Table of Contents

## (5) Long-Term Debt:

Long-term debt as of June 26, 2016, December 31, 2015, and June 28, 2015 consisted of the following:

(In thousands)	June 26, 2016	December 31, 2015	June 28, 2015
Revolving credit facility (due 2018)	\$55,000	\$—	\$42,000
Term debt <sup>(1)</sup>			
March 2013 U.S. term loan averaging 3.25% (due 2013-2020)	602,850	608,850	608,850
Notes			
June 2014 U.S. fixed rate note at 5.375% (due 2024)	450,000	450,000	450,000
March 2013 U.S. fixed rate note at 5.25% (due 2021)	500,000	500,000	500,000
	1,607,850	1,558,850	1,600,850
Less current portion	—	2,475	—
	1,607,850	1,556,375	1,600,850
Less debt issuance costs	18,085	19,699	22,409
	\$1,589,765	\$1,536,676	\$1,578,441

<sup>(1)</sup> The average interest rate does not reflect the effect of interest rate swap agreements (see Note 6).

In June of 2014, the Partnership issued \$450 million of 5.375% senior unsecured notes ("June 2014 notes"), maturing in 2024. The net proceeds from the offering of the June 2014 notes were used to redeem in full all of the Partnership's \$405 million of 9.125% July 2010 senior unsecured notes that were scheduled to mature in 2018 (and which included \$5.6 million of Original Issue Discount ("OID") to yield 9.375%), to satisfy and discharge the indenture governing the notes that were redeemed and for general corporate purposes.

The Partnership's June 2014 notes pay interest semi-annually in June and December, with the principal due in full on June 1, 2024. Prior to June 1, 2017, up to 35% of the notes may be redeemed with the net cash proceeds of certain equity offerings at a price equal to 105.375% together with accrued and unpaid interest. The notes may be redeemed, in whole or in part, at any time prior to June 1, 2019 at a price equal to 100% of the principal amount of the notes redeemed plus a "make-whole" premium together with accrued and unpaid interest, if any, to the redemption date. Thereafter, the notes may be redeemed, in whole or in part, at various prices depending on the date redeemed.

In March 2013, the Partnership issued \$500 million of 5.25% senior unsecured notes ("March 2013 notes"), maturing in 2021. The Partnership's March 2013 notes pay interest semi-annually in March and September, with the principal due in full on March 15, 2021. The notes may be redeemed, in whole or in part, at any time prior to March 15, 2017 at a price equal to 103.938% of the principal amount of the notes redeemed, together with accrued and unpaid interest, if any, to the redemption date. The notes may be redeemed after this date, in whole or in part, at various prices depending on the date redeemed.

Concurrently with this offering, the Partnership entered into a new \$885 million credit agreement (the "2013 Credit Agreement"), which included a \$630 million senior secured term loan facility and a \$255 million senior secured revolving credit facility. The terms of the senior secured term loan facility include a maturity date of March 6, 2020 and an interest rate of LIBOR ("London InterBank Offering Rate") plus 250 bps with a LIBOR floor of 75 bps. The term loan amortizes at \$6.3 million annually and allows interest to be paid on a 30-, 60-, or 90-day basis. The Partnership is currently paying interest on a 30-day basis. The net proceeds from the notes and borrowings under the 2013 Credit Agreement were used to repay in full all amounts outstanding under the previous credit facilities. The facilities provided under the 2013 Credit Agreement are collateralized by substantially all of the assets of the Partnership.

Terms of the 2013 Credit Agreement include a revolving credit facility of a combined \$255 million. Under the 2013 Credit Agreement, the Canadian portion of the revolving credit facility has a sub-limit of \$15 million. U.S. denominated and Canadian denominated loans made under the revolving credit facility bear interest at a rate of LIBOR plus 225 bps (with no LIBOR floor). The revolving credit facility is scheduled to mature in March 2018 and

also provides for the issuance of documentary and standby letters of credit. The 2013 Credit Agreement requires the Partnership to pay a commitment fee of 38 bps per annum on the unused portion of the credit facilities.

The 2013 Credit Agreement includes two Financial Condition Covenants, which if breached for any reason and not cured, could result in an event of default. At the end of the second quarter of 2016, the first of these, the Consolidated Leverage Ratio, was set at a maximum of 5.50x consolidated total debt (excluding the revolving debt)-to-consolidated EBITDA. This required ratio

Table of Contents

decreased by 0.25x at the beginning of the second quarter of 2016. The final decrease will occur at the beginning of the second quarter of 2017 when the ratio will reach its minimum of 5.25x. The second of these required ratios, the Consolidated Fixed Charge Coverage Ratio, is set at a minimum of 1.1x (consolidated total fixed charges-to-consolidated EBITDA). As of June 26, 2016, the Partnership was in compliance with these Financial Condition Covenants and all other covenants under the 2013 Credit Agreement.

The Partnership is allowed to make Restricted Payments, as defined in the 2013 Credit Agreement, of up to \$60 million annually, so long as no default or event of default has occurred and is continuing and so long as the Partnership would be in compliance with certain financial ratios after giving effect to the payments. Additional Restricted Payments are allowed to be made based on an Excess-Cash-Flow formula, should the Partnership's pro-forma Consolidated Leverage Ratio be less than or equal to 5.0x. Pursuant to the terms of the indentures governing the Partnership's June 2014 and March 2013 notes, the Partnership can make Restricted Payments of \$60 million annually so long as no default or event of default has occurred and is continuing, and our ability to make additional Restricted Payments in 2016 and beyond is permitted should the Partnership's pro forma Total-Indebtedness-to-Consolidated-Cash-Flow Ratio be less than or equal to 5.0x.

As market conditions warrant, the Partnership may from time to time repurchase debt securities issued by the Partnership, in privately negotiated or open market transactions, by tender offer, exchange offer or otherwise.

**(6) Derivative Financial Instruments:**

Derivative financial instruments are used within the Partnership's overall risk management program to manage interest rate risk. By utilizing a derivative instrument to hedge our exposure to LIBOR rate changes, the Partnership is exposed to counterparty credit risk, in particular the failure of the counterparty to perform under the terms of the derivative contract. To mitigate this risk, hedging instruments are placed with a counterparty that the Partnership believes poses minimal credit risk. The Partnership does not use derivative financial instruments for trading purposes. In the first quarter of 2016, the Partnership amended each of its four interest rate swap agreements to extend each of the maturities by two years to December 31, 2020, and to fix LIBOR at a rate of 2.64%. As a result of the amendments, the previously existing interest rate swap agreements were de-designated and the amounts recorded in AOCI will be amortized into earnings through the original December 2018 maturity. The newly amended interest rate swap agreements are not designated as hedging instruments. There were no other changes to the terms of the agreements beyond those disclosed.

The fair value of derivative financial instruments and their classification within the unaudited condensed consolidated balance sheets as of June 26, 2016, December 31, 2015, and June 28, 2015 are as follows:

(In thousands)	Unaudited Condensed Consolidated Balance Sheet Location	Fair Value as of June 26, 2016	Fair Value as of December 31, 2015	Fair Value as of June 28, 2015
Derivatives designated as hedging instruments:				
Interest rate swaps	Derivative Liability	\$ —	\$ (22,918 )	\$ (18,806 )
Total derivatives designated as hedging instruments		\$ —	\$ (22,918 )	\$ (18,806 )
Derivatives not designated as hedging instruments:				
Interest rate swaps	Current Derivative Liability	\$ —	\$ —	\$ (6,895 )
Interest rate swaps	Derivative Liability	\$ (30,900 )	\$ —	\$ —
Total derivatives not designated as hedging instruments		\$ (30,900 )	\$ —	\$ (6,895 )
Net derivative liability		\$ (30,900 )	\$ (22,918 )	\$ (25,701 )

Derivatives Designated as Hedging Instruments

Changes in fair value of highly effective hedges are recorded as a component of AOCI in the balance sheet. Any ineffectiveness is recognized immediately in income. Amounts recorded as a component of accumulated other comprehensive income are reclassified into earnings in the same period the forecasted transactions affect earnings. As a result of the first quarter of 2016 amendments, the previously existing interest rate swap agreements were de-designated and the newly amended interest rate swap agreements are not designated as hedging instruments. As of June 26, 2016 we have no designated derivatives and thus no amounts for designated derivatives that are forecasted to be reclassified into earnings in the next twelve months.



Table of Contents

## Derivatives Not Designated as Hedging Instruments

Certain interest rate swap contracts were deemed ineffective in prior years and no longer qualified for hedge accounting. As a result of discontinued hedge accounting, the instruments are prospectively adjusted to fair value each reporting period through "Net effect of swaps" within the unaudited condensed consolidated statements of operations and comprehensive income. The amounts that were previously recorded as a component of AOCI prior to the de-designation are reclassified to earnings and a corresponding realized gain or loss will be recognized when the forecasted cash flow occurs. As a result of the first quarter 2016 amendments, the previously existing interest rate swap agreements were de-designated and the amounts previously recorded in AOCI will be amortized into earnings through the original December 2018 maturity. As of June 26, 2016, approximately \$23.6 million of losses remain in AOCI related to the effective cash flow hedge contracts prior to de-designation, \$9.5 million of which will be reclassified to earnings within the next twelve months.

