

SeaWorld Entertainment, Inc.  
Form 10-K  
February 27, 2015  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

**FORM 10-K**

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

**For the fiscal year ended December 31, 2014**

**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: 001-35883**

**SeaWorld Entertainment, Inc.**

**(Exact name of registrant as specified in its charter)**

**Delaware** **27-1220297**  
**(State or other jurisdiction of** **(I.R.S. Employer**  
**incorporation or organization)** **Identification No.)**  
**9205 South Park Center Loop, Suite 400**

**Orlando, Florida 32819**

**(Address of principal executive offices)(Zip Code)**

**(407) 226-5011**

**(Registrant's telephone number, including area code)**

**Securities registered pursuant to Section 12(b) of the Act:**

<b>Title of each class</b>	<b>Name of each exchange on which registered</b>
<b>Common Stock, par value \$0.01 per share</b>	<b>New York Stock Exchange</b>

**Securities registered pursuant to Section 12(g) of the Act: None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

## Edgar Filing: SeaWorld Entertainment, Inc. - Form 10-K

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.

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 Act). Yes  No

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant as of June 30, 2014, the last business day of the registrant's most recently completed second fiscal quarter, was \$1,914,102,285 based upon the closing price of the registrant's common stock, par value \$0.01 per share, reported for such date on the New York Stock Exchange. For purposes of this computation, shares of the registrant's common stock held by each executive officer and director and each person known to the registrant to own 10% or more of the outstanding voting power of the registrant have been excluded in that such persons are affiliates. This determination of affiliate status is not a determination for other purposes.

The registrant had outstanding 89,230,648 shares of Common Stock, par value \$0.01 per share as of February 23, 2015.

### **DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the registrant's definitive proxy statement to be filed with the Securities and Exchange Commission relating to the 2015 Annual Meeting of Stockholders, which statement will be filed pursuant to Regulation 14A not later than 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K, are incorporated by reference into Part III of this report.

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**SEAWORLD ENTERTAINMENT, INC. AND SUBSIDIARIES**

**ANNUAL REPORT ON FORM 10-K**

**FOR THE YEAR ENDED DECEMBER 31, 2014**

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*Unless otherwise noted or the context otherwise requires, (i) references to the Company, SeaWorld, we, our or us in this Annual Report on Form 10-K refer to SeaWorld Entertainment, Inc. and its consolidated subsidiaries, (ii) references to Blackstone refer to certain investment funds affiliated with The Blackstone Group L.P., (iii) references to the Partnerships refer, collectively, as applicable, to either (a) ten limited partnerships owned by affiliates of Blackstone and certain co-investors, through SW Delaware L.P. (f/k/a SW Cayman L.P.), SW Delaware A L.P. (f/k/a SW Cayman A L.P.), SW Delaware B L.P. (f/k/a SW Cayman B L.P.), SW Delaware C L.P. (f/k/a SW Cayman C L.P.), SW Delaware D L.P. (f/k/a SW Cayman D L.P.), SW Delaware E L.P. (f/k/a SW Cayman E L.P.), SW Delaware F L.P. (f/k/a SW Cayman F L.P.), SW Delaware Co-Invest L.P. (f/k/a SW Cayman Co-Invest L.P.), SW Delaware (GS) L.P. (f/k/a SW Cayman (GS) L.P.) and SW Delaware (GSO) L.P. (f/k/a SW Cayman (GSO) L.P.) or (b) only nine of the aforementioned ten limited partnerships owned by affiliates of Blackstone and other certain co-investors to reflect that, as of August 25, 2014, one of such limited partnerships SW Delaware (GS) L.P. (f/k/a SW Cayman (GS) L.P.) no longer owns shares of the Company's common stock, (iv) references to ABI refer to Anheuser-Busch, Incorporated, (v) references to guests refer to our theme park visitors, (vi) references to customers refer to any consumer of our products and services, including guests of our theme parks, (vii) references to the TEA/AECOM Report refer to the 2013 Theme Index: The Global Attractions Attendance Report, TEA/AECOM, 2014, (viii) references to the 2014 Amusement Today Annual Survey or the Amusement Today 2014 Golden Ticket Awards refer to the Amusement Today 2014 Golden Ticket Awards, Vol. 18, issue 6.2 dated September 2014 and (ix) references to the IBISWorld Report refer to the IBISWorld Industry Report 71311: Amusement Parks in the US dated August 2014. Unless otherwise noted, attendance rankings included in this Annual Report on Form 10-K are based on the TEA/AECOM Report and theme park industry statistics are based on the IBISWorld Report.*

**SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS**

In addition to historical information, this Annual Report on Form 10-K may contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the Securities Act), and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act), which are subject to the safe harbor created by those sections. All statements, other than statements of historical facts, including statements concerning our plans, objectives, goals, beliefs, business strategies, future events, business conditions, our results of operations, financial position and our business outlook, business trends and other information, may be forward-looking statements. Words such as might, will, may, should, estimates, expects, continues, contemplates, anticipates, projects, predicts, intends, believes, forecasts, future and variations of such words or similar expressions are intended to identify forward-looking statements. The forward-looking statements are not historical facts, and are based upon our current expectations, beliefs, estimates and projections, and various assumptions, many of which, by their nature, are inherently uncertain and beyond our control. Our expectations, beliefs, estimates and projections are expressed in good faith and we believe there is a reasonable basis for them. However, there can be no assurance that management's expectations, beliefs, estimates and projections will result or be achieved and actual results may vary materially from what is expressed in or indicated by the forward-looking statements.

There are a number of risks, uncertainties and other important factors, many of which are beyond our control, that could cause our actual results to differ materially from the forward-looking statements contained in this Annual Report on Form 10-K. Such risks, uncertainties and other important factors that could cause actual results to differ include, among others, the risks, uncertainties and factors set forth under Risk Factors in Part I, Item 1A of this Annual Report on Form 10-K, including the following:

a decline in discretionary consumer spending or consumer confidence;

various factors beyond our control adversely affecting attendance and guest spending at our theme parks;

changes in federal and state regulations governing the treatment of animals and claims and lawsuits by activist groups;

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incidents or adverse publicity concerning our theme parks;

inability to protect our intellectual property or the infringement on intellectual property rights of others;

featuring animals at our theme parks;

the loss of licenses and permits required to exhibit animals;

significant portion of revenues generated in the States of Florida, California and Virginia and the Orlando market;

inability to compete effectively;

loss of key personnel;

increased labor costs;

unionization activities or labor disputes;

inability to meet workforce needs;

inability to fund theme park capital expenditures;

high fixed cost structure of theme park operations;

inability to maintain certain commercial licenses;

changing consumer tastes and preferences;

restrictions in our debt agreements limiting flexibility in operating our business;

our substantial leverage;



seasonal fluctuations;

inability to realize the benefits of acquisitions or other strategic initiatives;

adverse litigation judgments or settlements;

inadequate insurance coverage;

inability to purchase or contract with third party manufacturers for rides and attractions;

environmental regulations, expenditures and liabilities;

cyber security risks;

suspension or termination of any of our business licenses;

our limited operating history as a stand-alone company; and

the ability of affiliates of The Blackstone Group L.P to significantly influence our decisions.

We caution you that the risks, uncertainties and other factors referenced above may not contain all of the risks, uncertainties and other factors that are important to you. In addition, we cannot assure you that we will realize the results, benefits or developments that we expect or anticipate or, even if substantially realized, that they will result in the consequences or affect us or our business in the way expected. There can be no assurance that (i) we have correctly measured or identified all of the factors affecting our business or the extent of these factors likely impact, (ii) the available information with respect to these factors on which such analysis is based is complete or accurate, (iii) such analysis is correct or (iv) our strategy, which is based in part on this analysis, will be successful. All forward-looking statements in this Annual Report on Form 10-K apply only as of the date of this Annual Report on Form 10-K or as the date they were made and, except as required by applicable law, we undertake no obligation to publicly update any forward-looking statement, whether as a result of new information, future developments or otherwise.

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### **Trademarks, Service Marks and Trade names**

We own or have rights to use a number of registered and common law trademarks, service marks and trade names in connection with our business in the United States and in certain foreign jurisdictions, including SeaWorld Entertainment, SeaWorld Parks & Entertainment, SeaWorld®, Shamu®, Busch Gardens®, Aquatica®, Discovery Cove®, Sea Rescue® and other names and marks that identify our theme parks, characters, rides, attractions and other businesses. In addition, we have certain rights to use Sesame Street® marks, characters and related indicia through certain license agreements with Sesame Workshop (f/k/a Children's Television Workshop).

Solely for convenience, the trademarks, service marks, and trade names referred to in this Annual Report on Form 10-K are without the ® and ™ symbols, but such references are not intended to indicate, in any way, that we will not assert, to the fullest extent under applicable law, our rights or the rights of the applicable licensors to these trademarks, service marks, and trade names. This Annual Report on Form 10-K may contain additional trademarks, service marks and trade names of others, which are the property of their respective owners. All trademarks, service marks and trade names appearing in this Annual Report on Form 10-K are, to our knowledge, the property of their respective owners.

## **PART I.**

### **Item 1. Business Company Overview**

We are a leading theme park and entertainment company delivering personal, interactive and educational experiences that blend imagination with nature and enable our customers to celebrate, connect with and care for the natural world we share. We own or license a portfolio of globally recognized brands including SeaWorld, Shamu and Busch Gardens. Over our more than 50 year history, we have built a diversified portfolio of 11 destination and regional theme parks that are grouped in key markets across the United States, many of which showcase our one-of-a-kind zoological collection of approximately 89,000 marine and terrestrial animals. Our theme parks feature a diverse array of rides, shows and other attractions with broad demographic appeal which deliver memorable experiences and a strong value proposition for our guests.

During the year ended December 31, 2014, we hosted approximately 22.4 million guests in our theme parks, including approximately 3.6 million international guests. In the year ended December 31, 2014, we had total revenues of \$1.38 billion and net income of \$49.9 million.

We generate revenue primarily from selling admission to our theme parks and from purchases of food, merchandise and other spending. For the year ended December 31, 2014, theme park admissions accounted for approximately 62% of our total revenue, and food, merchandise and other revenue accounted for approximately 38% of our total revenue. Over the same period of time, we reported \$38.37 in admission per capita (calculated as admissions revenue divided by total attendance) and \$23.14 in-park per capita spending (calculated as food, merchandise and other revenue divided by total attendance).

As one of the world's foremost zoological organizations and a global leader in animal welfare, training, husbandry and veterinary care, we are committed to helping protect and preserve the environment and the natural world. For more information, see the [Our Animals](#) and [Philanthropy and Community Relations](#) sections.

### **Recent Developments**

***Management Changes***

Effective January 15, 2015, James Atchison resigned from his role as Chief Executive Officer ( CEO ) and President of the Company. Mr. Atchison will continue to serve as a member of the Board of Directors of the

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Company (the Board ) in the role of Vice Chairman of the Board and has entered into a three-year consulting agreement with the Company. In connection with the foregoing, effective January 15, 2015, the Board appointed David F. D Alessandro as the Company s interim CEO until the Board selects a permanent successor. Mr. D Alessandro, who has been Chairman of the Board since 2010, will continue in that position during his tenure as interim CEO.

Effective February 6, 2015, Daniel B. Brown was appointed Chief Parks Operations Officer of the Company. In this role, Mr. Brown has operational oversight over all of the Company s theme parks. Donald W. Mills Jr., formerly the Company s Chief Operating Officer Busch Gardens & Sesame Place, was reassigned to the position of Orlando Park President responsible for leading the Company s Orlando theme parks SeaWorld, Discovery Cove and Aquatica.

### ***Share Repurchase Program and Share Repurchases***

On August 12, 2014, our Board authorized the repurchase of up to \$250.0 million of our common stock beginning on January 1, 2015 (the Share Repurchase Program ). On December 16, 2014, the Board approved an amendment to the Share Repurchase Program to change the start date of such program from January 1, 2015 to December 17, 2014 and to authorize the repurchase of up to \$15.0 million of our common stock during the remainder of calendar year 2014. The other features of the Share Repurchase Program remained unchanged including the total amount authorized and available under the program of \$250.0 million. Under the Share Repurchase Program, we are authorized to repurchase shares through open market purchases, privately-negotiated transactions or otherwise in accordance with applicable federal securities laws, including through Rule 10b5-1 trading plans and under Rule 10b-18 of the Exchange Act. The Share Repurchase Program has no time limit and may be suspended or discontinued completely at any time. The number of shares to be purchased and the timing of purchases will be based on the level of our cash balances, general business and market conditions, and other factors, including legal requirements, debt covenant restrictions and alternative investment opportunities.

Pursuant to the Share Repurchase Program, during the fourth quarter of 2014, we entered into a written trading plan under Rule 10b5-1 of the Exchange Act and repurchased a total of 855,970 shares of common stock at an average price of \$17.50 per share and a total cost of approximately \$15.0 million, leaving \$235.0 million available for future repurchases under the Share Repurchase Program. All of the repurchased common stock was held as treasury shares at December 31, 2014.

### ***Restructuring Program***

In December 2014, we implemented a restructuring program in an effort to centralize certain operations and reduce duplication of functions to increase efficiencies (the Restructuring Program ). The Restructuring Program is part of our previously announced Company-wide initiative designed to deliver approximately \$50.0 million of annual cost savings by the end of 2015, as compared to our cost structure in fiscal 2014. We believe that these cost savings will be largely offset by annual inflationary pressures and increased spending on marketing and advertising initiatives. The Restructuring Program involved the elimination of approximately 300 positions across our eleven theme parks and corporate headquarters. As a result, we expect to record approximately \$12.4 million in pre-tax restructuring charges, of which \$11.6 million was incurred in 2014 and another \$0.8 million is expected to be incurred in the first half of 2015, due to certain continuing service obligations.

Costs incurred in 2014 related to the Restructuring Program are recorded as restructuring and other related costs and primarily consist of severance and other employment expenses as well as third party consulting costs associated with the development of the cost savings plan and the Restructuring Program. These restructuring and other related costs do not include any costs associated to the previously announced separation of our CEO and President effective

January 15, 2015, which approximated \$2.6 million in the fourth quarter of 2014.

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**Brands That Consumers Know and Love.** We believe that our brands attract and appeal to guests from around the world and have been established as a part of popular culture. Our brand portfolio is stable, which we believe reduces our exposure to changing consumer tastes. We use our brands and intellectual property to increase awareness of our theme parks, drive attendance to our theme parks and create out-of-park experiences for our guests as a way to connect with them before they visit our theme parks and to stay connected with them after their visit. Such experiences include various media and consumer product offerings, including websites, advertisements and media programming, toys, books, apparel and technology accessories. For example, we have developed iPhone and Android smartphone applications for our SeaWorld, Busch Gardens and Sesame Place theme parks, which offer GPS navigation through the theme parks and interactive theme park maps that show the nearest dining locations, gift shops and ATMs and provide real-time updates on wait times for rides. Our guests have quickly adopted these products with over 2.1 million downloads of our smartphone applications from June 2011 through December 2014.

We have also leveraged our brands into media, entertainment and consumer products. In 2012, we launched Sea Rescue, a Saturday morning television show airing on the ABC Network featuring our work to rescue injured animals in coordination with various government agencies and other rescue organizations. Since its debut through December 2014, Sea Rescue has attracted over 195 million viewers and has been rated as the number one show in its timeslot in a number of major U.S. markets. Additionally, in 2014, Sea Rescue was nominated for a Daytime Emmy® Award in the category of Outstanding Children's Series by the National Academy of Television Arts & Sciences. In October 2013, we introduced our newest television program, The Wildlife Docs, which has attracted over 89 million viewers from October 2013 through December 2014 and centers on the day-to-day activities at our Animal Care Center at Busch Gardens Tampa. Additionally, in March 2014, we introduced a new media platform, SeaWorld Kids, which features a website containing nature-based learning content for kids. The website includes games and animal information and showcases Sea Rescue, The Wildlife Docs and The Jungle Bunch, as well as our new monthly web series, Generation Nature. We have also introduced learning apps for kids and have released original songs and soundtracks from our theme parks for sale on iTunes, Google Play and other digital music channels.

**Differentiated Theme Parks.** We own and operate 11 theme parks, including four of the top 20 theme parks in North America as measured by attendance, according to the TEA/AECOM Report. Our theme parks are beautifully themed and deliver high-quality entertainment, aesthetic appeal, shopping and dining and have won numerous awards, including the *Amusement Today* Golden Ticket Award for Best Landscaping. Our theme parks feature eight of the 50 highest rated steel rollercoasters in the world, led by Apollo's Chariot, the #7 rated steel rollercoaster in the world according to the 2014 *Amusement Today* Annual Survey, and have won the top three spots in the *Amusement Today* annual Golden Ticket Award for Best Marine Life Park since the award's inception in 2006. We have over 600 attractions that appeal to guests of all ages, including 99 animal habitats, 116 shows and 193 rides. In addition, we have over 300 restaurants and specialty shops. Our theme parks appeal to the entire family and offer a broad range of experiences, ranging from emotional and educational animal encounters to thrilling rides and exciting shows. As a result of these distinctive offerings, our guest surveys routinely report very high Overall Satisfaction scores, with 97% of respondents in 2014 ranking their experience good

or excellent.

**Diversified Business Portfolio.** Our portfolio of theme parks is diversified in a number of important respects. Our theme parks are located across the United States, which helps protect us from the impact of localized events. Each theme park showcases a different mix of zoological, thrill-oriented and family-friendly attractions. This varied portfolio of entertainment offerings attracts guests from a broad range of demographics and geographies. Our theme parks appeal to both regional and destination guests, which provide us with a stable attendance base while allowing us to benefit from improvements in macroeconomic conditions, including increased consumer spending and international travel.

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**One of the World's Largest Zoological Collections.** We believe we are attractively positioned in the industry due to our ability to present our animals in a differentiated and interactive manner. We believe we have one of the world's largest zoological collections with approximately 89,000 animals, including 8,000 marine and terrestrial animals and 81,000 fish. With 30 killer whales, we have the largest group of killer whales in human care. We have established successful and innovative breeding programs that have produced 32 killer whales, 165 dolphins and 148 sea lions, among other species, and our marine animal populations are characterized by their substantial genetic diversity. More than 80% of our marine mammals were born in human care.

**Strong Competitive Position.** Our competitive position is protected by the combination of our powerful brands, extensive zoological collection and expertise and attractive in-park assets located on valuable real estate. Our zoological collection and expertise, which have evolved over our more than five decades of caring for animals, would be very difficult to replicate. We have made extensive investments in new marketable attractions and infrastructure and we believe that our theme parks are well capitalized. The limited supply of real estate suitable for theme park development coupled with high initial capital investment, long development lead-times and zoning and other land use restrictions constrain the number of large theme parks that can be constructed.

**Proven and Experienced Management Team and Employees with Specialized Animal Expertise.** Our senior management team includes some of the most experienced theme park executives in the world, with an average tenure of approximately 30 years in the industry (calculation excludes average tenure for our interim CEO). The management team is comprised of highly skilled and dedicated professionals with wide ranging experience in theme park operations, zoological operations, product development, business development, marketing and finance. In addition, we are one of the world's foremost zoological organizations with an average of more than 1,500 employees dedicated to animal welfare, training, husbandry and veterinary care.

**Proximity of Complementary Theme Parks.** Our theme parks are grouped in key locations near large population centers across the United States, which allows us to realize revenue and operating expense efficiencies. Having theme parks located within close proximity to each other also enables us to cross market and offer bundled ticket and travel packages. In addition, closely located theme parks provide operating efficiencies including sales, marketing, procurement and administrative synergies as overhead expenses are shared among the theme parks within each region.

**Strong Cash Flow Generation.** Our disciplined approach to capital expenditures and working capital management, enable us to generate strong and recurring cash flow. Five of our 11 theme parks are open year-round, reducing our seasonal cash flow volatility. In addition, we have substantial tax assets, which we expect to be available to defer a portion of our cash tax burden going forward.

**Care for Our Community and the Natural World.** Caring for our community and the natural world is a core part of our corporate identity and resonates with our guests. We focus on three core philanthropic areas: children, education and environment. Through the power of entertainment, we are able to inspire children and educate guests of all ages. We support numerous charities and organizations across the country. For example, we are the primary



supporter and corporate member of the SeaWorld & Busch Gardens Conservation Fund, a non-profit conservation foundation, which makes grants to wildlife research and conservation projects that protect wildlife and wild places worldwide. In addition, in collaboration with the government and other members of accredited stranding networks, we operate one of the world's most respected programs to rescue ill and injured marine animals, with the goal to rehabilitate and return them back to the wild. Our animal experts have helped more than 24,000 ill, injured, orphaned and abandoned animals for more than four decades. In 2014, the SeaWorld Animal Rescue Teams based in San Diego, Orlando and San Antonio were presented the *Amusement Today* 2014 Persons of the Year Award for their tireless dedication to animal welfare.

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### Our Theme Parks

Our legacy started in 1959 with the opening of our first Busch Gardens theme park in Tampa, Florida. Since then, we have built our portfolio of strong brands and have strategically expanded our portfolio of theme parks across five states and approximately 2,000 acres of owned land, including through acquisitions.

Our theme parks offer guests a variety of exhilarating experiences, from animal encounters that invite exploration and appreciation of the natural world, to thrilling rides and spectacular shows. Our theme parks are beautifully themed venues that are consistently recognized among the top theme parks in the world and rank among the most highly attended in the industry. In 2013, SeaWorld Orlando and SeaWorld San Diego each ranked among the top 25 theme parks worldwide based on attendance, and Aquatica Orlando ranked among the top 20 water parks worldwide based on attendance, according to the TEA/AECOM Report. Additionally, Discovery Cove was ranked the #1 amusement park in the world for the second consecutive year in the 2014 TripAdvisor Travelers' Choice<sup>™</sup> Awards. We generally locate our theme parks in geographical clusters, which improve our ability to serve guests by providing them with a varied, comprehensive vacation experience and valuable multi-park pricing packages, as well as improving our operating efficiency through shared overhead costs. Our portfolio of branded theme parks includes the following names:

**SeaWorld.** SeaWorld is widely recognized as the leading marine-life theme park brand in the world. Our SeaWorld theme parks rank among the most highly attended theme parks in the industry and offer up-close interactive experiences, special dining experiences, thrilling attractions and a variety of live performances that immerse guests in the marine-life theme. We also offer our guests numerous animal encounters, including the opportunity to work with trainers and feed marine animals, as well as themed thrill rides and theatrical shows that creatively incorporate our one-of-kind zoological collection. Collectively, our SeaWorld theme parks have won the top three spots in the *Amusement Today* annual Golden Ticket Award for Best Marine Life Park since the award's inception in 2006. We currently own and operate the following SeaWorld branded theme parks:

- i *SeaWorld Orlando* is a 279 acre theme park in Orlando, Florida and is open year-round. It is our largest theme park as measured by attendance and revenue. SeaWorld Orlando is home to the Journey to Atlantis watercoaster ride, Kraken, a floorless rollercoaster, and Manta, a flying rollercoaster which integrates animals and a beautiful aquarium into its theme. In May 2013, we opened Antarctica: Empire of the Penguin, a realm within the park that immerses guests into a penguin habitat. SeaWorld Orlando is also home to TurtleTrek, one of the first attractions with two extensive naturalistic habitats, home to manatees and sea turtles, and a 3-D, 360-degree dome theater.
- i *SeaWorld San Antonio* is one of the world's largest marine-life theme parks, encompassing approximately 415 acres in San Antonio, Texas. SeaWorld San Antonio features thrilling rollercoasters, including the Steel Eel and The Great White, along with a collection of marine-themed shows and experiences, including the killer whale show One Ocean. Guests can upgrade their experience for an additional fee to also enjoy our Aquatica water park located within SeaWorld San Antonio.

i

*SeaWorld San Diego* is the original SeaWorld theme park spanning 190 acres of waterfront property on Mission Bay in San Diego, California. SeaWorld San Diego is open year-round and is one of the most visited paid attractions in San Diego. Its newest attraction is Explorer's Reef, which opened in March 2014 to coincide with the official kickoff of a Sea of Surprises commemorating SeaWorld's 50 anniversary celebration. Through Explorer's Reef, guests enter the park under a massive wave sculpture and encounter an underwater-themed realm of animal attractions, buildings and shade structures. SeaWorld San Diego is also home to Manta, built in 2012 and modeled on the successful Manta ride in SeaWorld Orlando, which includes animal habitats featuring bat rays and other marine-life as well as a launch rollercoaster shaped like a giant manta ray.

