CEDAR FAIR L P
Form 10-Q
August 10, 2012
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q
(Mark One)

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

For the quarterly period ended July 1, 2012
OR

o 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 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 x No o
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 x No o
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer x	Accelerated filer o
Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

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

Title of Class	Units Outstanding As Of August 1, 2012
Units Representing Limited Partner Interests	55,517,403

Table of Contents

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

Part I - Financial Information

Item 1.	Financial Statements	3-32
Item 2.	Management’s Discussion and Analysis of Financial Condition and Results of Operations	33-43
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	44
Item 4.	Controls and Procedures	44

Part II - Other Information

Item 1.	Legal Proceedings	45
Item 1A.	Risk Factors	45
Item 5.	Other Information	45
Item 6.	Exhibits	46
Signatures		47
Index to Exhibits		48

Table of Contents

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

CEDAR FAIR, L.P.
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands)

	7/1/2012	12/31/2011	6/26/2011
ASSETS			
Current Assets:			
Cash and cash equivalents	$35,929	$35,524	$35,679
Receivables	42,953	7,611	27,436
Inventories	51,236	33,069	52,264
Current deferred tax asset	10,345	10,345	12,867
Prepaid advertising	16,250	812	5,811
Income tax refundable	10,083	—	—
Other current assets	9,339	11,154	8,077
	176,135	98,515	142,134
Property and Equipment:			
Land	312,460	312,859	310,557
Land improvements	349,709	333,423	335,696
Buildings	580,702	579,136	577,069
Rides and equipment	1,492,902	1,423,370	1,443,907
Construction in progress	5,490	33,892	10,115
	2,741,263	2,682,680	2,677,344
Less accumulated depreciation	(1,111,530)	(1,063,188)	(1,010,392)
	1,629,733	1,619,492	1,666,952
Goodwill	243,239	243,490	247,500
Other Intangibles, net	40,249	40,273	40,819
Other Assets	52,542	54,188	58,906
	$2,141,898	$2,055,958	$2,156,311
LIABILITIES AND PARTNERS’ EQUITY			
Current Liabilities:			
Current maturities of long-term debt	$—	$15,921	$11,800
Accounts payable	38,292	12,856	43,240
Deferred revenue	108,467	29,594	95,734
Accrued interest	16,029	15,762	23,870
Accrued taxes	10,740	16,008	6,703
Accrued salaries, wages and benefits	37,709	33,388	28,379
Self-insurance reserves	23,198	21,243	21,947
Current derivative liability	—	50,772	77,573
Other accrued liabilities	8,652	7,899	12,061
	243,087	203,443	321,307
Deferred Tax Liability	137,288	133,767	128,203
Derivative Liability	35,146	32,400	16,750
Other Liabilities	7,121	4,090	3,963
Long-Term Debt:			
Revolving credit loans	111,000	—	85,000
Term debt	1,140,100	1,140,179	1,165,250

Notes	400,647	400,279	399,756
	1,651,747	1,540,458	1,650,006
Commitments and Contingencies (Note 10)			
Partners' Equity:			
Special L.P. interests	5,290	5,290	5,290
General partner	—	—	(2)
Limited partners, 55,517, 55,346 and 55,346 units outstanding at July 1, 2012, December 31, 2011 and June 26, 2011, respectively	93,946	165,518	59,400
Accumulated other comprehensive loss	(31,727)	(29,008)	(28,606)
	67,509	141,800	36,082
	$2,141,898	$2,055,958	$2,156,311

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

Table of Contents

CEDAR FAIR, L.P.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)
(In thousands, except per unit amounts)