The following table summarizes the effect of derivative instruments on income (loss) and other comprehensive income (loss) for the three-month periods ended June 26, 2016 and June 28, 2015:

(In thousands)	Amount of Gain (Loss) recognized in OCI on Derivatives (Effective Portion)		Amount and Location of Gain (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)		Amount and Location of Gain (Loss) Recognized in Income on Derivatives		
	Three months ended 6/26/2016	Three months ended 6/28/2015	Designated Derivatives	Not Designated Derivatives	Three months ended 6/26/2016	Three months ended 6/28/2015	
Interest rate swaps	\$ —	\$ 446	Interest Expense	\$ —	Net effect of swaps	\$(3,046 )	\$ 3,093

During the quarter ended June 26, 2016, the Partnership recognized \$3.0 million of losses on the derivatives not designated as cash flow hedges and \$2.4 million of expense representing the regular amortization of amounts in AOCI. The effect of these amounts resulted in a charge to earnings of \$5.4 million recorded in "Net effect of swaps."

During the quarter ended June 28, 2015, the Partnership recognized \$3.1 million of gains on the derivatives not designated as cash flow hedges and \$1.7 million of expense representing the amortization of amounts in AOCI. The effect of these amounts resulted in a benefit to earnings of \$1.4 million recorded in "Net effect of swaps."

The following table summarizes the effect of derivative instruments on income (loss) and other comprehensive income (loss) for the six-month periods ended June 26, 2016 and June 28, 2015:

(In thousands)	Amount of Gain (Loss) recognized in OCI on Derivatives (Effective Portion)		Amount and Location of Gain (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)		Amount and Location of Gain (Loss) Recognized in Income on Derivatives		
	Six months ended 6/26/2016	Six months ended 6/28/2015	Designated Derivatives	Not Designated Derivatives	Six months ended 6/26/2016	Six months ended 6/28/2015	
Interest rate swaps	\$(4,671 )	\$(4,156 )	Interest Expense	\$(851 )	Net effect of swaps	\$(3,311 )	\$ 4,896

During the six-month period ended June 26, 2016, the Partnership recognized \$3.3 million of losses on the derivatives not designated as cash flow hedges and \$3.9 million of expense representing the regular amortization of amounts in

AOCI. The effect of these amounts resulted in a charge to earnings of \$7.3 million recorded in “Net effect of swaps.”

During the six-month period ended June 28, 2015, the Partnership recognized \$4.9 million of gains on the derivatives not designated as cash flow hedges and \$3.4 million of expense representing the amortization of amounts in AOCI. The effect of these amounts resulted in a benefit to earnings of \$1.5 million recorded in “Net effect of swaps.”

(7) Fair Value Measurements:

The FASB Accounting Standards Codification (ASC) relating to fair value measurements emphasizes that fair value is a market-based measurement that should be determined based on assumptions (inputs) that market participants would use in pricing an asset or liability. Inputs may be observable or unobservable, and valuation techniques used to measure fair value should maximize the use of relevant observable inputs and minimize the use of unobservable inputs. Accordingly, the FASB’s ASC establishes a hierarchal disclosure framework that ranks the quality and reliability of information used to determine fair values. The hierarchy

Table of Contents

is associated with the level of pricing observability utilized in measuring fair value and defines three levels of inputs to the fair value measurement process. Quoted prices are the most reliable valuation inputs, whereas model values that include inputs based on unobservable data are the least reliable. Each fair value measurement must be assigned to a level corresponding to the lowest level input that is significant to the fair value measurement in its entirety.

The three broad levels of inputs defined by the fair value hierarchy are as follows:

Level 1 – inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 – inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value measurement.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The table below presents the balances of assets and liabilities measured at fair value as of June 26, 2016, December 31, 2015, and June 28, 2015 on a recurring basis as well as the fair values of other financial instruments:

(In thousands)	Unaudited Condensed Consolidated Balance Sheet Location	Fair Value Hierarchy Level	June 26, 2016		December 31, 2015		June 28, 2015	
			Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets (liabilities) measured on a recurring basis:								
Interest rate swap agreements not designated as cash flow hedges	Current derivative liability	Level 2	—	—	—	—	(6,895 )	(6,895 )
Interest rate swap agreements not designated as cash flow hedges	Derivative Liability	Level 2	(30,900 )	(30,900 )	—	—	—	—
Interest rate swap agreements designated as cash flow hedges	Derivative Liability	Level 2	—	—	(22,918 )	(22,918 )	(18,806 )	(18,806 )
Other financial assets (liabilities):								
Term debt	Long-Term Debt <sup>(1)</sup>	Level 2	(602,850)	(604,357)	(606,375)	(604,859)	(608,850)	(610,372)
March 2013 notes	Long-Term Debt <sup>(1)</sup>	Level 1	(500,000)	(518,750)	(500,000)	(507,500)	(500,000)	(513,750)
June 2014 notes	Long-Term Debt <sup>(1)</sup>	Level 1	(450,000)	(465,750)	(450,000)	(453,375)	(450,000)	(455,625)

(1) Carrying values of long-term debt balances are before reductions for debt issuance cost amounts of \$18.1 million, \$19.7 million, and \$22.4 million as of June 26, 2016, December 31, 2015, and June 28, 2015.

Fair values of the interest rate swap agreements are determined using significant inputs, including the LIBOR forward curves, which are considered Level 2 observable market inputs. In addition, the Partnership considered the effect of its credit and non-performance risk on the fair values provided, and recognized an adjustment decreasing the net derivative liability by approximately \$1.3 million as of June 26, 2016, \$0.6 million as of December 31, 2015, and \$0.7 million as of June 28, 2015.

The carrying value of cash and cash equivalents, revolving credit loans, accounts receivable, current portion of term debt, accounts payable, and accrued liabilities approximates fair value because of the short maturity of these instruments. There were no assets measured at fair value on a non-recurring basis at June 26, 2016, December 31, 2015, or June 28, 2015.

Table of Contents

## (8) Earnings per Unit:

Net income (loss) per limited partner unit is calculated based on the following unit amounts:

	Three months ended 6/26/2016		Six months ended 6/26/2016	
	(In thousands except per unit amounts)			
Basic weighted average units outstanding	55,940	55,734	55,909	55,696
Effect of dilutive units:				
Deferred units	30	21	28	—
Performance units	—	—	64	—
Restricted units	253	366	273	—
Unit options	135	135	132	—
Phantom units	—	29	—	—
Diluted weighted average units outstanding	56,358	56,285	56,406	55,696
Net income (loss) per unit - basic	\$1.04	\$ 1.03	\$0.17	\$ (0.47 )
Net income (loss) per unit - diluted	\$1.03	\$ 1.02	\$0.17	\$ (0.47 )

The effect of out-of-money and/or antidilutive unit options on the three and six months ended June 26, 2016 and June 28, 2015, respectively, had they not been out of the money or antidilutive, would have been immaterial in all periods presented.

## (9) Income and Partnership Taxes:

Under the applicable accounting rules, income taxes are recognized for the amount of taxes payable by the Partnership's corporate subsidiaries for the current year and for the impact of deferred tax assets and liabilities, which represent future tax consequences of events that have been recognized differently in the financial statements than for tax purposes. The income tax provision (benefit) for interim periods is determined by applying an estimated annual effective tax rate to the quarterly income (loss) of the Partnership's corporate subsidiaries. In addition to income taxes on its corporate subsidiaries, the Partnership is subject to a publicly traded partnership tax (PTP tax) on partnership-level gross income (net revenues less cost of food, merchandise and games). As such, the Partnership's total provision (benefit) for taxes includes amounts for both the PTP tax and for income taxes on its corporate subsidiaries.

As of the second quarter of 2016, the Partnership has recorded \$1.1 million of unrecognized tax benefits including interest and/or penalties related to state and local tax filing positions. The Partnership recognizes interest and/or penalties related to unrecognized tax benefits in the income tax provision. The Partnership does not anticipate that the balance of the unrecognized tax benefit will change significantly over the next 12 months.

## (10) Contingencies:

The Partnership is a party to a number of lawsuits arising in the normal course of business. In the opinion of management, none of these matters are expected to have a material effect in the aggregate on the Partnership's financial statements.

