

CEDAR FAIR L P  
Form 10-Q  
November 07, 2008  
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## FORM 10 - Q

### SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

(Mark One)

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

For the quarterly period ended September 28, 2008

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

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(State or other jurisdiction of incorporation or organization) (I.R.S. Employer 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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check One):

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

|  | Units Outstanding As Of |
|--|-------------------------|
| Title of Class                               | October 1, 2008         |
| Units Representing Limited Partner Interests | 55,064,232              |

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**CEDAR FAIR, L.P.**

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**Table of Contents****PART I - FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS****CEDAR FAIR, L.P.****UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS**

(In thousands)

|  | 9/28/08      | 12/31/07     |
|--|--------------|--------------|
| <b>ASSETS</b>                          |              |              |
| Current Assets:                        |              |              |
| Cash and cash equivalents              | \$ 71,694    | \$ 5,501     |
| Receivables                            | 38,997       | 16,516       |
| Inventories                            | 32,008       | 26,884       |
| Prepays and other current assets       | 10,960       | 13,847       |
|  | 153,659      | 62,748       |
| Property and Equipment:                |              |              |
| Land                                   | 338,960      | 344,688      |
| Land improvements                      | 320,689      | 317,811      |
| Buildings                              | 580,538      | 582,654      |
| Rides and equipment                    | 1,323,771    | 1,270,852    |
| Construction in progress               | 17,270       | 33,997       |
|  | 2,581,228    | 2,550,002    |
| Less accumulated depreciation          | (706,706)    | (616,440)    |
|  | 1,874,522    | 1,933,562    |
| Goodwill                               | 321,299      | 325,418      |
| Other Intangibles, net                 | 64,183       | 66,098       |
| Other Assets                           | 21,597       | 30,842       |
|  | \$ 2,435,260 | \$ 2,418,668 |
| <b>LIABILITIES AND PARTNERS EQUITY</b> |              |              |
| Current Liabilities:                   |              |              |
| Current maturities of long-term debt   | \$ 17,450    | \$ 17,450    |
| Accounts payable                       | 31,344       | 18,566       |
| Deferred revenue                       | 22,745       | 18,844       |
| Accrued interest                       | 9,985        | 660          |
| Accrued taxes                          | 59,733       | 15,836       |
| Accrued salaries, wages and benefits   | 31,693       | 18,276       |
| Self-insurance reserves                | 20,993       | 21,539       |
| Other accrued liabilities              | 13,948       | 11,537       |
|  | 207,891      | 122,708      |
| Deferred Tax Liability                 | 153,800      | 158,304      |
| Other Liabilities                      | 105,809      | 117,103      |

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|   |              |              |
|---|--------------|--------------|
| Long-Term Debt:   |              |              |
| Revolving credit loans  |              | 34,086       |
| Term debt   | 1,692,650    | 1,701,375    |
|   | 1,692,650    | 1,735,461    |
| Partners' Equity:   |              |              |
| Special L.P. interests  | 5,290        | 5,290        |
| General partner   | 1            |              |
| Limited partners, 55,064 and 54,248 units outstanding at September 28, 2008 and December 31, 2007, respectively | 324,913      | 334,740      |
| Accumulated other comprehensive loss  | (55,094)     | (54,938)     |
|   | 275,110      | 285,092      |
|   | \$ 2,435,260 | \$ 2,418,668 |

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**

(In thousands, except per unit amounts)

|  | Three months ended |            | Nine months ended |            | Twelve months ended |             |
|--|--------------------|------------|-------------------|------------|---------------------|-------------|
|  | 9/28/08            | 9/30/07    | 9/28/08           | 9/30/07    | 9/28/08             | 9/30/07     |
| <b>Net revenues:</b>                               |                    |            |                   |            |                     |             |
| Admissions   | \$ 312,626         | \$ 320,361 | \$ 493,872        | \$ 481,847 | \$ 564,170          | \$ 551,753  |
| Food, merchandise and games                        | 189,490            | 202,059    | 319,342           | 322,192    | 357,205             | 364,536     |
| Accommodations and other                           | 38,206             | 45,093     | 63,744            | 67,487     | 71,030              | 75,103      |
|  | 540,322            | 567,513    | 876,958           | 871,526    | 992,405             | 991,392     |
| <b>Costs and expenses:</b>                         |                    |            |                   |            |                     |             |
| Cost of food, merchandise and games revenues       | 47,849             | 49,518     | 81,091            | 80,558     | 93,159              | 94,183      |
| Operating expenses                                 | 153,149            | 160,665    | 346,165           | 342,946    | 422,530             | 418,450     |
| Selling, general and administrative                | 56,961             | 65,980     | 115,752           | 117,424    | 133,530             | 137,345     |
| Loss on impairment / retirement of fixed assets    | 6,125              | 39,218     | 9,390             | 39,218     | 25,070              | 39,218      |
| Depreciation and amortization                      | 60,986             | 67,204     | 111,258           | 117,175    | 124,706             | 129,874     |
|  | 325,070            | 382,585    | 663,656           | 697,321    | 798,995             | 819,070     |
| Operating income                                   | 215,252            | 184,928    | 213,302           | 174,205    | 193,410             | 172,322     |
| Interest expense                                   | 31,849             | 41,036     | 98,912            | 110,634    | 133,588             | 149,583     |
| Other (income) expense, net                        | 240                | 1,768      | (208)             | 2,067      | (3,010)             | 1,200       |
| Income before taxes                                | 183,163            | 142,124    | 114,598           | 61,504     | 62,832              | 21,539      |
| Provision for taxes                                | 91,614             | 87,992     | 52,143            | 56,966     | 9,406               | 46,983      |
| Net income (loss)                                  | 91,549             | 54,132     | 62,455            | 4,538      | 53,426              | (25,444)    |
| Net income allocated to general partner            | 1                  | 1          | 1                 |            | 1                   |             |
| Net income (loss) allocated to limited partners    | \$ 91,548          | \$ 54,131  | \$ 62,454         | \$ 4,538   | \$ 53,425           | \$ (25,444) |
| <b>Basic earnings per limited partner unit:</b>    |                    |            |                   |            |                     |             |
| Weighted average limited partner units outstanding | 55,058             | 54,220     | 55,193            | 54,188     | 55,190              | 54,161      |
| Net income (loss) per limited partner unit         | \$ 1.66            | \$ 1.00    | \$ 1.13           | \$ 0.08    | \$ 0.97             | \$ (0.47)   |
| <b>Diluted earnings per limited partner unit:</b>  |                    |            |                   |            |                     |             |
| Weighted average limited partner units outstanding | 55,453             | 55,068     | 55,808            | 55,010     | 55,861              | 54,161      |
| Net income (loss) per limited partner unit         | \$ 1.65            | \$ 0.98    | \$ 1.12           | \$ 0.08    | \$ 0.96             | \$ (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 STATEMENT OF PARTNERS EQUITY****FOR THE NINE MONTHS ENDED SEPTEMBER 28, 2008**

