

CEDAR FAIR L P  
Form 10-Q  
May 03, 2017  
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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 March 26, 2017

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, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth 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

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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



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Title of Class	Units Outstanding as of May 1, 2017
Units Representing Limited Partner Interests	56,235,646

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## PART I - FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

## CEDAR FAIR, L.P.

## UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands)

	3/26/2017	12/31/2016	3/27/2016
<b>ASSETS</b>			
Current Assets:			
Cash and cash equivalents	\$34,242	\$122,716	\$64,551
Receivables	28,585	35,414	33,914
Inventories	39,318	26,276	38,455
Prepaid advertising	20,046	1,571	18,929
Other current assets	9,043	9,699	8,989
	131,234	195,676	164,838
Property and Equipment:			
Land	266,433	265,961	270,534
Land improvements	403,830	402,013	382,791
Buildings	664,936	663,982	650,581
Rides and equipment	1,649,934	1,643,770	1,575,003
Construction in progress	97,920	58,299	87,833
	3,083,053	3,034,025	2,966,742
Less accumulated depreciation	(1,494,405 )	(1,494,805 )	(1,396,588 )
	1,588,648	1,539,220	1,570,154
Goodwill	179,899	179,660	214,708
Other Intangibles, net	37,724	37,837	36,655
Other Assets	20,774	20,788	17,405
	\$1,958,279	\$1,973,181	\$2,003,760
<b>LIABILITIES AND PARTNERS' EQUITY</b>			
Current Liabilities:			
Current maturities of long-term debt	\$4,350	\$2,775	\$4,050
Accounts payable	44,715	20,851	34,092
Deferred revenue	116,132	82,765	105,256
Accrued interest	11,013	9,986	11,360
Accrued taxes	8,536	58,958	10,563
Accrued salaries, wages and benefits	14,427	30,358	22,441
Self-insurance reserves	25,833	27,063	24,252
Distribution payable	—	—	46,314
Other accrued liabilities	11,619	9,927	7,196
	236,625	242,683	265,524
Deferred Tax Liability	122,007	104,885	138,948
Derivative Liability	15,658	17,721	27,855
Other Liabilities	12,923	13,162	12,388
Long-Term Debt:			
Revolving credit loans	85,000	—	65,000
Term debt	593,197	594,228	597,309
Notes	940,421	939,983	938,542
	1,618,618	1,534,211	1,600,851

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Partners' Equity:			
Special L.P. interests	5,290	5,290	5,290
General partner	(1	) —	—
Limited partners, 56,236, 56,201 and 56,069 units outstanding at March 26, 2017, December 31, 2016 and March 27, 2016, respectively	(57,116	) 52,288	(43,361 )
Accumulated other comprehensive income (loss)	4,275	2,941	(3,735 )
	(47,552	) 60,519	(41,806 )
	\$1,958,279	\$1,973,181	\$2,003,760

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

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CEDAR FAIR, L.P.

## UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

(In thousands, except per unit amounts)

	Three months ended	
	3/26/2017	3/27/2016
Net revenues:		
Admissions	\$22,563	\$28,660
Food, merchandise and games	18,208	21,767
Accommodations, extra-charge products and other	7,547	8,011
	48,318	58,438
Costs and expenses:		
Cost of food, merchandise, and games revenues	5,480	6,237
Operating expenses	84,289	84,604
Selling, general and administrative	27,619	25,612
Depreciation and amortization	5,365	5,191
Loss on impairment / retirement of fixed assets, net	1,526	2,612
	124,279	124,256
Operating loss	(75,961 )	(65,818 )
Interest expense	18,914	19,787
Net effect of swaps	301	1,842
Gain on foreign currency	(2,671 )	(19,561 )
Interest income	(32 )	(18 )
Loss before taxes	(92,473 )	(67,868 )
Benefit for taxes	(27,719 )	(19,382 )
Net loss	(64,754 )	(48,486 )
Net loss allocated to general partner	(1 )	—
Net loss allocated to limited partners	\$(64,753)	\$(48,486)
Net loss	\$(64,754)	\$(48,486)
Other comprehensive income (loss), (net of tax):		
Foreign currency translation adjustment	(660 )	(4,395 )
Unrealized gain (loss) on cash flow hedging derivatives	1,994	(2,631 )
Other comprehensive income (loss), (net of tax)	1,334	(7,026 )
Total comprehensive loss	\$(63,420)	\$(55,512)
Basic loss per limited partner unit:		
Weighted average limited partner units outstanding	56,008	55,877
Net loss per limited partner unit	\$(1.16 )	\$(0.87 )
Diluted loss per limited partner unit:		
Weighted average limited partner units outstanding	56,008	55,877
Net loss per limited partner unit	\$(1.16 )	\$(0.87 )
The accompanying Notes to Unaudited Condensed Consolidated Financial Statements are an integral part of these statements.		