Table of Contents

(11) Changes in Accumulated Other Comprehensive Income by Component:

The following tables reflect the changes in accumulated other comprehensive income related to limited partners' equity for the three-month periods ended June 26, 2016 and June 28, 2015:

Changes in Accumulated Other Comprehensive Income by Component <sup>(1)</sup>

(In thousands)

	Cash Flow Hedges	Currency Items	Total
Gains and Losses on Foreign Cash Flow Hedges			
Balance at March 27, 2016	\$(19,931)	\$ 18,196	\$(3,735)

Other comprehensive income before reclassification net of tax  
 \$(2,449 ) (2,449 )  
 \$1,414

Amounts reclassified from accumulated other comprehensive income, net of tax  
 1,993 — 1,993  
 (\$371)  
 (2)

Net other comprehensive income  
 1,993 (2,449 ) (456 )  
 \$(19,938) \$ 15,747 \$(4,191)

Balance  
at  
June  
26,  
2016

Changes in Accumulated Other  
Comprehensive Income by  
Component <sup>(1)</sup>

(In  
thousands)

	Cash Flow Hedges	Foreign Currency Items	Total
Gains and Losses on			
Balance at March 29, 2015	\$(19,005)	\$ 13,150	\$(5,855)

Other  
comprehensive  
income  
before  
reclassifications,

net of tax	379	(1,758 )	(1,379 )
and			
\$1,011, respectively			

Amounts  
reclassified  
from  
accumulated  
other  
comprehensive  
income,

net of tax	1,462	—	1,462
(\$224) (2)			

Net other comprehensive	841	(1,758 )	83
-------------------------------	-----	----------	----

income

Balance

at

June 28, 2015

(\$17,164)

\$11,392

\$(5,772)

Reclassifications Out of Accumulated Other Comprehensive Income <sup>(1)</sup>

(In thousands)

Details

about reclassified

accumulated

other comprehensive

income components

and losses

on cash flow

hedges

interest

contracts

provision

for taxes

taxes

Affected Line Item in the Statement Where Net Income is Presented

Three months ended 6/26/16

Three months ended 6/28/15

\$2,364

\$1,686

Net effect of swaps

contracts

provision

for taxes

(371 ) (224 ) Provision for taxes

taxes

\$1,993

\$1,462

(1) All amounts are net of tax. Amounts in parentheses indicate debits.

(2) See Reclassifications Out of Accumulated Other Comprehensive Income table below for reclassification details.



Table of Contents

The following tables reflect the changes in accumulated other comprehensive income (loss) related to limited partners' equity for the six-month periods ended June 26, 2016 and June 28, 2015:

Changes in Accumulated Other  
Comprehensive Income by  
Component <sup>(1)</sup>

(In  
thousands)

	Cash Flow Hedges	Foreign Currency Items	Total
Gains and Losses on			
Balance at December 31, 2015	\$(10,300)	\$22,591	\$3,291

Other  
comprehensive  
income  
before  
reclassifications,  
net  
of  
tax  
\$711  
and  
\$3,934,  
respectively

	(3,960 )	(6,844 )	(10,804 )
--	----------	----------	-----------

Amounts  
reclassified  
from  
accumulated  
other  
comprehensive  
income,  
net  
of  
tax  
(\$619)  
(2)

	3,322	—	3,322
--	-------	---	-------

Net  
other  
comprehensive  
income

	(638 )	(6,844 )	(7,482 )
--	--------	----------	----------

Balance  
at  
June 30,  
2016  
\$(19,938) \$ 15,747 \$(4,191)

Changes in Accumulated Other  
Comprehensive Income by  
Component <sup>(1)</sup>  
(In  
thousands)

	Cash Flow Hedges	Foreign Currency Items	Total
Balance at December 31, 2014	\$(16,566)	\$ 5,936	\$(10,630)

Other  
comprehensive  
income  
before  
reclassifications,  
net  
of  
tax  
\$634  
and  
(\$3,136),  
respectively

Amounts  
reclassified  
from  
accumulated  
other  
comprehensive  
income,  
net  
of  
tax  
(\$449)  
(2)

Net  
other  
(598 ) 5,456 4,858

comprehensive  
income

Balance

at

June 28, 2015

(\$17,164)

\$ 11,392

\$(5,772 )

Reclassifications Out of Accumulated Other Comprehensive Income <sup>(1)</sup>

(In  
thousands)

Amount

Reclassified

from Accumulated

Other Comprehensive

Income Components

Gains

and

losses

on

cash

flow

hedges

Interest

rate

contracts

Provision

for

taxes

Six

months

ended

6/26/16

Affected Line Item in the Statement Where Net Income is Presented

\$3,941 \$3,373 Net effect of swaps

(619 ) (449 ) Provision for taxes

\$3,322 \$2,924

(1) All amounts are net of tax. Amounts in parentheses indicate debits.

(2) See Reclassifications Out of Accumulated Other Comprehensive Income table below for reclassification details.

Table of Contents

(12) Consolidating Financial Information of Guarantors and Issuers:

Cedar Fair, L.P., Canada's Wonderland Company ("Cedar Canada"), and Magnum Management Corporation ("Magnum") are the co-issuers of the Partnership's June 2014 and March 2013 notes (see Note 5). The notes have been fully and unconditionally guaranteed, on a joint and several basis, by each 100% owned subsidiary of Cedar Fair (other than Cedar Canada and Magnum) that guarantees the Partnership's senior secured credit facilities. There are no non-guarantor subsidiaries.

The following consolidating schedules present condensed financial information for Cedar Fair, L.P., Cedar Canada, and Magnum, the co-issuers, and each 100% owned subsidiary of Cedar Fair (other than Cedar Canada and Magnum), the guarantors (on a combined basis), as of June 26, 2016, December 31, 2015, and June 28, 2015 and for the three- and six-month periods ended June 26, 2016 and June 28, 2015. In lieu of providing separate unaudited financial statements for the guarantor subsidiaries, the Partnership has included the accompanying condensed consolidating financial statements.

Table of Contents

CEDAR FAIR, L.P.

UNAUDITED CONDENSED CONSOLIDATING BALANCE SHEET

June 26, 2016

(In thousands)

	Cedar Fair L.P. (Parent)	Co-Issuer Subsidiary (Magnum)	Co-Issuer Subsidiary (Cedar Canada)	Guarantor Subsidiaries	Eliminations	Total
<b>ASSETS</b>						
<b>Current Assets:</b>						
Cash and cash equivalents	\$—	\$—	\$ 43,844	\$ 24,894	\$(653 )	\$ 68,085
Receivables	(9 )	1,565	23,381	567,888	(514,819 )	78,006
Inventories	—	—	3,169	43,038	—	46,207
Other current assets	377	26,236	2,205	29,564	(25,908 )	32,474
	368	27,801	72,599	665,384	(541,380 )	224,772
Property and Equipment (net)	—	885	189,226	1,386,383	—	1,576,494
Investment in Park	667,710	830,528	184,964	295,114	(1,978,316 )	—
Goodwill	674	—	96,746	119,606	—	217,026
Other Intangibles, net	—	—	13,743	23,090	—	36,833
Deferred Tax Asset	—	2,549	—	—	(2,549 )	—
Other Assets	—	2,000	183	15,073	—	17,256
	\$ 668,752	\$ 863,763	\$ 557,461	\$ 2,504,650	\$(2,522,245)	\$ 2,072,381
<b>LIABILITIES AND PARTNERS' EQUITY</b>						
<b>Current Liabilities:</b>						
Accounts payable	\$ 377,726	\$ 142,024	\$ 3,139	\$ 32,825	\$(515,472 )	\$ 40,242
Deferred revenue	—	—	17,154	155,908	—	173,062
Accrued interest	4,825	3,343	1,771	1,771	—	11,710
Accrued taxes	2,499	—	5,993	48,245	(25,908 )	30,829
Accrued salaries, wages and benefits	—	31,881	2,081	—	—	33,962
Self-insurance reserves	—	11,842	1,483	12,263	—	25,588
Other accrued liabilities	1,846	2,737	1,157	8,307	—	14,047
	386,896	191,827	32,778	259,319	(541,380 )	329,440
Deferred Tax Liability	—	—	18,913	121,865	(2,549 )	138,229
Derivative Liability	18,540	12,360	—	—	—	30,900
Other Liabilities	—	1,388	—	11,086	—	12,474
<b>Long-Term Debt:</b>						
Revolving credit loans	—	—	—	55,000	—	55,000
Term debt	—	124,244	13,624	458,034	—	595,902
Notes	291,743	202,910	444,210	—	—	938,863
	291,743	327,154	457,834	513,034	—	1,589,765
Equity	(28,427 )	331,034	47,936	1,599,346	(1,978,316 )	(28,427 )
	\$ 668,752	\$ 863,763	\$ 557,461	\$ 2,504,650	\$(2,522,245)	\$ 2,072,381



Table of Contents

CEDAR FAIR, L.P.

UNAUDITED CONDENSED CONSOLIDATING BALANCE SHEET

December 31, 2015

(In thousands)

	Cedar Fair L.P. (Parent)	Co-Issuer Subsidiary (Magnum)	Co-Issuer Subsidiary (Cedar Canada)	Guarantor Subsidiaries	Eliminations	Total
<b>ASSETS</b>						
Current Assets:						
Cash and cash equivalents	\$77,007	\$—	\$ 39,106	\$ 3,444	\$—	\$119,557
Receivables	—	1,292	27,788	547,361	(546,947 )	29,494
Inventories	—	121	1,222	23,686	—	25,029
Other current assets	188	1,261	1,332	8,781	(1,616 )	9,946
	77,195	2,674	69,448	583,272	(548,563 )	184,026
Property and Equipment (net)	—	5,593	176,390	1,332,895	—	1,514,878
Investment in Park	724,592	911,910	179,529	27,862	(1,843,893 )	—
Goodwill	674	—	90,531	119,606	—	210,811
Other Intangibles, net	—	—	12,832	23,063	—	35,895
Deferred Tax Asset	—	14,080	—	—	(14,080 )	—
Other Assets	—	14,414	210	2,786	—	17,410
	\$802,461	\$ 948,671	\$ 528,940	\$ 2,089,484	\$(2,406,536)	\$1,963,020
<b>LIABILITIES AND PARTNERS' EQUITY</b>						
Current Liabilities:						
Current maturities of long-term debt	\$—	\$ 1,008	\$ 57	\$ 1,410	\$—	2,475
Accounts payable	433,621	115,135	810	14,503	(546,947 )	17,122
Deferred revenue	—	85	4,397	65,032	—	69,514
Accrued interest	4,602	3,221	2,056	31	—	9,910
Accrued taxes	1,066	—	—	42,487	(1,616 )	41,937
Accrued salaries, wages and benefits	—	22,166	1,026	3,724	—	26,916
Self-insurance reserves	—	7,437	1,400	15,159	—	23,996
Other accrued liabilities	1,355	1,531	167	3,748	—	6,801
	440,644	150,583	9,913	146,094	(548,563 )	198,671
Deferred Tax Liability	—	—	21,979	121,864	(14,080 )	129,763
Derivative Liability	13,396	9,522	—	—	—	22,918
Other Liabilities	—	6,705	—	11,278	—	17,983
Long-Term Debt:						
Term debt	—	244,101	13,691	340,554	—	598,346
Notes	291,412	202,679	444,239	—	—	938,330
	291,412	446,780	457,930	340,554	—	1,536,676
Equity	57,009	335,081	39,118	1,469,694	(1,843,893 )	57,009
	\$802,461	\$ 948,671	\$ 528,940	\$ 2,089,484	\$(2,406,536)	\$1,963,020

Table of Contents

CEDAR FAIR, L.P.

