CEDAR FAIR L P
Form DEFA14A
December 22, 2010

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

(Amendment No.)

Filed by the Registrant x Filed by a Party other than the Registrant ¨

Check the appropriate box:

¨ Preliminary Proxy Statement

¨ **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

¨ Definitive Proxy Statement

x Definitive Additional Materials

¨ Soliciting Material Pursuant to §240.14a-12

Cedar Fair, L.P.

(Name of Registrant as Specified In Its Charter)

N/A

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

x No fee required.

¨ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

On December 22, 2010, Cedar Fair made available the following presentation materials to be used by Cedar Fair at a meeting with Institutional Shareholder Services:

Presentation to ISS
December 22, 2010

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Forward-Looking Statements

Some slides and comments included here, particularly related to estimates, comments on expectations about future performance or business conditions, may contain forward looking statements. These 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, could adversely affect our future financial performance and cause actual results to differ materially from our expectations.

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Additional Information About The Special Meeting Request
This may be deemed to be solicitation material in respect of the
Company's Special Meeting of
Unitholders
scheduled
for

January 11, 2011. On December 10, 2010, in connection with the Special Meeting, the Company filed a definitive proxy statement and a form of proxy with the SEC and the definitive proxy statement and a form of proxy has been mailed on or about December 13, 2010 to the Company s unitholders of record as of December 9, 2010. In addition, the Company will file with, or furnish, to the SEC all additional relevant materials. **BEFORE MAKING** ANY VOTING DECISION, INVESTORS AND SECURITY HOLDERS OF THE COMPANY ARE URGED TO READ ALL RELEVANT DOCUMENTS FILED WITH OR FURNISHED TO THE SEC, INCLUDING THE COMPANY S DEFINITIVE PROXY STATEMENT, BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION ABOUT THE SPECIAL MEETING. Investors and security holders will be able to obtain a copy of the definitive proxy statement and other documents filed by the Company free of charge from the SEC s website, www.sec.gov. The Company s Unitholders will also be able to obtain, without charge, a copy of the definitive proxy statement and other relevant documents by directing a request by mail or telephone to Investor Relations, Cedar Fair, L.P., One Cedar Point Dr., Sandusky, OH 44870, telephone: (419) 627-2233, or from the Company s website, www.cedarfair.com or by contacting Morrow & Co., LLC, at (203) 658-9400 or toll free at (800) 206-5879

The Company and its directors and executive officers and certain other members of its management and employees may be deemed to participate in the solicitation of proxies in respect of the Special Meeting of Unitholders. Additional information regarding the interests of such potential participants is included in the definitive proxy statement.

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Agenda

I.

Overview of Company and Corporate Growth Goals

II.

Summary of Our Brief History with Q Investments

III.

5
Section I
Company Overview

6
FUN: Attractive Value Proposition for
Long-Term Investors
Recognized innovative leader
in regional amusement parks, water parks,
resorts and active entertainment
Attractive park locations and diverse geographical footprint

High-margin, seasonal industry niche
Significant barriers to entry
Strong and
distinctive brands
known for high-quality, pristine parks with
cutting-edge attractions
Consistently voted Best in Class
Proven and stable business
model that consistently generates a healthy
revenue stream and strong cash flows
A Total Return
investment, not simply a Yield MLP
Business
strategy
designed
to
increase
revenues,
adjusted
EBITDA
and
cash
flows to fund future growth, while increasing distributions and further reducing debt
Goal of $1.25 to $1.75 per limited partner unit by 2015
Experienced and proven management team
focused on sustainable long-
term value creation for unitholders

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Growth Strategy in Place
Steadily grow attendance and revenues
through
continued
investment
in

trend-
setting new rides and attractions
along
with new targeted marketing programs
Maintain strict controls over operating
costs while maintaining best-in-class
visitor experience
Further
reduce
debt
through
the
prudent
use of excess cash flows
Reduces risk to Cedar Fair
heavily
levered capital structure increases
sensitivity to macroeconomic downturns,
bad weather and travel trends
Provides balance sheet flexibility to take
advantage of growth opportunities in the
future