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CEDAR FAIR, L.P.

## UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF PARTNERS' EQUITY

(In thousands)

	Three months ended	
	3/26/2017	3/27/2016
<b>Limited Partnership Units Outstanding</b>		
Beginning balance	56,201	56,018
Limited partnership unit options exercised	10	7
Limited partnership unit forfeitures	(2	) —
Issuance of limited partnership units as compensation	27	44
	56,236	56,069
<b>Limited Partners' Equity</b>		
Beginning balance	\$52,288	\$48,428
Net loss	(64,753	) (48,486 )
Partnership distribution declared (\$0.855 and \$0.825 per limited partnership unit)	(48,135	) (46,314 )
Expense recognized for limited partnership unit options	—	5
Tax effect of units involved in treasury unit transactions	(1,369	) (1,549 )
Issuance of limited partnership units as compensation	4,853	4,555
	(57,116	) (43,361 )
<b>General Partner's Equity</b>		
Beginning balance	—	—
Net loss	(1	) —
Partnership distribution declared	—	—
	(1	) —
Special L.P. Interests	5,290	5,290
<b>Accumulated Other Comprehensive Income</b>		
Foreign currency translation adjustment:		
Beginning balance	18,891	22,591
Period activity, net of tax \$0 and \$2,520	(660	) (4,395 )
	18,231	18,196
Unrealized loss on cash flow hedging derivatives:		
Beginning balance	(15,950	) (19,300 )
Period activity, net of tax (\$371) and \$464	1,994	(2,631 )
	(13,956	) (21,931 )
	4,275	(3,735 )
<b>Total Partners' Equity</b>	<b>\$(47,552)</b>	<b>\$(41,806)</b>

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



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## UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

	Three months ended	
	3/26/2017	3/27/2016
<b>CASH FLOWS FOR OPERATING ACTIVITIES</b>		
Net loss	\$(64,754)	\$(48,486)
Adjustments to reconcile net loss to net cash for operating activities:		
Depreciation and amortization	5,365	5,191
Non-cash foreign currency gain on debt	(2,010 )	(19,812 )
Other non-cash expenses	4,627	10,434
Net change in working capital	(33,738 )	(19,917 )
Net change in other assets/liabilities	16,526	5,657
Net cash for operating activities	(73,984 )	(66,933 )
<b>CASH FLOWS FOR INVESTING ACTIVITIES</b>		
Capital expenditures	(48,455 )	(52,221 )
Purchase of identifiable intangible assets	(10 )	—
Net cash for investing activities	(48,465 )	(52,221 )
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Borrowings on revolving credit loans	85,000	65,000
Distributions paid to partners	(48,135 )	—
Tax effect of units involved in treasury unit transactions	(1,369 )	(1,549 )
Payments related to tax withholding for equity compensation	(1,904 )	(909 )
Net cash from financing activities	33,592	62,542
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>	<b>383</b>	<b>1,606</b>
<b>CASH AND CASH EQUIVALENTS</b>		
Net decrease for the period	(88,474 )	(55,006 )
Balance, beginning of period	122,716	119,557
Balance, end of period	\$34,242	\$64,551
<b>SUPPLEMENTAL INFORMATION</b>		
Cash payments for interest expense	\$17,978	\$18,123
Interest capitalized	1,047	788
Cash payments for income taxes, net of refunds	8,084	2,834
Capital expenditures in accounts payable	11,898	4,809
The accompanying Notes to Unaudited Condensed Consolidated Financial Statements are an integral part of these statements.		

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CEDAR FAIR, L.P.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIODS ENDED MARCH 26, 2017 AND MARCH 27, 2016

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 March 26, 2017 and March 27, 2016 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, 2016, which were included in the Form 10-K filed on February 24, 2017. 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.