UNAUDITED CONDENSED CONSOLIDATING BALANCE SHEET

June 28, 2015

(In thousands)

	Cedar Fair L.P. (Parent)	Co-Issuer Subsidiary (Magnum)	Co-Issuer Subsidiary (Cedar Canada)	Guarantor Subsidiaries	Eliminations	Total
<b>ASSETS</b>						
Current Assets:						
Cash and cash equivalents	\$—	\$—	\$ 15,485	\$ 20,740	\$(778 )	\$35,447
Receivables	1	108,653	119,015	635,647	(793,297 )	70,019
Inventories	—	228	3,143	43,256	—	46,627
Other current assets	434	1,658	2,681	26,476	(1,445 )	29,804
	435	110,539	140,324	726,119	(795,520 )	181,897
Property and Equipment (net)	—	5,612	204,916	1,364,203	—	1,574,731
Investment in Park	663,494	814,861	164,516	24,292	(1,667,163 )	—
Goodwill	674	—	101,383	119,605	—	221,662
Other Intangibles, net	—	—	14,371	22,907	—	37,278
Deferred Tax Asset	—	39,602	—	—	(39,602 )	—
Other Assets	—	14,409	321	3,539	—	18,269
	\$664,603	\$ 985,023	\$ 625,831	\$ 2,260,665	\$(2,502,285)	\$2,033,837
<b>LIABILITIES AND PARTNERS' EQUITY</b>						
Current Liabilities:						
Accounts payable	\$310,462	\$ 213,778	\$ 3,983	\$ 305,769	\$(794,075 )	\$39,917
Deferred revenue	—	592	16,235	131,116	—	147,943
Accrued interest	5,487	4,211	1,874	883	—	12,455
Accrued taxes	3,082	—	1,771	8,735	(1,445 )	12,143
Accrued salaries, wages and benefits	—	22,318	1,989	7,926	—	32,233
Self-insurance reserves	—	7,925	1,456	14,639	—	24,020
Current derivative liability	4,127	2,768	—	—	—	6,895
Other accrued liabilities	—	4,587	1,067	9,779	—	15,433
	323,158	256,179	28,375	478,847	(795,520 )	291,039
Deferred Tax Liability	—	—	49,021	123,602	(39,602 )	133,021
Derivative Liability	10,927	7,879	—	—	—	18,806
Other Liabilities	968	3,574	—	11,519	—	16,061
Long-Term Debt:						
Revolving credit loans	42,000	—	—	—	—	42,000
Term debt	—	244,769	13,687	341,235	—	599,691
Notes	291,081	202,449	443,220	—	—	936,750
	333,081	447,218	456,907	341,235	—	1,578,441
Equity	(3,531 )	270,173	91,528	1,305,462	(1,667,163 )	(3,531 )
	\$664,603	\$ 985,023	\$ 625,831	\$ 2,260,665	\$(2,502,285)	\$2,033,837



Table of Contents

CEDAR FAIR, L.P.

## UNAUDITED CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS AND COMPREHENSIVE INCOME

For the Three Months Ended June 26, 2016

(In thousands)

	Cedar Fair L.P. (Parent)	Co-Issuer Subsidiary (Magnum)	Co-Issuer Subsidiary (Cedar Canada)	Guarantor Subsidiaries	Eliminations	Total
Net revenues	\$41,344	\$ 90,525	\$ 30,354	\$ 371,023	\$(145,212 )	\$388,034
Costs and expenses:						
Cost of food, merchandise, and games revenues	—	—	2,974	31,592	—	34,566
Operating expenses	3	87,506	13,087	202,141	(145,212 )	157,525
Selling, general and administrative	761	14,709	3,581	32,320	—	51,371
Depreciation and amortization	—	9	5,398	42,892	—	48,299
Loss on impairment / retirement of fixed assets, net	—	—	5	1,410	—	1,415
	764	102,224	25,045	310,355	(145,212 )	293,176
Operating income (loss)	40,580	(11,699 )	5,309	60,668	—	94,858
Interest expense (income), net	7,754	5,625	6,313	1,425	—	21,117
Net effect of swaps	3,215	2,195	—	—	—	5,410
Unrealized / realized foreign currency gain	—	—	(11,455 )	—	—	(11,455 )
Other (income) expense	63	(20,767 )	875	19,829	—	—
Income from investment in affiliates	(31,140 )	(30,419 )	(8,909 )	(14,937 )	85,405	—
Income before taxes	60,688	31,667	18,485	54,351	(85,405 )	79,786
Provision for taxes	2,705	531	3,548	15,019	—	21,803
Net income	\$57,983	\$ 31,136	\$ 14,937	\$ 39,332	\$(85,405 )	\$57,983
Other comprehensive income (loss), (net of tax):						
Cumulative foreign currency translation adjustment	(2,449 )	—	(2,449 )	—	2,449	(2,449 )
Unrealized gain on cash flow hedging derivatives	1,993	605	—	—	(605 )	1,993
Other comprehensive income (loss), (net of tax)	(456 )	605	(2,449 )	—	1,844	(456 )
Total comprehensive income	\$57,527	\$ 31,741	\$ 12,488	\$ 39,332	\$(83,561 )	\$57,527

Table of Contents

CEDAR FAIR, L.P.

## UNAUDITED CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS AND COMPREHENSIVE INCOME

For the Three Months Ended June 28, 2015

(In thousands)

	Cedar Fair L.P. (Parent)	Co-Issuer Subsidiary (Magnum)	Co-Issuer Subsidiary (Cedar Canada)	Guarantor Subsidiaries	Eliminations	Total
Net revenues	\$38,071	\$60,260	\$28,003	\$348,613	\$(97,539)	\$377,408
Costs and expenses:						
Cost of food, merchandise, and games revenues	—	71	2,592	30,443	—	33,106
Operating expenses	122	51,419	14,390	88,759	2,635	157,325
Selling, general and administrative	574	8,996	2,464	34,031	—	46,065
Depreciation and amortization	—	9	5,496	41,600	—	47,105
Loss on impairment / retirement of fixed assets, net	—	—	104	676	—	780
	696	60,495	25,046	195,509	2,635	284,381
Operating income (loss)	37,375	(235)	2,957	153,104	(100,174)	93,027
Interest expense (income), net	8,158	7,217	6,305	(212)	—	21,468
Net effect of swaps	(757)	(650)	—	—	—	(1,407)
Unrealized / realized foreign currency gain	—	—	(7,911)	—	—	(7,911)
Other (income) expense	187	(3,015)	659	2,169	—	—
Income from investment in affiliates	(30,931)	(33,397)	(8,591)	(10,890)	83,809	—
Income before taxes	60,718	29,610	12,495	162,037	(183,983)	80,877
Provision (benefit) for taxes	3,135	(1,322)	1,595	19,886	—	23,294
Net income	\$57,583	\$30,932	\$10,900	\$142,151	\$(183,983)	\$57,583
Other comprehensive income (loss), (net of tax):						
Cumulative foreign currency translation adjustment	(1,758)	—	(1,758)	—	1,758	(1,758)
Unrealized gain on cash flow hedging derivatives	1,841	475	—	—	(475)	1,841
Other comprehensive income (loss), (net of tax)	83	475	(1,758)	—	1,283	83
Total comprehensive income	\$57,666	\$31,407	\$9,142	\$142,151	\$(182,700)	\$57,666



Table of Contents

CEDAR FAIR, L.P.