8

and Delivering Desired Results in 2010
Revenues expected between $965
million and $980 million
Projected Adjusted EBITDA
between $345 million and $355

million
2010 Projected Cash Flow
(in millions)
Adjusted EBITDA
$345 -
$355
Cash Interest Costs
~$130
Cash Taxes
~$19
Capital Expenditures
~$85
Cash Distributions
~$14
2010 Projected Cash Flow
$97 -
$107

9
Company on Strong Growth Trajectory

with Measurable Metrics in Place
Grow revenues by 10% to 14% by 2015
(~2.3% CAGR)
Grow adjusted EBITDA by 10% to 14%

by 2015 (~2.3% CAGR)
Achieve free cash flows of $120 million to $140 million on an annual basis during 2012 to 2015
Reduce Consolidated Leverage Ratio to 4.0x by 2013
Provide for a sustainable and growing distribution to unitholders
Goal of $1.25 to $1.75 per limited partner unit by 2015; however, should cash flows exceed our expectations this distribution could be higher
Represents a 10% to 14% annual yield based on today s market price
Our proven and stable business model should allow us to:

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Section II
Brief History with Q Investments

11
Brief History with Q Investments
Q
Investments
has
held
FUN

units
for
just
one
year
Since that time
Its
principal

Geoffrey
Raynor

was
offered
a
seat
on
the
Board
(**he**
declined)
It
has
stated
in
an
SEC
filing
its
interest
in
merging
the
company
with
Six
Flags,
a
company that just emerged from bankruptcy
It
has
flown
the
company s
former
COO

who
resigned
from

FUN

to
its
headquarters
but
has
refused
to
meet
with
management
It
has
actively
participated
in
the
selection
of
two
new
Board
members
It
has
threatened
to
campaign
vigorously
for
the
removal
of
the
yet-to be
named
new
CEO
It
has
already
sued
FUN
three
times
It
has
also
seen

the
value
of
its
units
appreciate
more
than
20%

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Brief History with Q Investments
Q
Investments
actions
over
the

past
11
months
suggest
that
the
short-term
interests of their hedge fund investors are not aligned with the
best
interests of all Cedar Fair unitholders
The short-term focus of Q Investments is evident by the fact that, according
to
its
13F
filing
as
of
September
30,
2010,
only
one
stock
out
of
more than
30 in its portfolio had been held for more than two years
We
believe
Q
Investments
true
intentions
are
to
get
in,
make
a
quick
profit
and get out

with no regard for what s best for long-term investors

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Section III
Review of Q Investments
Proposals

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Summary

Overview
Special Meeting of Unitholders: January 11, 2011
Proposal 1: to consider and vote upon a proposal from Q Investments to amend the Partnership Agreement to require the implementation of a policy providing that the

Chairman of the Board of Directors of the General Partner be an independent director who has not previously served as an officer of the General Partner or its affiliates
Proposal 2: to consider and vote upon a proposal from Q Investments to amend the Partnership Agreement to require the General Partner to make dividend distribution a higher priority than debt repayment and to take every action possible, including seeking necessary amendments to loan agreements, indentures and other documentation, to implement such distribution with the goal of returning to close to historical distribution levels based upon earnings
Cedar Fair is asking unitholders
to vote AGAINST both proposals

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Summary

Implications
Proposal 1: Weakens Cedar Fair by requiring changes to the Company s by-
laws
that

puts
unnecessary
restrictions
on
the
pool
of
qualified
succession
candidates
going forward
Proposal 2: Favors Q Investments
short-term hedge funds investors over the
Company s long-term investors
by preventing the Board from making prudent
decisions with the Company s capital

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Proposal Would Restrict FUN s
Growth Potential by Unnecessarily
Shrinking Pool of Qualified Candidates

Implementing such a policy that so restricts who could be considered as a possible CEO successor will not result in strengthening the Company s corporate governance or in creating

or enhancing
long-term value for unitholders
As part of ongoing succession planning and corporate governance duties, the Board is
open
to
considering
and
evaluating
the
concept
of
separating
the
roles
of
Chairman
and
Chief Executive Officer
However,
the
proposal
as
structured
would
be
highly
disruptive
to
the
Company s
ongoing
succession-planning
process
that
is
well
under
way
with
Korn/Ferry International, a leading executive search firm
Such
a
policy
would
limit
the
Board s
ability
to
determine

the
most
capable
candidate,
including members of management, based on experience, abilities and business
climate at any given time
Attracting, retaining and grooming a deep and talented management team to
run the diverse business portfolio has been
and will continue to be
a
strategic imperative for the Company
Proposal 1: Succession Planning