	Three months ended		Six months ended		Twelve months ended	
	7/1/2012	6/26/2011	7/1/2012	6/26/2011	7/1/2012	6/26/2011
Net revenues:						
Admissions	$201,866	$160,619	$213,536	$171,231	$638,347	$572,522
Food, merchandise and games	121,335	103,989	133,867	115,771	367,532	340,365
Accommodations and other	34,405	19,882	38,401	24,357	97,038	73,161
	357,606	284,490	385,804	311,359	1,102,917	986,048
Costs and expenses:						
Cost of food, merchandise and games revenues	32,486	27,111	36,573	31,223	97,407	87,611
Operating expenses	146,236	124,978	217,521	190,106	458,266	417,817
Selling, general and administrative	44,511	37,233	62,495	58,148	144,773	129,657
Depreciation and amortization	48,330	43,385	52,409	47,409	130,837	127,508
Loss on impairment of goodwill and other intangibles	—	—	—	—	—	903
(Gain) loss on impairment / retirement of fixed assets, net	(862)	—	(770)	196	1,599	62,948
	270,701	232,707	368,228	327,082	832,882	826,444
Operating income (loss)	86,905	51,783	17,576	(15,723)	270,035	159,604
Interest expense	30,236	42,185	57,039	83,297	130,927	171,183
Net effect of swaps	(173)	(1,432)	(1,143)	455	(14,717)	9,040
Loss on early debt extinguishment	—	—	—	—	—	35,289
Unrealized/realized foreign currency (gain) loss	9,301	3,043	1,109	(3,845)	14,863	(24,404)
Other (income) expense	(2)	177	(18)	1,085	(305)	(31)
Income (loss) before taxes	47,543	7,810	(39,411)	(96,715)	139,267	(31,473)
Provision (benefit) for taxes	11,221	3,528	(10,318)	(16,071)	16,970	37,418
Net income (loss)	36,322	4,282	(29,093)	(80,644)	122,297	(68,891)
Net income (loss) allocated to general partner	1	—	—	(1)	2	(1)
Net income (loss) allocated to limited partners	$36,321	$4,282	$(29,093)	$(80,643)	$122,295	$(68,890)
Net income (loss)	$36,322	$4,282	$(29,093)	$(80,644)	$122,297	$(68,891)
Other comprehensive income (loss), (net of tax):						
Cumulative foreign currency translation adjustment	481	798	(688)	(488)	733	(7,567)
Unrealized income (loss) on cash flow hedging derivatives	(2,370)	(6,474)	(2,031)	5,590	(3,854)	40,528
Other comprehensive income (loss), (net of tax)	(1,889)	(5,676)	(2,719)	5,102	(3,121)	32,961
Total comprehensive income (loss)	$34,433	$(1,394)	$(31,812)	$(75,542)	$119,176	$(35,930)
Basic earnings per limited partner unit:						
	55,481	55,346	55,433	55,341	55,389	55,338

Weighted average limited partner units outstanding												
Net income (loss) per limited partner unit	$0.65		$0.08		$(0.52	)	$(1.46	)	$2.21		$(1.24	)
Diluted earnings per limited partner unit:												
Weighted average limited partner units outstanding	55,818		55,825		55,433		55,341		55,844		55,338	
Net income (loss) per limited partner unit	$0.65		$0.08		$(0.52	)	$(1.46	)	$2.19		$(1.24	)

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 SIX MONTHS ENDED JULY 1, 2012
(In thousands)

	Six months ended 7/1/12
Limited Partnership Units Outstanding	
Beginning balance	55,346
Limited partnership unit options exercised	13
Issuance of limited partnership units as compensation	158
	55,517
Limited Partners' Equity	
Beginning balance	$165,518
Net loss	(29,093)
Partnership distribution declared ($0.80 per limited partnership unit)	(44,358)
Expense recognized for limited partnership unit options	157
Tax effect of units involved in option exercises and treasury unit transactions	(438)
Issuance of limited partnership units as compensation	2,160
	93,946
General Partner's Equity	
Beginning balance	—
Net loss	—
	—
Special L.P. Interests	5,290
Accumulated Other Comprehensive Income (Loss)	
Cumulative foreign currency translation adjustment:	
Beginning balance	(3,120)
Current period activity, net of tax $395	(688)
	(3,808)
Unrealized loss on cash flow hedging derivatives:	
Beginning balance	(25,888)
Current period activity, net of tax $156	(2,031)
	(27,919)
	(31,727)
Total Partners' Equity	$67,509