(In thousands, except per unit amounts)

|   | <b>Nine Months Ended<br/>09/28/08</b> |
|---|---------------------------------------|
| <b>Limited Partnership Units Outstanding</b>                                    |                                       |
| Beginning balance 12/31/07  | 54,248                                |
| Limited partnership unit options exercised                                      | 773                                   |
| Issuance of limited partnership units as compensation                           | 43                                    |
|   | <b>55,064</b>                         |
| <b>Limited Partners Equity</b>  |                                       |
| Beginning balance 12/31/07  | \$ 334,740                            |
| Net income  | 62,454                                |
| Partnership distributions declared (\$1.435 per limited partnership unit)       | (78,647)                              |
| Expense recognized for limited partnership unit options                         | (2)                                   |
| Limited partnership unit options exercised                                      | 4,538                                 |
| Tax effect of units involved in option exercises and treasury unit transactions | 865                                   |
| Issuance of limited partnership units as compensation                           | 965                                   |
|   | <b>324,913</b>                        |
| <b>General Partners Equity</b>  |                                       |
| Beginning balance 12/31/07  |                                       |
| Net income  | 1                                     |
|   | <b>1</b>                              |
| <b>Special L.P. Interests</b>   |                                       |
|   | <b>5,290</b>                          |
| <b>Accumulated Other Comprehensive Income (Loss)</b>                            |                                       |
| Cumulative foreign currency translation adjustment:                             |                                       |
| Beginning balance 12/31/07  | 12,755                                |
| Current period activity, net of tax (\$904)                                     | (1,678)                               |
|   | <b>11,077</b>                         |
| <b>Unrealized loss on cash flow hedging derivatives:</b>                        |                                       |
| Beginning balance 12/31/07  | (67,693)                              |
| Current period activity, net of tax (\$1,354)                                   | 1,522                                 |
|   | <b>(66,171)</b>                       |
|   | <b>(55,094)</b>                       |
| <b>Total Partners Equity</b>  | <b>\$ 275,110</b>                     |

| <b>Summary of Comprehensive Income (Loss)</b> |    |        |
|---|----|--------|
| Net income                                    | \$ | 62,455 |
| Other comprehensive loss                      |    | (156)  |
| <b>Total Comprehensive Income (Loss)</b>      | \$ | 62,299 |

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)

|   | Three months ended |           | Nine months ended |            | Twelve months ended |             |
|---|--------------------|-----------|-------------------|------------|---------------------|-------------|
|   | 9/28/08            | 9/30/07   | 9/28/08           | 9/30/07    | 9/28/08             | 9/30/07     |
| <b>CASH FLOWS FROM (FOR) OPERATING ACTIVITIES</b>                                 |                    |           |                   |            |                     |             |
| Net income (loss)   | \$ 91,549          | \$ 54,132 | \$ 62,455         | \$ 4,538   | \$ 53,426           | \$ (25,444) |
| Adjustments to reconcile net income (loss) to net cash from operating activities: |                    |           |                   |            |                     |             |
| Non-cash expense  | 62,598             | 72,127    | 117,912           | 127,670    | 131,375             | 140,390     |
| Loss on impairment / retirement of fixed assets                                   | 6,125              | 39,218    | 9,390             | 39,218     | 25,070              | 39,218      |
| Excess tax benefit from unit-based compensation expense                           | (42)               | (10)      | (1,475)           | (366)      | (1,474)             | (472)       |
| Net change in working capital   | 41,791             | 40,100    | 58,237            | 45,263     | (14,374)            | (450)       |
| Net change in other assets/liabilities  | 3,917              | (11,241)  | 2,684             | (16,421)   | 31,597              | (10,065)    |
| Net cash from operating activities  | 205,938            | 194,326   | 249,203           | 199,902    | 225,620             | 143,177     |
| <b>CASH FLOWS FROM (FOR) INVESTING ACTIVITIES</b>                                 |                    |           |                   |            |                     |             |
| Acquisition of Paramount Parks, proceeds from working capital adjustment          |                    |           | 6,431             |            | 6,431               |             |
| Capital expenditures  | (12,537)           | (13,620)  | (73,100)          | (66,853)   | (85,543)            | (74,731)    |
| Net cash (for) investing activities   | (12,537)           | (13,620)  | (66,669)          | (66,853)   | (79,112)            | (74,731)    |
| <b>CASH FLOWS FROM (FOR) FINANCING ACTIVITIES</b>                                 |                    |           |                   |            |                     |             |
| Net payments on revolving credit loans  | (123,451)          | (146,650) | (34,086)          | (40,888)   |                     |             |
| Term debt payments, including early termination penalties                         | (4,363)            | (8,726)   | (8,725)           | (13,088)   | (13,087)            | (21,813)    |
| Distributions paid to partners  | (26,424)           | (25,748)  | (78,647)          | (76,932)   | (104,405)           | (102,351)   |
| Termination of interest rate swap agreements                                      |                    |           |                   | 3,867      |                     | 3,867       |
| Exercise of limited partnership unit options                                      |                    | 242       | 4,538             | 253        | 4,968               | 253         |
| Payment of debt issuance costs  |                    |           |                   | (2,000)    |                     | (1,348)     |
| Excess tax benefit from unit-based compensation expense                           | 42                 | 10        | 1,475             | 366        | 1,474               | 472         |
| Net cash (for) financing activities   | (154,196)          | (180,872) | (115,445)         | (128,422)  | (111,050)           | (120,920)   |
| <b>EFFECT OF EXCHANGE RATE CHANGES ON CASH</b>                                    |                    |           |                   |            |                     |             |
|   | (422)              | 984       | (896)             | 2,140      | (734)               | 1,596       |
| <b>CASH AND CASH EQUIVALENTS</b>  |                    |           |                   |            |                     |             |
| Net increase (decrease) for the period  | 38,783             | 818       | 66,193            | 6,767      | 34,724              | (50,878)    |
| Balance, beginning of period  | 32,911             | 36,152    | 5,501             | 30,203     | 36,970              | 87,848      |
| Balance, end of period  | \$ 71,694          | \$ 36,970 | \$ 71,694         | \$ 36,970  | \$ 71,694           | \$ 36,970   |
| <b>SUPPLEMENTAL INFORMATION</b>   |                    |           |                   |            |                     |             |
| Cash payments for interest expense (1)  | \$ 30,170          | \$ 45,303 | \$ 84,099         | \$ 105,312 | \$ 117,643          | \$ 151,585  |
| Interest capitalized  | 151                | 426       | 1,006             | 1,769      | 1,756               | 2,101       |

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|                                |       |       |        |        |        |        |
|--------------------------------|-------|-------|--------|--------|--------|--------|
| Cash payments for income taxes | 7,099 | 6,741 | 11,417 | 16,109 | 15,501 | 18,766 |
|--------------------------------|-------|-------|--------|--------|--------|--------|

- (1) Cash payments for interest expense for the twelve months ended September 30, 2007 reflects thirteen months of interest payments. 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 SEPTEMBER 28, 2008 AND SEPTEMBER 30, 2007**

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 which are, in the opinion of management, necessary to fairly present the results of the interim periods covered in this report.