## UNAUDITED CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS AND COMPREHENSIVE INCOME

For the Six Months Ended June 26, 2016

(In thousands)

	Cedar Fair L.P. (Parent)	Co-Issuer Subsidiary (Magnum)	Co-Issuer Subsidiary (Cedar Canada)	Guarantor Subsidiaries	Eliminations	Total
Net revenues	\$38,844	\$98,366	\$30,473	\$429,339	\$(150,550)	\$446,472
Costs and expenses:						
Cost of food, merchandise, and games revenues	—	—	2,972	37,831	—	40,803
Operating expenses	12	127,484	18,364	246,819	(150,550)	242,129
Selling, general and administrative	1,654	27,895	4,344	43,090	—	76,983
Depreciation and amortization	—	18	5,398	48,074	—	53,490
Loss on impairment / retirement of fixed assets, net	—	—	26	4,001	—	4,027
	1,666	155,397	31,104	379,815	(150,550)	417,432
Operating income (loss)	37,178	(57,031)	(631)	49,524	—	29,040
Interest expense (income), net	15,792	12,071	12,349	674	—	40,886
Net effect of swaps	4,658	2,594	—	—	—	7,252
Unrealized / realized foreign currency gain	—	—	(31,016)	—	—	(31,016)
Other (income) expense	125	(40,138)	1,749	38,264	—	—
(Income) loss from investment in affiliates	3,541	(16,275)	(5,434)	(15,662)	33,830	—
Income (loss) before taxes	13,062	(15,283)	21,721	26,248	(33,830)	11,918
Provision (benefit) for taxes	3,565	(11,739)	6,058	4,537	—	2,421
Net income (loss)	\$9,497	\$(3,544)	\$15,663	\$21,711	\$(33,830)	\$9,497
Other comprehensive income (loss), (net of tax):						
Cumulative foreign currency translation adjustment	(6,844)	—	(6,844)	—	6,844	(6,844)
Unrealized loss on cash flow hedging derivatives	(638)	(151)	—	—	151	(638)
Other comprehensive loss, (net of tax)	(7,482)	(151)	(6,844)	—	6,995	(7,482)
Total comprehensive income (loss)	\$2,015	\$(3,695)	\$8,819	\$21,711	\$(26,835)	\$2,015

Table of Contents

CEDAR FAIR, L.P.

## UNAUDITED CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS AND COMPREHENSIVE INCOME

For the Six Months Ended June 28, 2015

(In thousands)

	Cedar Fair L.P. (Parent)	Co-Issuer Subsidiary (Magnum)	Co-Issuer Subsidiary (Cedar Canada)	Guarantor Subsidiaries	Eliminations	Total
Net revenues	\$36,688	\$64,280	\$28,081	\$395,350	\$(100,174 )	\$424,225
Costs and expenses:						
Cost of food, merchandise, and games revenues	—	71	2,592	36,031	—	38,694
Operating expenses	256	74,476	19,361	141,362	—	235,455
Selling, general and administrative	1,373	22,271	4,207	44,032	—	71,883
Depreciation and amortization	—	18	5,496	45,602	—	51,116
Loss on impairment / retirement of fixed assets, net	—	—	104	3,579	—	3,683
	1,629	96,836	31,760	270,606	—	400,831
Operating income (loss)	35,059	(32,556 )	(3,679 )	124,744	(100,174 )	23,394
Interest expense (income), net	15,994	14,054	12,425	(513 )	—	41,960
Net effect of swaps	(743 )	(780 )	—	—	—	(1,523 )
Unrealized / realized foreign currency gain	—	—	30,307	—	—	30,307
Other (income) expense	375	(7,831 )	1,705	5,751	—	—
Income from investment in affiliates	41,855	18,348	(5,088 )	24,599	(79,714 )	—
Income (loss) before taxes	(22,422 )	(56,347 )	(43,028 )	94,907	(20,460 )	(47,350 )
Provision (benefit) for taxes	3,828	(14,494 )	(18,429 )	7,995	—	(21,100 )
Net income (loss)	\$(26,250)	\$(41,853 )	\$(24,599 )	\$86,912	\$(20,460 )	\$(26,250 )
Other comprehensive income (loss), (net of tax):						
Cumulative foreign currency translation adjustment	5,456	—	5,456	—	(5,456 )	5,456
Unrealized loss on cash flow hedging derivatives	(598 )	(302 )	—	—	302	(598 )
Other comprehensive income (loss), (net of tax)	4,858	(302 )	5,456	—	(5,154 )	4,858
Total comprehensive income (loss)	\$(21,392)	\$(42,155 )	\$(19,143 )	\$86,912	\$(25,614 )	\$(21,392 )



Table of Contents

CEDAR FAIR, L.P.

## UNAUDITED CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS

For the Six Months Ended June 26, 2016

(In thousands)

	Cedar Fair L.P. (Parent)	Co-Issuer Subsidiary (Magnum)	Co-Issuer Subsidiary (Cedar Canada)	Guarantor Subsidiaries	Eliminations	Total
NET CASH FROM (FOR) OPERATING ACTIVITIES	\$73,921	\$(30,306 )	\$7,756	\$47,717	\$(1,915 )	\$97,173
CASH FLOWS FROM (FOR) INVESTING ACTIVITIES						
Intercompany receivables (payments) receipts	—	—	—	23,844	(23,844 )	—
Capital expenditures	—	—	(5,747 )	(100,486 )	—	(106,233)
Net cash from (for) investing activities	—	—	(5,747 )	(76,642 )	(23,844 )	(106,233)
CASH FLOWS FROM (FOR) FINANCING ACTIVITIES						
Net borrowings on revolving credit loans	—	—	—	55,000	—	55,000
Term debt (payments) borrowings	—	(1,236 )	(139 )	(4,625 )	—	(6,000 )
Distributions paid	(93,938 )	—	—	—	1,262	(92,676 )
Intercompany payables (payments) receipts	(56,990 )	33,146	—	—	23,844	—
Tax effect of units involved in treasury unit transactions	—	(1,604 )	—	—	—	(1,604 )
Net cash from (for) financing activities	(150,928)	30,306	(139 )	50,375	25,106	(45,280 )
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	—	—	2,868	—	—	2,868
CASH AND CASH EQUIVALENTS						
Net increase (decrease) for the period	(77,007 )	—	4,738	21,450	(653 )	(51,472 )
Balance, beginning of period	77,007	—	39,106	3,444	—	119,557
Balance, end of period	\$—	\$—	\$43,844	\$24,894	\$(653 )	\$68,085

Table of Contents

CEDAR FAIR, L.P.

## UNAUDITED CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS

For the Six Months Ended June 28, 2015

(In thousands)

	Cedar Fair L.P. (Parent)	Co-Issuer Subsidiary (Magnum)	Co-Issuer Subsidiary (Cedar Canada)	Guarantor Subsidiaries	Eliminations	Total
<b>NET CASH FROM (FOR) OPERATING ACTIVITIES</b>	\$3,954	\$(55,759 )	\$(2,970 )	\$ 129,912	\$(1,860 )	\$73,277
<b>CASH FLOWS FROM (FOR) INVESTING ACTIVITIES</b>						
Intercompany receivables (payments) receipts	—	—	(10,576 )	(282 )	10,858	—
Purchase of preferred equity investment	—	(2,000 )	—	—	—	(2,000 )
Capital expenditures	—	—	(5,551 )	(114,829 )	—	(120,380)
Net cash from (for) investing activities	—	(2,000 )	(16,127 )	(115,111 )	10,858	(122,380)
<b>CASH FLOWS FROM (FOR) FINANCING ACTIVITIES</b>						
Net borrowings on revolving credit loans	42,000	—	—	—	—	42,000
Distributions paid	(85,236)	—	—	—	1,082	(84,154 )
Intercompany payables (payments) receipts	(40,718)	59,425	(7,849 )	—	(10,858 )	—
Tax effect of units involved in treasury unit transactions	—	(2,048 )	—	—	—	(2,048 )
Net cash from (for) financing activities	(83,954)	57,377	(7,849 )	—	(9,776 )	(44,202 )
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>	—	—	(3,088 )	—	—	(3,088 )
<b>CASH AND CASH EQUIVALENTS</b>						
Net increase (decrease) for the period	(80,000)	(382 )	(30,034 )	14,801	(778 )	(96,393 )
Balance, beginning of period	80,000	382	45,519	5,939	—	131,840
Balance, end of period	\$—	\$—	\$ 15,485	\$ 20,740	\$(778 )	\$35,447



Table of Contents

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Business Overview:

We generate our revenues primarily from sales of (1) admission to our parks, (2) food, merchandise and games inside our parks, and (3) hotel rooms, food and other attractions both inside and outside our parks. Our principal costs and expenses, which include salaries and wages, advertising, maintenance, operating supplies, utilities and insurance, are relatively fixed and do not vary significantly with attendance.

Each of our properties is overseen by a park general manager and operates autonomously. Management reviews operating results, evaluates performance and makes operating decisions, including allocating resources on a property-by-property basis.

Along with attendance and guest per capita statistics, discrete financial information and operating results are prepared at the individual park level for use by the CEO, who is the Chief Operating Decision Maker (CODM), as well as by the Chief Financial Officer, the Chief Operating Officer, the Executive Vice President - Operations, and the park general managers.

Critical Accounting Policies:

Management's discussion and analysis of financial condition and results of operations is based upon our unaudited condensed consolidated financial statements, which were prepared in accordance with accounting principles generally accepted in the United States of America. These principles require us to make judgments, estimates and assumptions during the normal course of business that affect the amounts reported in the unaudited condensed consolidated financial statements. Actual results could differ significantly from those estimates under different assumptions and conditions.