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

Table of Contents

CEDAR FAIR, L.P.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Six months ended		Twelve months ended	
	7/1/2012	6/26/2011	7/1/2012	6/26/2011
CASH FLOWS FROM (FOR) OPERATING ACTIVITIES				
Net income (loss)	$(29,093)	(80,644)	$122,297	$(68,891)
Adjustments to reconcile net income (loss) to net cash from (for) operating activities:				
Depreciation and amortization	52,409	47,409	130,837	127,508
Loss on early extinguishment of debt	—	—	—	35,289
Loss on impairment of goodwill and other intangibles	—	—	—	903
(Gain) loss on impairment / retirement of fixed assets, net	(770)	196	1,599	62,948
Net effect of swaps	(1,143)	455	(14,717)	9,040
Non-cash (income) expense	8,810	626	31,513	(15,118)
Net change in working capital	30,399	71,694	(26,135)	82,747
Net change in other assets/liabilities	3,993	(13,873)	11,521	(24,804)
Net cash from operating activities	64,605	25,863	256,915	209,622
CASH FLOWS FROM (FOR) INVESTING ACTIVITIES				
Sale of other assets	1,173	—	1,173	—
Capital expenditures	(64,880)	(51,685)	(103,385)	(70,130)
Net cash for investing activities	(63,707)	(51,685)	(102,212)	(70,130)
CASH FLOWS FROM (FOR) FINANCING ACTIVITIES				
Net borrowings (payments) on revolving credit loans	111,000	61,800	26,000	(112,000)
Term debt borrowings	—	22,938	—	1,197,938
Note borrowings	—	—	—	399,383
Derivative settlement	(50,450)	—	(50,450)	—
Term debt payments, including early termination penalties	(16,000)	(2,950)	(36,950)	(1,525,954)
Distributions paid to partners	(44,358)	(9,962)	(89,742)	(23,796)
Exercise of limited partnership unit options	47	—	53	7
Payment of debt issuance costs	—	(20,488)	(723)	(63,754)
Excess tax benefit from unit-based compensation expense	(438)	—	(438)	—
Net cash from (for) financing activities	(199)	51,338	(152,250)	(128,176)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(294)	398	(2,203)	433
CASH AND CASH EQUIVALENTS				
Net increase for the period	405	25,914	250	11,749
Balance, beginning of period	35,524	9,765	35,679	23,930
Balance, end of period	$35,929	$35,679	$35,929	$35,679
SUPPLEMENTAL INFORMATION				
Cash payments for interest expense	$52,617	$76,252	$129,692	$149,749
Interest capitalized	1,826	794	2,867	993
Cash payments for income taxes	2,204	1,030	7,309	10,567

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

Table of Contents

CEDAR FAIR, L.P.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIODS ENDED JULY 1, 2012 AND JUNE 26, 2011

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 are not 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 July 1, 2012 and June 26, 2011 to accompany the quarterly results. Because amounts for the fiscal twelve months ended July 1, 2012 include actual 2011 season operating results, they may not be indicative of 2012 full calendar year operations. Additionally, the three, six and twelve month fiscal periods for 2012 include an additional week of operations compared with the three, six and twelve month periods for 2011.

(1) Significant Accounting and Reporting Policies:

The Partnership's unaudited condensed consolidated financial statements for the periods ended July 1, 2012 and June 26, 2011 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, 2011, which were included in the Form 10-K filed on February 29, 2012. 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.

(2) Interim Reporting:

The Partnership owns and operates eleven amusement parks, six separately gated outdoor water parks, one indoor water park and five hotels. Virtually all of the Partnership's revenues from its seasonal amusement parks, as well as its outdoor water parks and other seasonal resort facilities, are realized during a 130- to 140-day operating period beginning in early May, with the major portion concentrated in the third quarter during the peak vacation months of July and August.

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) Long-Lived Assets:

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

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

Table of Contents

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 implied fair value of the assets is less than their carrying value, an impairment charge is recorded for the difference.