Due to the highly seasonal nature of the Partnership's amusement and water park operations, the results for any interim period may not be indicative of the results to be expected for the full fiscal year. Accordingly, the Partnership has elected to present financial information regarding operations and cash flows for the preceding fiscal twelve-month periods ended September 28, 2008 and September 30, 2007 to accompany the quarterly results. Because amounts for the fiscal twelve months ended September 28, 2008 include actual 2007 season operating results, they may not be indicative of 2008 full calendar year operations. Additionally, the fiscal three-month and twelve-month periods ended September 30, 2007 include an additional week compared to the fiscal three-month and twelve-month periods ended September 28, 2008.

**(1) Significant Accounting and Reporting Policies:**

The Partnership's unaudited condensed consolidated financial statements for the periods ended September 28, 2008 and September 30, 2007 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, 2007, which were included in the Form 10-K filed on February 29, 2008. 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. 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.

**(2) Interim Reporting:**

The Partnership owns and operates eleven amusement parks, six separately gated outdoor water parks, one indoor water park and five hotels. In order to more efficiently manage its properties, management has created regional designations for the parks. Parks in the Partnership's northern region include Cedar Point and the adjacent Soak City water park in Sandusky, Ohio; Kings Island near Cincinnati, Ohio; Canada's Wonderland in Toronto, Canada; Dorney Park & Wildwater Kingdom near Allentown, Pennsylvania; Valleyfair, near Minneapolis/St. Paul, Minnesota; Geauga Lake's Wildwater Kingdom near Cleveland, Ohio; and Michigan's Adventure near Muskegon, Michigan. In the southern region are Kings Dominion near Richmond, Virginia; Carowinds near Charlotte, North Carolina; and Worlds of Fun and Oceans of Fun in Kansas City, Missouri. The western region parks include Knott's Berry Farm, near Los Angeles in Buena Park, California; California's Great America located in Santa Clara, California; and three Knott's Soak City water parks located in California. The Partnership also owns and operates the Castaway Bay Indoor Waterpark Resort in Sandusky, Ohio and Star Trek: The Experience, an interactive adventure in Las Vegas, and it operates Gilroy Gardens Family Theme Park in Gilroy, California under a management contract. Star Trek: The Experience closed to the public on September 2, 2008, after management concluded it would not renew a contract scheduled to expire on December 31, 2008. The results of operations of Star Trek: The Experience are not material to the consolidated financial statements. 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.

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-day admission tickets are recognized over the estimated number of visits expected for each type of ticket and are adjusted periodically during the season, (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.

**(3) Derivative Financial Instruments:**

Derivative financial instruments are only used within our overall risk management program to manage certain interest rate and foreign currency risks from time to time. The Partnership does not use derivative financial instruments for trading purposes.



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During 2006, the Partnership entered into several interest rate swap agreements which effectively converted \$1.0 billion of its variable-rate debt to a fixed-rate of 7.6%. Cash flows related to these interest rate swap agreements are being included in interest expense over the term of the agreements, which are set to expire in August 2012. In January 2008, the Partnership entered into three interest rate swap agreements which effectively converted an additional \$300 million of its variable-rate debt to a fixed-rate of 4.7%. Cash flows related to these rate swap agreements are being included in interest expense over the term of the swap agreements, which are set to expire in July 2009. The Partnership has designated the 2006 and 2008 interest rate swap agreements and hedging relationships as cash flow hedges. The fair market value of these agreements at September 28, 2008 was recorded as a liability of \$57.7 million in Other Liabilities on the condensed consolidated balance sheet. No ineffectiveness was recorded in any period presented.

In February 2007, the Partnership terminated two cross-currency interest rate swap agreements, which were effectively converting \$268.7 million of term debt related to its wholly owned Canadian subsidiary from variable U.S. dollar denominated debt to fixed-rate Canadian dollar denominated debt. As a result of the termination of the swaps, the Partnership received \$3.9 million of cash. The swaps were hedging the functional-currency-equivalent cash flows of debt that was re-measured at spot exchange rates. Accordingly, gains were previously reclassified out of Accumulated Other Comprehensive Income (Loss) (AOCI) into earnings to offset the related FASB Statement (FAS) No. 52 transaction losses on the debt. This offset the value received on the terminated swaps and resulted in an overall deferred hedging loss in AOCI of \$7.1 million at the termination date, which is being amortized through August 2011 (the original hedge period and remaining term of the underlying debt).

The terminated swaps were replaced with two new cross-currency swap agreements, which effectively converted the variable U.S. dollar denominated debt, and the associated interest payments, to 6.3% fixed-rate Canadian dollar denominated debt. The Partnership designated the new cross currency swaps as foreign currency cash flow hedges. The fair market value of the cross-currency swaps was a liability of \$41.9 million at September 28, 2008, which was recorded in Other Liabilities on the condensed consolidated balance sheet. No ineffectiveness was recorded in any period presented.

The Partnership assesses the effectiveness of its interest rate swaps and cross-currency swaps as defined in FAS No. 133, Accounting for Derivative Instruments and Hedging Activities (FAS No. 133) on a quarterly basis. During the current quarter, the Partnership has considered the impact of the current credit crisis in the United States in assessing the risk of counterparty default. The Partnership believes that it is still likely that the counterparty for these swaps will continue to act throughout the contract period, and as a result, continues to deem the swaps as effective hedging instruments.

**(4) Contingencies:**

The Partnership is a party to a number of lawsuits arising in the normal course of business. In the opinion of management, these matters will not have a material effect in the aggregate on the Partnership's financial statements.

**(5) Earnings per Unit:**

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

|  | Three months ended                     |          | Nine months ended |          | Twelve months ended |           |
|--|--|----------|-------------------|----------|---------------------|-----------|
|  | 09/28/08                               | 09/30/07 | 09/28/08          | 09/30/07 | 09/28/08            | 09/30/07  |
|  | (In thousands except per unit amounts) |          |                   |          |                     |           |
| Basic weighted average units outstanding   | 55,058                                 | 54,220   | 55,193            | 54,188   | 55,190              | 54,161    |
| Effect of dilutive units:                  |  |          |                   |          |                     |           |
| Unit options                               | 112                                    | 631      | 352               | 629      | 417                 |           |
| Phantom units                              | 283                                    | 217      | 263               | 193      | 254                 |           |
| Diluted weighted average units outstanding | 55,453                                 | 55,068   | 55,808            | 55,010   | 55,861              | 54,161    |
| Net income (loss) per unit - basic         | \$ 1.66                                | \$ 1.00  | \$ 1.13           | \$ 0.08  | \$ 0.97             | \$ (0.47) |
| Net income (loss) per unit - diluted       | \$ 1.65                                | \$ 0.98  | \$ 1.12           | \$ 0.08  | \$ 0.96             | \$ (0.47) |

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The effect of unit options and phantom units for the three, nine and twelve months ended September 28, 2008, had they not been antidilutive, would have been 47,000, 95,000, and 113,000 units, respectively. The effect of unit options and phantom units for the three, nine and twelve months ended September 30, 2007, had they not been antidilutive, would have been 2,000, 4,000, and 836,000 units, respectively.