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**Busch Gardens.** Our Busch Gardens theme parks are family-oriented destinations designed to immerse guests in foreign geographic settings. They are renowned for their beauty and cleanliness with award-winning landscaping and gardens. Our Busch Gardens theme parks allow our guests to discover the natural side of fun by offering a family experience featuring a variety of attractions and rollercoasters, exotic animals and high-energy theatrical productions that appeal to all ages. We currently own and operate the following Busch Gardens theme parks:

- i *Busch Gardens Tampa* features exotic animals, thrill rides and shows on 306 acres of lush natural landscape. Our zoological collection is a popular attraction for families, and its portfolio of rides, including four of the world's top 50 steel rollercoasters according to the 2014 *Amusement Today* Annual Survey, broaden the theme park's appeal to teens and thrill seekers of all ages. Its newest attraction, Falcon's Fury, which opened in the third quarter of 2014, is the tallest freestanding drop tower in North America, standing at 335 feet. The attraction rises more than 300 feet in the air then pivots guests 90 degrees to a face-down dive position before dropping to the ground. Also new in 2014 is Pantopia, a fully-revitalized realm which is home to Falcon's Fury and includes new culinary options, entertainment, shopping and an indoor theater.
  
- i *Busch Gardens Williamsburg* is regularly recognized as one of the highest quality theme parks in the world, capturing dozens of awards over its history for attraction and show quality, design, landscaping, culinary operations and theming. This 422 acre theme park has been named the Most Beautiful Park in the World by the National Amusement Park Historical Association for 24 consecutive years and has earned the *Amusement Today* Golden Ticket for Best Landscaping each year since the category's inception in 1998. It features some of the industry's top thrill rides with three steel rollercoasters, Apollo's Chariot, Alpengeist and Griffon, ranked in the top 35 in the 2014 *Amusement Today* Annual Survey. Its newest steel rollercoaster, Verbolten, a multi-launch, indoor/outdoor rollercoaster that ends with an 88-foot drop toward the theme park's Rhine River, opened in 2012. In 2014, the London Rocks show debuted, which takes guests on a musical journey exploring the roots of rock-n-roll and the powerful role that music plays in people's lives.

**Aquatica.** Our Aquatica branded water parks are premium, family-oriented destinations that are based in a South Seas-themed tropical setting. Aquatica water parks build on the aquatic theme of our SeaWorld brand and feature high-energy rides, water attractions, white-sand beaches and an innovative and entertaining presentation of marine and terrestrial animals. We position our Aquatica water parks as companions to our SeaWorld theme parks and currently own and operate the following Aquatica branded theme parks:

- i *Aquatica Orlando* is an 81 acre South Seas-themed water park adjacent to SeaWorld Orlando that is open year-round. In 2013, it was the 3<sup>rd</sup> most attended water park in North America and the 7<sup>th</sup> most attended water park worldwide, according to the TEA/AECOM Report. The theme park features state-of-the-art attractions for guests of all ages and swimming abilities, including some that pass by or through animal habitats, such as the signature Dolphin Plunge that carries guests through a Commerson's dolphin habitat. Its newest attraction, Ihu's Breakaway Falls, a multi-drop tower slide, opened in 2014 and provides guests a dramatic vertical plunge followed by a maze of curving tubes before final splashdown.

- i *Aquatica San Antonio* is a water park located within SeaWorld San Antonio and accessible to guests for an additional fee. It features a variety of waterslides, rivers, lagoons, a large beach area and private cabanas. The water park's signature attraction, Stingray Falls, takes four-seat rafts down twists and turns to an underwater grotto, where guests view stingrays and tropical fish. In addition, Walhalla Wave, a family raft ride, sends guests to the top of a zero-gravity wall, giving riders the sense of weightlessness. Its newest attraction, Roa's Aviary, which opened in 2014, features a 13,500 square foot aviary giving guests the chance to float, wade or walk among hundreds of tropical birds. The aviary also contains a guest pool and waterfalls.
  
- i *Aquatica San Diego* is located near our SeaWorld San Diego theme park and is the latest water park added to our portfolio. We acquired the Knott's Soak City Chula Vista, a 66 acre water park,

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from a subsidiary of Cedar Fair L.P. in November 2012 and renovated, rebranded and relaunched the theme park as Aquatica San Diego in June 2013. In 2014, we opened Taumata Racer, a high-speed racing water ride that sends riders down a 375-foot slide, around a 180-degree swooping turn, and in and out of tunnels before racing them across the finish line.

**Discovery Cove.** Located next to SeaWorld Orlando, Discovery Cove is a 58 acre, reservations only, all-inclusive marine-life theme park that is open year-round to guests and features premium culinary offerings. The theme park restricts its attendance to approximately 1,300 guests per day in order to assure a more intimate experience. Discovery Cove provides guests with a full day of activities, including a 30-minute dolphin swim session and the opportunity to snorkel with thousands of tropical fish, wade in a lush lagoon with stingrays, and hand-feed birds in a free flight aviary. Discovery Cove was ranked the #1 amusement park in the world for the second consecutive year in the 2014 TripAdvisor Travelers' Choice Awards. Discovery Cove's attractions include The Grand Reef, which includes SeaVenture, an underwater walking tour where guests can get up close to exotic fish and sharks, and Freshwater Oasis, which offers wading adventures and face-to-face encounters with otters and marmosets.

**Sesame Place.** Located on 55 acres between Philadelphia and New York City, Sesame Place is the only theme park in America entirely dedicated to the award-winning television show, Sesame Street, and its spirit of imagination. The theme park shares SeaWorld's education and learning through entertainment philosophy and allows parents and children to experience Sesame Street together through whirling rides, water slides, colorful shows and furry friends. Despite its small size and seasonal operating schedule, Sesame Place attracts approximately one million guests annually due to its strong family appeal. Sesame Place's newest realm, Cookie's Monster Land, opened in 2014 and features five new family-friendly rides, a 3-story net climb, and a soft play area for the park's youngest visitors. In addition, we have introduced Sesame Street brands in our other theme parks through Sesame Street-themed rides, shows, children's play areas and merchandise. Our rights to the Sesame Street brand in the United States extend through 2021.

**Water Country USA.** Located on 222 acres, Virginia's largest family water park, Water Country USA, features state-of-the-art water rides and attractions, all set to a 1950s and 1960s surf theme. Water Country USA is the sixth most attended water park in North America according to the TEA/AECOM Report and features a 23,000 square-foot wave pool, a science fiction themed interactive children's play area, kid-sized water slides, live shows and several other attractions. One of its newest attractions is Colossal Curl, an action packed family thrill slide that sends riders down nearly 550 feet.

**Adventure Island.** Located adjacent to Busch Gardens Tampa, Adventure Island is a 56 acre water park that is filled with water rides, dining and other attractions that incorporate a Key West theme. The theme park is the seventh most attended water park in North America according to the TEA/AECOM Report and features a family friendly wave pool and children's water playground that appeal to its core constituency, local families with young children.

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The following table summarizes our theme park portfolio for 2014:

<b>Location</b>	<b>Theme Park</b>	<b>Year Opened</b>	<b>Animal Habitats<sup>(2)</sup></b>	<b>Rides<sup>(3)</sup></b>	<b>Shows<sup>(4)</sup></b>	<b>Other<sup>(5)</sup></b>
		1973	17	14	16	27
<b>Orlando, FL</b>		2000	5	3	0	5
		2008	6	14	0	4
		1959	17	29	16	36
<b>Tampa, FL</b>		1980	0	12	0	7
		1964	30	10	20	17
<b>San Diego, CA</b>		1996 <sup>(1)</sup>	2	9	0	4
<b>San Antonio, TX</b>		1988	15	23	33	51
		1975	7	38	17	44
<b>Williamsburg, VA</b>		1984	0	16	1	9

<b>Langhorne, PA</b>	1980	0	25	13	23
<b>Total<sup>(6)</sup></b>		<b>99</b>	<b>193</b>	<b>116</b>	<b>227</b>

- (1) On November 20, 2012, we acquired the Knott's Soak City Chula Vista water park from a subsidiary of Cedar Fair, L.P. This water park was renovated, rebranded and relaunched as Aquatica San Diego on June 1, 2013.
- (2) Represents animal habitats without a ride or show element, often adjacent to a similarly themed attraction.
- (3) Represents mechanical dry rides, water rides and water slides (including wave pools and lazy rivers).
- (4) Represents annual and seasonal shows with live entertainment, animals, characters and/or 3-D or 4-D experiences.
- (5) Represents our 2014 portfolio for events, distinctive experiences and play areas, which collectively may include special limited time events; distinctive experiences often limited to small groups and individuals and/or requiring a supplemental fee (such as educational tours, immersive dining experiences and swimming with animals); and pure play areas, typically designed for children or seasonal special events, often without a queue (such as water splash areas or Halloween mazes).
- (6) The total number of animal habitats, rides, shows, events, distinctive experiences and play areas in our theme park portfolio varies seasonally.



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### ***Capital Improvements***

We make annual investments to support our existing theme park facilities and attractions, as well as enable the development of new theme park attractions and infrastructure. Maintaining and improving our theme parks, as well as opening new attractions, is critical to remain competitive and increase attendance and our guests' length of stay. Our theme parks feature a variety of attractions for our guests. In 2014, we opened new attractions in nine of our eleven theme parks. Some of the attractions added include:

A Sea of Surprises, 50<sup>th</sup> Anniversary Celebration (SeaWorld Orlando, SeaWorld San Diego and SeaWorld San Antonio): All three SeaWorld parks commemorated the 50<sup>th</sup> anniversary celebration with new interactive experiences, shows, pathway performances, animal encounters and a Surprise Squad, who treated guests with prizes.

Explorer's Reef (SeaWorld San Diego): An innovative new park entrance that immerses guests into an undersea realm from the moment they arrive.

Falcon's Fury (Busch Gardens Tampa): The tallest freestanding drop tower in North America, standing at 335 feet, which pivots guests 90 degrees to a face-down dive position before dropping toward the ground.

Pantopia (Busch Gardens Tampa): A fully-revitalized realm that is home to Falcon's Fury and includes new culinary options, entertainment, shopping and an indoor theater.

London Rocks Show (Busch Gardens Williamsburg): A new musical production that takes guests on a journey to explore the roots of rock and roll.

Ihu's Breakaway Falls (Aquatica Orlando): A multi-drop tower slide that provides guests a dramatic vertical plunge followed by a maze of curving tubes before final splashdown.

Taumata Racer (Aquatica San Diego): A high-speed racing water ride that sends riders down a 375-foot slide, around a 180-degree swooping turn, and in and out of tunnels before racing them across the finish line.

Roa's Aviary (Aquatica San Antonio): A 13,500 square foot aviary giving guests the chance to float, wade or walk among hundreds of tropical birds. The aviary also features a guest pool and waterfalls.

Colossal Curl (Water Country USA): An action packed family thrill slide that sends riders down nearly 550 feet.

Cookie s Monster Land (Sesame Place): A new realm that features five new family-friendly rides, a 3-story net climb, and a soft play area for the park s youngest visitors

During 2015, we plan to open a new roller coaster at our Busch Gardens Williamsburg theme park and a Colossal Curl slide at our Adventure Island water park. In addition, we announced plans to open Pacific Point Preserve at our SeaWorld San Antonio theme park, which will include new dining and merchandise venues as well as a new sea lion show and habitat. We also have announced a new sea lion show at our SeaWorld Orlando theme park and a new birthday parade and market style dining venue at our Sesame Place theme park.

On a longer term basis, we have announced a plan to build new killer whale environments at all three of our SeaWorld locations. The San Diego environment is expected to open to the public in 2018 with new killer whale environments to follow at SeaWorld Orlando and SeaWorld San Antonio. The total investment is expected to be approximately \$100.0 million per park by the project s completion.

### ***Maintenance and Inspection***

Maintenance at our theme parks is a key component of guest service and safety and includes two areas of focus: (i) facilities and infrastructure and (ii) rides and attractions. Facilities and infrastructure maintenance consists of all functions associated with upkeep, repair, preventative maintenance, code compliance and improvement of theme park infrastructure. This area is staffed with a combination of external contractors/suppliers and our employees.

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Rides and attractions maintenance represents all functions dedicated to the inspection, upkeep, repair and testing of guest experiences, particularly rides. Rides and attractions maintenance is also staffed with a combination of external suppliers, inspectors and our employees, who work to assure that ride experiences are operating within the manufacturer's criteria and that maintenance is conducted according to internal standards, industry best practice and standards (such as ASTM International), state or jurisdictional requirements, as well as the ride designer or manufacturer's specifications. All ride maintenance personnel are trained to perform their duties according to internal training processes, in addition to recognized industry certification programs for maintenance leadership. Every ride at our theme parks is inspected regularly, according to daily, weekly, monthly and annual schedules, by both park maintenance experts and external consultants. Additionally, all rides are inspected daily by maintenance personnel before use by guests to ensure proper and safe operation.

All maintenance activities are planned and tracked using a networked enterprise software system, in order to schedule and request work, track completion progress and manage costs of parts and materials.

## **Our Animals**

We are one of the world's foremost zoological organizations with an average of more than 1,500 employees dedicated to animal welfare, training, husbandry and veterinary care. Our mission is to inspire guests through education and up-close experiences and to care for and protect animals. We believe we have one of the largest zoological collections in the world, with approximately 89,000 animals, including 8,000 marine and terrestrial animals and 81,000 fish. Animals in our care include certain rare species such as the cheetah, Bengal tiger, West Indian manatee, black rhinoceros and polar bear.

The well-being of the animals in our care is a top priority. Our zoological staff has been caring for animals for more than five decades, and our expertise is a resource for zoos, aquariums and conservation organizations worldwide. Our expertise and innovation in animal husbandry have led to advances in the care of species in zoological facilities and in the conservation of wild populations.

We operate successful zoological breeding programs that help maintain a large and genetically-diverse animal population. Those efforts have produced 32 killer whales, 165 dolphins and 148 sea lions, among other species. More than 80% of the marine mammals living in our zoological theme parks were born in human care.

Many of our programs represent pioneering contributions to the zoological community. Until the birth of our first killer whale calf in 1985, no zoological institution had successfully bred killer whales. With 30 killer whales, we care for the largest killer whale population in zoological facilities worldwide and today have the most genetically diverse killer whale and dolphin population in our history. Six of these killer whales are presently on loan to a third party pursuant to an agreement entered into in February 2004. Pursuant to this agreement, we receive an annual fee, which is not material to our results of operations. In addition to generating incremental revenue for our business, the agreement provides for additional housing capacity for our killer whales. The agreement expires in 2031 and is renewable at the option of the parties.

Our commitment to animals also extends beyond our theme parks and throughout the world. We actively participate in species conservation and rescue efforts as discussed in [Conservation Efforts](#) and [Philanthropy and Community Relations](#) below.

## **Our Products and Services**

### ***Admission Tickets***

We generate most of our revenue from selling admission to our theme parks. For the year ended December 31, 2014, theme park admissions accounted for approximately 62% of our revenue. We work with travel agents, ticket resellers and travel agencies, as well as maintain an online presence to promote advanced sales and provide guest convenience and ease of entry. Approximately 39% of our admission ticket purchases are made online.

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Guests who visit our theme parks have the option of purchasing multiple types of admission tickets, from single and multi-day tickets to season, annual and two year passes. We also offer a Fun Card at select theme parks that allows additional visits throughout that calendar year. In addition, visitors can purchase vacation packages with preferred hotels, behind-the-scenes tours, specialty dining packages and front of the line access to enhance their experience.

We also participate in joint programs that are designed to provide visitors to Florida and Southern California with options, flexibility and value in creating their vacation itineraries. For example, we have partnered with several theme parks in Orlando to create the Orlando FlexTicket, which allows guests to purchase a ticket providing access to our theme parks in Orlando and Tampa as well as Universal Studios Universal Orlando, Islands of Adventure and Wet n Wild. We also created the 2-Park FlexTicket in conjunction with Universal Studios, which allows guests to purchase a ticket providing access to SeaWorld San Diego and Universal Studios Hollywood. In addition, we partner with independent third parties who sell tickets and/or packages to our theme parks.

We provide discounts, actively run promotions and use dynamic pricing models to adjust to changes in demand during targeted periods to maximize revenue and manage capacity.

### ***Theme Park Operations***

Our theme park operations strive to deliver a high level of service, safety and security at our theme parks. The theme park operations team manages the planning and execution of the overall theme park experience on a daily basis, which is comprised of rides, shows and attractions operations, safety, security, environmental, water park and guest arrival services (including parking, tolls, admissions, guest relations, entry and exit). Our theme park operations team identifies and leverages internal best practices across all of our theme parks in order to create a seamless and enjoyable guest experience throughout the entire visit.

### ***Culinary Offerings***

We strive to deliver a variety of high quality, creative and memorable culinary experiences to our guests. Our culinary operations are strategically organized into five key guest-oriented disciplines designed to drive in-park per capita spending: restaurants, catering, carts and kiosks, specialty snacks and vending. Our culinary team focuses on providing creative menu offerings and ways to deliver those offerings that appeal to our diverse guest base.

We offer a variety of dining programs that provide value to our guests while driving incremental revenues. While our menu offerings have broad appeal, they also cater to guests who desire healthy options and those with special allergy-related needs. Our successful all-day-dining program delivers convenience and value to our guests with numerous restaurant choices for one price. We also offer creative immersive dining experiences that allow guests to dine up-close with our animals and characters. Our commitment to care for the natural world extends to the food that we serve. Some of our menus feature sustainable, organic, seasonal and locally grown ingredients that aim to minimize environmental impacts to animals and their habitats. In addition, through culinary supply chain management initiatives, we are well-positioned to take advantage of changing economic and market conditions.

### ***Merchandise***

We offer guests the opportunity to capture memories through our products and services, including through traditional retail shops, game venues and customized photos and videos. We make a focused effort to leverage the emotional connection of the theme park experiences, capitalize on trends and optimize brand alignment with our merchandise product offerings.



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We operate nearly 300 specialty retail shops at our theme parks, and our retail business encompasses the entire value chain, from product design to production and sourcing, importing and logistics and visual presentation up to the point of sale. Our products encompass more than 60,000 unique SKUs. Whether a plush toy, a stylish apparel item showcasing an attraction, a commemorative memento or a tote to carry it all, we create items both big and small so that every guest has a chance to find that perfect item that is a reminder of the memories made in our theme parks.

Through real time photo and video technologies, guests can purchase visual memories to commemorate their experience with us. Whether on a traditional ride or during one of our numerous animal experiences, we capture the moment through the use of state-of-the-art processes and technologies. We continue to explore and develop our photo and retail business with advanced offerings such as the recent introduction of Photokey to extend beyond the visit with online opportunities to further create customized products.

In-park games span from traditional theme park operations to arcade experiences, all with the goal of creating positive family experiences for guests of every age. Our merchandise teams also focus on making a visit to our theme parks easy, convenient and comfortable. This includes offering lockers or service vehicle rentals such as strollers, electric personal carts and wheelchairs.

### ***Licensing, Consumer Products and Media Enterprises***

To capitalize on our popular brands, we leverage our intellectual property and content through media and consumer strategic licensing arrangements. We extended the reach of our brands through outbound media licensing in areas such as films, television programs and digital e-books, as well as nature-based learning mobile app games for kids. We have also expanded into the development of licensed consumer products to drive consumer sales through retail channels beyond our theme parks. Our licensed consumer product offerings currently include toys, games, books, apparel, DVD s and technology accessories, among other product types.

In addition, we have expanded our brand appeal through strategic alliances with well-known external brands, including Sesame Street and The Polar Express. We entered into an exclusive theme park license with Nelvana Enterprises, a division of Corus Entertainment, for the animated character and series Franklin and Friends, which includes in-park character appearances, DVD specials, custom publishing and co-branded merchandise. We have also released original songs and soundtracks from our theme parks for sale on digital music channels.

While currently these products do not represent a material percentage of our revenue, we believe by leveraging our brands and our intellectual property through media and consumer products, we will create new revenue streams and enhance the value of our brands through greater brand visibility, consumer awareness and increased consumer loyalty.

### ***Group Events and Conventions***

We host a variety of different group events, meetings and conventions at our theme parks both during the day and at night. Our venues offer indoor and outdoor space for meetings, special events, entertainment shows, picnics, teambuilding events, group tours and special group ticket packages. Park buy-outs allow groups to enjoy exclusive itineraries, including meetings and shows, up-close encounters with animals and behind the scenes tours. Each of our theme parks offers attractive venues, such as SeaWorld Orlando s Ports of Call, a 70,000 square foot dedicated special events complex and banquet facility at the theme park, which is themed as a nautical wharf-side warehouse district, complete with two miniature submarines. The facility offers more than 30,000 square feet of dining space, with a ballroom that provides seating for more than 750 guests and a larger outdoor garden reception area that can accommodate additional guests. For the year ended December 31, 2014, we hosted nearly 1,800 group events at our theme parks across the country.





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### ***Corporate Sponsorships and Strategic Alliances***

We seek to secure long-term corporate sponsorships and strategic alliances with leading companies and brands that share our core values, deliver significant brand value and influence and drive mutual business gains. We identify prospective corporate sponsors based on their industry and industry-leading position, and we select them based on their ability to deliver impactful value to our theme parks and our brands, as well as to consumer products and various entertainment platforms. Our corporate sponsors contribute to us in a multitude of ways, such as through direct marketing, advertising, media exposure and licensing opportunities, as well as through the non-profit SeaWorld & Busch Gardens Conservation Fund.

### **Our Corporate Culture**

Our corporate culture is built on our mission to deliver personal, interactive and educational experiences that enable our customers to celebrate, connect with and care for the natural world we share. Our management team and our employees are passionate about connecting people to nature and animals and are committed to working in a socially responsible and environmentally sustainable manner. We teach our employees to be welcoming, friendly and attentive and to create an environment that allows our guests to build lasting memories with their family and friends. Our consumer-oriented corporate culture is integral to our organization and the cornerstone of our success.

