

Fitch Downgrades Six Flags IDR to 'C'; Negative Watch

Fitch Ratings-Chicago-22 May 2008: Fitch Ratings has downgraded the following ratings:

Six Flags Inc. (Six Flags)

--Issuer Default Rating (IDR) to 'C' from 'B-'.

--Senior unsecured notes (including the 4.5% convertible notes) to 'C/RR5' from 'CCC/RR6'

--Preferred stock to 'C/RR6' from 'CCC-/RR6'.

Six Flags Theme Park Inc. (SFTP)

--IDR to 'C' from 'B-'

--Secured bank credit facility to 'CCC/RR1' from 'BB-/RR1'.

The recovery rating of Six Flags Inc's senior unsecured notes reflects an average of the recovery ratings for each note based on the potential recovery from the proposed exchange offer. The ratings have also been placed on Rating Watch Negative, reflecting the expectation that upon execution of the proposed note exchange (scheduled for June 16, 2008) the IDR will be downgraded to Restricted Default ('RD').

Six Flags announced on May 14 an offer to exchange Six Flags senior unsecured notes for Six Flags Operations Inc. (SFO) senior unsecured notes. Six Flags stated that the new notes would not exceed \$400 million. Based on the exchange offer, there is a potential to exchange approximately \$500 million in existing senior note debt at an incremental interest expense of no higher than \$4 million (less depending on the mix of tendered notes) plus transaction fees. While this transaction does not materially change leverage or interest coverage, it could eliminate a substantial portion of the company's 2010 maturities and have a positive affect on the credit profile. However, under Fitch's criteria, the exchange offer represents a Distressed Debt Exchange (DDE). A DDE results when an exchange offer has a material reduction in terms (extension of maturity and bondholders will receive less than par) and is de facto necessary even if voluntary (high probability of insolvency over the near term absent the exchange).

If the exchange is executed as proposed, Fitch would lower the IDR on Six Flags and SFTP to 'RD' reflecting the DDE. Subsequently, Fitch expects to upgrade the IDR on Six Flags and SFTP to 'CC', assign a 'CC' IDR to SFO, rate the proposed \$400 million notes at SFO 'C/RR5', upgrade the secured bank credit facility to 'CCC+/RR1', and downgrade the Six Flags senior unsecured notes to 'C/RR6' from 'C/RR5'. The Recovery Ratings on the new SFO notes and the existing Six Flags notes reflect better recovery prospects due to the structural seniority the new SFO notes would have in the capital structure relative to the existing Six Flags notes. Fitch estimates there would be no recovery for the Six Flags notes and the mandatorily convertible preferred stock (PIERs) under a distressed scenario.

The expected 'CC' IDR, subsequent to the 'RD' downgrade, reflects the material refinancing risks posed by the August 2009 PIERs maturity. In our view the most likely remedies that the company could pursue to address the PIERs maturity could constitute a technical default (RD) or outright default. The company has stated that there are potential Delaware Law restrictions on the redemptions of the PIERs. In addition, a non-payment default on the PIERs would trigger a default on the bank credit facility, and without a bank credit facility amendment or waiver would in turn trigger a default on the senior unsecured notes.

Fitch emphasizes that the current and expected IDRs are driven by the DDE and the potential for an RD on the PIERs. Fitch's view of the company's capacity to remain a going concern and our view of the overall credit profile are relatively unchanged. Fitch anticipates Six Flags' IDR could be raised to 'B-' after the company addresses the PIERs maturity and demonstrates improved operating results including solid summer attendance and planned cost cuts and sponsorship/licensing revenues (which could have a cumulative 30%-40% positive impact on EBITDA). However, a 'CCC' IDR is possible given the execution risk, potential for cyclical pressures, weather-related problems, and liquidity concerns.

As of March 31, 2008, the company is at breakeven on an interest coverage basis, and leverage is approximately 13.2 times (x), both of which are very concerning. Fitch believes the company's goals of cost cutting and increasing revenues (through a combination of high-margin sponsorship and licensing revenues and an increase in per capita revenue) could be achievable. Achievement of these targets could materially improve interest coverage and leverage. A cyclical or weather-related decline in attendance or if the company is unable to execute on these revenue and cost opportunities over which it has more control may further heighten refinancing risk.

The company's liquidity has been sufficient to cover operating costs in the off-season, invest in its parks and enable it to continue to attempt its turnaround in 2008. Liquidity as of March 31, 2008 consisted of \$12.6 million in cash and approximately \$130 million in unused revolver capacity. The company also announced its deferral of the PIERs May 2008 dividend (approximately \$5.2 million per quarter). This will help to preserve additional liquidity by reducing fixed charges. While this action is a negative for PIERs holders Fitch notes that it appears to be within the provisions stipulated in the security documents. Fitch expects that the first quarter of 2008 represented the lowest point in the company's liquidity for the year and expects meaningful positive cash flows for the next two quarters, which would go toward reducing the current credit facility balance and to building up liquidity to fund its off-season in fourth-quarter 2008 and first-quarter 2009.

For further information, see Fitch's report dated April 23, 2008, available on the Fitch Ratings web site at 'www.fitchratings.com'.

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