**Table of Contents****(6) Goodwill and Other Intangible Assets:**

As further described in Note 3 to the Consolidated Financial Statements for the year ended December 31, 2007, goodwill acquired during 2006 was the result of the completion of the acquisition of Paramount Parks, Inc. (PPI). In accordance with FAS No. 142, Goodwill and Other Intangible Assets, goodwill is not amortized, but is evaluated for impairment on an annual basis. During the second quarter of 2008, we completed our annual impairment test on goodwill and other non-amortizable intangibles related to PPI, which did not indicate any impairment. A summary of changes in the Partnership's carrying value of goodwill is as follows:

|                                   |                |
|-----------------------------------|----------------|
| <i>(In thousands)</i>             |                |
| Balance at December 31, 2007      | \$ 325,418     |
| Purchase accounting adjustments   | (412)          |
| Translation adjustment            | (3,707)        |
| <br>Balance at September 28, 2008 | <br>\$ 321,299 |

At September 28, 2008, the Partnership's other intangible assets consisted of the following:

|                                   |                        |                     |                       |
|-----------------------------------|------------------------|---------------------|-----------------------|
| <i>(In thousands)</i>             | <b>Gross</b>           | <b>Accumulated</b>  | <b>Net</b>            |
|                                   | <b>Carrying Amount</b> | <b>Amortization</b> | <b>Carrying Value</b> |
| <b>Other intangible assets:</b>   |                        |                     |                       |
| Trade names                       | \$ 53,446              | \$                  | \$ 53,446             |
| License / franchise agreements    | 13,738                 | 3,111               | 10,627                |
| Non-compete agreements            | 200                    | 90                  | 110                   |
| <br>Total other intangible assets | <br>\$ 67,384          | <br>\$ 3,201        | <br>\$ 64,183         |

Amortization expense of other intangible assets for both the nine months ended September 28, 2008 and September 30, 2007 was \$1.0 million. The estimated amortization expense for the remainder of 2008 is \$342,000. Estimated amortization expense for the next five years is \$1.4 million annually.

**(7) Income and Partnership Taxes:**

Under FAS No. 109, Accounting for Income Taxes, 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 year-to-date income (loss) of the Partnership's corporate subsidiaries. For 2008, the estimated annual effective rate includes the effect of an anticipated adjustment to the valuation allowance that relates to foreign tax credit carry-forwards arising from the corporate subsidiaries. The amount of this adjustment has a disproportionate impact on the annual effective tax rate that results in a significant variation in the customary relationship between the provision for taxes and income before taxes in interim periods. In addition to income taxes on its corporate subsidiaries, the Partnership pays 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 for taxes includes amounts for both the PTP tax and for income taxes on its corporate subsidiaries.

**(8) Fair Value Measurements:**

The Partnership adopted FAS No. 157 on January 1, 2008. FAS No. 157 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). The standard outlines a valuation framework and creates a fair value hierarchy in order to increase the consistency and comparability of fair value measurements and the related disclosures. Under GAAP, certain assets and liabilities must be measured at fair value, and FAS No. 157 details the disclosures that are required for items measured at fair value. Under FAS No. 159, entities are permitted to choose to measure many financial instruments and certain other items at fair value. The Partnership did not elect the fair value measurement option under FAS No. 159 for any of its financial

assets or liabilities.

In February 2008, the FASB issued two Staff Positions (FSPs) on FAS No. 157: FSP 157-1, Application of FASB Statement No. 157 to FASB Statement No. 13 and Other Accounting Pronouncements That Address Fair Value Measurements for Purposes of Lease Classification or Measurement Under Statement 13, and FSP 157-2, Effective Date of FASB Statement No. 157. FSP 157-1 excludes fair value measurements related to leases from the disclosure requirements of FAS No. 157. FSP 157-2 delays the effective date of FAS No. 157 for all non-recurring fair value measurements of nonfinancial assets and nonfinancial liabilities until fiscal years beginning after November 15, 2008. The Partnership is applying the deferral guidance of FSP 157-2, and accordingly, has not applied the non-recurring disclosure to nonfinancial assets or nonfinancial liabilities valued at fair value on a non-recurring basis.



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FAS 157 establishes a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined 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 liabilities measured at fair value as of September 28, 2008 on a recurring basis:

| <i>(In thousands)</i>          | <b>Total</b>     | <b>Level 1</b> | <b>Level 2</b>   | <b>Level 3</b> |
|--------------------------------|------------------|----------------|------------------|----------------|
| Interest rate swap agreements  | \$ 57,676        | \$             | \$ 57,676        | \$             |
| Cross-currency swap agreements | 41,850           |                | 41,850           |                |
| <b>Total <sup>(1)</sup></b>    | <b>\$ 99,526</b> | <b>\$</b>      | <b>\$ 99,526</b> | <b>\$</b>      |

(1) Included in Other Liabilities on the Condensed Consolidated Balance Sheet

Fair values of the interest rate and cross-currency swap agreements are provided by the counterparty. The significant inputs, including the LIBOR and foreign currency forward curves, used by the counterparty to determine fair values are considered Level 2 observable market inputs. The Partnership monitors the credit and nonperformance risk associated with our derivative counterparties and believes them to be insignificant and not warranting a credit adjustment at September 28, 2008.

**(9) Other New Accounting Pronouncements:**

**FASB Statement No. 161, Disclosures about Derivative Instruments and Hedging Activities-an amendment of FASB Statement No. 133** - In March 2008, the FASB issued FAS No. 161, Disclosures about Derivative Instruments and Hedging Activities-an amendment of FASB Statement No. 133. FAS No. 161 requires enhanced disclosure related to derivatives and hedging activities and thereby seeks to improve the transparency of financial reporting. Under FAS No. 161, entities are required to provide enhanced disclosures relating to: (a) how and why an entity uses derivative instruments; (b) how derivative instruments and related hedged items are accounted for under FAS No. 133, and its related interpretations; and (c) how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows. FAS No. 161 must be applied prospectively to all derivative instruments and non-derivative instruments that are designated and qualify as hedging instruments and related hedged items accounted for under FAS No. 133 for all financial statements issued for fiscal years and interim periods beginning after November 15, 2008, which for the Partnership begins with its 2009 fiscal year, with early application encouraged. The Partnership expects that FAS No. 161 will not have a material impact on its consolidated financial statements.