### **Conservation Efforts**

We contribute to species conservation, wildlife rescue, education and environmental stewardship programs around the world. Through the SeaWorld & Busch Gardens Conservation Fund, a non-profit organization, we support wildlife research, habitat protection, animal rescue and conservation education. We also work with and support environmental organizations, including the National Wildlife Federation, World Wildlife Fund and The Nature Conservancy and contribute funds in support of efforts to ensure the sustainability of animal species in the wild. Some of our animals also serve as ambassadors in helping raise awareness for species in danger through numerous national media and public appearances. Through our theme parks' up-close animal encounters, educational exhibits and innovative entertainment, we strive to inspire each guest who visits one of our parks to care for and conserve the natural world.

In addition, in collaboration with federal, state and local governments, among others, we operate one of the world's most respected rescue programs for ill and injured marine animals, with the goal of rehabilitating and returning them to the wild. Over four decades, our animal experts have helped more than 24,000 ill, injured, orphaned and abandoned animals.

Our commitment to research and conservation also has led to advances in the care of animals in zoological facilities and in conserving wild populations. We have pioneered new ways to rehabilitate animals in need. For example, we helped to create nutritional formulas and custom nursing bottles to hand-feed orphaned animals and developed techniques to help save sea turtles with cracked shells, created prosthetic beaks for injured birds and outfitted injured manatees with an animal wetsuit allowing them to stay afloat and warm.

We have also undertaken major sustainability initiatives in our theme parks. For example, we discontinued the use of plastic bags in all our gift shops in 2013 and are using only paper and reusable bags. In doing so, we keep an estimated four million plastic bags from entering landfills and the environment each year.

### **Philanthropy and Community Relations**

We focus our philanthropic efforts in three areas: children, education and the environment. We are committed to the communities in which we live, learn, work and play. We also partner with charities across the country whose values and missions are aligned with our own, including hospitals, organizations that serve

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children with disabilities and animal shelter and rescue groups. Through long-term strategic support to advance the missions of these groups, financial support, in-kind resources or hands-on volunteer work, service is an active part of the work we do.

Our theme parks inspire and educate children and guests of all ages through the power of entertainment, and our philanthropic efforts reflect this commitment. We extend educational outreach visits to inner-city schools, host special wish children to enjoy theme park adventures and create Skype visits with our animals for children too ill to travel.

Finally, a key component of our community outreach is our long-term commitment to honoring the service of members of the U.S. military and acknowledging the sacrifices that their families have made. Currently, we offer a free admission program, which provided approximately 600,000 free single day passes to active military personnel and their families for the year ended December 31, 2014.

## **Our Guests and Customers**

Our theme parks are located near a number of large metropolitan areas, with a total population of over 52 million people located within 150 miles. Additionally, because our theme parks are divided between regional and destination theme parks, our guests are further diversified among a more stable base of local visitors, non-local domestic visitors and international tourists. Our theme parks are entertainment venues and have broad demographic appeal. For the year ended December 31, 2014, families comprised 54% of our attendance with an average party size of 3.9 people. In addition to guests of our theme parks, our customers include consumers of our various out-of-park product and service offerings.

## **Seasonality**

The theme park industry is seasonal in nature. Based upon historical results, we generate the highest revenues in the second and third quarters of each year, in part because six of our theme parks are only open for a portion of the year. Approximately two-thirds of the Company's attendance and revenues are generated in the second and third quarters of the year. The percent mix of revenues by quarter is relatively constant each year, but revenues can shift between the first and second quarters due to the timing of Easter and between the first and fourth quarters due to the timing of Christmas and New Year's. Even for our five theme parks open year-round, attendance patterns have significant seasonality, driven by holidays, school vacations and weather conditions. One of our goals in managing our business is to continue to generate cash flow throughout the year and minimize the effects of seasonality. In recent years, we have begun to encourage attendance during non-peak times by offering a variety of seasonal programs and events, such as shows for kids, special concert series, and Halloween and Christmas events. In addition, during seasonally slow times, operating costs are controlled by reducing operating hours and show schedules. Employment levels required for peak operations are met largely through part-time and seasonal hiring.

## **Marketing**

Our marketing and sales efforts are focused on generating profitable attendance, in-park per capita spending and building the value of our brands. Through advertising, including local customization, promotions, retail and corporate partners, digital platforms, public relations and sales initiatives, we drive awareness of and intent to visit our theme parks, attendance and higher in-park per capita spending on an international, national and regional level. Our attractive destination locations and strategy of grouping parks together creates high appeal for multi-day visits. Our strategic priorities include: (i) building our brands, (ii) improving guest loyalty, (iii) expanding digital expertise and (iv) broadening appeal (among multi-cultural consumers, kids and domestic markets). With great brands and a diverse team, marketing and sales will play a significant role in driving future growth.



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### **Intellectual Property**

Our business is affected by our ability to protect against infringement of our intellectual property, including our trademarks, service marks, domain names, copyrights and other proprietary rights. Important intellectual property includes rights in names, logos, character likenesses, theme park attractions, content of television programs and systems related to the study and care of certain of our animals. In addition, we are party to key license agreements as licensee, including our agreements with Sesame Workshop and ABI as discussed below. To protect our intellectual property rights, we rely upon a combination of trademark, copyright, trade secret and unfair competition laws of the United States and other countries, as well as contract provisions and third-party policies and procedures governing internet/domain name registrations.

#### ***Busch Gardens License Agreement***

Our subsidiary, SeaWorld Parks & Entertainment LLC, is a party to a trademark license agreement with ABI, which governs our use of the Busch Gardens name and logo. Under the license agreement, ABI granted to us a perpetual, exclusive, worldwide, royalty-free license to use the Busch Gardens trademark and certain related domain names in connection with the operation, marketing, promotion and advertising of our theme parks, as well as in connection with the production, use, distribution and sale of merchandise sold in connection with such theme parks.

The license extends to our Busch Gardens theme parks located in Williamsburg, Virginia and Tampa, Florida, and may also include any amusement or theme park anywhere in the world that we acquire, build or rebrand with the Busch Gardens name in the future, subject to certain conditions. ABI may not assign, transfer or sell the Busch Gardens mark without first granting us a reasonable right of first refusal to purchase such mark.

We have agreed to indemnify ABI from and against third party claims and losses arising out of or in connection with the operation of the theme parks and the related marketing or promotion thereof, any merchandise branded with the licensed marks and the infringement of a third party's intellectual property. We are required to carry certain insurance coverage throughout the term of the license.

The license agreement can be terminated by ABI under certain limited circumstances, including in connection with certain types of change of control of SeaWorld Parks & Entertainment LLC.

#### ***Sesame Licenses***

##### ***Sesame Place Theme Park License Agreements***

Our subsidiary, SeaWorld Parks & Entertainment LLC (f/k/a SPI, Inc.), is a party to a license agreement with Sesame Workshop (f/k/a Children's Television Workshop). Under the license agreement, we were granted the right to use titles, marks, names, and characters from the Sesame Street and The Electric Company television series, as well as certain characters and elements created by Muppets Inc. for the Sesame Street series, related marketing materials, and the Sesame Place design trademark in connection with the children's play parks in Langhorne, Pennsylvania. We pay specified royalties based on receipts from business conducted on the premises of the theme park to Sesame Workshop. We are required to include Sesame Workshop and Muppets Inc. as insured parties under any relevant insurance policies, and have agreed to indemnify Sesame Workshop from and against certain claims and expenses arising out of any personal or property injury at our Sesame Place park or breach of the license agreement. The license agreement can be terminated by Sesame Workshop under certain circumstances, including in connection with a specified change of control of SeaWorld Parks & Entertainment LLC, specified uncured breaches of the license agreement or specified bankruptcy events.

Under a separate agreement, Sesame Workshop granted SeaWorld Parks & Entertainment LLC a license to develop, manufacture, and produce in the United States (and, in some circumstances, elsewhere in the world) and to distribute and sell at Sesame Place branded play parks, certain products bearing Sesame Place, Sesame Street,

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and Sesame Street Muppet characters, likenesses, logos, marks and materials, including apparel, flags, bags, mugs, buttons, pens, wristbands and other miscellaneous products. The parties have agreed to indemnify each other from and against claims and expenses in connection with our respective performance under the license agreement and any breach thereof. Sesame Workshop may terminate the license under certain circumstances, including our uncured breach or bankruptcy.

Both agreements are scheduled to remain in effect until December 31, 2021.

### ***Multi-Park License***

Under a separate agreement, Sesame Workshop granted SeaWorld Parks & Entertainment LLC rights to use the Sesame Place and Sesame Workshop names and logos, certain Sesame Street characters (including Elmo, Big Bird and Cookie Monster), and granted a limited term right of first negotiation to utilize characters from other Sesame Workshop television series at SeaWorld San Diego, SeaWorld San Antonio, SeaWorld Orlando, and our two Busch Gardens theme parks. Within these theme parks we have rights to use the marks and characters in connection with Sesame Street themed attractions, Sesame Street shows and character appearances, and the marketing, advertising and promotion of the theme parks.

Sesame Workshop has also granted us the right to develop, manufacture, distribute and sell products within our SeaWorld and Busch Gardens theme parks, at other parks in the United States that are owned or operated by SeaWorld Parks & Entertainment LLC, its subsidiaries or affiliated entities, and through online stores on websites for our parks.

Pursuant to this agreement we pay a specified annual license fee, as well as a specified royalty based on revenues earned in connection with sales of licensed products, all food and beverage items utilizing the licensed elements and any events utilizing such elements if a separate fee is paid for such event.

The parties have agreed to indemnify each other from and against third party claims and expenses arising from their respective performance under the agreement or any breach thereof. Sesame Workshop has the right to terminate the agreement under certain limited circumstances, including a change of control of SeaWorld Parks & Entertainment LLC, SeaWorld Parks & Entertainment LLC's bankruptcy or uncured breach of the agreement, or the termination of the license agreement regarding our Sesame Place theme park.

The agreement is scheduled to remain in effect until December 31, 2021 unless earlier terminated or extended.

### **Our Industry**

We believe that the theme park industry is an attractive sector characterized by a proven business model that generates significant cash flow and has clear avenues for growth. Theme parks offer a strong consumer value proposition, particularly when compared to other forms of out-of-home entertainment such as concerts, sporting events, cruises and movies. As a result, theme parks attract a broad range of guests and generally exhibit strong margins across regions, operators, park types and macroeconomic conditions.

According to the IBISWorld Report, the U.S. amusement park industry is comprised of a large number of venues ranging from a small group of high attendance, heavily-themed destination theme parks to a large group of lower attendance local theme parks and family entertainment centers. According to the TEA/AECOM Report, the United States is the largest theme park market in the world with five of the ten largest theme park operators and 11 of the 25 most-visited theme parks in the world. In 2014, the U.S. amusement park industry was expected to generate

approximately \$15.4 billion in revenues, according to the IBISWorld Report.

**Competition**

Our theme parks and other product and entertainment offerings compete directly for discretionary spending with other destination and regional theme parks and water and amusement parks and indirectly with other types



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of recreational facilities and forms of entertainment, including movies, home entertainment options, sports attractions, restaurants and vacation travel. Principal direct competitors of our theme parks include theme parks operated by The Walt Disney Company, Universal Studios, Six Flags, Cedar Fair, Merlin Entertainments and Hershey Entertainment and Resorts Company. Our highly differentiated products provide a complementary experience to those offered by fantasy-themed Disney and Universal parks. In addition, we benefit from the significant capital investments made in developing the tourism industry in the Orlando area. The Orlando theme park market is extremely competitive, with a high concentration of theme parks operated by several companies.

Competition is based on multiple factors including location, price, the originality and perceived quality of the rides and attractions, the atmosphere and cleanliness of the theme park, the quality of food and entertainment, weather conditions, ease of travel to the theme park (including direct flights by major airlines), and availability and cost of transportation to a theme park. We believe we compete effectively, and our competitive position is protected, due to our strong brand recognition, extensive zoological collection, high historical capital investment and valuable real estate. Additionally, we believe that our theme parks feature a sufficient quality and variety of rides and attractions, educational and interactive experiences, merchandise locations, restaurants and family orientation to make them highly competitive with other destination and regional theme parks, as well as other forms of entertainment.

## **Employees**

As of December 31, 2014, we employed approximately 5,000 full-time employees and approximately 6,100 part-time employees. During our peak operating season in 2014, we employed approximately 13,700 seasonal employees, many of whom are high school and college students. None of our employees are covered by a collective bargaining agreement, and we consider our employee relations to be good.

## **Regulatory**

Our operations are subject to a variety of federal, state and local laws, regulations and ordinances including, but not limited to, those regulating the environment, display, possession and care of our animals, amusement park rides, building and construction, health and safety, labor and employment, workplace safety, zoning and land use and alcoholic beverage and food service. Key statutes and treaties relating to the display, possession and care of our zoological collection include the Endangered Species Act, Marine Mammal Protection Act, Animal Welfare Act, Convention on International Trade in Endangered Species and Fauna Protection Act and the Lacey Act. We must also comply with the Migratory Bird Treaty Act, Bald and Golden Eagle Protection Act, Wild Bird Conservation Act and National Environmental Policy Act, among other laws and regulations. We believe that we are in substantial compliance with applicable laws, regulations and ordinances; however, such requirements may change over time, and there can be no assurance that new requirements, changes in enforcement policies or newly discovered conditions relating to our properties or operations will not require significant expenditures in the future.

## **Insurance**

We maintain insurance of the type and in the amounts that we believe to be commercially reasonable for businesses in our industry. We maintain primary and excess casualty coverage of up to \$100 million. As part of this coverage, we retain deductible/self-insured retention exposures of \$1 million per occurrence for general liability claims, \$250,000 per accident for automobile liability claims, and \$750,000 per occurrence for workers compensation claims. We maintain employers' liability and all coverage required by law in the states in which we operate. Defense costs are included in the insurance coverage we obtain against losses in these areas. Based upon our historical experience of reported claims and an estimate for incurred-but-not-reported claims, we accrue a liability for our deductible/self-insured retention contingencies regarding general liability, automobile liability and workers

compensation exposures. We maintain additional forms of special casualty coverage appropriate for businesses in our industry. We also maintain commercial property coverage against fire, natural perils, so-called

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extended coverage perils such as civil commotion, business interruption and terrorism exposures for protection of our real and personal properties (other than land). We generally renegotiate our insurance policies on an annual basis. We cannot predict the amounts of premium cost that we may be required to pay for future insurance coverage, the level of any deductibles/self-insured retentions we may retain applicable thereto, the level of aggregate excess coverage available or the availability of coverage for special or specific risks.

## **Corporate History**

On December 1, 2009, investment funds affiliated with The Blackstone Group L.P. and certain co-investors, through SeaWorld Entertainment, Inc. and its wholly-owned subsidiary, SeaWorld Parks & Entertainment, Inc. ( SEA ), acquired 100% of the equity interests of Sea World LLC (f/k/a Sea World, Inc.) and SeaWorld Parks & Entertainment LLC (f/k/a Busch Entertainment Corporation) from certain subsidiaries of Anheuser-Busch Companies, Inc. We refer to this acquisition and related financing transactions as the 2009 Transactions.

SeaWorld Entertainment, Inc. was incorporated in Delaware on October 2, 2009 in connection with the 2009 Transactions and changed its name from SW Holdco, Inc. to SeaWorld Entertainment, Inc. in December 2012. We completed our initial public offering in April 2013 and our common stock is listed on the New York Stock Exchange under the symbol SEAS . As of December 31, 2014, Blackstone and the other co-investors owned, through the Partnerships, approximately 21.9% of our total outstanding common stock.

## **Available Information**

Our website is <http://www.seaworldentertainment.com>. Information contained on our website is not incorporated by reference herein and is not a part of this Annual Report on Form 10-K. We make available free of charge, on or through the Investor Relations section of our website, our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports, if any, or other filings filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after electronically filing or furnishing these reports with the Securities and Exchange Commission ( SEC ). We have adopted a Code of Business Conduct and Ethics applicable to our employees including our principal executive, financial and accounting officers, and it is available free of charge, on or through the Investor Relations section of our website along with our Corporate Governance Guidelines, and the charters of our Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee.

The SEC maintains a website at <http://www.sec.gov> that contains our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports, if any, or other filings filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act, and our proxy and information statements. All reports that we file with the SEC may be read and copied at the SEC's Public Reference Room at 100 F Street, N.E., Washington, DC, 20549. Information about the operation of the Public Reference Room can be obtained by calling the SEC at 1-800-SEC-0330.

## **Website and Social Media Disclosure**

We use our website ([www.seaworldentertainment.com](http://www.seaworldentertainment.com)) and our corporate Twitter account (@Seaworld) as channels of distribution of company information. The information we post through these channels may be deemed material. Accordingly, investors should monitor these channels, in addition to following our press releases, SEC filings and public conference calls and webcasts. In addition, you may automatically receive e-mail alerts and other information about SeaWorld when you enroll your e-mail address by visiting the E-mail Alerts section of our website at [www.seaworldinvestors.com](http://www.seaworldinvestors.com). The contents of our website and social media channels are not, however, a part of this



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### **Item 1A. Risk Factors**

*The following risk factors should be read carefully in connection with evaluating us and this Annual Report on Form 10-K. Certain statements in Risk Factors are forward-looking statements. See Special Note Regarding Forward-Looking Statements elsewhere in this report.*

#### **Risks Related to Our Business and Our Industry**

***We could be adversely affected by a decline in discretionary consumer spending or consumer confidence.***

Our success depends to a significant extent on discretionary consumer spending, which is heavily influenced by general economic conditions and the availability of discretionary income. In the past, severe economic downturns, coupled with high volatility and uncertainty as to the future global economic landscape, have had an adverse effect on consumers' discretionary income and consumer confidence.

Difficult economic conditions and recessionary periods may adversely impact attendance figures, the frequency with which guests choose to visit our theme parks and guest spending patterns at our theme parks. The actual or perceived weakness in the economy could also lead to decreased spending by our guests. For example, in 2009 and 2010, we experienced a decline in attendance as a result of the global economic crisis, which in turn adversely affected our revenue and profitability. Both attendance and total per capita spending at our theme parks are key drivers of our revenue and profitability, and reductions in either can materially adversely affect our business, financial condition and results of operations.

***Various factors beyond our control could adversely affect attendance and guest spending patterns at our theme parks.***

Various factors beyond our control could adversely affect attendance and guest spending patterns at our theme parks. These factors could also affect our suppliers, vendors, insurance carriers and other contractual counterparties. Such factors include:

war, terrorist activities or threats and heightened travel security measures instituted in response to these events;

outbreaks of pandemic or contagious diseases or consumers' concerns relating to potential exposure to contagious diseases;

natural disasters, such as hurricanes, fires, earthquakes, tsunamis, tornados, floods and volcanic eruptions and man-made disasters such as the oil spill in the Gulf of Mexico, which may deter travelers from scheduling vacations or cause them to cancel travel or vacation plans;

bad weather and even forecasts of bad weather, including abnormally hot, cold and/or wet weather, particularly during weekends, holidays or other peak periods;

changes in the desirability of particular locations or travel patterns of our guests;

low consumer confidence;

oil prices and travel costs and the financial condition of the airline, automotive and other transportation-related industries, any travel-related disruptions or incidents and their impact on travel;

actions or statements by U.S. and foreign governmental officials related to travel and corporate travel-related activities (including changes to the U.S. visa rules) and the resulting public perception of such travel and activities; and

interruption of public or private utility services to our theme parks.

Any one or more of these factors could adversely affect attendance and total per capita spending at our theme parks, which could materially adversely affect our business, financial condition and results of operations.

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***We are subject to complex federal and state regulations governing the treatment of animals, which can change, and to claims and lawsuits by activist groups before government regulators and in the courts.***

We operate in a complex and evolving regulatory environment and are subject to various federal and state statutes and regulations and international treaties implemented by federal law. The states in which we operate also regulate zoological activity involving the import and export of exotic and native wildlife, endangered and/or otherwise protected species, zoological display and anti-cruelty statutes. We incur significant compliance costs in connection with these regulations and violation of such regulations could subject us to fines and penalties and result in the loss of our licenses and permits, which, if occurred, could impact our ability to display certain animals. Future amendments to existing statutes, regulations and treaties or new statutes, regulations and treaties may potentially restrict our ability to maintain our animals, or to acquire new ones to supplement or sustain our breeding programs or otherwise adversely affect our business. For instance, in March of 2014 a bill was proposed by a California lawmaker that seeks to restrict our ability to display certain animals in that state. Also, in June of 2014 the U.S. House of Representatives adopted an amendment that, if enacted, would encourage the Animal and Plant Health Inspection Service to update existing regulations for marine mammals in domestic zoos and aquaria. It is unclear whether the language of the amendment may be further modified or if the underlying legislation will be enacted into law.

From time to time, animal activist and other third-party groups may make claims before government agencies, bring lawsuits against us, and/or attempt to generate negative publicity associated with our business. Such activities sometimes are based on allegations that we do not properly care for some of our featured animals. On other occasions, such activities are specifically designed to change existing law or enact new law in order to impede our ability to retain, exhibit, acquire or breed animals. While we seek to structure our operations to comply with all applicable federal and state laws and vigorously defend ourselves when sued, there are no assurances as to the outcome of future claims and lawsuits that could be brought against us. In addition, negative publicity associated with such activities could adversely affect our reputation and results of operations. At times, activists and other third-party groups have also attempted to generate negative publicity related to our relationships with our business partners, such as corporate sponsors, promotional partners, vendors, ticket resellers and others. For example, in 2014, we experienced demand pressures, particularly in California, which we believe were partly due to media attention relating to the recent legislation proposed in that state. In addition, we experienced increased media attention in 2014 extending to our relationships with some of our business partners.

***Incidents or adverse publicity concerning our theme parks or the theme park industry generally could harm our brands or reputation as well as negatively impact our revenues and profitability.***

Our brands and our reputation are among our most important assets. Our ability to attract and retain customers depends, in part, upon the external perceptions of the Company, the quality of our theme parks and services and our corporate and management integrity. The operation of theme parks involves the risk of accidents, illnesses, environmental incidents and other incidents which may negatively affect the perception of guest and employee safety, health, security and guest satisfaction and which could negatively impact our brands or reputation and our business and results of operations. An accident or an injury at any of our theme parks or at theme parks operated by competitors, particularly an accident or an injury involving the safety of guests and employees, that receives media attention, is the topic of a book, film, documentary or is otherwise the subject of public discussions, may harm our brands or reputation, cause a loss of consumer confidence in the Company, reduce attendance at our theme parks and negatively impact our results of operations. Such incidents have occurred in the past and may occur in the future. In addition, other types of adverse publicity concerning our business or the theme park industry generally could harm our brands, reputation and results of operations. The considerable expansion in the use of social media over recent years has compounded the impact of negative publicity.