Adopted Accounting Pronouncements

In March 2016, the FASB issued Accounting Standards Update No. 2016-09, Improvements to Employee Share-Based Payment Accounting ("ASU 2016-09"). The amendments in ASU 2016-09 are meant to simplify the current accounting for share-based payment transactions, specifically the accounting for income taxes, award classification, cash flow presentation, and accounting for forfeitures. ASU 2016-09 is effective for annual and interim periods beginning after December 15, 2016. The Partnership adopted this guidance in the first quarter of 2017. The impact of the guidance included: (1) prospective recognition of excess tax benefits and tax deficiencies as income tax expense (as opposed to the previous recognition in additional paid-in-capital), approximately \$0.7 million of excess tax benefits were recognized in benefit for taxes for the three months ended March 26, 2017; (2) prospective exclusion of future excess tax benefits and deficiencies in the calculation of diluted shares, which had no impact on the net loss per limited partner unit for the three months ending March 26, 2017; (3) prospective classification of excess tax benefits as an operating activity within the statement of cash flows (as opposed to the previous classification as a financing activity), approximately \$0.7 million of excess tax benefits were classified as an operating activity for the three months ended March 26, 2017; (4) the formal accounting policy election to recognize forfeitures as they occur (as opposed to estimating a forfeiture accrual), which did not have a material impact on the Partnership's financial statements; (5) retrospective classification of employee taxes paid when an employer withholds shares for tax withholding purposes as a financing activity within the statement of cash flows (as opposed to the previous classification as an operating activity), approximately \$0.9 million was reclassified for the three months ended March 27, 2016.

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 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 currently expects to adopt this standard in the first quarter of 2018. The Partnership anticipates the primary impact of the adoption on the consolidated financial statements will be the additional required disclosures around revenue recognition in the notes to the consolidated financial statements. The Partnership does not anticipate adoption of the standard to have a material effect on the consolidated financial statements.

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 after December 15, 2018 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 financial statements. The Partnership is in the process of evaluating the effect this standard will have on the consolidated financial statements and related disclosures.

In January 2017, the FASB issued Accounting Standards Update No. 2017-04, Simplifying the Test for Goodwill Impairment ("ASU 2017-04"). The amendments in ASU 2017-04 eliminates step two from the goodwill impairment test. Instead, an entity should recognize an impairment charge for the amount by which a reporting unit's carrying amount exceeds its fair value, not to

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exceed the carrying amount of goodwill. ASU 2017-04 is effective for annual and any interim impairment tests for periods beginning after December 15, 2019 on a prospective basis. Early adoption is permitted for annual and any interim impairment tests occurring after January 1, 2017. The Partnership expects to adopt the standard for its 2017 annual impairment test and does not anticipate the adoption of the standard to have a material effect on the consolidated financial statements.

### (2) Interim Reporting:

The Partnership owns and operates eleven amusement parks, two separately gated outdoor water parks, one indoor water park and five hotels. The Partnership's seasonal amusement parks are generally open during weekends beginning in April or May, and then daily from Memorial Day until Labor Day, after which they are open during weekends in September and, in most cases, October. The two separately gated outdoor water parks also operate seasonally, generally from Memorial Day to Labor Day, plus some additional weekends before and after this period. As a result, a substantial portion of the Partnership's revenues from these parks are generated during an approximate 130- to 140-day operating season with the major portion concentrated in the third quarter during the peak vacation months of July and August. In 2017, four of the seasonal properties will extend their operating seasons approximately 20 to 25 days to include WinterFest, a holiday event operating during November and December. Knott's Berry Farm continues to be open daily on a year-round basis. Castaway Bay is generally open daily from Memorial Day to Labor Day with an additional 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 over each park's operating season, including some costs incurred prior to the season, which are deferred and 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 the Partnership's 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. 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 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 (discounted cash flows) approach, which 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. If the 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.

During the third quarter of 2016, the Partnership ceased operations of one of its separately gated outdoor water parks, Wildwater Kingdom, located near Cleveland in Aurora, Ohio. At the date that Wildwater Kingdom ceased operations, the only remaining long-lived asset was the approximate 670 acres of land owned by the Partnership. This land has an associated carrying value of \$17.1 million. The Partnership assessed the remaining asset and concluded there was no impairment during the third quarter of 2016. The associated acreage is classified as assets held-for-sale within "Other Assets" in the unaudited condensed consolidated balance sheet.