**FASB Statement No. 162, The Hierarchy of Generally Accepted Accounting Principles** - In May 2008, the FASB issued FAS No. 162 The Hierarchy of Generally Accepted Accounting Principles. FAS No. 162 identifies the sources of accounting principles and the framework for selecting the principles to be used in the preparation of financial statements of nongovernmental entities that are presented in conformity with generally accepted accounting principles in the United States. FAS No. 162 is effective sixty days following the SEC's approval of PCAOB amendments to AU Section 411, The Meaning of Present fairly in conformity with generally accepted accounting principles. The Partnership is currently evaluating the potential impact, if any, of the adoption of FAS No. 162 on its consolidated financial statements.



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**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 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.

In order to more efficiently manage our properties after the acquisition of Paramount Parks, Inc. (PPI) in 2006, we created regional designations for our parks. The northern region, which is the largest, includes Cedar Point and the adjacent Soak City water park, Kings Island, Canada's Wonderland, Dorney Park, Valleyfair, Geauga Lake's Wildwater Kingdom and Michigan's Adventure. The southern region includes Kings Dominion, Carowinds, Worlds of Fun and Oceans of Fun. Finally, our western region includes Knott's Berry Farm, California's Great America and the Soak City water parks located in Palm Springs, San Diego and adjacent to Knott's Berry Farm. This region also includes Star Trek: The Experience, an interactive adventure in Las Vegas, whose operations were closed on September 2, 2008, and the management contract with Gilroy Gardens Family Theme Park in Gilroy, California.

**Critical Accounting Policies:**

This 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. The following discussion addresses our critical accounting policies, which are those that are most important to the portrayal of our financial condition and operating results and involve a higher degree of judgment and complexity (see Note 2 to our Consolidated Financial Statements for the year ended December 31, 2007, as included in the Form 10-K filed on February 29, 2008, for a complete discussion of our significant accounting policies).

**Accounting for Business Combinations** Business combinations are accounted for under the purchase method of accounting. The amounts assigned to the identifiable assets acquired and liabilities assumed in connection with acquisitions are based on estimated fair values as of the date of the acquisition, with the remainder, if any, recorded as goodwill. The fair values are determined by management, taking into consideration information obtained during the due diligence process, valuations supplied by independent appraisal experts and other relevant information. The valuations are generally based upon future cash flow projections for the acquired assets, discounted to present value. The determination of fair values requires significant judgment both by management and outside experts engaged to assist in this process.

**Property and Equipment** Property and equipment are recorded at cost. Expenditures made to maintain such assets in their original operating condition are expensed as incurred, and improvements and upgrades are capitalized. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets. The composite method is used for the group of assets acquired as a whole in 1983, as well as for the groups of like assets of each subsequent business acquisition. The unit method is used for all individual assets purchased.

**Impairment of Long-Lived Assets** The carrying values of long-lived assets, including property and equipment, are reviewed whenever events or changes in circumstances indicate that the carrying values of the assets may not be recoverable. An impairment loss may be recognized when estimated undiscounted future cash flows expected to result from the use of the asset, including disposition, are less than the carrying value of the asset. The measurement of the impairment loss to be recognized is based on the difference between the fair value and the carrying amounts of the assets. Fair value is generally determined based on a discounted cash flow analysis. 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.

The determination of both undiscounted and discounted cash flows requires management to make significant estimates and consider an anticipated course of action as of the balance sheet date. Subsequent changes in estimated undiscounted and discounted cash flows arising from changes in anticipated actions could impact the determination of whether impairment exists, the amount of the impairment charge recorded and whether the effects could materially impact the consolidated financial statements.

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**Self-Insurance Reserves** Reserves are recorded for the estimated amounts of guest and employee claims and expenses incurred each period that are not covered by insurance. Reserves are established for both identified claims and incurred but not reported (IBNR) claims. Such amounts are accrued for when claim amounts become probable and estimable. Reserves for identified claims are based upon our own historical claims experience and third-party estimates of settlement costs. Reserves for IBNR claims, which are not material to our consolidated financial statements, are based upon our own claims data history, as well as industry averages. All reserves are periodically reviewed for changes in facts and circumstances and adjustments are made as necessary.

**Revenue Recognition** Revenues on multi-day admission tickets are recognized over the estimated number of visits expected for each type of ticket, and are adjusted periodically during the season. All other revenues are recognized on a daily basis based on actual guest spending at our facilities, or over the park operating season in the case of certain marina dockage revenues and certain sponsorship revenues.

**Derivative Financial Instruments** Derivative financial instruments are only used within our overall risk management program to manage certain interest rate and foreign currency risks from time to time. We do not use derivative financial instruments for trading purposes.

The use of derivative financial instruments is accounted for according to FAS No. 133, Accounting for Derivative Instruments and Hedging Activities and related amendments. 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. Derivative financial instruments used in hedging transactions are assessed both at inception and quarterly thereafter to ensure they are effective in offsetting changes in the cash flows of the related underlying exposures.

**Adjusted EBITDA:**

We believe that adjusted EBITDA (earnings before interest, taxes, depreciation, and other non-cash items) 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 (loss) for the three, nine and twelve-month periods ended September 28, 2008 and September 30, 2007.

|   | Three months ended     |            | Nine months ended |            | Twelve months ended |             |
|---|------------------------|------------|-------------------|------------|---------------------|-------------|
|   | 9/28/08                | 9/30/07    | 9/28/08           | 9/30/07    | 9/28/08             | 9/30/07     |
|   | (13                    | (14        | (39               | (39        | (52                 | (53         |
|   | weeks)                 | weeks)     | weeks)            | weeks)     | weeks)              | weeks)      |
|   | <i>(In thousands )</i> |            |                   |            |                     |             |
| Net income (loss)                               | \$ 91,549              | \$ 54,132  | \$ 62,455         | \$ 4,538   | \$ 53,426           | \$ (25,444) |
| Provision for taxes                             | 91,614                 | 87,992     | 52,143            | 56,966     | 9,406               | 46,983      |
| Interest expense                                | 31,849                 | 41,036     | 98,912            | 110,634    | 133,588             | 149,583     |
| Depreciation and amortization                   | 60,986                 | 67,204     | 111,258           | 117,175    | 124,706             | 129,874     |
| Equity-based compensation                       | 181                    | 38         | 639               | 401        | 814                 | 562         |
| Loss on impairment / retirement of fixed assets | 6,125                  | 39,218     | 9,390             | 39,218     | 25,070              | 39,218      |
| Other (income) expense, net                     | 240                    | 1,768      | (208)             | 2,067      | (3,010)             | 1,200       |
| Adjusted EBITDA                                 | \$ 282,544             | \$ 291,388 | \$ 334,589        | \$ 330,999 | \$ 344,000          | \$ 341,976  |

**Table of Contents****Results of Operations:**

Our results of operations for the three and twelve-month periods ended September 28, 2008 and September 30, 2007 are not directly comparable as the 2007 periods include an additional seven days due to the timing of the fiscal quarter closes. In addition, reported results are impacted by the restructuring of our Geauga Lake property from a combined amusement park and water park to a stand-alone water park beginning with the 2008 season. Since material differences in our statements of operations are largely due to the additional days in the 2007 fiscal periods, as well as the impact of the Geauga Lake restructuring, we will also discuss operating results on a comparable-period and same-park basis.