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### ***Our intellectual property rights are valuable, and any inability to protect them could adversely affect our business.***

Our intellectual property, including our trademarks, service marks, domain names, copyrights, patent and other proprietary rights, constitutes a significant part of the value of the Company. To protect our intellectual property rights, we rely upon a combination of trademark, copyright, patent, trade secret and unfair competition laws of the United States and other countries, as well as contract provisions and third-party policies and procedures governing internet/domain name registrations. However, there can be no assurance that these measures will be successful in any given case, particularly in those countries where the laws do not protect our proprietary rights as fully as in the United States. We may be unable to prevent the misappropriation, infringement or violation of our intellectual property rights, breaching any contractual obligations to us, or independently developing intellectual property that is similar to ours, any of which could reduce or eliminate any competitive advantage we have developed, adversely affect our revenues or otherwise harm our business.

We have obtained and applied for numerous U.S. and foreign trademark and service mark registrations and will continue to evaluate the registration of additional trademarks and service marks or other intellectual property, as appropriate. We cannot guarantee that any of our pending applications will be approved by the applicable governmental authorities. Moreover, even if the applications are approved, third parties may seek to oppose or otherwise challenge these registrations. A failure to obtain registrations for our intellectual property in the United States and other countries could limit our ability to protect our intellectual property rights and impede our marketing efforts in those jurisdictions.

We are actively engaged in enforcement and other activities to protect our intellectual property rights. If it became necessary for us to resort to litigation to protect these rights, any proceedings could be burdensome, costly and divert the attention of our personnel, and we may not prevail. In addition, any repeal or weakening of laws or enforcement in the United States or internationally intended to protect intellectual property rights could make it more difficult for us to adequately protect our intellectual property rights, negatively impacting their value and increasing the cost of enforcing our rights.

### ***We may be subject to claims for infringing the intellectual property rights of others, which could be costly and result in the loss of significant intellectual property rights.***

We cannot be certain that we do not and will not infringe the intellectual property rights of others. We have been in the past, and may be in the future, subject to litigation and other claims in the ordinary course of our business based on allegations of infringement or other violations of the intellectual property rights of others. Regardless of their merits, intellectual property claims can divert the efforts of our personnel and are often time-consuming and expensive to litigate or settle. In addition, to the extent claims against us are successful, we may have to pay substantial money damages or discontinue, modify or rename certain products or services that are found to be in violation of another party's rights. We may have to seek a license (if available on acceptable terms, or at all) to continue offering products and services, which may significantly increase our operating expenses.

### ***Animals in our care are important to our theme parks, and they could be exposed to infectious diseases.***

Many of our theme parks are distinguished from those of our competitors in that we offer guest interactions with animals. Individual animals, specific species of animals or groups of animals in our zoological collection could be exposed to infectious diseases. While we have never had any such experiences, an outbreak of an infectious disease among any animals in our theme parks or the public's perception that a certain disease could be harmful to human health may materially adversely affect our zoological collection, our business, financial condition and results of operations.

***Featuring animals at our theme parks involves risks.***

Our theme parks feature numerous displays and interactions that include animals. All animal enterprises involve some degree of risk. All animal interaction by our employees and our guests in attractions in our theme

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parks, where offered, involves risk. While we maintain strict safety procedures for the protection of our employees and guests, injuries or death, while rare, have occurred in the past. For example, in February 2010, a trainer was killed while engaged in an interaction with a killer whale. Following this incident, we were subject to an inspection by the U.S. Department of Labor's Occupational Safety and Health Administration ( OSHA ), which resulted in three citations concerning alleged violations of the Occupational Safety and Health Act and certain regulations thereunder. In 2012, we initiated an appeal of certain of these citations with the U.S. Court of Appeals for the District of Columbia Circuit. On April 11, 2014, the Court of Appeals denied our appeal and we have elected to not pursue further appeal. In connection with this incident, we reviewed and revised our safety protocols and made certain safety-related facility enhancements such as revising training protocols used in show performances. This incident has also been and continues to be the subject of significant media attention, including extensive television and newspaper coverage, a documentary and a book, as well as discussions in social media. This incident and similar events that may occur in the future may harm our reputation, reduce attendance and negatively impact our business, financial condition and results of operations.

In addition, six killer whales are presently on loan to a third party. Although the occurrence of any accident or injury involving these killer whales would be outside of our control, any such occurrence could negatively affect our business and reputation.

We maintain insurance of the type and in amounts that we believe is commercially reasonable and that is available to animal enterprise related businesses in the theme park industry. We cannot predict the level of the premiums that we may be required to pay for subsequent insurance coverage, the level of any self-insurance retention applicable thereto, the level of aggregate coverage available, or the availability of coverage for specific risks.

***If we lose licenses and permits required to exhibit animals and/or violate laws and regulations, our business will be adversely affected.***

We are required to hold government licenses and permits, some of which are subject to yearly or periodic renewal, for purposes of possessing, exhibiting and maintaining animals. Although our theme parks' licenses and permits have always been renewed in the past, in the event that any of our licenses or permits are not renewed or any of our licenses or permits are revoked, portions of the affected theme park might not be able to remain open for purpose of displaying or retaining the animals covered by such license or permit. Such an outcome could materially adversely affect our business, financial condition and results of operations.

In addition, we are subject to periodic inspections by federal and state agencies and the subsequent issuance of inspection reports. While we believe that we comply with, or exceed, requisite care and maintenance standards that apply to our animals, government inspectors can cite us for alleged statutory or regulatory violations. In unusual instances when we are cited for an alleged deficiency, we are most often given the opportunity to correct any purported deficiencies without penalty. It is possible, however, that in some cases a federal or state regulator could seek to impose monetary fines on us. In the past, when we have been subjected to governmental claims for fines, the amounts involved were not material to our business, financial condition or results of operations. However, while highly unlikely, we cannot predict whether any future fines that regulators might seek to impose would materially adversely affect our business, financial condition or results of operations.

Moreover, many of the statutes under which we operate allow for the imposition of criminal sanctions. While neither of the foregoing situations are likely to occur, either could negatively affect the business, financial condition or results of operations at our theme parks.



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***A significant portion of our revenues are generated in the States of Florida, California and Virginia and in the Orlando market. Any risks affecting such markets, such as natural disasters and travel-related disruptions or incidents, may materially adversely affect our business, financial condition and results of operations.***

Approximately 56%, 19% and 13% of our revenues in 2014 were generated in the States of Florida, California and Virginia, respectively. In addition, our revenues and results of operations depend significantly on the results of our Orlando theme parks. The Orlando theme park market is extremely competitive, with a high concentration of theme parks operated by several companies.

Any risks described in this Annual Report on Form 10-K, such as the occurrence of natural disasters and travel-related disruptions or incidents, affecting the States of Florida, California and Virginia generally or our Orlando theme parks in particular may materially adversely affect our business, financial condition or results of operations, especially if they have the effect of decreasing attendance at our theme parks or, in extreme cases, cause us to close any of our theme parks for any period of time. For example, in 2004, the State of Florida was impacted by Hurricanes Charley, Frances and Jeanne, which caused extensive physical damage and power outages in various parts of the State of Florida. Although we attempted to manage our exposure to such events by implementing our hurricane preparedness plan, our theme parks located in Orlando and Tampa, Florida experienced closures of several days as a result of these storms.

***Because we operate in a highly competitive industry, our revenues, profits or market share could be harmed if we are unable to compete effectively.***

The entertainment industry, and the theme park industry in particular, is highly competitive. Our theme parks compete with other theme, water and amusement parks and with other types of recreational facilities and forms of entertainment, including movies, home entertainment options, sports attractions, restaurants and vacation travel.

Principal direct competitors of our theme parks include theme parks operated by The Walt Disney Company, Universal Studios, Six Flags, Cedar Fair, Merlin Entertainments and Hershey Entertainment and Resorts Company. The principal competitive factors of a theme park include location, price, originality and perceived quality of the rides and attractions, the atmosphere and cleanliness of the theme park, the quality of its food and entertainment, weather conditions, ease of travel to the theme park (including direct flights by major airlines), and availability and cost of transportation to a theme park. Certain of our direct competitors have substantially greater financial resources than we do, and they may be able to adapt more quickly to changes in guest preferences or devote greater resources to promotion of their offerings and attractions than us. Our competitors may be able to attract guests to their theme parks in lieu of our own through the development or acquisition of new rides, attractions or shows that are perceived by guests to be of a higher quality and entertainment value. As a result, we may not be able to compete successfully against such competitors. For example, in 2014, we experienced negative attendance trends, primarily at our destination parks in Florida, which we believe was due in part to significant new attraction offerings at competitor destination parks, along with a delay in the scheduled opening of one of our new rides at our Busch Gardens Tampa park.

***If we lose key personnel, our business may be adversely affected.***

Our success depends in part upon a number of key employees, including members of our senior management team who have extensive experience in the industry. The loss of the services of our key employees could have a materially adverse effect on our business. Presently, we do not have any employment agreements with any of our key employees.

***Increased labor costs and employee health and welfare benefits may reduce our results of operations.***

Labor is a primary component in the cost of operating our business. We devote significant resources to recruiting and training our managers and employees. Increased labor costs due to competition, increased

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minimum wage or employee benefit costs or otherwise, would adversely impact our operating expenses. The Patient Protection and Affordable Care Act of 2010 and the amendments thereto contain provisions that have impacted our healthcare costs. It is possible that any future amendments could significantly increase our compensation costs, which would reduce our net income and adversely affect our cash flows.

### ***Unionization activities or labor disputes may disrupt our operations and affect our profitability.***

Although none of our employees are currently covered under collective bargaining agreements, we cannot guarantee that our employees will not elect to be represented by labor unions in the future. If some or all of our employees were to become unionized and collective bargaining agreement terms were significantly different from our current compensation arrangements, it could adversely affect our business, financial condition or results of operations. In addition, a labor dispute involving some or all of our employees may disrupt our operations and reduce our revenues, and resolution of disputes may increase our costs.

Although we maintain binding policies that require employees to submit to a mandatory alternative dispute resolution procedure in lieu of other remedies, as employers, we may be subject to various employment-related claims, such as individual or class actions or government enforcement actions relating to alleged employment discrimination, employee classification and related withholding, wage-hour, labor standards or healthcare and benefit issues. Such actions, if brought against us and successful in whole or in part, may affect our ability to compete or materially adversely affect our business, financial condition or results of operations.

### ***Our business depends on our ability to meet our workforce needs.***

Our success depends on our ability to attract, train, motivate and retain qualified employees to keep pace with our needs, including employees with certain specialized skills in the field of animal training and care. If we are unable to do so, our results of operations and cash flows may be adversely affected.

In addition, we employ a significant seasonal workforce. We recruit year-round to fill thousands of seasonal staffing positions each season and work to manage seasonal wages and the timing of the hiring process to ensure the appropriate workforce is in place. There is no assurance that we will be able to recruit and hire adequate seasonal personnel as the business requires or that we will not experience material increases in the cost of securing our seasonal workforce in the future. Increased seasonal wages or an inadequate workforce could materially adversely affect our business, financial condition or results of operations.

### ***Our growth strategy may not achieve the anticipated results.***

Our future success will depend on our ability to grow our business, including through capital investments to improve existing and create new theme parks, rides, attractions and shows, as well as in-park product offerings and product offerings outside of our theme parks. Our growth and innovation strategies require significant commitments of management resources and capital investments and may not grow our revenues at the rate we expect or at all. As a result, we may not be able to recover the costs incurred in developing our new projects and initiatives or to realize their intended or projected benefits, which could materially adversely affect our business, financial condition or results of operations.

### ***We may not be able to fund theme park capital expenditures and investment in future attractions and projects.***

A principal competitive factor for a theme park is the originality and perceived quality of its rides and attractions. We need to make continued capital investments through maintenance and the regular addition of new rides and attractions.

We recently announced an initiative called the Blue World Project that involves building first-of-its-kind killer whale environments at all three SeaWorld parks. The total investment is expected to be approximately \$100.0 million per park by the project's completion. The first of these environments will be built at SeaWorld San Diego and is expected to open to the public in 2018 with new killer whale environments to



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follow at SeaWorld Orlando and SeaWorld San Antonio. Our ability to fund capital expenditures will depend on our ability to generate sufficient cash flow from operations and to raise capital from third parties. We cannot assure you that our operations will be able to generate sufficient cash flow to fund such costs, or that we will be able to obtain sufficient financing on adequate terms, or at all, which could cause us to delay or abandon certain projects or plans.

***The high fixed cost structure of theme park operations can result in significantly lower margins if revenues decline.***

A large portion of our expenses is relatively fixed because the costs for full-time employees, maintenance, animal care, utilities, advertising and insurance do not vary significantly with attendance. These fixed costs may increase at a greater rate than our revenues and may not be able to be reduced at the same rate as declining revenues. If cost-cutting efforts are insufficient to offset declines in revenues or are impracticable, we could experience a material decline in margins, revenues, profitability and reduced or negative cash flows. Such effects can be especially pronounced during periods of economic contraction or slow economic growth, such as the recent economic recession.

***If we are unable to maintain certain commercial licenses, our business, reputation and brand could be adversely affected.***

We rely on licenses from Sesame Workshop to use the Sesame Place trade name and trademark and certain other intellectual property rights, including titles, marks, characters, logos and designs from the Sesame Street television series within our Sesame Place theme park and with respect to Sesame Street themed areas within certain areas of some of our other theme parks, as well as in connection with the sales of certain Sesame Street themed products. Our use of these intellectual property rights is subject to the approval of Sesame Workshop and the licenses may be terminated in certain limited circumstances or in the event of our bankruptcy. Furthermore, the current term of both the Sesame Place theme park license and the multi-park license expire on December 31, 2021, and there is no assurance that we will be able to renegotiate the use of such intellectual property on commercially acceptable terms or at all. The new terms of the licenses may significantly increase our operating expenses, or otherwise adversely affect our business.

ABI is the owner of the Busch Gardens trademarks and domain names. ABI has granted us a perpetual, exclusive, worldwide, royalty-free license to use the Busch Gardens trademark and certain related domain names in connection with the operation, marketing, promotion and advertising of certain of our theme parks, as well as in connection with the production, use, distribution and sale of merchandise sold in connection with such theme parks. Under the license, we are required to indemnify ABI against losses related to our use of the marks. If we were to lose or have to renegotiate this license, our business may be adversely affected.

***Changes in consumer tastes and preferences for entertainment and consumer products could reduce demand for our entertainment offerings and products and adversely affect the profitability of our business.***

The success of our business depends on our ability to consistently provide, maintain and expand theme park attractions as well as create and distribute media programming, online material and consumer products that meet changing consumer preferences. In addition, consumers from outside the United States constitute an increasingly important portion of our theme park attendance, and our success depends in part on our ability to successfully predict and adapt to tastes and preferences of this consumer group. If our entertainment offerings and products do not achieve sufficient consumer acceptance or if consumer preferences change, our business, financial condition or results of operations could be materially adversely affected.



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***Our existing debt agreements contain, and future debt agreements may contain, restrictions that may limit our flexibility in operating our business.***

Our existing debt agreements contain, and documents governing our future indebtedness may contain, numerous financial and operating covenants that limit the discretion of management with respect to certain business matters. These covenants place restrictions on, among other things, our ability to incur additional indebtedness, pay dividends and other distributions, make capital expenditures, make certain loans, investments and other restricted payments, enter into agreements restricting our subsidiaries' ability to pay dividends, engage in certain transactions with stockholders or affiliates, sell certain assets or engage in mergers, acquisitions and other business combinations, amend or otherwise alter the terms of our indebtedness, alter the business that we conduct, guarantee indebtedness or incur other contingent obligations and create liens. Our existing debt agreements also require, and documents governing our future indebtedness may require, us to meet certain financial ratios and tests. Our ability to comply with these and other provisions of the existing debt agreements is dependent on our future performance, which will be subject to many factors, some of which are beyond our control. The breach of any of these covenants or non-compliance with any of these financial ratios and tests could result in an event of default under the existing debt agreements, which, if not cured or waived, could result in acceleration of the related debt and the acceleration of debt under other instruments evidencing indebtedness that may contain cross-acceleration or cross-default provisions. Variable rate indebtedness subjects us to the risk of higher interest rates, which could cause our future debt service obligations to increase significantly.

***Our substantial leverage could adversely affect our ability to raise additional capital to fund our operations, limit our ability to react to changes in the economy or our industry, expose us to interest rate risk to the extent of our variable rate debt and prevent us from meeting our obligations under our indebtedness.***

We are highly leveraged. As of December 31, 2014, our total indebtedness was approximately \$1,603.5 million. Our high degree of leverage could have important consequences, including the following: (i) a substantial portion of our cash flow from operations is dedicated to the payment of principal and interest on indebtedness, thereby reducing the funds available for operations, future business opportunities, share repurchases pursuant to the Share Repurchase Program and capital expenditures; (ii) our ability to obtain additional financing for working capital, capital expenditures, debt service requirements, acquisitions and general corporate purposes in the future may be limited; (iii) certain of the borrowings are at variable rates of interest, which will increase our vulnerability to increases in interest rates; (iv) we are at a competitive disadvantage to less leveraged competitors; (v) we may be unable to adjust rapidly to changing market conditions; (vi) the debt service requirements of our other indebtedness could make it more difficult for us to satisfy our financial obligations; and (vii) we may be vulnerable in a downturn in general economic conditions or in our business and we may be unable to carry out activities that are important to our growth.

Our ability to make scheduled payments of the principal of, or to pay interest on, or to refinance indebtedness depends on and is subject to our financial and operating performance, which in turn is affected by general and regional economic, financial, competitive, business and other factors beyond our control, including the availability of financing in the international banking and capital markets. If unable to generate sufficient cash flow to service our debt or to fund our other liquidity needs, we will need to restructure or refinance all or a portion of our debt, which could cause us to default on our obligations and impair our liquidity. Any refinancing of our indebtedness could be at higher interest rates and may require us to comply with more onerous covenants that could further restrict our business operations. We from time to time may increase the amount of our indebtedness, modify the terms of our financing arrangements, issue dividends, make capital expenditures and take other actions that may substantially increase our leverage.

Despite our significant leverage, we may be able to incur significant additional amounts of debt, which could further exacerbate the risks associated with our significant leverage.

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### ***Our operating results are subject to seasonal fluctuations.***

We have historically experienced and expect to continue to experience seasonal fluctuations in our annual theme park attendance and revenue, which are typically higher in our second and third quarters, partly because six of our theme parks are only open for a portion of the year. Approximately two-thirds of our attendance and revenues are generated in the second and third quarters of the year and we typically incur a net loss in the first and fourth quarters. In addition, school vacations and school start dates also cause fluctuations in our quarterly theme park attendance and revenue.

Furthermore, the operating season at some of our theme parks, including Adventure Island, Aquatica San Diego, Busch Gardens Williamsburg, Water Country USA and Sesame Place, is of limited duration. In addition, most of our expenses for maintenance and costs of adding new attractions at our seasonal theme parks are incurred when the operating season is over, which may increase the need for borrowing to fund such expenses during such periods.

When conditions or events described in this section occur during the operating season, particularly during the second and third quarters, there is only a limited period of time during which the impact of those conditions or events can be mitigated. Accordingly, such conditions or events may have a disproportionately adverse effect on our revenues and cash flow.

### ***We may not realize the benefits of acquisitions or other strategic initiatives.***

Our business strategy may include selective expansion, both domestically and internationally, through acquisitions of assets or other strategic initiatives, such as joint ventures, that allow us to profitably expand our business and leverage our brands. The success of our acquisitions depends on effective integration of acquired businesses and assets into our operations, which is subject to risks and uncertainties, including realization of anticipated synergies and cost savings, the ability to retain and attract personnel, the diversion of management's attention from other business concerns, and undisclosed or potential legal liabilities of an acquired businesses or assets. Additionally, any international transactions are subject to additional risks, including the impact of economic fluctuations in economies outside of the United States, difficulties and costs of staffing and managing foreign operations due to distance, language and cultural differences, as well as political instability and lesser degree of legal protection in certain jurisdictions, currency exchange fluctuations and potentially adverse tax consequences of overseas operations.

### ***Adverse litigation judgments or settlements resulting from legal proceedings in which we may be involved in the normal course of our business could reduce our profits or limit our ability to operate our business.***

We are subject to allegations, claims and legal actions arising in the ordinary course of our business, which may include claims by third parties, including guests who visit our theme parks, our employees or regulators. We are currently subject to securities litigation. We discuss this case and other litigation to which we are subject to in greater detail below under the caption "Item 3. Legal Proceedings" and Note 14 to our consolidated financial statements. The outcome of many of these proceedings cannot be predicted. If any of these proceedings were to be determined adversely to us, a judgment, a fine or a settlement involving a payment of a material sum of money were to occur, or injunctive relief were issued against us, our business, financial condition and results of operations could be materially adversely affected.

### ***Our insurance coverage may not be adequate to cover all possible losses that we could suffer and our insurance costs may increase.***

We seek to maintain comprehensive insurance coverage at commercially reasonable rates. Although we maintain various safety and loss prevention programs and carry property and casualty insurance to cover certain risks, our insurance policies do not cover all types of losses and liabilities. There can be no assurance that our

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insurance will be sufficient to cover the full extent of all losses or liabilities for which we are insured, and we cannot guarantee that we will be able to renew our current insurance policies on favorable terms, or at all. In addition, if we or other theme park operators sustain significant losses or make significant insurance claims, then our ability to obtain future insurance coverage at commercially reasonable rates could be materially adversely affected.

### ***We may be unable to purchase or contract with third-party manufacturers for our theme park rides and attractions.***

We may be unable to purchase or contract with third parties to build high quality rides and attractions and to continue to service and maintain those rides and attractions at competitive or beneficial prices, or to provide the replacement parts needed to maintain the operation of such rides. In addition, if our third-party suppliers' financial condition deteriorates or they go out of business, we may not be able to obtain the full benefit of manufacturer warranties or indemnities typically contained in our contracts or may need to incur greater costs for the maintenance, repair, replacement or insurance of these assets.

### ***Our operations and our ownership of property subject us to environmental requirements, and to environmental expenditures and liabilities.***

We incur costs to comply with environmental requirements, such as those relating to water use, wastewater and storm water management and disposal, air emissions control, hazardous materials management, solid and hazardous waste disposal, and the clean-up of properties affected by regulated materials.

We have been required and continue to investigate and clean-up hazardous or toxic substances or chemical releases, and other releases, from current or formerly owned or operated facilities. In addition, in the ordinary course of our business, we generate, use and dispose of large volumes of water, including saltwater, which requires us to comply with a number of federal, state and local regulations and to incur significant expenses. Failure to comply with such regulations could subject us to fines and penalties and/or require us to incur additional expenses. Although we are not now classified as a large quantity generator of hazardous waste, we do store and handle hazardous materials to operate and maintain our equipment and facilities and have done so historically.

We cannot assure you that we will not be required to incur substantial costs to comply with new or expanded environmental requirements in the future or to investigate or clean-up new or newly identified environmental conditions, which could also impair our ability to use or transfer the affected properties and to obtain financing.