18
While there is no set policy regarding Executive Chairman, the Board believes the most
effective
leadership
model
for
the

Company
at
this
time
is
for
Dick
Kinzel
to
continue
as
Chairman and CEO through his contract term ending January 2, 2012
The Board regularly monitors its governance practices
Proactively
and
voluntarily
changed
the
Partnership
Agreement
in
2004
to
enable
unitholders
to elect the Board of the General Partnership
Recent
appointment
of
two
independent
directors,
both
designated
by
Q
Investments,
further
demonstrates
the
Company s
commitment
to
maintaining
appropriate
unitholder
representation, open communications and effective corporate governance
Active
lead
independent

director
in
place
along
with
annual
board
governance
and
individual director performance reviews
FUN Has a Strong Track Record of
Sound Corporate Governance Practices

19
Lead independent director
Michael Kwiatkowski
Seven of nine Board members meet NYSE independence requirements
All
members
of

Audit,
Governance
and
Compensation
committees
are
independent
Two directors designated by Q Investments recently joined the Board:
Eric Affeldt
(Member of Audit and Compensation committees)
John Scott (Member of Audit and Succession Planning committees)
Both oppose Q Investments
proposals
Retained Korn/Ferry International to work with the special committee of independent
directors
of
the
Board
to
identify
qualified
candidate
to
succeed
Dick
Kinzel
as
CEO
Company
expects
process
to
be
completed
by
the
end
of
the
second
quarter
of 2011
Current Board and Committee Structure
Ensures Independence

20
Proposal 2: Use of Cash

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Proposal 2: Use of Cash
In the first half of 2010, the Board carefully evaluated a wide range of financing
options
and
use-of-cash
scenarios

including
input
from
Q
Investments
and
other
unitholders

with its independent advisors
In July, debt refinancing was determined to be in the best long-term interest of
the
Company
and
its
unitholders
as
it
would
allow
for
significantly
enhanced
financial flexibility and greater stability, among other things
Company
negotiated
reinstatement
of
distributions
into
refinancing
terms,
beginning in 2010
Refinancing allowed the Company to resume its distributions to unitholders,
which
marked
the
24
consecutive
year
of
paying
a
unitholder
distribution
Prior
to
2009,
the

Board
had
increased
the
distribution
to
unitholders
in
22
of
23 consecutive years
Q Investments
request to mandate change in the Company s proven fiscal policy
is an apparent effort to create more short-term cash flow at the expense of long-term value creation and sustainable growth, which we believe is not in the best interests of all
unitholders
Q Investments
proposal needlessly jeopardizes FUN s
financial flexibility by putting
short-term gains ahead of the long-term health and total returns of the Company
th

22
Commitment to Distributions Is Critical
Piece of MLP Structure
$0.22
$0.54
$0.57
$0.65

$0.74
$0.83
$0.94
$1.03
$1.13
$1.18
$1.26
$1.29
$1.39
$1.50
$1.58
$1.65
$1.74
$1.79
$1.83
$1.87
$1.90
$1.92
$1.23
$0.25
$0.00
$0.50
$1.00
$1.50
$2.00
$2.50
More
than
$1.4 billion paid
in distributions since 1987
Dollars per unit
FUN
has
demonstrated
its
commitment
to
distributions
to
unitholders
over
its
history
and has reconfirmed its commitment to growing distributions moving forward

23
FUN Maintains an Unwavering Focus on Sustainable,
Long-Term
Value
Creation
for
All

Unitholders
The
Company s
long-term
growth
strategy
is
designed
to
provide
unitholders
with a
strong and sustainable distribution
and comprises:
steady
reinvestment
in
the
parks
and
targeted
marketing
programs
to generate
continued organic growth
strict
controls
over
operating
costs
while
maintaining
best-in-class
visitor
experience
prudent fiscal management
that responsibly maintains an appropriate balance
between distributions and a balance sheet, as well as an investment policy, that
provides maximum long-term returns
FUN
has
announced
plans
for
increasing
the
distribution
over
the
next

five
years
and returning it to its historical rates in conjunction with a measured
reduction in debt levels
Management
believes
a
policy
limiting
financial
flexibility
puts
an
unhealthy, short-term
focus
on use of cash with no regard for risk, changing business conditions and
circumstances