At the end of the fourth quarter of 2010, the Partnership concluded based on 2010 operating results, as well as updated forecasts, that a review of the carrying value of long-lived assets at California's Great America was warranted. After performing its review, the Partnership determined that a portion of the park's fixed assets, the majority of which were originally recorded with the Paramount Parks (PPI) acquisition, were impaired. As a result, the Partnership recognized $62.0 million of fixed-asset impairment during the fourth quarter of 2010 which was recorded in "Loss on impairment / retirement of fixed assets, net" on the condensed consolidated statement of operations. There has been no subsequent impairment on these assets.

(4) Goodwill and Other Intangible Assets:
In accordance with the applicable accounting rules, goodwill is not amortized, but, along with indefinite-lived trade-names, is evaluated for impairment on an annual basis or more frequently if indicators of impairment exist. Until December 2010, goodwill related to parks acquired prior to 2006 was tested annually for impairment as of October 1, while goodwill and other indefinite-lived intangibles, including trade-name intangibles, related to the PPI acquisition in 2006 were tested annually for impairment as of April 1. Effective in December 2010, the Partnership changed the date of its annual goodwill impairment tests from April 1 and October 1 to December 31 to more closely align the impairment testing procedures with its long-range planning and forecasting process, which occurs in the fourth quarter each year. The Partnership believes the change was preferable since the long-term cash flow projections are a key component in performing its annual impairment tests of goodwill. In addition, the Partnership changed the date of its annual impairment test for other indefinite-lived intangibles from April 1 to December 31.

During 2010, the Partnership tested goodwill for impairment as of April 1, 2010 or October 1, 2010, as applicable, and again as of December 31, 2010. The tests indicated no impairment of goodwill as of any of those dates. During 2010, the Partnership tested other indefinite-lived intangibles for impairment as of April 1, 2010 and December 31, 2010. After performing the December 31, 2010 test of indefinite-lived intangibles, it was determined that a portion of the trade-names at California's Great America, originally recorded with the PPI acquisition, were impaired. As a result, the Partnership recognized $0.9 million of additional trade-name impairment during the fourth quarter of 2010 which was recorded in "Loss on impairment of goodwill and other intangibles" on the consolidated statement of operations.

The change in accounting principle related to changing the annual goodwill impairment testing date did not delay, accelerate, avoid or cause an impairment charge. As it was impracticable to objectively determine operating and valuation estimates for periods prior to December 31, 2010, the Partnership has prospectively applied the change in the annual goodwill impairment testing date from December 31, 2010.

The Partnership tested goodwill and other indefinite-lived intangibles for impairment on December 31, 2011 and no impairment was indicated. In September 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2011-08, “Intangibles — Goodwill and Other,” which gives an entity the option to first assess qualitative factors to determine whether it is necessary to perform the current two-step goodwill impairment test. If an entity believes, as a result of its qualitative assessment, that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, the two-step goodwill impairment test is required. We adopted this guidance during the first quarter of 2012 and it did not impact the Partnership's consolidated financial statements.

In July 2012, the FASB issued ASU 2012-02, “Testing Indefinite-Lived Intangible Assets for Impairment,” which allows an entity the option to first assess qualitatively whether it is more-likely-than-not that an indefinite-lived intangible asset is impaired, thus necessitating that it perform the quantitative impairment test. An entity is not

required to calculate the fair value of an indefinite-lived intangible asset and perform the quantitative impairment test unless the entity determines that it is more likely than not that the asset is impaired. The revised standard is effective for annual impairment testing performed for fiscal years beginning after September 15, 2012, however early adoption is permitted. We do not anticipate this guidance having a material impact on the Partnership's consolidated financial statements.