### ***Cyber security risks and the failure to maintain the integrity of internal or guest data could result in damages to our reputation and/or subject us to costs, fines or lawsuits.***

We collect and retain large volumes of internal and guest data, including credit card numbers and other personally identifiable information, for business purposes, including for transactional or target marketing and promotional purposes, and our various information technology systems enter, process, summarize and report such data. We also maintain personally identifiable information about our employees. The integrity and protection of our guest, employee and Company data is critical to our business and our guests and employees have a high expectation that we will adequately protect their personal information. The regulatory environment, as well as the requirements imposed on us by the credit card industry, governing information, security and privacy laws is increasingly demanding and continues to evolve. Maintaining compliance with applicable security and privacy regulations may increase our operating costs and/or adversely impact our ability to market our theme parks, products and services to our guests. We face various security threats, including cyber security attacks on our data (including our vendors' and customers' data) and/or information technology infrastructure. Although we utilize various procedures and controls to monitor and mitigate these threats, there can be no





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assurance that these procedures and controls will be sufficient to prevent penetrations or disruptions to our systems. Furthermore, a penetrated or compromised data system or the intentional, inadvertent or negligent release or disclosure of data could result in theft, loss, fraudulent or unlawful use of guest, employee or Company data which could harm our reputation or result in remedial and other costs, fines or lawsuits and require significant management attention and resources to be spent. In addition, our insurance coverage and indemnification arrangements that we enter into, if any, may not be adequate to cover all the costs related to cyber security attacks or disruptions resulting from such events. To date, cyber security attacks directed at us have not had a material impact on our financial results. Due to the evolving nature of security threats, however, the impact of any future incident cannot be predicted.

***The suspension or termination of any of our business licenses may have a negative impact on our business.***

We maintain a variety of business licenses issued by federal, state and local authorities that are renewable on a periodic basis. We cannot guarantee that we will be successful in renewing all of our licenses on a periodic basis. The suspension, termination or expiration of one or more of these licenses could materially adversely affect our revenues and profits. In addition, any changes to the licensing requirements for any of our licenses could affect our ability to maintain the licenses.

***We have a limited operating history as a stand-alone company, which makes it difficult to predict our future prospects and financial performance.***

Immediately following the 2009 Transactions, we began operating as a stand-alone company, and, as a result, have a limited operating history as an independent company. Accordingly, you should consider our future prospects in light of the risks and challenges encountered by a company with a limited operating history. There can be no assurance that we will be able to successfully meet the challenges, uncertainties, expenses and difficulties encountered by us or that we will be successful in accomplishing our objectives. Our limited operating history as a stand-alone company makes it difficult to predict our future prospects and financial performance.

***Affiliates of Blackstone will continue to be able to significantly influence our decisions and their interests may conflict with ours or yours in the future.***

Affiliates of Blackstone beneficially own approximately 21.9% of our common stock. As a result, investment funds associated with or designated by affiliates of Blackstone will have the ability to elect members of our Board of Directors and thereby continue to influence our policies and operations, including the appointment of management, future issuances of our common stock or other securities, the payment of dividends, if any, on our common stock, the incurrence or modification of debt by us, amendments to our amended and restated certificate of incorporation and amended and restated bylaws and the entering into of extraordinary transactions, and their interests may not in all cases be aligned with your interests. In addition, Blackstone may have an interest in pursuing acquisitions, divestitures and other transactions that, in its judgment, could enhance its investment, even though such transactions might involve risks to you. For example, Blackstone may be interested in making acquisitions that increase our indebtedness or in selling revenue-generating assets. Additionally, in certain circumstances, acquisitions of debt at a discount by purchasers that are related to a debtor can give rise to cancellation of indebtedness income to such debtor for U.S. federal income tax purposes.

Blackstone is in the business of making investments in companies and may from time to time acquire and hold interests in businesses that compete directly or indirectly with us. For example, Blackstone owns a stake in Merlin Entertainments Group, which operates the Legoland theme parks, and certain other investments in the leisure and hospitality industries.

Our amended and restated certificate of incorporation provides that none of Blackstone, any of its affiliates or any director who is not employed by us (including any non-employee director who serves as one of our

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officers in both his director and officer capacities) or his or her affiliates will have any duty to refrain from engaging, directly or indirectly, in the same business activities or similar business activities or lines of business in which we operate. Blackstone also may pursue acquisition opportunities that may be complementary to our business, and, as a result, those acquisition opportunities may not be available to us. So long as affiliates of Blackstone continue to own a significant amount of our combined voting power, even if such amount is less than 50%, Blackstone will continue to be able to influence our decisions and, so long as Blackstone and its affiliates collectively own at least 5% of all outstanding shares of our stock entitled to vote generally in the election of directors, it will be able to appoint individuals to our Board of Directors under the stockholders agreement. In addition, Blackstone will be able to influence the outcome of all matters requiring stockholder approval and prevent a change of control of the Company or a change in the composition of our Board of Directors and could preclude any unsolicited acquisition of the Company. The concentration of ownership could deprive you of an opportunity to receive a premium for your shares of common stock as part of a sale of the Company and ultimately might affect the market price of our common stock.

## **Risks Related to Ownership of Our Common Stock**

*Our stock price may change significantly, and you may not be able to resell shares of our common stock at or above the price you paid or at all, and you could lose all or part of your investment as a result.*

The trading price of our common stock has been, and is likely to continue to be, volatile. Since shares of our common stock were sold in our IPO in April 2013 through December 31, 2014, our common stock price has ranged from \$15.43 to \$38.92. In addition to the risk factors discussed in this Annual Report on Form 10-K, the trading price of our common stock may be adversely affected due to a number of factors, many of which are beyond our control, including:

results of operations that vary from the expectations of securities analysts and investors;

results of operations that vary from those of our competitors;

changes in expectations as to our future financial performance, including financial estimates and investment recommendations by securities analysts and investors;

declines in the market prices of stocks generally, or those of amusement and theme parks companies;

strategic actions by us or our competitors;

announcements by us or our competitors of significant contracts, new products, acquisitions, joint marketing relationships, joint ventures, other strategic relationships or capital commitments;

changes in general economic or market conditions or trends in our industry or markets;

changes in business or regulatory conditions;

future sales of our common stock or other securities;

repurchases of our common stock pursuant to the Share Repurchase Program;

investor perceptions or the investment opportunity associated with our common stock relative to other investment alternatives;

the public's response to press releases or other public announcements by us or third parties, including our filings with the SEC;

announcements relating to litigation;

guidance, if any, that we provide to the public, any changes in this guidance or our failure to meet this guidance;

the development and sustainability of an active trading market for our stock;

changes in accounting principles; and

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other events or factors, including those resulting from natural disasters, war, acts of terrorism or responses to these events.

***We cannot assure you that we will continue to pay dividends on our common stock, and our indebtedness could limit our ability to continue to pay dividends on our common stock.***

We intend to continue to pay cash dividends on our common stock, subject to our compliance with applicable law, and depending on, among other things, our results of operations, financial condition, level of indebtedness, capital requirements, contractual restrictions, restrictions in our debt agreements and in any preferred stock, business prospects and other factors that our Board of Directors may deem relevant. However, the payment of any future dividends will be at the discretion of our Board of Directors and there can be no assurance that we will continue to pay dividends in the future. Based on the Company's debt covenant calculations as of September 30, 2014, the Company was limited for the remainder of calendar year 2014 in its ability to declare dividends in an amount consistent with its previously announced dividend policy. The amount available for dividend payments under the Company's debt covenants resets on January 1, 2015, which caused our Board of Directors to shift the timing of the fourth quarter 2014 dividend from mid-December 2014 to early January 2015.

***We cannot guarantee that we will repurchase our common stock pursuant to our recently announced share repurchase program or that our share repurchase program will enhance long-term stockholder value. Share repurchases could also increase the volatility of the price of our common stock.***

On August 12, 2014, our Board of Directors authorized a share repurchase program of up to \$250.0 million of our common stock beginning on January 1, 2015 (the Share Repurchase Program). On December 16, 2014, our Board of Directors approved an amendment to the Share Repurchase Program to change the start date of such program from January 1, 2015 to December 17, 2014 and to authorize the repurchase of up to \$15.0 million of our common stock during the remainder of calendar year 2014. Under the Share Repurchase Program, we are authorized to repurchase shares through open market purchases, privately-negotiated transactions or otherwise in accordance with applicable federal securities laws, including through Rule 10b5-1 trading plans and under Rule 10b-18 of the Exchange Act. Pursuant to the Share Repurchase Program, in the fourth quarter of 2014, we repurchased a total of 855,970 shares of our common stock for a total cost of approximately \$15.0 million, leaving \$235.0 million available for future repurchases.

Repurchases of our common stock pursuant to the Share Repurchase Program could affect our stock price and increase its volatility. The existence of the Share Repurchase Program could cause our stock price to be higher than it would be in the absence of such a program and could potentially reduce the market liquidity for our stock. There can be no assurance that any share repurchases will enhance stockholder value because the market price of our common stock may decline below the levels at which we repurchased shares of stock. Although the Share Repurchase Program is intended to enhance long-term stockholder value, there is no assurance that it will do so and short-term stock price fluctuations could reduce such program's effectiveness.

***If securities analysts do not publish research or reports about our business or if they downgrade our stock or our sector, our stock price and trading volume could decline.***

The trading market for our common stock relies in part on the research and reports that industry or financial analysts publish about us or our business. We do not control these analysts. Furthermore, if one or more of the analysts who do cover us downgrade our stock or our industry, or the stock of any of our competitors, or publish inaccurate or unfavorable research about our business, the price of our stock could decline. If one or more of these analysts ceases coverage of the Company or fail to publish reports on us regularly, we could lose visibility in the market, which in turn could cause our stock price or trading volume to decline.



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***Future sales, or the perception of future sales, by us or our existing stockholders in the public market could cause the market price for our common stock to decline.***

The sale of a substantial number of shares of our common stock in the public market, or the perception that such sales could occur, could harm the prevailing market price of shares of our common stock. These sales, or the possibility that these sales may occur, also might make it more difficult for us to sell equity securities in the future at a time and at a price that we deem appropriate.

Shares held by the Partnerships and certain of our directors, officers and employees are eligible for resale, subject to volume, manner of sale and other limitations under Rule 144. In addition, pursuant to a registration rights agreement entered into in connection with the 2009 Transactions, we granted the Partnerships the right, subject to certain conditions, to require us to register the sale of their shares of our common stock under the Securities Act.

As restrictions on resale end or if the Partnerships exercise their registration rights, the market price of our shares of common stock could drop significantly if the holders of these shares sell them or are perceived by the market as intending to sell them. These factors could also make it more difficult for us to raise additional funds through future offerings of our shares of common stock or other securities.

In addition, the shares of our common stock reserved for future issuance under the Omnibus Incentive Plan will become eligible for sale in the public market once those shares are issued, subject to provisions relating to various vesting agreements, lock-up agreements and Rule 144, as applicable. A total of 15,000,000 shares of common stock was reserved for issuance under the Omnibus Incentive Plan, of which 14,408,339 shares of common stock remain available for future issuance at February 23, 2015. In the future, we may also issue our securities in connection with investments or acquisitions. The amount of shares of our common stock issued in connection with an investment or acquisition could constitute a material portion of our then-outstanding shares of our common stock. Any issuance of additional securities in connection with investments or acquisitions may result in additional dilution to you.

***Our restructuring program may not achieve its intended results.***

We recently embarked on a restructuring program in an effort to centralize certain operations and reduce duplication of functions to increase efficiencies as part our Company-wide initiative designed to deliver approximately \$50.0 million of annual cost savings in comparison to our current cost structure by the end of 2015. Achieving our anticipated cost savings goal is subject to a number of uncertainties, including additional unanticipated costs, expenses, liabilities or necessary competitive responses. There can be no assurance regarding when or the extent to which we will be able to realize our goals.

***Anti-takeover provisions in our organizational documents could delay or prevent a change of control.***

Certain provisions of our amended and restated certificate of incorporation and amended and restated bylaws may have an anti-takeover effect and may delay, defer or prevent a merger, acquisition, tender offer, takeover attempt or other change of control transaction that a stockholder might consider in its best interest, including those attempts that might result in a premium over the market price for the shares held by our stockholders.

These provisions provide for, among other things:

a classified Board of Directors with staggered three-year terms;

the ability of our Board of Directors to issue one or more series of preferred stock;

advance notice for nominations of directors by stockholders and for stockholders to include matters to be considered at our annual meetings;



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certain limitations on convening special stockholder meetings;

the removal of directors only for cause and only upon the affirmative vote of the holders of at least 66  $\frac{2}{3}$ % in voting power of all the then-outstanding shares of stock of the Company entitled to vote thereon, voting together as a single class; and

that certain provisions may be amended only by the affirmative vote of the holders of at least 66  $\frac{2}{3}$ % in voting power of all the then-outstanding shares of stock of the Company entitled to vote thereon, voting together as a single class.

These anti-takeover provisions could make it more difficult for a third party to acquire us, even if the third-party offer may be considered beneficial by many of our stockholders. As a result, our stockholders may be limited in their ability to obtain a premium for their shares.

***The requirements of being a public entity and sustaining our growth may strain our resources.***

As a result of becoming a public company, we are subject to the reporting requirements of the Exchange Act and requirements pursuant to Section 404 of the Sarbanes-Oxley Act of 2002. These requirements may place a strain on our systems and resources. The Exchange Act requires that we file annual, quarterly and current reports with respect to our business and financial condition. The Sarbanes-Oxley Act requires that we maintain effective disclosure controls and procedures and internal controls over financial reporting. In order to maintain and improve the effectiveness of our disclosure controls and procedures and internal controls over financial reporting as required by the Exchange Act, significant resources and management oversight are required. We have implemented additional procedures and processes for the purpose of addressing the standards and requirements applicable to public companies. In addition, sustaining our growth also requires us to commit additional management, operational, and financial resources to identify new professionals to join the Company and to maintain appropriate operational and financial systems to adequately support expansion.

Any failure to develop or maintain effective controls or any difficulties encountered in our implementation of our internal controls over financial reporting could result in material misstatements that are not prevented or detected on a timely basis. Ineffective internal controls could cause investors to lose confidence in us and the reliability of our financial statements and cause a decline in the price of our common stock. If we identify any significant deficiencies or material weaknesses in the future, or encounter problems or delays in the implementation of internal controls over financial reporting, we may be unable to conclude that our internal controls over financial reporting are effective.

***Non-U.S. holders who own or owned more than a certain ownership threshold may be subject to United States federal income tax on gains realized on the disposition of our common stock.***

We believe that we are currently a U.S. real property holding corporation for U.S. federal income tax purposes. So long as our common stock continues to be regularly traded on an established securities market, a non-U.S. stockholder who holds or held (at any time during the shorter of the five year period preceding the date of disposition or the holder's holding period) more than 5% of our common stock will be subject to United States federal income tax on the disposition of our common stock. Non-U.S. holders should consult their own tax advisors concerning the consequences of disposing of shares of our common stock.

**Item 1B. Unresolved Staff Comments**

None.

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The following table summarizes our principal properties, which includes approximately 400 acres of land available for future development.

<b>Location</b>	<b>Size</b>	<b>Use</b>
Orlando, FL	76,360 sq ft	Leased Office Space (corporate headquarters)
Orlando, FL	9,636 sq ft	Leased Office Space (call center)
San Diego, CA	190 acres <sup>(1)</sup>	Leased Land
Chula Vista, CA	66 acres	Owned Water Park
Orlando, FL	279 acres	Owned Theme Park
Orlando, FL	58 acres	Owned All-inclusive Interactive Park
Orlando, FL	81 acres	Owned Water Park
Tampa, FL	56 acres	Owned Water Park
Tampa, FL	306 acres	Owned Theme Park
Dade City, FL	109 acres	Owned Breeding and Holding Facility
Langhorne, PA	55 acres	Owned Theme Park
San Antonio, TX	415 acres	Owned Theme Park
Williamsburg, VA	222 acres	Owned Water Park
Williamsburg, VA	422 acres	Owned Theme Park
Williamsburg, VA	5 acres	Owned Warehouse Space
Williamsburg, VA	5 acres	Owned Seasonal Worker Lodging

<sup>(1)</sup> Includes approximately 17 acres of water in Mission Bay Park, California.

We believe that our properties are in good operating condition and adequately serve our current business operations.

***Lease Agreement with City of San Diego***

Our subsidiary, Sea World LLC (f/k/a Sea World Inc.), leases approximately 190 acres from the City of San Diego, including approximately 17 acres of water in Mission Bay Park, California (the Premises). The current lease term commenced on July 1, 1998 and extends for 50 years or the maximum period allowed by law. Under the lease, the Premises must be used as a marine park facility and related uses. In addition, we may not operate another marine park facility within a radius of 560 miles from the City of San Diego.

The annual rent under the lease is calculated on the basis of a specified percentage of Sea World LLC's gross income from the Premises, or the minimum yearly rent, whichever is greater. The minimum yearly rent is adjusted every three years to an amount equal to 80% of the average accounting year rent actually paid for the three previous years. The current minimum yearly rent is approximately \$10.4 million, which is subject to adjustment on January 1, 2017.

**Item 3. Legal Proceedings**

We are subject to various allegations, claims and legal actions arising in the ordinary course of business. While it is impossible to determine with certainty the ultimate outcome of any of these proceedings, lawsuits and claims, management believes that adequate provisions have been made and insurance secured for all currently pending proceedings so that the ultimate outcomes will not have a material adverse effect on our financial position.

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On September 9, 2014, a purported stockholder class action lawsuit consisting of purchasers of the Company's common stock during the periods between April 18, 2013 to August 13, 2014, captioned Baker v. SeaWorld Entertainment, Inc., et al., Case No. 14-CV-02129-MMA (KSC), was filed in the U.S. District Court

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for the Southern District of California (the Court ) against the Company, the Chairman of our Board of Directors, certain of our executive officers and Blackstone. The complaint alleges that the prospectus and registration statements filed contained materially false and misleading information in violation of the federal securities laws and seeks unspecified compensatory damages and other relief. On December 10, 2014, the Court entered an Order Granting Motion for Appointment as Lead Plaintiff and Selection of Counsel, appointing Pensionskassen For Børne- Og Ungdomspædagoger and Arkansas Public Employees Retirement System as Lead Plaintiffs. On December 29, 2014, the Court entered an Order Granting Joint Motion for Scheduling Order setting Lead Plaintiffs time to file any amended complaint on or before February 27, 2015. The Company believes that the class action lawsuit is without merit and intends to defend the lawsuit vigorously; however, there can be no assurance regarding the ultimate outcome of this lawsuit.

On December 8, 2014, a putative derivative lawsuit captioned Kistenmacher v. Atchison, et al., Civil Action No. 10437, was filed in the Court of Chancery of the State of Delaware against, among others, the Chairman of our Board of Directors, certain of our executive officers, directors and shareholders, and Blackstone. The Company is a Nominal Defendant in the lawsuit. The complaint alleges, among other things, that the defendants breached their fiduciary duties and were unjustly enriched by (i) including materially false and misleading information in the prospectus and registration statements; and (ii) causing the Company to repurchase certain shares of its common stock from certain shareholders at an alleged artificially inflated price. On February 25, 2015, the Court of Chancery granted the parties joint stipulation setting forth deadlines for the filing of an amended complaint, defendants response, and a briefing schedule in the event defendants file a motion to dismiss that trails behind the due dates in the class action lawsuit by thirty days. We do not maintain any direct exposure to loss in connection with this shareholder derivative lawsuit. The lawsuit does not assert any claims against us. Our status as a Nominal Defendant in the action reflects the fact that the lawsuit is maintained by the named plaintiff on behalf of the Company and that the plaintiff seeks damages on our behalf.

**Item 4. Mine Safety Disclosures**

Not applicable.

**Table of Contents****PART II.****Item 5. Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities**  
**Market Information**

Shares of our common stock began trading on April 19, 2013 and are quoted on the New York Stock Exchange ( NYSE ) under the ticker symbol SEAS. Prior to that date there was no public market for our common stock. As of February 23, 2015, there were approximately 164 holders of record of our outstanding common stock. This does not include persons who hold our common stock in nominee or street name accounts through brokers or banks. The following table sets forth the high and low closing sales prices per share of our common stock during the periods indicated and the amount of cash dividends declared per share:

<b>Calendar Period</b>	<b>High</b>	<b>Low</b>	<b>Cash Dividend Declared Per Share</b>
<b>2014</b>			
Quarter ended March 31, 2014	\$ 35.11	\$ 27.79	\$ 0.20
Quarter ended June 30, 2014	\$ 31.75	\$ 28.00	\$ 0.21
Quarter ended September 30, 2014	\$ 29.59	\$ 18.00	\$ 0.21
Quarter ended December 31, 2014	\$ 19.25	\$ 15.43	(a)
<b>2013</b>			
Quarter ended June 30, 2013 (from April 19, 2013)	\$ 38.88	\$ 32.32	\$ 0.20
Quarter ended September 30, 2013	\$ 38.92	\$ 28.65	\$ 0.20
Quarter ended December 31, 2013	\$ 32.82	\$ 27.66	\$ 0.20

(a) Cash dividend of \$0.21 per share was declared on January 5, 2015 to all common stockholders of record at the close of business on January 13, 2015, which was paid on January 22, 2015.

**Dividends**

Our Board adopted a policy to pay, subject to legally available funds, a regular quarterly dividend. We declared cash dividends of \$0.62 per share in 2014 and \$0.60 per share in 2013. Our ability to declare dividends and make other restricted payments is limited by covenants in our senior secured credit facilities pursuant to a credit agreement dated as of December 1, 2009 (the Senior Secured Credit Facilities ) and the indenture governing the senior notes entered into on December 1, 2009 (the Senior Notes ).

Based on our debt covenant calculations through the third quarter of 2014, our restricted payments capacity was limited to an aggregate amount of up to approximately \$15.1 million in the fourth quarter of 2014 to declare dividends or make other restricted payments. As a result, the Board elected to postpone the declaration of the Company's fourth quarter 2014 dividend to January 2015 and instead authorized the repurchase of up to \$15.0 million of our common stock in December 2014. On January 5, 2015, the Board declared a cash dividend of \$0.21 per share to all common

stockholders of record at the close of business on January 13, 2015, which was paid on January 22, 2015. The fiscal amount available for dividend declarations, share repurchases and other restricted payments under the covenant restrictions in the debt agreements adjusts at the beginning of each quarter. See Management's Discussion and Analysis of Financial Condition and Results of Operations for a description of the restrictions on our ability to pay dividends and Note 11 Long-term Debt in the notes to the consolidated financial statements included elsewhere in this Annual Report on Form 10-K.

We intend to continue to pay cash dividends on our common stock, subject to our compliance with applicable law, and depending on, among other things, our results of operations, financial condition, level of indebtedness, capital requirements, contractual restrictions, restrictions in our debt agreements and in any

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preferred stock, business prospects and other factors that our Board may deem relevant. However, the payment of any future dividends will be at the discretion of our Board and our Board may, at any time, modify or revoke our dividend policy on our common stock. For tax purposes, a portion of the dividends paid in 2014 will be treated as a return of capital to stockholders and we expect a portion of the dividends paid in 2015 will also be treated as a return of capital to stockholders.

Our ability to pay dividends depends on our receipt of cash dividends from our operating subsidiaries, which may further restrict our ability to pay dividends as a result of the laws of their jurisdiction of organization, agreements of our subsidiaries or covenants under any existing and future outstanding indebtedness we or our subsidiaries incur. In particular, the ability of our subsidiaries to distribute cash to SeaWorld Entertainment, Inc. to pay dividends is limited by covenants in the Senior Secured Credit Facilities and the indenture governing the Senior Notes as discussed above.