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## (4) Goodwill and Other Intangible Assets:

Goodwill and other indefinite-lived intangible assets, including trade-names, are reviewed for impairment annually, or more frequently if indicators of impairment exist. As of March 26, 2017, 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 three months ended March 26, 2017 and March 27, 2016 is as follows:

(In thousands)	Goodwill (gross)	Accumulated Impairment Losses	Goodwill (net)
Balance at December 31, 2016	\$259,528	\$ (79,868 )	\$ 179,660
Foreign currency translation	239	—	239
Balance at March 26, 2017	\$259,767	\$ (79,868 )	\$ 179,899
Balance at December 31, 2015	\$290,679	\$ (79,868 )	\$ 210,811
Foreign currency translation	3,897	—	3,897
Balance at March 27, 2016	\$294,576	\$ (79,868 )	\$ 214,708

During the fourth quarter of 2016, management reassessed its accounting for the deferred income tax effects related to its Canadian disregarded entity temporary differences that were recorded in purchase accounting at the time of the acquisition. As a result, to appropriately reflect these tax effects, the Partnership recorded an adjustment that reduced goodwill and deferred tax liabilities by \$33.9 million as of December 31, 2016. The adjustment did not impact the statements of operations and comprehensive income or cash flows for any period presented.

As of March 26, 2017, December 31, 2016, and March 27, 2016, the Partnership's other intangible assets consisted of the following:

(In thousands)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Value
March 26, 2017			
Other intangible assets:			
Trade names	\$ 35,656	\$ —	\$ 35,656
License / franchise agreements	3,301	(1,233 )	2,068
Total other intangible assets	\$ 38,957	\$ (1,233 )	\$ 37,724
December 31, 2016			
Other intangible assets:			
Trade names	\$ 35,603	\$ —	\$ 35,603
License / franchise agreements	3,326	(1,092 )	2,234
Total other intangible assets	\$ 38,929	\$ (1,092 )	\$ 37,837
March 27, 2016			
Other intangible assets:			
Trade names	\$ 35,760	\$ —	\$ 35,760
License / franchise agreements	1,444	(549 )	895
Total other intangible assets	\$ 37,204	\$ (549 )	\$ 36,655

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



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## (5) Long-Term Debt:

Long-term debt as of March 26, 2017, December 31, 2016, and March 27, 2016 consisted of the following:

(In thousands)	March 26, 2017	December 31, 2016	March 27, 2016
Revolving credit facility (due 2018)	\$85,000	\$—	\$65,000
Term debt <sup>(1)</sup>			
March 2013 U.S. term loan averaging 3.25% (due 2013-2020)	602,850	602,850	608,850
Notes			
June 2014 U.S. fixed rate notes at 5.375% (due 2024)	450,000	450,000	450,000
March 2013 U.S. fixed rate notes at 5.25% (due 2021)	500,000	500,000	500,000
	1,637,850	1,552,850	1,623,850
Less current portion	(4,350 )	(2,775 )	(4,050 )
	1,633,500	1,550,075	1,619,800
Less debt issuance costs	(14,882 )	(15,864 )	(18,949 )
	\$1,618,618	\$1,534,211	\$1,600,851

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

In June 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 paid interest semi-annually in March and September, with the principal due in full on March 15, 2021. The notes were redeemed in whole prior to March 15, 2018 at a price equal to 102.625% of the principal amount of the notes redeemed, together with accrued and unpaid interest to the redemption date.

Concurrently with this offering, the Partnership entered into an \$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 included a maturity date of March 6, 2020 and an interest rate of London InterBank Offering Rate ("LIBOR") plus 250 basis points (bps) with a LIBOR floor of 75 bps. The term loan amortized at \$6.3 million annually. The net proceeds from the March 2013 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 were collateralized by substantially all of the assets of the Partnership.

Terms of the 2013 Credit Agreement included a revolving credit facility of a combined \$255 million. Under the 2013 Credit Agreement, the Canadian portion of the revolving credit facility had 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 was scheduled to mature in March 2018 and



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

The 2013 Credit Agreement included 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 first quarter of 2017, 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 second of these required ratios, the Consolidated Fixed Charge Coverage Ratio, was set at a minimum of 1.1x (consolidated total fixed charges-to-

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consolidated EBITDA). As of March 26, 2017, the Partnership was in compliance with these Financial Condition Covenants and all other covenants under the 2013 Credit Agreement.

The Partnership was 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 were 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 5.00x. Pursuant to the terms of the indentures governing the Partnership's June 2014 and March 2013 notes, the Partnership could make Restricted Payments of \$60 million annually so long as no default or event of default has occurred and is continuing; and the Partnership's ability to make additional Restricted Payments was permitted should the Partnership's pro forma Total-Indebtedness-to-Consolidated-Cash-Flow Ratio be less than or equal to 5.00x.

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.