Table of Contents

A summary of changes in the Partnership’s carrying value of goodwill for the six months ended July 1, 2012 is as follows:

(In thousands)	Goodwill (gross)	Accumulated Impairment Losses	Goodwill (net)
Balance at December 31, 2011	$323,358	$(79,868)	$243,490
Foreign currency translation	(251)	—	(251)
July 1, 2012	$323,107	$(79,868)	$243,239

At July 1, 2012, December 31, 2011, and June 26, 2011 the Partnership’s other intangible assets consisted of the following:

July 1, 2012	Gross Carrying Amount	Accumulated Amortization	Net Carrying Value
(In thousands)			
Other intangible assets:			
Trade names	$39,799	$—	$39,799
License / franchise agreements	790	340	450
Total other intangible assets	$40,589	$340	$40,249
December 31, 2011			
(In thousands)			
Other intangible assets:			
Trade names	$39,835	$—	$39,835
License / franchise agreements	760	322	438
Total other intangible assets	$40,595	$322	$40,273
June 26, 2011			
(In thousands)			
Other intangible assets:			
Trade names	$40,403	$—	$40,403
License / franchise agreements	716	300	416
Non-compete agreements	200	200	—
Total other intangible assets	$41,319	$500	$40,819

Amortization expense of other intangible assets for the six months ended July 1, 2012 and June 26, 2011 was $18,000 and $36,000, respectively. The estimated amortization expense for the remainder of 2012 is $20,000. Estimated amortization expense is expected to total less than $50,000 in each year from 2012 through 2015.

(5) Long-Term Debt:

In July 2010, the Partnership issued $405 million of 9.125% senior unsecured notes, maturing in 2018, in a private placement, including $5.6 million of Original Issue Discount to yield 9.375%. Concurrently with this offering, the Partnership entered into a new $1,435 million credit agreement (the "2010 Credit Agreement”), which included a $1,175 million senior secured term loan facility and a $260 million senior secured revolving credit facility. The net proceeds from the offering of the notes, along with borrowings under the 2010 Credit Agreement, were used to repay in full all amounts outstanding under the previous credit facilities. The facilities provided under the 2010 Credit Agreement are collateralized by substantially all of the assets of the Partnership.

Terms of the 2010 Credit Agreement included a reduction in the Partnership's previous $310 million revolving credit facilities to a combined $260 million facility. Under the 2010 Credit Agreement, the Canadian portion of the revolving credit facility has a limit of $15 million. U.S. denominated loans made under the revolving credit facility bear interest at a rate of LIBOR plus 400 basis points (bps) (with no LIBOR floor). Canadian denominated loans made under the Canadian portion of the facility also bear interest at a rate of LIBOR plus 400 bps (with no LIBOR floor). The revolving credit facility, which matures in July 2015, also

provides for the issuance of documentary and standby letters of credit. The Amended 2010 Credit Agreement requires the Partnership to pay a commitment fee of 50 bps per annum on the unused portion of the credit facilities.

In February 2011, the Partnership amended the 2010 Credit Agreement (as so amended, the “Amended 2010 Credit Agreement”) and extended the maturity date of the U.S. term loan portion of the credit facilities by one year. The extended U.S. term loan, which amortizes at $11.8 million per year beginning in 2011, matures in December 2017 and bears interest at a rate of LIBOR plus 300 bps, with a LIBOR floor of 100 bps. In May 2012, the Partnership prepaid $16.0 million of long-term debt to meet its obligation under the Excess Cash Flow ("ECF") provision of the Credit Agreement. As a result of this prepayment, as well as the August 2011 $18.0 million debt prepayment, the Partnership has no scheduled term-debt principal payments until the second quarter of 2014.

The Partnership's $405 million of senior unsecured notes pay interest semi-annually in February and August, with the principal due in full on August 1, 2018. The notes may be redeemed, in whole or in part, at any time prior to August 1, 2014 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. Prior to August 1, 2013, up to 35% of the notes may be redeemed with the net cash proceeds of certain equity offerings at 109.125%.