**Securities Authorized for Issuance Under Equity Compensation Plans**

The information called for by this item is incorporated by reference from our definitive proxy statement relating to our 2015 Annual Meeting of Stockholders, which we will file with the SEC within 120 days after our December 31, 2014 fiscal year end.



**Table of Contents****Stock Price Performance**

*This performance graph shall not be deemed filed for purposes of Section 18 of the Exchange Act, or incorporated by reference into any filing of SeaWorld under the Securities Act or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.*

The following graph shows a comparison from April 19, 2013 (the date our common stock commenced trading on the New York Stock Exchange) through December 31, 2014 of the cumulative total return for our common stock, The Standard & Poor's (S&P) 500 Stock Index, The S&P Midcap 400 Index and The S&P Entertainment Movies & Entertainment Index. The graph assumes that \$100 was invested in the Company's common stock and in each index at the market close on April 19, 2013 and assumes that all dividends were reinvested. The stock price performance of the following graph is not necessarily indicative of future stock price performance.

	4/19/2013	6/30/2013	9/30/2013	12/31/2013	3/31/2014	6/30/2014	9/30/2014	12/31/2014
SeaWorld Entertainment, Inc.	\$ 100.00	\$ 130.68	\$ 111.02	\$ 108.53	\$ 114.75	\$ 108.29	\$ 74.29	\$ 69.15
S&P 500 Index - Total Returns	\$ 100.00	\$ 103.74	\$ 109.18	\$ 120.66	\$ 122.84	\$ 129.27	\$ 130.73	\$ 137.17
S&P Midcap 400 Index	\$ 100.00	\$ 103.87	\$ 111.71	\$ 121.01	\$ 124.69	\$ 130.09	\$ 124.91	\$ 132.84
S&P 400 Movies & Entertainment Index	\$ 100.00	\$ 107.64	\$ 121.82	\$ 137.70	\$ 113.28	\$ 124.70	\$ 125.85	\$ 127.70

Note: Data complete through last fiscal year. Prepared by Zacks Investment Research, Inc. Used with permission. All rights reserved. Copyright 1980-2015.

Index Data: Copyright Standard and Poor's, Inc. Used with permission. All rights reserved.

**Unregistered Sales of Equity Securities**

There were no unregistered sales of equity securities which have not been previously disclosed in a Quarterly Report on Form 10-Q or a current report on Form 8-K during the year ended December 31, 2014.

**Table of Contents****Purchases of Equity Securities by the Issuer**

The following table sets forth information with respect to shares of our common stock purchased by the Company during the periods indicated:

<b>Period Beginning</b>	<b>Period Ending</b>	<b>Total Number of Shares Purchased<sup>(1) (2)</sup></b>	<b>Average Price Paid per Share</b>	<b>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs</b>	<b>Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs</b>
October 1, 2014	October 31, 2014	270	\$ 18.67		
November 1, 2014	November 30, 2014	125	\$ 18.08		
December 1, 2014	December 31, 2014	860,361	\$ 17.52	855,970	\$ 235,000,000
		860,756		855,970	\$ 235,000,000

- (1) On August 12, 2014, our Board authorized the repurchase of up to \$250.0 million of our common stock beginning on January 1, 2015 (the Share Repurchase Program). Pursuant to the Share Repurchase Program, in December 2014, we repurchased a total of 855,970 shares of common stock at an average price of \$17.50 per share and a total cost of approximately \$15.0 million. All of the common stock is held as treasury shares at December 31, 2014. See Note 19 Stockholders' Equity in our notes to the consolidated financial statements included elsewhere in this Annual Report on Form 10-K for further information on the Share Repurchase Program.
- (2) Except for the 855,970 shares of our common stock repurchased as described in footnote (1) above, all other purchases were made pursuant to the Company's Omnibus Incentive Plan, under which participants may satisfy tax withholding obligations incurred upon the vesting of restricted stock by requesting the Company to withhold shares with a value equal to the amount of the withholding obligation.

**Item 6. Selected Financial Data**

During the third quarter of 2014, we identified and corrected immaterial errors in our financial statements related to accounting for certain debt transactions in 2013, 2012 and 2011. For further details, refer to Note 11 Long-Term Debt in our notes to the consolidated financial statements included elsewhere in this Annual Report on Form 10-K. Accordingly, we have revised previously issued financial statements contained in this Annual Report on Form 10-K to correct the effect of these errors for the corresponding periods. The following tables set forth our revised selected historical consolidated financial and operating data as of the dates and for each of the fiscal years ended December 31, 2014, 2013, 2012 and 2011 and selected historical consolidated financial and operating data as of and for the fiscal year ended December 31, 2010.

The selected financial data as of December 31, 2014 and 2013 and for each of the fiscal years ended December 31, 2014, 2013 and 2012 has been derived from our audited consolidated financial statements included elsewhere in this Annual Report on Form 10-K. Except as discussed under the heading Revision of Previously Issued Financial Statements contained in Note 11 Long-Term Debt in our notes to the consolidated financial statements included elsewhere in this Annual Report on Form 10-K, the selected financial data as of December 31, 2012 and 2011 and for the fiscal year ended December 31, 2011 has been derived from our audited consolidated financial statements not included in this Annual Report on Form 10-K. The selected financial data as of and for the fiscal year ended December 31, 2010 has been derived from our audited consolidated financial statements not included in this Annual Report on Form 10-K.

The following tables should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements and the notes thereto included in Financial Statements and Supplementary Data.

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**SEAWORLD ENTERTAINMENT, INC. AND SUBSIDIARIES**  
**SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA**

	Year Ended December 31,				
	2014	2013	2012	2011	2010
<b>Statement of Comprehensive Income Data:</b>					
(In thousands, except per share and per capita amounts)					
<b>Net revenues:</b>					
Admissions	\$ 859,426	\$ 921,016	\$ 884,407	\$ 824,937	\$ 730,368
Food, merchandise and other	518,386	539,234	539,345	505,837	465,735
Total revenues	1,377,812	1,460,250	1,423,752	1,330,774	1,196,103
<b>Costs and expenses:</b>					
Cost of food, merchandise and other revenues	109,024	114,192	118,559	112,498	97,871
Operating expenses (exclusive of depreciation and amortization shown separately below)	727,659	743,322	730,582	692,325	673,829
Selling, general and administrative	189,369	187,298	184,920	172,368	159,506
Restructuring and other related costs	11,567				
Separation costs	2,574				
Secondary offering costs	747	1,407			
Termination of advisory agreement		50,072			
Depreciation and amortization	176,275	166,086	166,975	213,592	207,156
Total costs and expenses	1,217,215	1,262,377	1,201,036	1,190,783	1,138,362
Operating income	160,597	197,873	222,716	139,991	57,741
Other (income) expense, net	(198)	(241)	(1,563)	1,679	(1,937)
Interest expense	81,543	90,622	110,565	97,741	134,383
Loss on early extinguishment of debt and write-off of discounts and deferred financing costs	461	29,858	2,053	15,129	
Income (loss) before income taxes	78,791	77,634	111,661	25,442	(74,705)
Provision for (benefit from) income taxes	28,872	25,714	37,440	10,653	(29,241)
<b>Net income (loss)</b>	<b>\$ 49,919</b>	<b>\$ 51,920</b>	<b>\$ 74,221</b>	<b>\$ 14,789</b>	<b>\$ (45,464)</b>
<b>Per share data <sup>(1)</sup>:</b>					
Net income (loss) per share, basic	\$ 0.57	\$ 0.59	\$ 0.90	\$ 0.18	\$ (0.56)

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Net income (loss) per share, diluted	\$	0.57	\$	0.59	\$	0.89	\$	0.18	\$	(0.56)
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Cash dividends declared per share	\$	0.62	\$	0.60	\$	6.07	\$	1.34	\$	
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**Weighted average commons  
shares outstanding:**

Basic		87,183		87,537		82,480		81,392		80,800
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Diluted		87,480		88,152		83,552		82,024		80,800
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**Other financial and operating  
data:**

Capital expenditures	\$	154,641	\$	166,258	\$	191,745	\$	225,316	\$	120,196
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Attendance		22,399		23,391		24,391		23,631		22,433
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Total revenue per capita <sup>(2)</sup>	\$	61.51	\$	62.43	\$	58.37	\$	56.31	\$	53.32
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	As of December 31,				
	2014	2013	2012	2011	2010
<b>Consolidated Balance Sheet Data:</b>	<b>(In thousands)</b>				
Cash and cash equivalents	\$ 43,906	\$ 116,841	\$ 45,675	\$ 66,663	\$ 123,697
Total assets	\$ 2,442,474	\$ 2,577,410	\$ 2,516,856	\$ 2,546,867	\$ 2,621,281
Total long-term debt	\$ 1,603,453	\$ 1,646,581	\$ 1,827,324	\$ 1,421,983	\$ 1,410,529
Total equity	\$ 579,535	\$ 648,027	\$ 442,302	\$ 868,143	\$ 949,795

- (1) All share and per share amounts reflect an eight-for-one stock split of our common stock effected on April 8, 2013.
- (2) Calculated as total revenue divided by total attendance.

**Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations**

*The following discussion contains management's discussion and analysis of our financial condition and results of operations and should be read together with Selected Financial Data and the historical consolidated financial statements and the notes thereto included in Financial Statements and Supplementary Data. This discussion contains forward-looking statements that reflect our plans, estimates and beliefs and involve numerous risks and uncertainties, including but not limited to those described in the Risk Factors section of this Annual Report on Form 10-K. Actual results may differ materially from those contained in any forward-looking statements. You should carefully read Special Note Regarding Forward-Looking Statements and Risk Factors.*

**Business Overview**

We are a leading theme park and entertainment company delivering personal, interactive and educational experiences that blend imagination with nature and enable our customers to celebrate, connect with and care for the natural world we share. We own or license a portfolio of globally recognized brands, including SeaWorld, Shamu and Busch Gardens. Over our more than 50 year history, we have built a diversified portfolio of 11 destination and regional theme parks that are grouped in key markets across the United States, many of which showcase our one-of-a-kind zoological collection of approximately 89,000 marine and terrestrial animals. Our theme parks feature a diverse array of rides, shows and other attractions with broad demographic appeal which deliver memorable experiences and a strong value proposition for our guests. During the year ended December 31, 2014, we hosted approximately 22.4 million guests, including approximately 3.6 million international guests. In the year ended December 31, 2014, we had total revenues of \$1.38 billion and net income of \$49.9 million.

**Revision of Prior Period Financial Statements**

During the third quarter of 2014, we identified and corrected immaterial errors in our financial statements related to accounting for certain debt transactions in 2013, 2012 and 2011. For further details, refer to Note 11 Long-Term Debt in our notes to the consolidated financial statements. Accordingly, we have revised previously issued financial statements contained in this Annual Report on Form 10-K to correct the effect of these errors for the corresponding periods. Management's discussion and analysis included herein is based on the revised financial results for the years ended December 31, 2013 and 2012.

**Key Business Metrics Evaluated by Management**

*Attendance*

We define attendance as the number of guest visits to our theme parks. Increased attendance drives increased admissions revenue to our theme parks as well as total in-park spending. The level of attendance at our

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theme parks is a function of many factors, including the opening of new attractions and shows, weather, global and regional economic conditions, competitive offerings and overall consumer confidence in the economy.

***Total Revenue Per Capita***

Total revenue per capita, defined as total revenue divided by total attendance, consists of admission per capita and in-park per capita spending:

*Admission Per Capita.* We calculate admission per capita for any period as total admissions revenue divided by total attendance. Theme park admissions accounted for approximately 62% of our total revenue for the year ended December 31, 2014. Over the same time period, we reported \$38.37 in admission per capita, representing a decrease of 2.6% from \$39.37 for the year ended December 31, 2013. Admission per capita is driven by ticket pricing, the admissions product mix and the park attendance mix. The admissions product mix is defined as the mix of tickets purchased such as single day, multi-day or annual passes and the park attendance mix is defined as the mix of attendance by theme parks visited.

*In-Park Per Capita Spending.* We calculate in-park per capita spending for any period as total food, merchandise and other revenue divided by total attendance. For the year ended December 31, 2014, food, merchandise and other revenue accounted for approximately 38% of our total revenue. Over the same time period, we reported \$23.14 of in-park per capita spending, representing a slight increase of 0.4% from \$23.05 for the year ended December 31, 2013. In-park per capita spending is driven by pricing changes, penetration levels (percentage of guests purchasing), new product offerings, the mix of guests and the mix of in-park spending.

**Trends Affecting Our Results of Operations**

We have experienced negative attendance trends in 2014 which we believe resulted from a combination of factors affecting our business and our destination parks in particular. We believe negative media attention in California and a challenging competitive environment in Florida are the key factors which contributed to the decline in attendance and resulting decrease in admissions revenue. To address our near term challenges, we are adjusting our attraction and marketing plans while also executing a cost savings plan which is expected to deliver approximately \$50.0 million of annual cost savings by the end of 2015, as compared to our cost structure in fiscal 2014. We believe that these cost savings will be largely offset by annual inflationary pressures and increased spending on marketing and advertising initiatives. As part of this cost savings plan, in December 2014, we implemented a restructuring program (the

Restructuring Program ) which involved the elimination of approximately 300 positions in an effort to centralize certain operations and reduce duplication of functions to increase efficiencies.

Our ability to attract and retain customers depends, in part, upon the external perceptions of our brands and reputation. Adverse publicity concerning our business generally could harm our brands, reputation and results of operations. The considerable expansion in the use of social media over recent years has amplified and is expected to continue to amplify the impact of any negative publicity. Recently, our business and SeaWorld-branded parks, in particular, have been the target of negative media attention, particularly in the state of California where legislation was proposed in March 2014 seeking to restrict our ability to display certain animals in that state. We believe we are experiencing demand pressures, particularly in California, partly due to such media attention. We have introduced and are considering a number of initiatives to address public perceptions and raise and protect brand awareness.



Our success also depends to a significant extent on discretionary consumer spending, which is heavily influenced by general economic conditions and the availability of discretionary income. In the past, severe economic downturns, coupled with high volatility and uncertainty as to the future global economic landscape, have had and continues to have an adverse effect on consumers' discretionary income and consumer confidence.

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Difficult economic conditions and recessionary periods may adversely impact attendance figures, the frequency with which guests choose to visit our theme parks and guest spending patterns at our theme parks. Historically, our revenue and attendance growth have been highly correlated with domestic economic growth, as reflected in the gross domestic product ( GDP ) and the overall level of growth in domestic consumer spending. For example, in 2009 and 2010, we experienced a decline in attendance as a result of the global economic crisis, which, in turn, adversely affected our revenue and profitability. We expect that forecasted moderate improvements in GDP and growth in domestic consumer spending will have a positive impact on our future performance.

Both attendance and total revenue per capita at our theme parks are key drivers of our revenue and profitability, and reductions in either can materially adversely affect our business, financial condition, results of operations and cash flows.

## **Seasonality**

The theme park industry is seasonal in nature. Based upon historical results, we generate the highest revenues in the second and third quarters of each year, in part because six of our theme parks are only open for a portion of the year. Approximately two-thirds of our attendance and revenues are generated in the second and third quarters of the year and we typically incur a net loss in the first and fourth quarters. The mix of revenues by quarter is relatively constant, but revenues can shift between the first and second quarters due to the timing of Easter or between the first and fourth quarters due to the timing of Christmas and New Year s. Even for our five theme parks open year-round, attendance patterns have significant seasonality, driven by holidays, school vacations and weather conditions. One of our goals in managing our business is to continue to generate cash flow throughout the year and minimize the effects of seasonality. In recent years, we have begun to encourage attendance during non-peak times by offering a variety of seasonal programs and events, such as shows for kids, special concert series, and Halloween and Christmas events. In addition, during seasonally slow times, operating costs are controlled by reducing operating hours and show schedules. Employment levels required for peak operations are met largely through part-time and seasonal hiring.

## **Principal Factors Affecting Our Results of Operations**

### ***Revenues***

Our revenues are driven primarily by attendance in our theme parks and the level of per capita spending for admission to the theme parks and per capita spending inside the theme parks for culinary, merchandise and other in-park experiences. The level of attendance in our theme parks is a function of many factors, including the opening of new attractions and shows, weather, global and regional economic conditions, competitive offerings and consumer confidence. Admission per capita is driven by ticket pricing, the mix of ticket type purchased (such as single day, multi-day and annual pass) and the mix of attendance by theme parks visited. In-park per capita spending is driven by pricing changes, penetration levels (percentage of guests purchasing), new product offerings, the mix of guests and the mix of in-park spending. For other factors affecting our revenues, see Risk Factors Risks Related to Our Business and Our Industry.

In addition to the theme parks, we are also involved in entertainment, media and consumer product businesses that leverage our intellectual property. While these businesses currently do not represent a material percentage of our revenue, they are important strategic drivers in terms of consumer awareness and brand building. We aim to expand these businesses into a greater source of revenue in the future.

### ***Costs and Expenses***

The principal costs of our operations are employee salaries, employee benefits, advertising, maintenance, animal care, utilities and insurance. Factors that affect our costs and expenses include commodity prices, costs

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for construction, repairs and maintenance, other inflationary pressures and attendance levels. A large portion of our expenses is relatively fixed because the costs for full-time employees, maintenance, animal care, utilities, advertising and insurance do not vary significantly with attendance. For factors affecting our costs and expenses, see Risk Factors Risks Related to Our Business and Our Industry.

For details regarding the costs related to our Restructuring Program, refer to Note 4 Restructuring Program and Separation Costs in our notes to the consolidated financial statements.

We barter theme park admission products for advertising and various other products and services. The fair value of the products or services is recognized into admissions revenue and related expenses at the time of the exchange and approximates the estimated fair value of the goods or services received or provided, whichever is more readily determinable.

**Results of Operations**

The following discussion provides an analysis of our consolidated financial data for the years ended December 31, 2014, 2013 and 2012. This data should be read in conjunction with our consolidated financial statements and the notes thereto included in Financial Statements and Supplementary Data.

**Table of Contents****Comparison of the Years Ended December 31, 2014 and 2013**

The following table presents key operating and financial information for the years ended December 31, 2014 and 2013:

	<b>For the Year Ended December 31,</b>	
	<b>2014</b>	<b>2013</b>
	<b>(In thousands, except per capita data)</b>	
<b>Statement of Comprehensive Income Data:</b>		
<b>Net revenues:</b>		
Admissions	\$ 859,426	\$ 921,016
Food, merchandise and other	518,386	539,234
Total revenues	1,377,812	1,460,250
<b>Costs and expenses:</b>		
Cost of food, merchandise and other revenues	109,024	114,192
Operating expenses (exclusive of depreciation and amortization shown separately below)	727,659	743,322
Selling, general and administrative	189,369	187,298
Restructuring and other related costs	11,567	
Separation costs	2,574	
Secondary offering costs	747	1,407
Termination of advisory agreement		50,072
Depreciation and amortization	176,275	166,086
Total costs and expenses	1,217,215	1,262,377
Operating income	160,597	197,873
Other income, net	(198)	(241)
Interest expense	81,543	90,622
Loss on early extinguishment of debt and write-off of discounts and deferred financing costs	461	29,858
Income before income taxes	78,791	77,634
Provision for income taxes	28,872	25,714
<b>Net income</b>	<b>\$ 49,919</b>	<b>\$ 51,920</b>
<b>Other data:</b>		
Attendance	22,399	23,391
Total revenue per capita	\$ 61.51	\$ 62.43

*Admissions revenue.* Admissions revenue for the year ended December 31, 2014 decreased \$61.6 million (6.7%) to \$859.4 million as compared to \$921.0 million for the year ended December 31, 2013. The decrease in revenue was a result of a 4.2% decline in attendance combined with a decrease of 2.6% in admission per capita from \$39.37 in 2013 to \$38.37 in 2014. Attendance for 2014 declined as the negative trends we experienced in the second quarter of 2014 primarily at our destination parks in California and Florida extended into our third quarter, with attendance for the third quarter of 2014 down 5.2% compared to the third quarter of 2013. These trends showed some improvement in the fourth quarter of 2014 with attendance down 2.2% compared to the fourth quarter of 2013, due in part to the success of our seasonal events. We believe the overall decline in attendance for 2014 results from a combination of factors, including negative media attention in California, along with a challenging competitive environment, particularly in Florida. Part of the challenges in Florida relate to significant new attraction offerings at competitor destination parks and a delay in the opening of one of our new rides at our Busch Gardens Tampa park. The prior year also included the impact from the opening of Antarctica: Empire of the Penguin<sup>®</sup> at our SeaWorld Orlando park which helped drive record revenue for 2013. Attendance

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for 2014 was also impacted, to a lesser extent, by adverse weather during the first quarter in the Florida and Texas markets. The decrease in admission per capita was primarily a result of an unfavorable change in the park attendance mix along with an increase in promotional offerings.

*Food, merchandise and other revenue.* Food, merchandise and other revenue for the year ended December 31, 2014 decreased by \$20.8 million (3.9%) to \$518.4 million as compared to \$539.2 million for the year ended December 31, 2013. This decrease was primarily a result of the decrease in attendance offset slightly by a 0.4% increase in in-park per capita spending from \$23.05 in 2013 to \$23.14 in 2014.

*Costs of food, merchandise and other revenues.* Costs of food, merchandise and other revenues for the year ended December 31, 2014 decreased \$5.2 million (4.5%) to \$109.0 million as compared to \$114.2 million for the year ended December 31, 2013. These costs represent 21.0% of related revenue earned for the year ended December 31, 2014 and 21.2% of related revenue earned for the year ended December 31, 2013.

*Operating expenses.* Operating expenses for the year ended December 31, 2014 decreased by \$15.7 million (2.1%) to \$727.7 million as compared to \$743.3 million for the year ended December 31, 2013. The decrease was primarily a result of a reduction in variable labor costs and other cost mitigation efforts employed by our park operators. Operating expenses were 52.8% of total revenues in 2014 compared to 50.9% in 2013.

*Selling, general and administrative.* Selling, general and administrative expenses for the year ended December 31, 2014 increased by \$2.1 million (1.1%) to \$189.4 million as compared to \$187.3 million for the year ended December 31, 2013. The increase was primarily related to marketing costs driven by reputation initiatives along with the launch of our SeaWorld brand 50<sup>th</sup> anniversary celebration. These increased costs were partially offset by the elimination of the 2009 Advisory Agreement fees due to the termination of this agreement in April 2013 and a decrease in equity compensation when compared to the prior year period. As a percentage of total revenue, selling, general and administrative expenses were 13.7% in 2014 compared to 12.8% in 2013.

*Restructuring and other related costs.* Restructuring and other related costs for the year ended December 31, 2014 represent severance and other related expenses incurred in connection with the restructuring program which we implemented in December 2014. The restructuring involved the elimination of approximately 300 positions across our eleven theme parks and corporate headquarters in an effort to centralize certain operations and reduce duplication of functions to increase efficiencies. The restructuring is part of our previously announced company-wide cost initiative to deliver approximately \$50.0 million of annual cost savings by the end of 2015, as compared to our cost structure in fiscal 2014. We believe that these cost savings will be largely offset by annual inflationary pressures and increased spending on marketing and advertising initiatives.