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Debt Refinancing Critical Component of
Prudent Fiscal Policy

Cedar Fair is targeting a long-term capital structure that provides a low cost of capital, cushion against downside scenarios and ample liquidity to finance future growth and distributions

Stronger credit ratings will provide lower cost of capital and enhance financial flexibility

The absence of tax shield on debt reinforces the fortress balance sheet argument
Challenging access to capital during downturns:
Equity
issuance:
As
a
MLP,
ability
to
raise
equity
is
limited

cannot
raise enough
equity to make a material impact on debt or leverage
Asset
sales:
In
a
downturn,
selling
theme
park
assets
is
challenging
due
to
lack
of
strategic
buyers
and
depressed
valuations

even
if
possible,
an
asset
sale
would
have an immaterial deleveraging impact
Therefore, creating balance sheet strength is a critical component of a prudent financial policy
Cedar Fair s current dividend yield of 1.7% is in line with S&P 500 firms
The Company plans to steadily increase its distributions towards

the MLP average
distributions (~6% yield) and its own historical distribution levels going forward

25
Unit price performance one year prior to distribution suspension
Source: FactSet; market data as of 12/10/10
Since Our Focus Turned to Debt Reduction and Capital
Structure, the Units have Recovered and Outperformed
25%
50%

75%
100%
125%
150%
Nov-08
Feb-09
May-09
Aug-09
Nov-09
FUN
S&P500
14%
(50%)
75%
100%
125%
150%
175%
200%
225%
Nov-09
Feb-10
May-10
Aug-10
Nov-10
FUN
S&P500
19%
112%
Unit price performance since distribution suspension

26
Analysts Support Debt Refinancing
Four out of five equity research analysts recommend FUN with a buy rating
We
believe
debt

retirement is a more compelling use of cash flow in the near term and consider that to be the biggest key to improving unit holder value.

- Hilliard Lyons, June 2010

Overall, the first half could not have gone better for FUN, as the company improved its park-level results, increased margins, and renegotiated its debt with expanded operating flexibility and extended maturities.

- Longbow, August 2010

[Debt refinancing] will produce greater financial flexibility and capital structure certainty allowing for (1) future distribution reinstatement mid-late 2011, (2) debt reduction, and (3) growth of business.

- Wells Fargo, August 2010

Further, while the less aggressive debt pay down is slightly disappointing, we recognize that there is a balance that must be struck between debt pay down and the payment of a distribution, and we believe the resumption and projected increase of the distribution will be viewed favorably by the market.

- KeyBanc, October 2010

We believe Cedar Fair has addressed one of its primary

risks with the July 2010 refinancing thereby extending
maturities
which removed an overhang on the stock as
investors were nervous about impending debt
maturities.
-
Merriman, November 2010
We
believe
fears
surrounding
maturities
and
covenants
on debt were the biggest overhang on FUN shares, and
with these fears alleviated, we expect to see appreciation
from here.
-
Longbow, July 2010

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Achieving Long-term Growth

The Company s long-term goals are obtainable because the Company refinanced its debt in July 2010 to provide the financial flexibility

and

balance
sheet
strength

necessary
to
take full
advantage of its long-term growth potential

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Cedar Fair s Board Unanimously
Recommend Unitholders
Vote AGAINST
the Proposals Submitted by Q Investments

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Section IV
Appendix A: Details on Long-term Strategy

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Achieving Long-term Growth

Create Value

Trademark new rides and attractions

Unique experience customer cannot
recreate at home

Increased focus on special events

Create Urgency
Limited Time
offers
Text message offers when inside park
Goal: Grow revenues by 10% to 14% by 2015 (~2.3% CAGR)
Create Buzz
Media placement
Online social networks (Facebook,
Twitter)
Digital marketing (blogs, text messaging)
Extend Customers
Stay
Market competitive renovations to
existing hotels
Consideration of accommodations /
resort development at other parks where
appropriate