The Amended 2010 Credit Agreement requires the Partnership to maintain specified financial ratios, which if breached for any reason, including a decline in operating results, could result in an event of default under the agreement. The most critical of these ratios is the Consolidated Leverage Ratio which is measured on a trailing-twelve month quarterly basis. The Consolidated Leverage Ratio is set at 6.0x consolidated total debt- (excluding the revolving debt) to-Consolidated EBITDA and will remain at that level through the end of the third quarter in 2013, and the ratio will decrease further each fourth quarter beginning with the fourth quarter of 2013. As of July 1, 2012, the Partnership’s Consolidated Leverage Ratio was 3.75x, providing $154.2 million of consolidated EBITDA cushion on the ratio as of the end of the second quarter. The Partnership was in compliance with all other covenants under the Amended 2010 Credit Agreement as of July 1, 2012.

The Amended 2010 Credit Agreement also includes provisions that allow the Partnership to make restricted payments of up to $20 million annually, so long as no default or event of default has occurred and is continuing. These restricted payments are not subject to any specific covenants. Additional restricted payments are allowed to be made based on an Excess-Cash-Flow formula, should the Partnership’s pro-forma Consolidated Leverage Ratio be less than or equal to 4.50x. Per the terms of the indenture governing the Partnership's notes, the ability to make restricted payments in 2012 and beyond is permitted should the Partnership's trailing-twelve-month Total-Indebtedness-to-Consolidated-Cash-Flow Ratio be less than or equal to 4.75x, measured on a quarterly basis.

In addition to the above, among other covenants and provisions, the Amended 2010 Credit Agreement contains an initial three-year requirement (from July 2010) that at least 50% of our aggregate term debt and senior notes be subject to either a fixed interest rate or interest rate protection.

(6) Derivative Financial Instruments:

Derivative financial instruments are only used within the Partnership’s 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.

The Partnership had effectively converted a total of $1.0 billion of its variable-rate debt to fixed rates through the use of several interest rate swap agreements through October 1, 2011. Cash flows related to these interest rate swap agreements were included in interest expense over the term of the agreements. These interest rate swap agreements expired in October 2011. The Partnership had designated all of these interest rate swap agreements and hedging relationships as cash flow hedges.

In order to maintain fixed interest costs on a portion of its domestic term debt beyond the expiration of the swaps entered into in 2006 and 2007, in September 2010 the Partnership entered into several forward-starting swap agreements ("September 2010 swaps") to effectively convert a total of $600 million of variable-rate debt to fixed rates beginning in October 2011. As a result of the February 2011 amendment to the 2010 Credit Agreement, the LIBOR floor on the term loan portion of its credit facilities decreased to 100 bps from 150 bps, causing a mismatch in critical terms of the September 2010 swaps and the underlying debt. Because of the mismatch of critical terms, the Partnership determined the September 2010 swaps, which were originally designated as cash flow hedges, were no longer highly effective, resulting in the de-designation of the swaps as of the end of February 2011. As a result of this ineffectiveness, gains of $7.2 million recorded in accumulated other comprehensive income (AOCI) through the date of de-designation are being amortized through December 2015, to a balance of $3.9 million to offset the change in fair value during the period of de-designation as discussed below. Of the $6.3 million remaining in AOCI as of July 1, 2012, $2.4 million has yet to be amortized.

Table of Contents

In March 2011, the Partnership entered into several additional forward-starting basis-rate swap agreements ("March 2011 swaps") that, when combined with the September 2010 swaps, effectively converted $600 million of variable-rate debt to fixed rates beginning in October 2011. The September 2010 swaps and the March 2011 swaps, which have been jointly designated as cash flow hedges, mature in December 2015 and fix LIBOR at a weighted average rate of 2.46%. For the period that the September 2010 swaps were de-designated, their fair value decreased by $3.3 million, the offset of which was recognized as a direct charge to the Partnership's earnings and recorded to “Net effect of swaps” on the consolidated statement of operations along with the regular amortization of “Other comprehensive income (loss)” balances related to these swaps. No other ineffectiveness related to these swaps was recorded in any period presented.

In May 2011, the Partnership entered into four additional forward-starting basis-rate swap agreements ("May 2011 swaps") that effectively converted another $200 million of variable-rate debt to fixed rates beginning in October 2011. These swaps, which were designated as cash flow hedges, mature in December 2015 and fix LIBOR at a weighted average rate of 2.54%.