*Separation costs.* Separation costs for the year ended December 31, 2014 represent costs incurred pursuant to the previously announced separation of our former Chief Executive Officer and President.

*Secondary offering costs.* On April 9, 2014 and December 17, 2013, the selling stockholders completed underwritten secondary offerings of our common stock. Pursuant to the Registration Rights Agreement, we paid all expenses related to the offerings, other than underwriting discounts and commissions. No shares were sold by us in the secondary offerings and the selling stockholders received all of the net proceeds from the offerings. In connection with these secondary offerings, we incurred fees and expenses of \$0.7 million for the year ended December 31, 2014 and \$1.4 million for the year ended December 31, 2013.

*Termination of advisory agreement.* In connection with the completion of our initial public offering on April 24, 2013, the 2009 Advisory Agreement was terminated. In connection with such termination, we paid a termination fee

of \$46.3 million to an affiliate of Blackstone and recorded a write-off of \$3.8 million in 2013 prepaid advisory fees.



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*Depreciation and amortization.* Depreciation and amortization expense for the year ended December 31, 2014 increased by \$10.2 million (6.1%) to \$176.3 million as compared to \$166.1 million for the year ended December 31, 2013 due to the impact of new asset additions along with accelerated depreciation on certain assets impacted by our cost reduction initiatives offset by fully depreciated assets.

*Interest expense.* Interest expense for the year ended December 31, 2014 decreased \$9.1 million (10.0%) to \$81.5 million as compared to \$90.6 million for the year ended December 31, 2013, primarily reflecting the effects of the redemption of \$140.0 million of our Senior Notes and the repayment of \$37.0 million in term loan under our Senior Secured Credit Facilities in April 2013 with a portion of the net proceeds from our initial public offering as well as the impact of Amendment No. 5 to our Senior Secured Credit Facilities, which reduced the interest rate applicable to borrowings under our Senior Secured Credit Facilities.

*Loss on early extinguishment of debt and write-off of discounts and deferred financing costs.* Loss on early extinguishment of debt and write-off of discounts and deferred financing costs of \$0.5 million for the year ended December 31, 2014 relates to a write-off in discounts and deferred financing costs related to the voluntary prepayment of \$31.5 million on our Senior Secured Credit Facilities during the third quarter of 2014. Loss on early extinguishment of debt and write-off of discounts and deferred financing costs of \$29.9 million for the year ended December 31, 2013 primarily relates to a \$15.4 million premium paid for the early redemption of \$140.0 million of our Senior Notes with a portion of the net proceeds from our initial public offering in April 2013, along with a write-off of approximately \$5.5 million in related discounts and deferred financing costs and the write-off of approximately \$8.1 million of certain debt issuance costs in connection with Amendment No. 5 to our Senior Secured Credit Facilities.

*Provision for income taxes.* The provision for income taxes for the year ended December 31, 2014 was \$28.9 million compared to \$25.7 million in the year ended December 31, 2013. The increase primarily results from an increase in pretax income in 2014 compared to 2013, along with an increase in our effective income tax rate (from 33.1% to 36.6%). Our effective income tax rate increased primarily due to a valuation allowance recorded on charitable contribution carryforwards expiring in 2015, a change in the income mix of the affiliated entities, as well as the impact of non-deductible costs, including certain officer compensation and certain equity compensation awards, which was offset in part by the benefit of a prior year adjustment and tax credits.

**Table of Contents****Comparison of the Years Ended December 31, 2013 and 2012**

The following table presents key operating and financial information for the years ended December 31, 2013 and 2012:

	<b>For the Year Ended December 31,</b>	
	<b>2013</b>	<b>2012</b>
	<b>(In thousands, except per capita data)</b>	
<b>Statement of Comprehensive Income Data:</b>		
<b>Net revenues:</b>		
Admissions	\$ 921,016	\$ 884,407
Food, merchandise and other	539,234	539,345
Total revenues	1,460,250	1,423,752
<b>Costs and expenses:</b>		
Cost of food, merchandise and other revenues	114,192	118,559
Operating expenses (exclusive of depreciation and amortization shown separately below)	743,322	730,582
Selling, general and administrative	187,298	184,920
Termination of advisory agreement	50,072	
Secondary offering costs	1,407	
Depreciation and amortization	166,086	166,975
Total costs and expenses	1,262,377	1,201,036
Operating income	197,873	222,716
Other income, net	(241)	(1,563)
Interest expense	90,622	110,565
Loss on early extinguishment of debt and write-off of discounts and deferred financing costs	29,858	2,053
Income before income taxes	77,634	111,661
Provision for income taxes	25,714	37,440
<b>Net income</b>	<b>\$ 51,920</b>	<b>\$ 74,221</b>
<b>Other data:</b>		
Attendance	23,391	24,391
Total revenue per capita	\$ 62.43	\$ 58.37

*Admissions revenue.* Admissions revenue for the year ended December 31, 2013 increased \$36.6 million (4.1%) to \$921.0 million as compared to \$884.4 million for the year ended December 31, 2012. The increase in revenue was a result of an 8.6% increase in admission per capita from \$36.26 in 2012 to \$39.37 in 2013 offset by a 4.1% decrease in

total attendance. The improvement in admission per capita was primarily a result of higher ticket pricing and yield management strategies implemented at the beginning of 2013. Attendance for 2013 declined primarily due to the anticipated impact of these new pricing and yield management strategies, which increased revenue but reduced low yielding and free attendance. Also contributing to the decline was unexpected adverse weather conditions, particularly during the second quarter and in July of 2013. The unfavorable timing of Easter on March 31 in 2013 also contributed to the attendance decline as it caused an overlap with the spring break holiday period for schools in many of our key markets.

*Food, merchandise and other revenue.* Food, merchandise and other revenue for the year ended December 31, 2013 decreased slightly by \$0.1 million (less than 0.1%) to \$539.2 million as compared to \$539.3 million for the year ended December 31, 2012. This decrease was a result of the decrease in attendance offset by a 4.3% increase in in-park per capita spending from \$22.11 in 2012 to \$23.05 in 2013. The increase in

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in-park per capita spending was primarily due to targeted price increases and increased in-park offerings reflecting our continued efforts to provide incremental and enhanced service offerings.

*Costs of food, merchandise and other revenues.* Costs of food, merchandise and other revenues for the year ended December 31, 2013 decreased \$4.4 million (3.7%) to \$114.2 million as compared to \$118.6 million for the year ended December 31, 2012, due primarily to improved culinary margins from leveraged purchasing efforts and operational efficiencies. These costs represent 21.2% of related revenue earned for the year ended December 31, 2013 and 21.9% of related revenue earned for the year ended December 31, 2012.

*Operating expenses.* Operating expenses for the year ended December 31, 2013 increased by \$12.7 million (1.7%) to \$743.3 million as compared to \$730.6 million for the year ended December 31, 2012. The increase was primarily a result of increased direct labor costs, additional operating costs to support new attractions and our new Aquatica San Diego park which opened in 2013, partially offset by decreased miscellaneous asset write-offs and successful expense reductions implemented during the year. Operating expenses reflected 50.9% of total revenues for the year ended December 31, 2013 and 51.3% for the year ended December 31, 2012.

*Selling, general and administrative.* Selling, general and administrative expenses for the year ended December 31, 2013 increased by \$2.4 million (1.3%) to \$187.3 million as compared to \$184.9 million for the year ended December 31, 2012. This increase was primarily a result of additional equity compensation expense primarily related to a new restricted stock grant in April 2013 as well as an increase in corporate salaries due to planned additions to our corporate structure as a result of our initial public offering and the related increased public company requirements offset by the elimination of the 2009 Advisory Agreement fees due to the termination of this agreement in April 2013. Also contributing were expense savings from utilizing more efficient marketing channels and consolidation of our media buying. As a percentage of total revenue, selling, general and administrative expenses were 12.8% in the year ended December 31, 2013 compared to 13.0% in the year ended December 31, 2012.

*Termination of advisory agreement.* In connection with the completion of our initial public offering on April 24, 2013, the 2009 Advisory Agreement was terminated. In connection with such termination, we paid a termination fee of \$46.3 million to an affiliate of Blackstone and recorded a write-off of \$3.8 million in 2013 prepaid advisory fees.

*Secondary offering costs.* On December 17, 2013, the selling stockholders completed an underwritten secondary offering of our common stock. The selling stockholders received all of the net proceeds from the offering and no shares were sold by us. In connection with this secondary offering, we incurred fees and expenses of \$1.4 million for the year ended December 31, 2013.

*Depreciation and amortization.* Depreciation and amortization expense for the year ended December 31, 2013 decreased by \$0.9 million (0.5%) to \$166.1 million as compared to \$167.0 million for the year ended December 31, 2012 due to the impact of fully depreciated assets offset by new asset additions.

*Interest expense.* Interest expense for the year ended December 31, 2013 decreased \$19.9 million (18.0%) to \$90.6 million as compared to \$110.6 million for the year ended December 31, 2012, primarily reflecting the effects of our March 2012 and May 2013 amendments to the terms of our Senior Secured Credit Facilities, which reduced our interest rates as well as the redemption of \$140.0 million of our Senior Notes and the repayment of \$37.0 million under our Term B Loan in April 2013 with a portion of the net proceeds from our initial public offering.

*Loss on early extinguishment of debt and write-off of discounts and deferred financing costs.* Loss on early extinguishment of debt and write-off of discounts and deferred financing costs of \$29.9 million for the year ended December 31, 2013 relates to a \$15.4 million premium paid for the early redemption of \$140.0 million of



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our Senior Notes with a portion of the net proceeds from our initial public offering in April 2013, along with a write-off of approximately \$5.5 million in related discounts and deferred financing costs and the write-off of approximately \$8.1 million of certain debt issuance costs in connection with Amendment No. 5 to our Senior Secured Credit Facilities. Loss on early extinguishment of debt and write-off of discounts and deferred financing costs for the year ended December 31, 2012 relates to the write-off of discounts and deferred financing costs related to prepayments and Amendment No. 3 to our Senior Secured Credit Facilities.

*Provision for income taxes.* The provision for income taxes for the year ended December 31, 2013 was \$25.7 million compared to \$37.4 million in the year ended December 31, 2012. The decrease primarily results from the decrease in pretax income in the year ended 2013 compared to the year ended 2012, along with a decrease in our effective income tax rate (from 33.5% to 33.1%). Our effective income tax rate decreased due to a benefit arising from certain federal tax credits and prior year true-ups offset by the impact of non-deductible costs, including non-deductible offering costs, certain officer compensation and certain equity compensation awards.

**Liquidity and Capital Resources***Overview*

Our principal sources of liquidity are cash generated from operations, funds from borrowings and existing cash on hand. Our principal uses of cash include the funding of working capital obligations, debt service, investments in theme parks (including capital projects), common stock dividends and share repurchases. As of December 31, 2014, we had a working capital deficit of approximately \$78.9 million. We typically operate with a working capital deficit and we expect that we will continue to have working capital deficits in the future. The working capital deficits are due in part to a significant deferred revenue balance from revenues paid in advance for our theme park admissions products and high turnover of in-park products that results in a limited inventory balance. Our cash flow from operations, along with our revolving credit facilities, have allowed us to meet our liquidity needs while maintaining a working capital deficit.

As market conditions warrant and subject to our contractual restrictions and liquidity position, we, our affiliates and/or our major stockholders, including Blackstone and its affiliates, may from time to time repurchase our outstanding equity and/or debt securities, including the Senior Notes and/or our outstanding bank loans in privately negotiated or open market transactions, by tender offer or otherwise. Any such repurchases may be funded by incurring new debt, including additional borrowings under the Senior Secured Credit Facilities. Any new debt may be secured debt. We may also use available cash on our balance sheet. The amounts involved in any such transactions, individually or in the aggregate, may be material. Further, since some of our debt may trade at a discount to the face amount, any such purchases may result in our acquiring and retiring a substantial amount of any particular series, with the attendant reduction in the trading liquidity of any such series. Depending on conditions in the credit and capital markets and other factors, we will, from time to time, consider other financing transactions, the proceeds of which could be used to refinance our indebtedness or for other purposes.

*Dividends*

The Company's Board of Directors (the Board) has adopted a policy to pay, subject to legally available funds, a regular quarterly dividend. Dividends paid to stockholders were \$72.1 million and \$36.2 million in the years ended December 31, 2014 and 2013, respectively. The amount and timing of any future dividends payable on our common stock is within the sole discretion of the Board. See Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities-Dividends.

Subsequent to December 31, 2014, on January 5, 2015, the Board declared a cash dividend of \$0.21 per share to all common stockholders of record at the close of business on January 13, 2015, which was paid on January 22, 2015. The Company expects that for tax purposes, a portion of the dividends paid in 2014 and 2015 will be treated as a return of capital to stockholders.

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In March 2012, our Board declared a \$500.0 million cash dividend to our common stockholders, which at that time consisted of entities controlled by certain affiliates of Blackstone. Approximately \$503.0 million was paid in the year ended December 31, 2012, related to such dividends and a \$3.0 million portion of the dividend declared in 2011.

Approximately \$0.2 million of dividends declared through December 31, 2014, will be paid if certain time restricted shares vest over their requisite service periods. Dividends on certain performance restricted shares were approximately \$3.5 million and will accumulate and be paid only if and to the extent the shares vest in accordance with their terms. See Note 19 Stockholders' Equity to our consolidated financial statements included elsewhere in this Annual Report on Form 10-K.

## ***Share Repurchases***

On August 12, 2014, our Board authorized a share repurchase program of up to \$250.0 million of our common stock beginning on January 1, 2015 (the "Share Repurchase Program"). On December 16, 2014, the Board approved an amendment to the Share Repurchase Program to change the start date of such program from January 1, 2015 to December 17, 2014 and to authorize the repurchase of up to \$15.0 million of our common stock during the remainder of calendar year 2014. The other features of the Share Repurchase Program remain unchanged including the total amount authorized and available under the program of \$250.0 million. Under the Share Repurchase Program, we are authorized to repurchase shares through open market purchases, privately-negotiated transactions or otherwise in accordance with applicable federal securities laws, including through Rule 10b5-1 trading plans and under Rule 10b-18 of the Exchange Act. The Share Repurchase Program has no time limit and may be suspended or discontinued completely at any time. The number of shares to be purchased and the timing of purchases will be based on the level of our cash balances, general business and market conditions, and other factors, including legal requirements, debt covenant restrictions and alternative investment opportunities.

Pursuant to the Share Repurchase Program, in the fourth quarter of 2014, we entered into a written trading plan under Rule 10b5-1 of the Exchange Act and repurchased a total of 855,970 shares of our common stock at an average price of \$17.50 per share and a total cost of approximately \$15.0 million, leaving \$235.0 million available for future repurchases under the Share Repurchase Program.

Concurrently with the closing of the secondary offerings in April 2014 and December 2013, we repurchased 1.75 million and 1.5 million shares, respectively, of our common stock directly from the selling stockholders in private, non-underwritten transactions at a price per share equal to the price per share paid to the selling stockholders by the underwriters in the respective secondary offerings.

All of the repurchased shares from the Share Repurchase Program and shares purchased concurrently with the secondary offerings were recorded as treasury stock at a total cost of \$109.9 million and \$44.2 million as of December 31, 2014 and 2013, respectively, and are reflected as a reduction to stockholders' equity on the accompanying consolidated balance sheets and consolidated statement of changes in stockholders' equity.

## ***Other***

In March 2014, we executed a new interest rate swap agreement to effectively fix the interest rate on \$450.0 million of the Term B Loans. The interest rate swap has an effective date of March 31, 2014, has a notional amount of \$450.0 million and is scheduled to mature on September 30, 2016.

We believe that existing cash and cash equivalents, cash flow from operations, and available borrowings under the Senior Secured Credit Facilities will be adequate to meet the capital expenditures, dividends and working capital



requirements of our operations for at least the next 12 months.

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The following table presents a summary of our cash flows provided by (used in) operating, investing and financing activities for the periods indicated:

	<b>For the Year Ended December 31,</b>		
	<b>2014</b>	<b>2013</b>	<b>2012</b>
	<b>(In thousands)</b>		
Net cash provided by operating activities	\$ 261,532	\$ 286,461	\$ 299,440
Net cash used in investing activities	(156,546)	(166,376)	(204,318)
Net cash used in financing activities	(177,921)	(48,919)	(116,110)
 Net (decrease) increase in cash and cash equivalents	 \$ (72,935)	 \$ 71,166	 \$ (20,988)

***Cash Flows from Operating Activities***

Net cash provided by operating activities was \$261.5 million during the year ended December 31, 2014 as compared to \$286.5 million during the year ended December 31, 2013, which included a cash payment of \$46.3 million for the 2009 Advisory Agreement termination fee paid in conjunction with our initial public offering in April 2013. The change in net cash provided by operating activities was also impacted by a decrease in total revenue in 2014 primarily related to a decline in attendance offset by favorable changes in our working capital accounts when compared to the prior year.

Net cash provided by operating activities was \$286.5 million during the year ended December 31, 2013 as compared to \$299.4 million during the year ended December 31, 2012. Cash provided by operating activities decreased primarily as a result of the cash payment of \$46.3 million for the 2009 Advisory Agreement termination fee in conjunction with our initial public offering in April 2013, offset by additional cash generated from theme park operations due to an increase in total revenue primarily related to higher admissions revenue.

***Cash Flows from Investing Activities***

Investing activities consist principally of capital investments we make in our theme parks for future attractions and infrastructure. Net cash used in investing activities during the year ended December 31, 2014 consisted primarily of capital expenditures of \$154.6 million largely related to future attractions.

Net cash used in investing activities during the year ended December 31, 2013 consisted primarily of capital expenditures of \$166.3 million largely related to attractions that opened in 2014.

Net cash used in investing activities during the year ended December 31, 2012 consisted primarily of capital expenditures of \$191.7 million, as well as \$12.0 million for the purchase of Knott's Soak City Chula Vista water park in November 2012. The capital expenditures were largely related to new attractions and zoological safety infrastructure.

The amount of our capital expenditures may be affected by general economic and financial conditions, among other things, including restrictions imposed by our borrowing arrangements. We expect 2015 capital expenditures to be in the range of \$180.0 to \$190.0 million. We generally expect to fund our 2015 capital expenditures through our operating cash flow.

***Cash Flows from Financing Activities***

Net cash used in financing activities during the year ended December 31, 2014 was primarily attributable to \$72.1 million in cash dividends paid to common stockholders, \$60.1 million used to repurchase 2.6 million shares of our common stock and \$45.5 million paid on our Term B-2 Loan under the Senior Secured Credit Facilities, as defined below, which included a voluntary prepayment of \$31.5 million.

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Net cash used in financing activities during the year ended December 31, 2013 was primarily attributable to the receipt of \$253.8 million proceeds from our initial public offering, net of underwriter discounts and commissions, offset by the following: (i) repayments of \$189.3 million of debt which consisted primarily of the redemption of \$140.0 million of our Senior Notes and a repayment of \$37.0 million of indebtedness under our Term B Loan, (ii) \$44.2 million used to repurchase 1.5 million shares of our stock, (iii) payments of \$36.2 million in cash dividends, (iv) \$15.4 million paid in a redemption premium for the Senior Notes, (v) \$10.6 million paid in debt issuance costs, (vi) \$4.7 million in costs incurred in connection with our initial public offering and (vii) \$3.0 million related to a note payable which was due on September 1, 2013 for the November 2012 acquisition of Knott's Soak City from an affiliate of Cedar Fair L.P.

Net cash used in financing activities during the year ended December 31, 2012 was primarily attributable to the following: (i) the payment of a \$503.0 million portion of our dividends described above (net of required withholdings), (ii) repayment of \$93.7 million of debt under our Senior Secured Credit Facilities and (iii) costs of \$3.0 million related to an amendment to the indenture governing our Senior Notes and an amendment to our Senior Secured Credit Facilities. This was partially offset by proceeds of \$487.2 million from the term loan borrowings under our Senior Secured Credit Facilities.

**Our Indebtedness**

The Company is a holding company and conducts its operations through its subsidiaries, which have incurred or guaranteed indebtedness as described below.

***Senior Secured Credit Facilities***

SeaWorld Parks & Entertainment, Inc. (SEA) is the borrower under our senior secured credit facilities (the Senior Secured Credit Facilities) pursuant to a credit agreement dated as of December 1, 2009, by and among SEA, as borrower, Bank of America, N.A., as administrative agent, collateral agent, letter of credit issuer and swing line lender and the other agents and lenders party thereto, as the same may be amended, restated, supplemented or modified from time to time.

As of December 31, 2014, our Senior Secured Credit Facilities consisted of a \$1,352.4 million senior secured term loan facility (the Term B-2 Loans), which will mature on May 14, 2020 and a \$192.5 million senior secured revolving credit facility (the Revolving Credit Facility), which was not drawn upon at December 31, 2014. The Revolving Credit Facility will mature on the earlier of (a) April 24, 2018 and (b) the 91st day prior to the earlier of (1) the maturity date of Senior Notes with an aggregate principal amount greater than \$50.0 million outstanding and (2) the maturity date of any indebtedness incurred to refinance the Term B-2 Loans or the Senior Notes, and includes borrowing capacity available for letters of credit and for short-term borrowings referred to as the swing line borrowings. As of December 31, 2014, SEA had approximately \$18.1 million of outstanding letters of credit. Subsequent to December 31, 2014, SEA borrowed \$45.0 million under the Revolving Credit Facility.

Borrowings under our Senior Secured Credit Facilities bear interest, at SEA's option, at a rate equal to a margin over either (a) a base rate determined by reference to the higher of (1) Bank of America's prime lending rate and (2) the federal funds effective rate plus 1/2 of 1% or (b) a LIBOR rate determined by reference to the British Bankers Association (BBA) LIBOR rate, or the successor thereto if the BBA is no longer making a LIBOR rate available, for the interest period relevant to such borrowing. The applicable margin for the Term B-2 Loans is 1.25%, in the case of base rate loans and 2.25%, in the case of LIBOR rate loans, subject to a base rate floor of 1.75% and a LIBOR floor of 0.75%. The applicable margin for the Term B-2 Loans (under either a base rate or LIBOR rate) is subject to one 25 basis point step-down upon achievement by SEA of a certain total leverage ratio. At December 31, 2014, SEA

selected the LIBOR rate (interest rate of 3.00% at December 31, 2014).

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The applicable margin for borrowings under the Revolving Credit Facility is 1.75%, in the case of base rate loans and 2.75%, in the case of LIBOR rate loans, subject to one 25 basis point step-down based on SEA's corporate credit ratings. The applicable margin (under either a base rate or LIBOR rate) is subject to one 25 basis point step-down upon achievement by SEA of certain corporate credit ratings. At December 31, 2014, SEA selected the LIBOR rate and achieved the corporate credit ratings for an applicable margin of 2.50%.

In addition to paying interest on outstanding principal under our Senior Secured Credit Facilities, SEA is required to pay a commitment fee to the lenders under the Revolving Credit Facility in respect of the unutilized commitments thereunder at a rate of 0.50% per annum. SEA is also required to pay customary letter of credit fees.