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Achieving Long-term Growth
Revenue Growth
Expanding market share and
visitor spend
Strict cost controls
Proven history of controlling

operating costs
Low corporate overhead
Remain focused on our four
cornerstones: Safety,
Cleanliness, Courtesy and
Service
wrapped in Integrity
Maintain operating margins
between 34% and 36%
Goal: Grow adjusted EBITDA by 10% to 14% by 2015 (~2.3% CAGR)

32
Achieving Long-term Growth
Adjusted EBITDA
CAGR of ~2.3% to 2015 required to meet cash flow goals
Cash FOR:
Cash Interest Expense
2011

~$160 million (due to old swaps which mature in 2011 and 2012)
2012 and beyond
$110 million to $120 million
Capital Expenditures
2011 expected to be approximately $75 million to $80 million
Future average annual spend approximately $80 million to $90 million
Cash Taxes
Approximately $15 million to $20 million on an annual basis starting with 2011
Goal: Achieve free cash flows of $120 million to $140 million on an annual basis during 2012 to 2015

33
Achieving Long-term Growth
We have stabilized our capital structure:
Long-term debt includes:
$1.175 billion senior secured term loan (matures Dec. 2016)
$405 million senior unsecured notes (mature Dec. 2018)
$260

million
available
through
a
senior
secured
revolving
credit
facility
(matures July 2015)
Reduce Leverage Ratios
Reduce through growth in adjusted EBITDA and reduction of debt through the use of excess cash flow
Senior secured leverage ratio to be reduced to sub-3.0x in 2013 (currently at 3.4x)
Consolidated Leverage Ratio to be reduced to 4.0x in 2013 (currently at 4.5x)
Interest Rates
Guideline: ~60/40 fixed/variable
Current swaps expire in Oct. 2011 ($1.0 billion) and Feb. 2012 ($268 million)
Recently entered into $600 million of forward starting swaps
Begin October 2011, mature in December 2015
LIBOR at an average rate of 2.6%
Goal: Reduce Consolidated Leverage Ratio to 4.0x by 2013

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Achieving Long-term Growth
Excess Cash Flow distribution capacity per Credit Agreement
50% available
senior secured leverage ratio is >3.25x
75% available
senior secured leverage ratio is 2.75x to 3.25x

100% available
senior secured leverage ratio is <2.75x
Cedar Fair remains committed to issuing a distribution on a quarterly basis
Provide
for
a
sustainable
and
growing
distribution
to
unitholders
beginning
today
Represents a 10%-14% annual yield beginning 2015 based on current unit price
Stabilizing the capital structure has put us in a position to reward
unitholders
as we execute our plan:

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Achieving Long-term Growth
Declared 2010 distribution of $0.25 per unit
Payable
on
December
15,

2010
to
unitholders
of
record
on
December
3,
2010
24 consecutive year Cedar Fair has paid a distribution
2011 Distribution
$20 million available for distributions under current senior secured credit agreement
Board has announced it intends to pay full amount, or approximately $0.35 per unit
Quarterly distributions would start at $0.08 per unit in March of 2011
Additional $20 million available for distributions if senior secured leverage ratio falls below
3.0x
2012 Distribution and Beyond
Plan to steadily increase distribution on an annual basis
Goal: $1.25 -
$1.75 annual distribution per LP unit by 2015; however, should
cash flows exceed our expectations this distribution could be higher
th

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Section V
Appendix B: EBITDA Reconciliation

37
EBITDA Reconciliation
EBITDA Adjustments
($ in thousands)
LTM 9/26/2010
Net income
$5,308

Interest expense
137,598
Interest (income)
(1,076)
Provision for taxes
4,093
Depreciation and amortization
130,675
EBITDA
$276,688
Loss on early debt extinguishment
35,289
Net effect of swaps
19,001
Unrealized foreign exchange (gain) on Note
(4,789)
Equity-based compensation
(687)
Loss on impairment of goodwill and other
Intangibles
5,890
Loss on impairment/retirement of fixed
assets, net
345
Terminated merger costs
16,153
Class action settlement costs
276
Adj. EBITDA
$348,166