Management believes that judgment and estimates related to the following critical accounting policies could materially affect our consolidated financial statements:

- Impairment of Long-Lived Assets
- Goodwill and Other Intangible Assets
- Self-Insurance Reserves
- Derivative Financial Instruments
- Revenue Recognition

Income Taxes

In the second quarter of 2016, there were no changes in the above critical accounting policies from those previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2015.

Table of Contents

## Adjusted EBITDA:

We believe that Adjusted EBITDA (earnings before interest, taxes, depreciation, amortization, other non-cash items, and adjustments as defined in the 2013 Credit Agreement) is a meaningful measure of park-level operating profitability because we use it for measuring returns on capital investments, evaluating potential acquisitions, determining awards under incentive compensation plans, and calculating compliance with certain loan covenants. Adjusted EBITDA is provided in the discussion of results of operations that follows as a supplemental measure of our operating results and is not intended to be a substitute for operating income, net income or cash flows from operating activities as defined under generally accepted accounting principles. In addition, Adjusted EBITDA may not be comparable to similarly titled measures of other companies.

The table below sets forth a reconciliation of Adjusted EBITDA to net income for the three- and six-month periods ended June 26, 2016 and June 28, 2015.

	Three months ended		Six months ended	
	6/26/2016	6/28/2015	6/26/2016	6/28/2015
	(In thousands)			
Net income (loss)	\$57,983	\$57,583	\$9,497	\$(26,250)
Interest expense	21,125	21,473	40,912	42,005
Interest income	(8	) (5	) (26	) (45
Provision (benefit) for taxes	21,803	23,294	2,421	(21,100)
Depreciation and amortization	48,299	47,105	53,490	51,116
EBITDA	149,202	149,450	106,294	45,726
Net effect of swaps	5,410	(1,407)	7,252	(1,523)
Unrealized foreign currency (gain) loss	(11,181)	) (8,004)	) (30,895)	) 30,254
Non-cash equity compensation expense	2,281	2,876	4,749	5,261
Loss on impairment / retirement of fixed assets, net	1,415	780	4,027	3,683
Class action settlement costs	—	27	—	177
Other non-recurring items (as defined) <sup>(1)</sup>	96	502	340	199
Adjusted EBITDA	\$147,223	\$144,224	\$91,767	\$83,777

<sup>(1)</sup> The Company's 2013 Credit Agreement references certain costs as non-recurring or unusual. These items are excluded in the calculation of Adjusted EBITDA and have included certain legal expenses, costs associated with certain ride abandonment or relocation expenses, contract termination costs, and severance expenses.

Table of Contents

## Results of Operations:

Six months ended June 26, 2016

The fiscal six-month period ended June 26, 2016, included a total of 804 operating days compared with 847 operating days for the fiscal six-month period ended June 28, 2015. The following table presents key financial information for the six months ended June 26, 2016 and June 28, 2015:

	Six months ended 6/26/2016	Six months ended 6/28/2015	Increase (Decrease)	
			\$	%
(Amounts in thousands, except for per capita spending)				
Net revenues	\$446,472	\$424,225	\$ 22,247	5.2 %
Operating costs and expenses	359,915	346,032	13,883	4.0 %
Depreciation and amortization	53,490	51,116	2,374	4.6 %
Loss on impairment / retirement of fixed assets, net	4,027	3,683	344	N/M
Operating income	\$29,040	\$23,394	\$ 5,646	24.1 %
N/M - Not meaningful				
Other Data:				
Adjusted EBITDA	\$91,767	\$83,777	\$ 7,990	9.5 %
Adjusted EBITDA margin	20.6 %	19.7 %	—	0.9 %
Attendance	8,980	8,643	337	3.9 %
Per capita spending	\$45.16	\$44.57	\$ 0.59	1.3 %
Out-of-park revenues	\$53,956	\$50,517	\$ 3,439	6.8 %

For the six months ended June 26, 2016, net revenues increased by \$22.2 million, to \$446.5 million, from \$424.2 million for the first six months of 2015. This reflects an increase in both attendance and average in-park guest per capita spending, as well as an increase in out-of park revenues, compared to the same period in the prior year. The 337,000 visit, or 3.9%, increase in attendance for the first six months reflects strong season pass visitation in the period, while the \$0.59, or 1.3%, increase in per capita spending was mainly attributable to the continued growth in admissions and our food and beverage programs. The \$3.4 million, or 6.8%, increase in out-of-park revenues reflects improved results at our resort properties, an increase in special events at several parks, and increased transaction fees from online pre-purchases. The overall increase in net revenues is net of the unfavorable impact of foreign currency exchange rates of \$1.5 million for the first six months of the year for our Canadian park.

Operating costs and expenses for the six months increased 4.0%, or \$13.9 million, to \$359.9 million from \$346.0 million for the first six months of 2015. The increase is the result of a \$2.1 million increase in cost of goods sold, a \$6.7 million increase in operating expenses, and a \$5.1 million increase in selling, general, and administrative expenses ("SG&A"). The \$2.1 million increase in cost of goods sold reflects the higher attendance levels for the first half of the year. As a percentage of revenues, cost of goods sold was comparable for both periods. The \$6.7 million increase in operating expenses was primarily due to higher labor costs and to a lesser extent higher operating supply costs. Labor costs increased due to both normal merit increases and market / minimum-wage rate increases. The impact of higher wage rates was slightly offset by staffing efficiencies that allowed for a reduction of seasonal labor hours. Operating supply costs increased slightly due to incremental special events and other early-season planned spending on our new initiatives. The \$5.1 million increase in SG&A expense was primarily due to increases in media and other marketing costs, the continued focus on supporting our technological and security infrastructures, and higher merchant fees. The overall increase in operating costs and expenses is net of the favorable impact of foreign currency exchange rates of \$1.6 million for the first six months of the year for our Canadian park.

Depreciation and amortization expense for the first six months increased \$2.4 million. For the first six months of 2016, the loss on impairment / retirement of fixed assets was \$4.0 million, reflecting the retirement of assets during the period at several of our properties, as compared to \$3.7 million for the first six months of 2015. After depreciation, amortization, loss on impairment/retirement of fixed assets, and all other non-cash costs, operating income increased \$5.6 million to \$29.0 million for the first six months of 2016 compared to operating income of \$23.4 million for the first six months of 2015.

Table of Contents

Interest expense for the first six months of 2016 decreased slightly to \$40.9 million from \$42.0 million for the first six months of 2015. The net effect of our swaps resulted in a non-cash charge to earnings of \$7.3 million for the first six months of 2016 compared with a \$1.5 million non-cash benefit to earnings in 2015 for the same period. The difference reflects the change in fair market value movements in our de-designated swap portfolio offset by the amortization of amounts in OCI for these swaps. During the period, we also recognized a \$31.0 million net benefit to earnings for unrealized/realized foreign currency gains compared with a \$30.3 million net charge to earnings for the same period in 2015. Both amounts primarily represented foreign currency movements on the U.S.-dollar denominated debt held at our Canadian property.

For the first six months of 2016, a provision for taxes of \$2.4 million was recorded to account for PTP taxes and income taxes on our corporate subsidiaries. This compares to a \$21.1 million benefit for taxes recorded for the first six months of 2015. The decrease in tax benefit between periods relates largely to a decrease in pretax loss in the current period for our corporate subsidiaries when compared to the same period a year ago. Cash taxes to be paid or payable in 2016 are estimated to be in the \$50 million to \$55 million range, compared to \$20.0 million in cash taxes paid in 2015. The projected increase in cash taxes relates to the continuing strong business performance and the fact that net operating loss carryforwards were fully utilized during 2015.

After the items above, net income for the first six months totaled \$9.5 million, or \$0.17 per diluted limited partner unit, compared with a net loss of \$26.3 million, or \$0.47 per diluted unit, for the same period a year ago.

We believe Adjusted EBITDA is a meaningful measure of our operating results (for additional information regarding Adjusted EBITDA, including how we define and use Adjusted EBITDA, as well as a reconciliation from net income, see page 28). For the six month period, our Adjusted EBITDA increased to \$91.8 million from \$83.8 million for the same period in 2015. The approximate \$8.0 million increase in Adjusted EBITDA is a direct result of higher attendance, higher average guest per capita spending, and stronger out-of-park revenues during the period, when compared with the same period in the prior year. Partially offsetting these revenue increases were increases in operating costs and expenses associated with increased labor costs, higher attendance, special events and other planned spending on current year initiatives. Over this same period, our Adjusted EBITDA margins (Adjusted EBITDA divided by net revenues) improved by 90 basis points to 20.6%, from 19.7% for the same period last year. The margin growth is directly attributable to top-line revenue growth out-pacing expense growth, period over period, as previously discussed.