The fair market value of the September 2010 swaps, the March 2011 swaps, and the May 2011 swaps at July 1, 2012 was a liability of $35.1 million, which was recorded in “Derivative Liability” on the condensed consolidated balance sheet.

In 2007, the Partnership entered into two cross-currency swap agreements, which effectively converted $268.7 million of term debt at the time, and the associated interest payments, related to its wholly owned Canadian subsidiary from variable U.S. dollar denominated debt to fixed-rate Canadian dollar denominated debt. The Partnership originally designated these cross-currency swaps as foreign currency cash flow hedges. Cash flows related to these swap agreements were included in interest expense over the term of the agreement. These swap agreements expired in February 2012.

In May 2011 and July 2011, the Partnership entered into several foreign currency swap agreements to fix the exchange rate on approximately 75% of the termination payment associated with the cross-currency swap agreements that expired in February 2012. The Partnership did not seek hedge accounting treatment on these foreign currency swaps, and as such, changes in fair value of the swaps flowed directly through earnings along with changes in fair value on the related, de-designated cross-currency swaps. In February 2012, all of the cross-currency and related currency swap agreements were settled for $50.5 million.

Fair Value of Derivative Instruments in Condensed Consolidated Balance Sheet:

(In thousands):	Condensed Consolidated Balance Sheet Location	Fair Value as of July 1, 2012	Fair Value as of December 31, 2011	Fair Value as of June 26, 2011
Derivatives designated as hedging instruments:				
Interest rate swaps	Current derivative liability	$—	$—	$(20,193)
Interest rate swaps	Derivative Liability	(35,146)	(32,400)	(16,750)
Total derivatives designated as hedging instruments		$(35,146)	$(32,400)	$(36,943)
Derivatives not designated as hedging instruments:				
Foreign currency swaps	Current derivative liability	$—	$(13,155)	$(4,273)
Cross-currency swaps	Current derivative liability	—	(37,617)	(53,107)
Total derivatives not designated as hedging instruments		$—	$(50,772)	$(57,380)
Net derivative liability		$(35,146)	$(83,172)	$(94,323)

11

Table of Contents

The following table presents our September 2010 swaps, March 2011 swaps, and May 2011 swaps, which became effective October 1, 2011 and mature December 15, 2015, along with their notional amounts and their fixed interest rates.

($'s in thousands)	Interest Rate Swaps		
	Notional Amounts	LIBOR Rate	
	$ 200,000	2.40	%
	75,000	2.43	%
	50,000	2.42	%
	150,000	2.55	%
	50,000	2.42	%
	50,000	2.55	%
	25,000	2.43	%
	50,000	2.54	%
	30,000	2.54	%
	70,000	2.54	%
	50,000	2.54	%
Total $'s / Average Rate	$ 800,000	2.48	%

The following table presents our fixed-rate swaps, which matured in October 2011, and the cross-currency swap which matured in February 2012, along with their notional amounts and their fixed interest rates:

($'s in thousands)	Interest Rate Swaps			Cross-currency Swaps		
	Notional Amounts	LIBOR Rate		Notional Amounts	Implied Interest Rate	
	$200,000	5.64	%	$255,000	7.31	%
	200,000	5.64	%	150	9.50	%
	200,000	5.64	%			
	200,000	5.57	%			
	100,000	5.60	%			
	100,000	5.60	%			
Total $'s / Average Rate	$1,000,000	5.62	%	$255,150	7.31	%

Effects of Derivative Instruments on Income (Loss) and Other Comprehensive Income (Loss) for the three-month periods ended July 1, 2012 and June 26, 2011:

(In thousands):	Amount of Gain (Loss) Recognized in Accumulated 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 Derivative (Ineffective Portion)	
Derivatives designated as Cash Flow Hedging Relationships	Three months ended	Three months ended		Three months ended	Three months ended		Three months ended