**Nine Months Ended September 28, 2008**

The following table presents key financial information for the nine months ended September 28, 2008 and September 30, 2007:

|   | Nine Months ended  |  | Increase (Decrease) |        |
|---|--|--|---------------------|--------|
|   | 9/28/08<br>(39<br>weeks)                                 | Nine months ended<br>9/30/07<br>(39 weeks) | \$                  | %      |
|   | <i>(Amounts in thousands except per capita spending)</i> |  |                     |        |
| Attendance                                    | 20,006   | 19,604                                     | 402                 | 2.1    |
| Per capita spending                           | \$ 40.28   | \$ 40.62                                   | \$ (0.34)           | (0.8)  |
| Out-of-park revenues                          | \$ 93,976  | \$ 94,127                                  | \$ (151)            | (0.2)  |
| Net revenues                                  | \$ 876,958   | \$ 871,526                                 | \$ 5,432            | 0.6    |
| Cash operating costs and expenses             | 542,369  | 540,527                                    | 1,842               | 0.3    |
| Adjusted EBITDA                               | 334,589  | 330,999                                    | 3,590               | 1.1    |
| Depreciation and amortization                 | 111,258  | 117,175                                    | (5,917)             | (5.0)  |
| Equity-based compensation                     | 639  | 401  | 238                 | 59.4   |
| Loss on impairment/retirement of fixed assets | 9,390  | 39,218                                     | (29,828)            | (76.1) |
| Operating income                              | \$ 213,302   | \$ 174,205                                 | \$ 39,097           | 22.4   |

On the strength of strong July and August results, net revenues for the nine months ended September 28, 2008 increased 1%, or \$5.5 million, to \$877.0 million from \$871.5 million during the first nine months ended September 30, 2007. The increase in revenues reflects a 2%, or 402,000-visit, increase in attendance and a less than 1%, or \$0.34, decrease in average in-park per capita spending. In-park guest per capita spending represents the amount spent per attendee to gain admission to a park plus all amounts spent while inside the park gates. The decrease in average in-park guest per capita spending is primarily due to a fundamental shift in the attendance mix in our southern region. Through the first nine months of 2008, we've seen a shift toward season-pass admissions, which have historically had a lower per-capita level associated with them. The decrease in per capita spending in the southern region was somewhat offset by per capita growth in our western region, while our northern region per capita spending was flat compared to 2007. Over this same period, out-of-park revenues, which represent the sale of hotel rooms, food, merchandise and other complementary activities located outside of the park gates, decreased less than 1%, or \$151,000 between years.

Excluding depreciation, amortization and other non-cash expenses, operating costs and expenses increased less than 1%, or \$1.8 million, to \$542.4 million for the period ended September 28, 2008 versus \$540.5 million for the same period in 2007. After depreciation, amortization, a \$9.4 million charge for impairment related to the sale of fixed assets at Geauga Lake (\$3.3 million) and losses on fixed asset retirements during the period (\$6.1 million), and all other non-cash costs, the operating profit for the period increased \$39.1 million to \$213.3 million in 2008 compared with \$174.2 million in 2007. The increase in operating income is primarily due to the restructuring of Geauga Lake. In the third quarter of 2007, we recorded a non-cash impairment charge of \$39.2 million at Geauga Lake, and in 2008, we recorded less depreciation due to the restructuring of this property.

Interest expense for the nine months ended September 28, 2008 decreased \$11.7 million to \$98.9 million, due to lower interest rates on our variable-rate debt and our ability to fix \$300 million of term debt at a favorable rate through an interest rate swap agreement entered into during the first quarter of 2008, coupled with a lower average daily balance on our revolving credit facilities compared with 2007.

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During the first nine months of the year, a provision for taxes of \$52.1 million was recorded to account for the tax attributes of our corporate subsidiaries and publicly traded partnership ( PTP ) taxes. This compares with a \$57.0 million provision for taxes for

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the same fiscal nine-month period in 2007. To determine the interim period income tax provision (benefit) of our corporate subsidiaries, we apply an estimated annual effective tax rate to our year-to-date income (loss). The 2008 estimated annual effective tax rate includes the effect of an anticipated adjustment to the valuation allowance that relates to foreign tax credit carry-forwards arising from our corporate subsidiaries. The amount of this adjustment has a disproportionate impact on our annual effective tax rate that results in a significant variation in the customary relationship between the provision for taxes and income before taxes in interim periods. Cash taxes paid or payable are not impacted by these interim tax provisions and are estimated to be \$17-\$20 million for the 2008 calendar year.

After interest expense and the provision for taxes, net income for the nine months ended September 28, 2008 totaled \$62.5 million, or \$1.12 per diluted limited partner unit, compared with net income of \$4.5 million, or \$0.08 per unit, for the same period a year ago.

It is important to note that the 2008 operating results were impacted by the restructuring of Geauga Lake. Comparing 2008 and 2007 through the first full nine months of the year on a same-park (excluding Geauga Lake) basis, total revenues would be up 3% on a 4% increase in attendance, a 1% increase in out-of-park revenues, and a less than 1% decrease in average in-park guest per capita spending.

For the nine-month period, adjusted EBITDA increased \$3.6 million, or 1%, to \$334.6 million compared with \$331.0 million during the same period a year ago. Over this period, EBITDA margins improved by 20 basis points to 38.2% in 2008 from 38.0% in 2007.

**Third Quarter**

The fiscal three-month period ended September 28, 2008, consisted of a 13-week period and included a total of 1,255 operating days, compared with 14 weeks and 1,421 operating days for the fiscal three-month period ended September 30, 2007.

The following table presents key financial information for the three months ended September 28, 2008 and September 30, 2007:

|   | Three months ended                                       |   | Increase (Decrease) |        |
|---|--|---|---------------------|--------|
|   | 9/28/08<br>(13<br>weeks)                                 | Three months ended<br>9/30/07<br>(14 weeks) | \$                  | %      |
|   | <i>(Amounts in thousands except per capita spending)</i> |   |                     |        |
| Attendance                                      | 12,434   | 12,875                                      | (441)               | (3.4)  |
| Per capita spending                             | \$ 40.18   | \$ 40.46                                    | \$ (0.27)           | (0.7)  |
| Out-of-park revenues                            | \$ 53,500  | \$ 56,317                                   | \$ (2,817)          | (5.0)  |
| Net revenues                                    | \$ 540,322   | \$ 567,513                                  | \$ (27,191)         | (4.8)  |
| Cash operating costs and expenses               | 257,778  | 276,125                                     | (18,347)            | (6.6)  |
| Adjusted EBITDA                                 | 282,544  | 291,388                                     | (8,844)             | (3.0)  |
| Depreciation and amortization                   | 60,986   | 67,204                                      | (6,218)             | (9.3)  |
| Equity-based compensation                       | 181  | 38  | 143                 | 376.3  |
| Loss on impairment / retirement of fixed assets | 6,125  | 39,218                                      | (33,093)            | (84.4) |
| Operating income                                | \$ 215,252   | \$ 184,928                                  | \$ 30,324           | 16.4   |

For the quarter ended September 28, 2008, which included 166, or 12%, fewer operating days than the quarter ended September 30, 2007, net revenues decreased 5%, or \$27.2 million, to \$540.3 million from \$567.5 million in 2007. This decrease reflects a 3%, or 441,000-visit, decrease in attendance, a 5%, or \$2.8 million, decrease in out-of-park revenues, and a slight decrease of in-park per capita spending. The decreases in attendance and out-of park revenues were due to the fewer operating days in the current fiscal quarter.