Three months ended June 26, 2016

The fiscal three-month period ended June 26, 2016, included a total of 708 operating days compared with 750 operating days for the fiscal three-month period ended June 28, 2015. The following table presents key financial information for the three months ended June 26, 2016 and June 28, 2015:

	Three months ended 6/26/2016	Three months ended 6/28/2015	Increase (Decrease)	
			\$	%
(Amounts in thousands, except for per capita spending)				
Net revenues	\$388,034	\$377,408	\$10,626	2.8 %
Operating costs and expenses	243,462	236,496	6,966	2.9 %
Depreciation and amortization	48,299	47,105	1,194	2.5 %
Loss on impairment / retirement of fixed assets, net	1,415	780	635	N/M
Operating income	\$94,858	\$93,027	\$1,831	2.0 %

N/M - Not meaningful

Other Data:

Edgar Filing: CEDAR FAIR L P - Form 10-Q

Adjusted EBITDA	\$147,223	\$144,224	\$2,999	2.1	%
Attendance	7,927	7,781	146	1.9	%
Per capita spending	\$45.23	\$44.78	\$0.45	1.0	%
Out-of-park revenues	\$40,766	\$39,219	\$1,547	3.9	%

For the quarter ended June 26, 2016, net revenues increased by \$10.6 million, to \$388.0 million, from \$377.4 million in the second quarter of 2015. This reflects an increase in both attendance and average in-park guest per capita spending and an increase in out-of park revenues compared to the same period in the prior year. The 146,000 visit, or 1.9%, increase in attendance for the quarter reflects strong season pass visitation in the quarter, while the \$0.45, or 1.0%, increase in per capita spending was mainly attributable to the continued growth in admissions and our food and beverage programs. The \$1.5 million, or 3.9%, increase in out-of-park revenues primarily reflects improved results at our resort properties and increased transaction fees from online pre-purchases. The

Table of Contents

overall increase in net revenues is net of the unfavorable impact of foreign currency exchange rates of \$1.5 million in the period for our Canadian park.

Operating costs and expenses for the quarter increased 2.9%, or \$7.0 million, to \$243.5 million from \$236.5 million in the second quarter of 2015. The increase is the result of a \$1.5 million increase in cost of goods sold, a \$0.2 million increase in operating expenses, and a \$5.3 million increase in SG&A. The \$1.5 million increase in cost of goods sold reflects the higher attendance levels in the quarter. As a percentage of revenues, cost of goods sold was comparable for both periods. The \$0.2 million increase in operating expenses was the result of higher labor costs, offset by net savings on spending in other operating areas. Labor costs increased due to both normal merit increases and market / minimum-wage rate increases. The impact of higher wage rates was slightly offset by staffing efficiencies that allowed for a reduction in seasonal labor hours. The net increase in labor costs was offset by decreases in operating supply costs and maintenance costs. The \$5.3 million increase in SG&A expense was primarily due to increases in media and other marketing costs, the continued focus on supporting our technological and security infrastructure, and merchant fees. The increase in operating costs and expenses is net of the favorable impact of foreign currency exchange rates of \$1.0 million for the second quarter of 2016 for our Canadian park.

Depreciation and amortization expense for the quarter increased \$1.2 million. For the second quarter of 2016, the loss on impairment / retirement of fixed assets was \$1.4 million, reflecting the retirement of assets during the period at several of our properties, as compared to \$0.8 million in the second quarter of 2015. After depreciation, amortization, loss on impairment/retirement of fixed assets, and all other non-cash costs, operating income increased \$1.8 million to \$94.9 million for the second quarter of 2016 compared to operating income of \$93.0 million for the second quarter of 2015.

Interest expense for the second quarter of 2016 decreased slightly to \$21.1 million from \$21.5 million in the second quarter of 2015. The net effect of our swaps resulted in a non-cash charge to earnings of \$5.4 million for the second quarter of 2016 compared with a \$1.4 million non-cash benefit to earnings in the second quarter of 2015. The difference reflects the change in fair market value movements in our de-designated swap portfolio offset by the amortization of amounts in OCI for these swaps. During the current quarter, we also recognized an \$11.5 million net benefit to earnings for unrealized/realized foreign currency gains compared with a \$7.9 million net benefit to earnings for the second quarter in 2015. Both amounts primarily represented foreign currency movements on the U.S.-dollar denominated debt held at our Canadian property.

During the second quarter, a provision for taxes of \$21.8 million was recorded to account for PTP taxes and income taxes on our corporate subsidiaries. This compares to a provision for taxes recorded in the second quarter of 2015 of \$23.3 million. This decrease in tax provision relates largely to a slight decrease pretax income in our corporate subsidiaries compared to the same period a year ago.

After the items above, net income for the quarter totaled \$58.0 million, or \$1.03 per diluted limited partner unit, compared with net income of \$57.6 million, or \$1.02 per diluted unit, for the second quarter a year ago.

We believe Adjusted EBITDA is a meaningful measure of our operating results (for additional information regarding Adjusted EBITDA, including how we define and use Adjusted EBITDA, as well as a reconciliation from net income, see page 28). For the current quarter, our Adjusted EBITDA increased to \$147.2 million from \$144.2 million for the fiscal second quarter of 2015. The approximate \$3.0 million increase in Adjusted EBITDA is a direct result of higher attendance, higher average guest per capita spending, and stronger out-of-park revenues during the period compared with the same period in the prior-year. Partially offsetting these revenue increases were increases in operating costs and expenses associated with increased labor costs, higher attendance, and other planned spending on our current year initiatives.

July 2016

Based on preliminary results, net revenues through July 31, 2016 were approximately \$769 million, up 2%, or \$16 million, compared with \$753 million for the same period last year. The increase was the result of an approximate 1%, or 138,000-visit, increase in attendance to 15.2 million guests, a 1%, or \$0.51, increase in average in-park guest per capita spending to \$46.39, and a 4%, or \$4 million, increase in out-of-park revenues to \$86 million compared with 2015.

31

---



Table of Contents

## Liquidity and Capital Resources:

With respect to both liquidity and cash flow, we ended the second quarter of 2016 in sound condition. The working capital ratio (current assets divided by current liabilities) of 0.7 at June 26, 2016 is the result of normal seasonal activity. Receivables, inventories, and payables are at normal seasonal levels.

## Operating Activities

During the six-month period ended June 26, 2016, net cash provided by operating activities increased \$23.9 million from the same period a year ago, primarily due to improved operating results and favorable working capital changes offset by changes in other non-current assets and liabilities.

## Investing Activities

Net cash used in investing activities for the first six months of 2016 was \$106.2 million, a decrease of \$16.1 million compared with the same period ended June 28, 2015 in the prior year. This decrease reflects lower capital expenditures in the period and a \$2.0 million preferred equity investment made in a non-public entity in the prior year.

## Financing Activities

Net cash used in financing activities for the first six months of 2016 was \$45.3 million, an increase of \$1.1 million compared with the same period ended June 28, 2015 in the prior year. This increase reflects both an increase in unitholder distributions and a term debt payment of \$6.0 million which was made in 2016 being partially offset by increased revolver draws in 2016.

As of June 26, 2016, our outstanding debt, before reduction for debt issuance costs, consisted of the following:

- \$450 million of 5.375% senior unsecured notes, maturing in 2024, issued at par. Prior to June 1, 2017, up to 35% of the notes may be redeemed with the net cash proceeds of certain equity offerings at a price equal to 105.375% together with accrued and unpaid interest. The notes may be redeemed, in whole or in part, at any time prior to June 1, 2019 at a price equal to 100% of the principal amount of the notes redeemed plus a "make-whole" premium, together with accrued and unpaid interest, if any, to the redemption date. The notes may be redeemed after this date, in whole or in part, at various prices depending on the date redeemed. The notes pay interest semi-annually in June and December.
  - \$500 million of 5.25% senior unsecured notes, maturing in 2021, issued at par. The notes may be redeemed, in whole or in part, at any time prior to March 15, 2017 at a price equal to 103.938% of the principal amount of the notes redeemed, together with accrued and unpaid interest, if any, to the redemption date. The notes may be redeemed after this date, in whole or in part, at various prices depending on the date redeemed. The notes pay interest semi-annually in March and September.
  - \$602.9 million of senior secured term debt, maturing in March 2020 under our 2013 Credit Agreement. The term debt bears interest at a rate of LIBOR plus 250 bps with a LIBOR floor of 75 bps. The term loan amortizes at \$6.3 million annually. Due to the prepayment made during 2016, we have no current maturities as of June 26, 2016.
  - \$55 million of borrowings under the \$255 million senior secured revolving credit facility under our 2013 Credit Agreement. Under the 2013 Credit Agreement, the Canadian portion of the revolving credit facility has a sub-limit of \$15 million. U.S. denominated and Canadian denominated loans made under the revolving credit facility bear interest at a rate of LIBOR plus 225 bps (with no LIBOR floor). The revolving credit facility is scheduled to mature in March 2018 and also provides for the issuance of documentary and standby letters of credit. The 2013 Credit Agreement requires that we pay a commitment fee of 38 bps per annum on the unused portion of the credit facilities. After letters of credit, which totaled \$15.9 million at June 26, 2016, we had \$184.1 million of available borrowings under the revolving credit facility and cash on hand of \$68.1 million.
- As of June 26, 2016, we have \$500 million of interest rate swaps in place that effectively convert variable-rate debt to fixed rates. These swaps, which mature in December 2020 and fix LIBOR at a weighted average rate of 2.64%, were not designated as cash flow hedges. Additional detail regarding our current and historical swap arrangements is provided in Note 6 to our Unaudited Condensed Consolidated Financial Statements and in Note 6 to the Audited Consolidated Financial Statements included in our Form 10-K filed on February 26, 2016.
- At June 26, 2016, the fair market value of our derivative portfolio was \$30.9 million and was recorded in "Derivative Liability."