On April 13, 2017, the Partnership finalized the issuance of \$500 million aggregate principal amount of 5.375% senior unsecured notes due 2027, in a private placement. Concurrently with this offering, the Partnership amended its existing 2013 Credit Agreement. The amended credit agreement includes a \$750 million senior secured term loan facility and a \$275 million senior secured revolving credit facility. Refer to Note 13 of the unaudited condensed consolidated financial statements for additional detail.

**(6) Derivative Financial Instruments:**

Derivative financial instruments are used within the Partnership's overall risk management program to manage certain interest rate and foreign currency risks. 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 effectively convert \$500 million of variable-rate debt to 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 are being amortized into earnings through the original December 31, 2018 maturity. The 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 market value of the Partnership's swap portfolio was recorded within "Derivative Liability" on the unaudited condensed consolidated balance sheets as of March 26, 2017, December 31, 2016, and March 27, 2016 as follows:

(In thousands)	March 26, 2017	December 31, 2016	March 27, 2016
Derivatives not designated as hedging instruments:			
Interest rate swaps	\$(15,658)	\$ (17,721 )	\$ (27,855)

**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 amended interest rate swap agreements are not designated as hedging instruments. As of March 26, 2017, we have no designated derivatives; therefore, no amount of designated derivatives are forecasted to be reclassified into earnings in the next twelve months.

#### Derivatives Not Designated as Hedging Instruments

Instruments that do not qualify for hedge accounting or were de-designated are prospectively adjusted to fair value each reporting period through "Net effect of swaps" in 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 are being amortized into earnings through the original December 31, 2018 maturity. As of March 26, 2017, approximately \$16.6 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 and other comprehensive income for the three-month periods ended March 26, 2017 and March 27, 2016:

(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 3/26/2017	Three months ended 3/27/2016	Three months ended 3/26/2017	Three months ended 3/27/2016
Designated Derivatives	\$ —	Interest Expense	\$ —	Net effect of swaps	\$ 2,063	\$ (265 )

During the quarter ended March 26, 2017, the Partnership recognized \$2.1 million of gains 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 \$0.3 million recorded in "Net effect of swaps."

During the quarter ended March 27, 2016, the Partnership recognized \$0.3 million of losses on the derivatives not designated as cash flow hedges and \$1.6 million of expense representing the amortization of amounts in AOCI. The effect of these amounts resulted in a charge to earnings of \$1.8 million recorded in "Net effect of swaps."

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## (7) Fair Value Measurements:

The FASB's Accounting Standards Codification (ASC) 820 "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, FASB ASC 820 establishes a hierarchal disclosure framework that ranks the quality and reliability of information used to determine fair values. The hierarchy 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 March 26, 2017, December 31, 2016, and March 27, 2016 on a recurring basis as well as the fair values of other financial instruments:

(In thousands)	Unaudited		March 26, 2017		December 31, 2016		March 27, 2016	
	Condensed Consolidated Balance Sheet Location	Fair Value Hierarchy Level	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	Derivative Liability	Level 2	\$(15,658 )	\$(15,658 )	\$(17,721 )	\$(17,721 )	\$(27,855 )	\$(27,855 )
Other financial assets (liabilities):								
Term debt	Long-Term Debt <sup>(1)</sup>	Level 2	\$(598,500)	\$(601,493)	\$(600,075)	\$(603,075)	\$(604,800)	\$(604,800)
March 2013 notes	Long-Term Debt <sup>(1)</sup>	Level 1	\$(500,000)	\$(513,125)	\$(500,000)	\$(510,000)	\$(500,000)	\$(518,750)
June 2014 notes	Long-Term Debt <sup>(1)</sup>	Level 1	\$(450,000)	\$(462,375)	\$(450,000)	\$(462,375)	\$(450,000)	\$(464,625)

(1) Carrying values of long-term debt balances are before reductions for debt issuance costs of \$14.9 million, \$15.9 million, and \$18.9 million as of March 26, 2017, December 31, 2016, and March 27, 2016, respectively.

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.

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 as of March 26, 2017, December 31, 2016, or March 27, 2016.

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## (8) Earnings per Unit:

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

	Three months ended 3/26/2013/27/2016 (In thousands, except per unit amounts)	
Basic weighted average units outstanding	56,008	55,877
Diluted weighted average units outstanding	56,008	55,877
Net loss per unit - basic	\$(1.16)	\$ (0.87 )
Net loss per unit - diluted	\$(1.16)	\$ (0.87 )

## (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 first quarter of 2017, the Partnership has recorded \$0.9 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.

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(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 March 26, 2017 and March 27, 2016:

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