Excluding depreciation, amortization and other non-cash expenses, operating costs and expenses for the quarter decreased 7% to \$257.8 million from \$276.1 million in 2007 due to fewer operating days in 2008. After depreciation, amortization, a \$6.1 million loss on fixed asset retirements, and other non-cash costs, operating income for the quarter totaled \$215.2 million, up \$30.3 million from \$184.9 million for the third quarter of 2007. As mentioned in the nine-month discussion above, the increase in operating income is primarily due to the restructuring of Geauga Lake, offset somewhat by the number of operating days in the 2008 fiscal quarter. In 2007, we recorded a non-cash impairment charge of \$39.2 million at Geauga Lake, and in 2008, we recorded less depreciation due to the restructuring of this property in the prior year.





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Interest expense for the third quarter in 2008 compared to the same period in 2007 decreased \$9.2 million to \$31.8 million. The decrease in interest expense is primarily attributable to a combination of lower interest rates on our variable-rate debt, the new interest rate swaps that were entered into during the first quarter of 2008, a lower average daily balance on our revolving credit facilities during the third quarter of 2008 versus the third quarter of 2007, and the fewer days in 2008.

During the quarter, a provision for taxes of \$91.6 million was recorded to account for the tax attributes of our corporate subsidiaries and PTP taxes, compared to a provision for taxes of \$88.0 million in the same period a year ago. After interest expense and the provision/credit for taxes, the net income for the period totaled \$91.5 million, or \$1.65 per diluted limited partner unit, compared with net income of \$54.1 million, or \$0.98 per unit, a year ago.

For the quarter, adjusted EBITDA decreased 3% to \$282.5 million from \$291.4 million a year ago. The \$8.9 million decrease was primarily attributable to fewer operating days in the third quarter of 2008.

As mentioned above, it is important to note that the third quarter of 2008 included one less week of operations due to the timing of the 2007 second quarter fiscal close. In addition, attendance and net revenues were impacted by the restructuring of the Geauga Lake property. Comparing the third quarter of 2008 and 2007 on a same-park basis (excluding Geauga Lake) and a comparable operating week basis, revenues would be up 6%, the result of strong operating results in July and August, particularly at several parks in our northern region. The increase in revenues resulted from a 7% increase in attendance, a 5% increase in out-of-park revenues, and a 1% decrease in average in-park guest per capita spending during this time.

**Twelve Months Ended September 28, 2008.**

The twelve months ended September 28, 2008 includes one fewer week when compared to the twelve months ended September 30, 2007. During this additional week, our seasonal amusement parks were open weekends only, while our year-round park, Knott's Berry Farm, was in operation for the full week. For ease of comparison, we will also briefly discuss the impact the additional week had on operating results for the twelve months ended September 28, 2008.

The following table presents key financial information for the twelve months ended September 28, 2008 and September 30, 2007:

|   | Twelve months ended                                      |  | Increase (Decrease) |        |
|---|--|--|---------------------|--------|
|   | 9/28/08<br>(52<br>weeks)                                 | Twelve months ended<br>9/30/07<br>(53 weeks) | \$                  | %      |
|   | <i>(Amounts in thousands except per capita spending)</i> |  |                     |        |
| Attendance                                      | 22,515   | 22,282                                       | 233                 | 1.0    |
| Per capita spending                             | \$ 40.30   | \$ 40.41                                     | \$ (0.11)           | (0.3)  |
| Out-of-park revenues                            | \$ 110,246   | \$ 110,339                                   | \$ (93)             | (0.1)  |
| Net revenues                                    | \$ 992,405   | \$ 991,392                                   | \$ 1,013            | 0.1    |
| Cash operating costs and expenses               | 648,405  | 649,416                                      | (1,011)             | (0.2)  |
| Adjusted EBITDA                                 | 344,000  | 341,976                                      | 2,024               | 0.6    |
| Depreciation and amortization                   | 124,706  | 129,874                                      | (5,168)             | (4.0)  |
| Equity-based compensation                       | 814  | 562  | 252                 | 44.8   |
| Loss on impairment / retirement of fixed assets | 25,070   | 39,218                                       | (14,148)            | (36.1) |
| Operating income                                | \$ 193,410   | \$ 172,322                                   | \$ 21,088           | 12.2   |

Net revenues for the twelve months ended September 28, 2008, were \$992.4 million compared with \$991.4 million for the twelve months ended September 30, 2007. The increase in net revenues reflects a 1%, or 233,000-visit, increase in attendance, essentially flat out-of-park revenues, including our resort hotels, and a less than 1% decrease in average in-park guest per capita spending.

For the twelve-month period, operating costs and expenses, before depreciation, amortization and other non-cash costs, decreased less than 1%, or \$1.0 million, to \$648.4 million from \$649.4 million for the same period a year ago. For the twelve months ended September 28, 2008, we

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recognized losses of \$19.0 million on non-cash impairment charges at Geauga Lake and \$6.1 million on retirements of fixed assets. After these losses, depreciation, amortization and other non-cash expenses, operating income for period totaled \$193.4 million compared to operating income of \$172.3 million a year ago, representing a 12% year-over-year improvement on fewer operating days.

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Interest expense for the twelve months ended September 28, 2008 decreased \$16.0 million to \$133.6 million compared with \$149.6 million for the same period in 2007. The decrease in interest expense is attributable to a combination of lower interest rates on our variable-rate debt, the new interest rate swaps that were entered into during the first quarter of 2008, a lower average daily balance on our revolving credit facilities during the twelve-month period ending September 28, 2008 versus the twelve-month period ending September 30, 2007, and the fewer days in the 2008 fiscal period. During the period, we recorded a provision for taxes of \$9.4 million to account for the tax attributes of our corporate subsidiaries and PTP taxes, which compares with a provision for taxes of \$47.0 million a year ago.

After interest expense, other expense and provision for taxes, net income for the twelve months ended September 28, 2008 was \$53.4 million, or \$0.96 per diluted limited partner unit, compared with a net loss of \$25.4 million, or \$0.47 per diluted limited partner unit, for the twelve months ended September 30, 2007.