The 2013 Credit Agreement includes two Financial Condition Covenants, which if breached for any reason and not cured, could result in an event of default. At the end of the second quarter of 2016, the first of these, the Consolidated Leverage Ratio, was set at a maximum of 5.50x consolidated total debt (excluding the revolving debt)-to-consolidated EBITDA. The required ratio decreased by 0.25x at the beginning of the second quarter of 2016. The final decrease will occur at the beginning of the second

## Table of Contents

quarter of 2017 when the ratio will reach its minimum of 5.25x. The second of these required ratios, the Consolidated Fixed Charge Coverage Ratio, was set at a minimum of 1.1x (consolidated total fixed charges-to-consolidated EBITDA). As of June 26, 2016, we were in compliance with these Financial Condition Covenants and all other covenants under the 2013 Credit Agreement.

The 2013 Credit Agreement allows restricted payments of up to \$60 million annually so long as no default or event of default has occurred and is continuing and so long as the Partnership would be in compliance with certain financial ratios after giving effect to the payments. Additional restricted payments are allowed to be made based on an excess-cash-flow formula, should our pro-forma Consolidated Leverage Ratio be less than or equal to 5.0x.

The indentures governing our notes also include annual restricted payment limitations and additional permitted payment formulas. We can make restricted payments of \$60 million annually so long as no default or event of default has occurred and is continuing. Our ability to make additional restricted payments is permitted should our pro forma Total Indebtedness-to-Consolidated-Cash-Flow Ratio be less than or equal to 5.0x.

In accordance with these debt provisions, on May 4, 2016, we announced the declaration of a distribution of \$0.825 per limited partner unit, which was paid on June 15, 2016. Also, on August 3, 2016, we announced the declaration of a distribution of \$0.825 per limited partner unit, which will be payable on September 15, 2016.

Existing credit facilities and cash flows from operations are expected to be sufficient to meet working capital needs, debt service, partnership distributions and planned capital expenditures for the foreseeable future.

### Off Balance Sheet Arrangements:

We had \$15.9 million in letters of credit, which are primarily in place to backstop insurance arrangements, outstanding on our revolving credit facility as of June 26, 2016. We have no other significant off-balance sheet financing arrangements.

### Forward Looking Statements

Some of the statements contained in this report (including the “Management’s Discussion and Analysis of Financial Condition and Results of Operations” section) that are not historical in nature are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, including statements as to our expectations, beliefs and strategies regarding the future. These forward-looking statements may involve risks and uncertainties that are difficult to predict, may be beyond our control and could cause actual results to differ materially from those described in such statements. Although we believe that the expectations reflected in such forward-looking statements are reasonable, we can give no assurance that such expectations will prove to be correct. Important factors, including those listed under Item 1A in the Company’s Annual Report on Form 10-K, could adversely affect our future financial performance and cause actual results to differ materially from our expectations.

### ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risks from fluctuations in interest rates, and to a lesser extent on currency exchange rates on our operations in Canada and, from time to time, on imported rides and equipment. The objective of our financial risk management is to reduce the potential negative impact of interest rate and foreign currency exchange rate fluctuations to acceptable levels. We do not acquire market risk sensitive instruments for trading purposes.

We manage interest rate risk through the use of a combination of fixed-rate long-term debt, interest rate swaps that fix a portion of our variable-rate long-term debt, and variable-rate borrowings under our revolving credit facility.

Translation exposures with regard to our Canadian operations are not hedged.

For derivative instruments that are designated and qualify as cash flow hedges, the effective portion of the change in fair value of the derivative instrument is reported as a component of “Other comprehensive income (loss)” and reclassified into earnings in the period during which the hedged transaction affects earnings. Changes in fair value of derivative instruments that do not qualify as effective hedging activities are reported as “Net effect of swaps” in the unaudited condensed consolidated statements of operations. Additionally, the “Other comprehensive income (loss)” related to interest rate swaps that become ineffective is amortized over the remaining life of the interest rate swap, and

reported as a component of “Net effect of swaps” in the unaudited condensed consolidated statements of operations. As of June 26, 2016, before reduction for debt issuance costs, we had \$950.0 million of fixed-rate senior unsecured notes and \$602.9 million of variable-rate term debt. After considering the impact of interest rate swap agreements, most of our outstanding long-term debt represents fixed-rate debt. Assuming an average balance on our revolving credit borrowings of approximately

Table of Contents

\$23.2 million, a hypothetical 100 bps increase in 30-day LIBOR on our variable-rate debt (not considering the impact of our interest rate swaps) would lead to an increase of approximately \$4.8 million in annual cash interest costs. Assuming a hypothetical 100 bps increase in 30-day LIBOR, the amount of net cash interest paid on our derivative portfolio would decrease by \$3.8 million over the next year.

A uniform 10% strengthening of the U.S. dollar relative to the Canadian dollar would result in a \$2.8 million decrease in annual operating income.

ITEM 4. CONTROLS AND PROCEDURES

(a)Evaluation of Disclosure Controls and Procedures -

The Partnership maintains a system of controls and procedures designed to ensure that information required to be disclosed by the Partnership in its reports under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified by the Commission and that such information is accumulated and communicated to the Partnership's management, including the Chief Executive Officer and the Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. As of June 26, 2016, the Partnership's management, with the participation of the Partnership's Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Partnership's disclosure controls and procedures. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Partnership's disclosure controls and procedures were effective as of June 26, 2016.

(b)Changes in Internal Control Over Financial Reporting -

There were no changes in the Partnership's internal control over financial reporting that occurred during the fiscal quarter ended June 26, 2016 that have materially affected, or are reasonably likely to materially affect, the Partnership's internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Not applicable.

ITEM 1A. RISK FACTORS

There have been no material changes to the risk factors previously disclosed in the Partnership's Annual Report on Form 10-K for the year ended December 31, 2015.

Table of Contents

## ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

## Issuer Purchases of Equity Securities:

The following table presents information about repurchases of Cedar Fair, L.P. Depository Units representing limited partner interests made by the Partnership during the second quarter of fiscal 2016:

Period	(a) Total Number of Units Purchased (1)	(b) Average Price Paid per Unit	(c) Total Number of Units Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Units that May Yet Be Purchased Under the Plans or Programs
March 27 - April 30	104	\$ 58.19	—	\$ —
May 1 - May 31	—	—	—	—
June 1 - June 26	89	58.58	—	—
Total	193	\$ 58.37	—	\$ —

All of the units reported as purchased are attributable to units that were reacquired by the Partnership in

(1) satisfaction of tax obligations related to the vesting of restricted units which were granted under the Cedar Fair, L.P. 2008 Omnibus Incentive Plan.

## ITEM 6. EXHIBITS

- Amended and Restated Employment Agreement, dated June 8, 2016, by and among Cedar Fair L.P., Cedar Fair Management, Inc., Magnum Management Corporation, and Matthew A. Ouimet. Incorporated herein by reference to Exhibit 10.1 to the Registrant's Form 8-K filed on June 9, 2016.
- Exhibit (10.1)
- Cedar Fair L.P., 2016 Omnibus Incentive Plan. Incorporated herein by reference to Exhibit 10.1 to the Registrant's Form 8-K filed on June 14, 2016.
- Exhibit (10.2)
- Certification of Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- Exhibit (31.1)
- Certification of Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- Exhibit (31.2)
- Certifications Pursuant to 18 U.S.C. 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- Exhibit (32)

- The following materials from the Partnership's Quarterly Report on Form 10-Q for the quarter ended June 26, 2016 formatted in Extensible Business Reporting Language (XBRL): (i) the Condensed Consolidated Statements of Income, (ii) the Condensed Consolidated Balance Sheets, (iii) the Condensed Consolidated Statements of Cash Flow, (iv) the Condensed Consolidated Statement of Equity, and (v) related notes.
- Exhibit (101)



Table of Contents

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CEDAR FAIR, L.P.  
(Registrant)

By Cedar Fair Management, Inc.  
General Partner

Date: August 3, 2016 /s/ Matthew A. Ouimet  
Matthew A. Ouimet  
President and Chief Executive  
Officer

Date: August 3, 2016 /s/ Brian C. Witherow  
Brian C. Witherow  
Executive Vice President and  
Chief Financial Officer



Table of Contents

INDEX TO EXHIBITS

- Exhibit (10.1) Amended and Restated Employment Agreement, dated June 8, 2016, by and among Cedar Fair L.P., Cedar Fair Management, Inc., Magnum Management Corporation, and Matthew A. Ouimet. Incorporated herein by reference to Exhibit 10.1 to the Registrant's Form 8-K filed on June 9, 2016.
- Exhibit (10.2) Cedar Fair L.P., 2016 Omnibus Incentive Plan. Incorporated herein by reference to Exhibit 10.1 to the Registrant's Form 8-K filed on June 14, 2016.
- Exhibit (31.1) Certification of Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- Exhibit (31.2) Certification of Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- Exhibit (32) Certifications Pursuant to 18 U.S.C. 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- Exhibit (101) The following materials from the Partnership's Quarterly Report on Form 10-Q for the quarter ended June 26, 2016 formatted in Extensible Business Reporting Language (XBRL): (i) the Condensed Consolidated Statements of Income, (ii) the Condensed Consolidated Balance Sheets, (iii) the Condensed Consolidated Statements of Cash Flow, (iv) the Condensed Consolidated Statement of Equity, and (v) related notes.