For the twelve-month period, adjusted EBITDA totaled \$344.0 million in 2008 (a 52-week period), representing approximately a 1%, or \$2.0 million, increase from \$342.0 million over the same period in 2007 (a 53-week period). The 2008 twelve months ended EBITDA also compares favorably to the 2007 calendar-year EBITDA of \$340.7 million as reported in our Form 10-K.

Consistent with the third-quarter discussion above, the twelve-month period ended September 28, 2008 includes one less week of operations than the same period a year ago due to the timing of the fiscal quarter closes. In addition, attendance and net revenues were impacted by the restructuring of the Geauga Lake property. Comparing the twelve-month periods of 2008 and 2007 on a same-park basis (excluding Geauga Lake) and a comparable operating week basis, revenues would be up 4% on a 5% increase in attendance and a less than 1% decrease in guest per capita spending. The increase in attendance and revenues in 2008 was driven by the strong performance of several of the key parks in our northern region in July and August.

**October 2008**

Overall, results of operations have remained strong during most of the month of October, as our fall promotions continue to gain in popularity with our guests. New attractions, including the introduction of the full Haunt event at Dorney Park, Valleyfair and California's Great America, along with moderate but favorable weather conditions at the majority of our parks, resulted in a \$2.6 million, or 3%, increase in revenues for the month of October. This increase was a result of an 11% increase, or 205,000 visits, in attendance, partially offset by a 6% decrease in average in-park per capita spending and a 5% decrease, or \$392,000, in out-of-park revenues.

Combined revenues through the end of October totaled \$991.4 million. During this same period the parks entertained 22.1 million visitors, average in-park per capita spending totaled \$40.15, while our out-of-park revenues, including resort hotels, totaled \$101.9 million. Excluding Geauga Lake, revenues through the end of October would have increased 3%, or \$28.3 million, to \$988.5 million. The increase in revenues is attributable to an increase of 5%, or 1.1 million visits, in attendance, a less than 1% increase in out-of-park revenues, and a 1% decrease in average in-park per capita spending to \$40.28.

**Liquidity and Capital Resources:**

We ended the third quarter of 2008 in sound financial condition in terms of both liquidity and cash flow. The negative working capital ratio (current liabilities divided by current assets) of 1.4 at September 28, 2008 is the result of our seasonal business and careful management of cash flow to reduce borrowings. Receivables and inventories are at normal seasonal levels and credit facilities are in place to fund current liabilities.

At the end of the quarter, we had \$1.71 billion of variable-rate term debt and no outstanding borrowings under our revolving credit facilities. Of our total term debt, \$17.5 million is scheduled to mature within the next twelve months.

In 2006, we entered into several interest rate swap agreements which effectively convert \$1.0 billion of our variable-rate debt to a fixed rate of 7.6%. In January 2008, we entered into several additional interest rate swap agreements which effectively converted another \$300.0 million of our variable-rate debt to a fixed rate of 4.7%.

In 2007, we terminated two cross-currency swaps, which were effectively converting variable-rate debt related to our wholly owned Canadian subsidiary to fixed-rate debt, and received \$3.9 million in cash upon termination. We replaced these swaps with two new cross-currency swap agreements, which effectively converted \$268.7 million of term debt, and the associated interest payments, from U.S. dollar denominated debt at a rate of LIBOR plus 200 bps to 6.3% fixed-rate Canadian dollar denominated debt.



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We entered into these various swap arrangements as a means of reducing the risk associated with volatility in interest rates in order to keep our cash interest costs predictable. Although the fair market value of these instruments is recorded as a liability of \$99.5 million in Other Liabilities on the September 28, 2008 condensed consolidated balance sheet with the offset reducing Partners' Equity, this is expected to reverse over time as the swaps approach their maturity dates and continue to serve their purpose of leveling cash interest costs.

Credit facilities and cash flows from operations are expected to be sufficient to meet working capital needs, debt service and planned capital expenditures for the foreseeable future. Our cash flows from operations are also expected to be sufficient to meet regular quarterly cash distributions; however, our ability to maintain and increase our distribution payments is also governed by specific requirements of our credit agreement. Although we expect to meet these requirements, a downturn in business could have the effect of limiting or suspending distribution payments in the future.

### **Off Balance Sheet Arrangements:**

We have no 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 and Exchange Act of 1933 and Section 21E of the Securities and 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 Partnership's Form 10-K as well as this 10-Q, 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 interest rate swaps, which fix a portion of our variable-rate long-term debt, and variable-rate borrowings under our revolving credit loans. We mitigate a portion of our foreign currency exposure from the Canadian dollar through the use of foreign-currency denominated debt. Hedging of the U.S. dollar denominated debt, used to fund a substantial portion of our net investment in our Canadian operations, is accomplished through the use of cross currency swaps. Any gain or loss on the hedging instrument offsets the gain or loss on the underlying debt. Translation exposures with regard to our Canadian operations are not hedged.

After considering the impact of interest rate swap agreements, at September 28, 2008, approximately \$1.57 billion of our outstanding long-term debt represented fixed-rate debt and approximately \$141 million represented variable-rate debt. In addition, any borrowings under our revolving credit facilities represent variable-rate debt. A hypothetical one percentage point increase in the applicable interest rates on our variable-rate debt would increase annual interest expense by approximately \$2.4 million as of September 28, 2008.

A uniform 1% strengthening of the U.S. dollar relative to the Canadian dollar would result in an approximate \$400,000 decrease in reported annual operating income (\$600,000 in annual adjusted EBITDA).

## **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

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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

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timely decisions regarding required disclosure. As of September 28, 2008, the Partnership has evaluated the effectiveness of the design and operation of its disclosure controls and procedures under supervision of management, including the Partnership's Chief Executive Officer and Chief Financial Officer. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Partnership's disclosure controls and procedures are effective.

**(b) Changes in Internal Control Over Financial Reporting -**

There were no significant changes in the Partnership's internal controls over financial reporting in connection with its 2008 third quarter evaluation, or subsequent to such evaluation, that have materially affected, or are reasonably likely to materially affect, the Partnership's internal control over financial reporting.

**PART II - OTHER INFORMATION**

**ITEM 1A. RISK FACTORS**

There have been no material changes to the risk factors previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2007 and our Quarterly Report on Form 10-Q for the quarter ended June 29, 2008.

**ITEM 6. EXHIBITS**

- |                |   |
|----------------|---|
| 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 (32.1) | Certifications Pursuant to 18 U.S.C. 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |

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**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: November 7, 2008

/s/ Peter J. Crage  
Peter J. Crage  
Corporate Vice President - Finance  
(Chief Financial Officer)

/s/ Brian C. Witherow  
Brian C. Witherow  
Vice President and Corporate Controller  
(Chief Accounting Officer)



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**INDEX TO EXHIBITS**

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