Term B-2 Loans amortize in equal quarterly installments in an aggregate annual amount equal to 1.0% of the original principal amount of the Term B-2 Loans, with the balance due on the final maturity date. SEA may voluntarily repay amounts outstanding under our Senior Secured Credit Facilities at any time without premium or penalty, other than customary breakage costs with respect to LIBOR loans. In 2014, SEA made a voluntary principal repayment of approximately \$31.5 million on the Term B-2 Loans. The Term B-2 loans were initially borrowed in an aggregate principal amount of \$1,405.0 million.

SEA is required to prepay outstanding term loans, subject to certain exceptions, with (i) 50% of SEA's annual excess cash flow (with step-downs to 25% and 0%, as applicable, based upon achievement by SEA of a certain total net leverage ratio), subject to certain exceptions; (ii) 100% of the net cash proceeds of certain non-ordinary course asset sales or other dispositions subject to reinvestment rights and certain exceptions; and (iii) 100% of the net cash proceeds of any incurrence of debt by SEA or any of its restricted subsidiaries, other than debt permitted to be incurred or issued under our Senior Secured Credit Facilities.

The obligations under our Senior Secured Credit Facilities are fully, unconditionally and irrevocably guaranteed by each of the Company, any subsidiary of the Company that directly or indirectly owns 100% of the issued and outstanding equity interests of SEA, and, subject to certain exceptions, each of SEA's existing and future material domestic wholly-owned subsidiaries (collectively, the Guarantors). Our Senior Secured Credit Facilities are collateralized by first priority or equivalent security interests in (i) all the capital stock of, or other equity interests in, substantially all SEA's direct or indirect material domestic subsidiaries (subject to certain exceptions and qualifications) and 65% of the capital stock of, or other equity interests in, any of SEA's first tier foreign subsidiaries and (ii) certain tangible and intangible assets of SEA and those of the Guarantors (subject to certain exceptions and qualifications).

Our Senior Secured Credit Facilities contain a number of customary negative covenants. Such covenants, among other things, restrict, subject to certain exceptions, the ability of SEA and its restricted subsidiaries to incur additional indebtedness; make guarantees; create liens on assets; enter into sale and leaseback transactions; engage in mergers or consolidations; sell assets; make fundamental changes; pay dividends and distributions or repurchase SEA's capital stock; make investments, loans and advances, including acquisitions; engage in certain transactions with affiliates; make changes in nature of the business; and make prepayments of junior debt. Our Senior Secured Credit Facilities also contain covenants requiring SEA to maintain specified maximum annual capital expenditures, a maximum total net leverage ratio and a minimum interest coverage ratio. In addition, our Senior Secured Credit Facilities contain certain customary representations and warranties, affirmative covenants and events of default. See also the *Covenant Compliance* section which follows.

## ***The Senior Notes***

On December 1, 2009, SEA issued \$400.0 million aggregate principal amount of 13.5% Senior Notes due 2016. On March 30, 2012, pursuant to an amendment to the indenture governing the Senior Notes, the interest rate was reduced from 13.5% to 11.0%. Interest on the Senior Notes is payable semi-annually in arrears. The obligations under the Senior Notes are guaranteed by the same entities as those that guarantee our Senior Secured Credit Facilities. As of December 31, 2014, SEA had \$260.0 million aggregate principal amount of the Senior Notes outstanding.

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The Senior Notes are senior unsecured obligations and:

rank senior in right of payment to all existing and future debt and other obligations that are, by their terms, expressly subordinated in right of payment to the Senior Notes;

rank equally in right of payment to all existing and future senior debt and other obligations that are not, by their terms, expressly subordinated in right of payment to the Senior Notes; and

are effectively subordinated in right of payment to all existing and future secured debt (including obligations under our Senior Secured Credit Facilities), to the extent of the value of the assets securing such debt, and are structurally subordinated to all obligations of each of our subsidiaries that is not a guarantor of the Senior Notes.

On or after December 1, 2014, the Senior Notes may be redeemed at 105.5% and 102.75% of the principal amount beginning on December 1, 2014 and 2015, respectively.

We used a portion of the net proceeds received by us in our initial public offering to redeem \$140.0 million in aggregate principal amount of the Senior Notes in April 2013 at a redemption price of 111.0%. The redemption premium of \$15.4 million, along with a write-off of approximately \$5.5 million in related discounts and deferred financing costs was recorded as a loss on early extinguishment of debt and write-off of discounts and deferred financing costs for the year ended December 31, 2013.

The indenture governing the Senior Notes contains a number of covenants that, among other things, restrict SEA's ability and the ability of its restricted subsidiaries to, among other things, dispose of certain assets; incur additional indebtedness; pay dividends; prepay subordinated indebtedness; incur liens; make capital expenditures; make investments or acquisitions; engage in mergers or consolidations; and engage in certain types of transactions with affiliates. These covenants are subject to a number of important limitations and exceptions. See also the *Covenant Compliance* section which follows.

See Note 11 *Long-Term Debt* to our consolidated financial statements included elsewhere in this Annual Report on Form 10-K for further discussion regarding our Senior Secured Credit Facilities and Senior Notes.

### ***Covenant Compliance***

As of December 31, 2014, we were in compliance with all covenants in the credit agreement governing the Senior Secured Credit Facilities and the indenture governing our Senior Notes.

The indenture governing the Senior Notes and the credit agreement governing the Senior Secured Credit Facilities provide for certain events of default which, if any of them were to occur, would permit or require the principal of and accrued interest, if any, on the Senior Notes or the loans under the Senior Secured Credit Facilities, respectively, to become or be declared due and payable (subject, in some cases, to specified grace periods). Also, under the indenture governing the Senior Notes and under the credit agreement governing the Senior Secured Credit Facilities, our ability to engage in activities such as incurring additional indebtedness, making investments, refinancing certain indebtedness, paying dividends and entering into certain merger transactions is governed, in part, by our ability to satisfy tests based on covenant Adjusted EBITDA.



The Senior Notes and the Senior Secured Credit Facilities generally define Adjusted EBITDA as net income (loss) before interest expense, income tax expense (benefit), depreciation and amortization, as further adjusted to exclude certain unusual, non-cash, and other items permitted in calculating covenant compliance under the indenture governing the Senior Notes and the Senior Secured Credit Facilities.

We believe that the presentation of Adjusted EBITDA is appropriate to provide additional information to investors about the calculation of, and compliance with, certain financial covenants in the indenture governing the Senior Notes and in the Senior Secured Credit Facilities. Adjusted EBITDA is a material component of these

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covenants. In addition, investors, lenders, financial analysts and rating agencies have historically used EBITDA related measures in our industry, along with other measures, to evaluate a company's ability to meet its debt service requirements, to estimate the value of a company and to make informed investment decisions. We also use Adjusted EBITDA in connection with certain components of our executive compensation program. Adjusted EBITDA eliminates the effect of certain non-cash depreciation of tangible assets and amortization of intangible assets, along with the effects of interest rates and changes in capitalization which management believes may not necessarily be indicative of a company's underlying operating performance.

Adjusted EBITDA is not a recognized term under accounting principles generally accepted in the United States of America (GAAP), and should not be considered in isolation or as a substitute for a measure of our liquidity or performance prepared in accordance with GAAP and is not indicative of income from operations as determined under GAAP. Adjusted EBITDA and other non-GAAP financial measures have limitations which should be considered before using these measures to evaluate our liquidity or financial performance. Adjusted EBITDA, as presented by us, may not be comparable to similarly titled measures of other companies due to varying methods of calculation. The following table reconciles net income to Adjusted EBITDA:

	<b>For the Year Ended December 31,</b>		
	<b>2014</b>	<b>2013</b>	<b>2012</b>
	<b>(In thousands)</b>		
Net income	\$ 49,919	\$ 51,920	\$ 74,221
Provision for income taxes	28,872	25,714	37,440
Loss on early extinguishment of debt and write-off of discounts and deferred financing costs <sup>(a)</sup>	461	29,858	2,053
Interest expense	81,543	90,622	110,565
Depreciation and amortization	176,275	166,086	166,975
Restructuring and other related costs <sup>(b)</sup>	11,567		
Secondary offering costs <sup>(c)</sup>	747	1,407	
Termination of advisory agreement <sup>(d)</sup>		50,072	
Advisory fees <sup>(e)</sup>		2,799	6,201
Equity-based compensation expense <sup>(f)</sup>	2,349	6,026	1,681
Debt refinancing costs <sup>(g)</sup>		4,225	5,073
Other adjusting items <sup>(h)</sup>	3,331	843	630
Other non-cash expenses <sup>(i)</sup>	5,036	9,556	10,367
Estimated cost savings <sup>(j)</sup>	10,000		
<b>Adjusted EBITDA</b>	<b>\$ 370,100</b>	<b>\$ 439,128</b>	<b>\$ 415,206</b>

- (a) Reflects the write-off of discounts and deferred financing costs in the year ended December 31, 2014 relating to the voluntary prepayment of \$31.5 million of the outstanding indebtedness under our Senior Secured Credit Facilities. For the year ended December 31, 2013, reflects a \$15.4 million premium paid for the early redemption of \$140.0 million of our existing Senior Notes using net proceeds from our initial public offering in April 2013, along with a write-off of approximately \$5.5 million in related discounts and deferred financing costs and a write-off of approximately \$8.1 million of certain capitalized debt issuance costs in connection with Amendment No. 5 to our Senior Secured Credit Facilities. For the year ended December 31, 2012, reflects the write-off of

discounts and deferred financing costs related to prepayments and Amendment No. 3 to our Senior Secured Credit Facilities.

- (b) Reflects restructuring and other related costs for the year ended December 31, 2014. Restructuring and other related costs consist of \$8.6 million related to severance and other employment expenses and \$3.0 million related to third party consulting costs associated with the development of the cost savings plan and restructuring program.
- (c) Reflects fees and expenses incurred in connection with the secondary offering of our common stock in April 2014 for the year ended December 31, 2014 and fees and expenses incurred in connection with the

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secondary offering of our common stock in December 2013 for the year ended December 31, 2013.

Pursuant to the Registration Rights Agreement, we paid all expenses related to the offerings, other than underwriting discounts and commissions. No shares were sold by us in the secondary offerings and the selling stockholders received all of the net proceeds from the offerings.

- (d) Reflects a one-time fee of \$46.3 million paid to an affiliate of Blackstone in connection with the termination of the 2009 Advisory Agreement, and a related write-off of prepaid advisory fees of \$3.8 million. In connection with our initial public offering, the 2009 Advisory Agreement was terminated on April 24, 2013 in accordance with its terms.
- (e) Reflects historical fees paid to an affiliate of Blackstone under the 2009 Advisory Agreement.
- (f) Reflects non-cash compensation expenses associated with the grants of equity compensation.
- (g) Reflects costs which were expensed related to the amendments to our Senior Secured Credit Facilities.
- (h) Reflects certain initial product and intellectual property development costs incurred in the year ended December 31, 2014. The product and intellectual property development costs were not material in the prior periods. For the years ended December 31, 2013 and 2012, other adjusting items reflects costs related to our acquisition of the Knott's Soak City Chula Vista water park and pre-opening costs related to Aquatica San Diego.
- (i) Reflects non-cash expenses related to miscellaneous asset write-offs and non-cash gains/losses on foreign currencies which were expensed.
- (j) Reflects estimated 2014 cost savings related to the previously announced restructuring program. These estimated cost savings are a non-GAAP Adjusted EBITDA item only that does not impact the Company's reported GAAP net income. Pursuant to the credit agreement governing our Senior Secured Credit Facilities, we are permitted to reflect in our calculation of Adjusted EBITDA, subject to certain limitations, estimated cost savings resulting from certain specified actions, including restructurings and cost savings initiatives. The credit agreement governing our Senior Secured Credit Facilities limits the amount of estimated cost savings that do not result from acquisitions or dispositions which may be reflected in the calculation of Adjusted EBITDA to \$10.0 million for any applicable consecutive four quarter period and \$30.0 million in the aggregate. In addition, the indenture governing our Senior Notes does not provide for a similar adjustment. Accordingly, we will not include the estimated cost savings related to the restructuring program for the purposes of covenant calculations under the indenture governing the Senior Notes.

The Senior Secured Credit Facilities and the indenture governing the Senior Notes contain covenants that, among other things, restrict our ability and the ability of our restricted subsidiaries to, among other things, make certain restricted payments (as defined in the applicable agreement), including dividend payments and share repurchases. In particular, the Senior Secured Credit Facilities and the indenture permit restricted payments in an aggregate amount per annum not to exceed the greater of (1) 6% of initial public offering net proceeds received by SEA or (2) (a) \$90.0 million, so long as, on a pro forma basis (as defined in the applicable agreement) after giving effect to the payment of any such restricted payment, the Total Leverage Ratio, (as defined in the applicable Agreement and calculated as of the end of the prior quarter), is no greater than 5.00 to 1.00 and greater than 4.50 to 1.00, (b) \$120.0 million, so long as, on a pro forma basis after giving effect to the payment of any such restricted payment, the Total Leverage Ratio is no greater than 4.50 to 1.00 and greater than 4.00 to 1.00, (c) the greater of (A) \$120.0 million and (B) 7.5% of market capitalization, so long as, on a pro forma basis after giving effect to the payment of any such restricted payment, the Total Leverage Ratio is no greater than 4.00 to 1.00 and greater than 3.50 to 1.00 and (d) an unlimited amount, so long as, on a pro forma basis after giving effect to the payment of any such restricted payment, the Total Leverage Ratio is no greater than 3.50 to 1.00.

For the year ended December 31, 2014, we had a \$120.0 million capacity for restricted payments under the provision described above. Through the third quarter of 2014, we had used approximately \$104.9 million of our available restricted payments capacity leaving an aggregate amount of approximately \$15.1 million available in the fourth quarter of 2014 to declare dividends or make other restricted payments. As a result, the Board elected to postpone the declaration of the our fourth quarter 2014 dividend to January 2015 and instead authorized the repurchase of up to

\$15.0 million of our common stock in December 2014. See Note 19 Stockholders' Equity to the consolidated financial statements included elsewhere in this Annual Report on Form 10-K for further discussion on the Share Repurchase Program.

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As of December 31, 2014, the Total Leverage Ratio as calculated under the Senior Notes was 4.48 to 1.00 and as calculated under the Senior Secured Credit Facilities was 4.25 to 1.00, which results in an estimated \$120.0 million capacity for restricted payments in the year ended December 31, 2015. The annual amount available for dividend declarations, share repurchases and other restricted payments under the covenant restrictions in the debt agreements adjusts at the beginning of each quarter as set forth above.

**Contractual Obligations**

The following table summarizes our principal contractual obligations as of December 31, 2014:

	Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
	(In thousands)				
Long-term debt (including current portion) <sup>(a)</sup>	\$ 1,612,438	\$ 14,050	\$ 288,100	\$ 28,100	\$ 1,282,188
Operating leases <sup>(b)</sup>	373,039	15,648	30,090	28,850	298,451
Purchase obligations <sup>(c)</sup>	44,468	41,626	2,842		
Total contractual obligations	\$ 2,029,945	\$ 71,324	\$ 321,032	\$ 56,950	\$ 1,580,639

(a) Represents principal payments of long-term debt and does not include estimated interest obligations of \$73,402; \$111,352; \$77,880; and \$12,813 payable in less than 1 year, 1-3 years, 3-5 years and more than 5 years, respectively.

(b) Represents commitments under long-term operating leases, primarily consisting of the lease for the land of our SeaWorld theme park in San Diego, California, requiring annual minimum lease payments.

(c) We have minimum purchase commitments with various vendors through December 2016. Outstanding minimum purchase commitments consist primarily of capital expenditures related to future attractions, infrastructure enhancements for existing facilities and information technology products and services.

**Off-Balance Sheet Arrangements**

We had no off-balance sheet arrangements as of December 31, 2014.

**Critical Accounting Policies and Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities, revenues and expenses, and disclosure of contingencies during the reporting period. Significant estimates and assumptions include the valuation and useful lives of long-lived tangible and intangible assets, the valuation of goodwill and other indefinite-lived intangible assets, the accounting for income taxes, the accounting for self-insurance, revenue recognition and equity-based compensation. Actual results could differ from those estimates. We believe that the following discussion addresses our critical accounting policies which require management's most difficult, subjective and complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain.

**Property and Equipment**

Property and equipment additions are recorded at cost and the carrying value is depreciated on a straight-line basis over the estimated useful lives of those assets. Development costs associated with new attractions, rides and products are capitalized after necessary feasibility studies have been completed and final concept or contracts have been approved. Interest is capitalized on all construction projects. It is possible that changes in circumstances such as technological advances, changes to our business model or changes in capital strategy could result in the actual useful lives differing from estimates. In those cases in which we determine that the useful life of property and equipment should be shortened, we depreciate the remaining net book value in excess of the

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salvage value over the revised remaining useful life, thereby increasing depreciation expense evenly through the remaining expected life.

### ***Impairment of Long-Lived Assets***

All long-lived assets, including property and equipment and finite-lived intangible 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. The impairment indicators considered important that may trigger an impairment review, if significant, include the following:

underperformance relative to historical or projected future operating results;

changes in the manner of use of the assets;

changes in management, strategy or customers;

negative industry or economic trends; and

macroeconomic conditions.

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 upon the difference between the fair value and the carrying amounts of the assets. Fair value is generally determined based upon 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 future 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 future cash flows arising from changes in anticipated actions could impact the determination of whether impairment exists. There was no impairment of any long-lived assets in 2014, 2013 or 2012.

### ***Goodwill and Other Indefinite-Lived Intangible Assets***

Goodwill and other indefinite-lived intangible assets are reviewed for impairment annually, and as of an interim date should factors or indicators become apparent that would require an interim test, for ongoing recoverability based on applicable reporting unit performance and consideration of significant events or changes in the overall business environment.

In assessing goodwill for impairment, we may choose to initially evaluate qualitative factors to determine if it is more likely than not that the fair value of a reporting unit is less than its carrying amount. We consider several factors, including macroeconomic conditions, industry and market conditions, overall financial performance of the reporting unit, changes in management, strategy or customers, and relevant reporting unit specific events such as a change in the carrying amount of net assets, a more-likely-than-not expectation of selling or disposing all, or a portion, of a



reporting unit, and the testing of recoverability of a significant asset group within a reporting unit. If the qualitative assessment is not conclusive, then the impairment analysis for goodwill is performed at the reporting unit level using a two-step approach. We may also choose to perform this two-step impairment analysis instead of the qualitative analysis. The first step is a comparison of the fair value of the reporting unit, determined using the income and market approach, to its recorded amount. If the recorded amount exceeds the fair value, the second step quantifies any impairment write-down by comparing the current implied value of goodwill to the recorded goodwill balance.

Significant judgments required in this testing process may include projecting future cash flows, determining appropriate discount rates and other assumptions. Projections are based on management's best estimates given

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recent financial performance, market trends, strategic plans and other available information which in recent years have been materially accurate. Although not currently anticipated, changes in these estimates and assumptions could materially affect the determination of fair value or impairment. It is possible that our assumptions about future performance, as well as the economic outlook and related conclusions regarding the valuation of our assets, could change adversely, which may result in impairment that would have a material effect on our financial position and results of operations in future periods. At December 1, 2014, a quantitative assessment was performed and we determined that we had no reporting units that were considered impaired as a result of this goodwill impairment test. During this quantitative assessment, we calculated that the fair value of the reporting units exceeded their respective carrying values by 12% and 106%. A key assumption utilized in the goodwill analysis was a weighted average cost of capital of 9%.

At December 1, 2013, a qualitative assessment was performed and we determined, after assessing the totality of relevant events and circumstances, that it was not more likely than not that the carrying value exceeded the fair value of the reporting units. Accordingly, based upon the qualitative assessment test that was performed in 2013, and the quantitative assessment that was performed as of December 1, 2014, we had no reporting units that were considered at risk of failing step one of the goodwill impairment test.

Our other indefinite-lived intangible assets consist of certain trade names/trademarks which, after considering legal, regulatory, contractual, and other competitive and economic factors, are determined to have indefinite lives and are valued annually using the relief from royalty method. Significant estimates required in this valuation method include estimated future revenues impacted by the trade names/trademarks, royalty rate by park, and appropriate discount rates. Projections are based on management's best estimates given recent financial performance, market trends, strategic plans, brand awareness, operating characteristics by park, and other available information which in recent years have been materially accurate. Changes in these estimates and assumptions could materially affect the fair value determination used in the assessment of impairment. Based on a quantitative assessment performed at December 1, 2014 and a qualitative assessment performed at December 1, 2013, there was no impairment as the fair value of trade names/trademarks were substantially in excess of their carrying values. For the December 1, 2014 quantitative assessment of other indefinite-lived intangible assets, we calculated that the fair value of the trade names/trademarks exceeded their carrying values by 68% to 85%. Key assumptions utilized in the other indefinite-lived intangible asset analysis were a discount rate of 9% and an estimated royalty rate ranging from 2% to 3%.

***Accounting for Income Taxes***

We are required to estimate income taxes in each of the jurisdictions in which we operate. This process involves estimating actual current tax exposure together with assessing temporary differences resulting from differing treatment of items, such as depreciation periods for property and equipment and deferred revenue, for tax and financial accounting purposes. These differences result in deferred tax assets and liabilities, which are included within our consolidated balance sheet. We must then assess the likelihood that deferred tax assets (primarily net operating loss and charitable contribution carryforwards) will be recovered from future taxable income. To the extent that we believe that recovery is not likely, a valuation allowance against those amounts is recognized. To the extent that we recognize a valuation allowance or an increase in the valuation allowance during a period, we recognize these amounts as income tax expense in the consolidated statements of comprehensive income. Section 382 of the Internal Revenue Code of 1986, as amended (the Code) contains rules that limit the ability of a company that undergoes an ownership change, which is generally any change in ownership of more than 50% of its stock over a rolling three-year period, to utilize its net operating loss carryforwards in years after the ownership change. These rules generally operate by focusing on ownership shifts among stockholders owning directly or indirectly 5% or more of the stock of a company and any change in ownership arising from shares of stock sold by these same stockholders.

Significant management judgment is required in determining our provision or benefit for income taxes, deferred tax assets and liabilities and any valuation allowance recorded against net deferred tax assets.

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Management has analyzed all available evidence, both positive and negative, using a more likely than not standard in assessing the need for a valuation allowance against its deferred income tax assets. This assessment considers, among other matters, the nature, frequency and severity of recent losses, forecast of future profitability, the duration of the statutory carryback and carryforward periods and tax planning alternatives. Due to the uncertainty of realizing a benefit from the deferred tax assets recorded for charitable contribution carryforwards expiring in 2015, a valuation allowance of approximately \$1.5 million was recognized for the year ended December 31, 2014.

Although the secondary offerings that were completed in December 2013 and April 2014 gave rise to an ownership change under Section 382, we believe that the resulting limitations imposed by Section 382 will not affect our ability to use our existing net operating loss carryforwards. Any future ownership change may, however, result in further limitations imposed by Section 382. Any such limitation may have the effect of reducing our after-tax cash flow in future years and may affect our need for a valuation allowance on our deferred tax assets related to federal tax and state net operating loss carryforwards.

### ***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 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***

We recognize revenue upon admission into a theme park for single day tickets and when products are received by customers for merchandise, culinary or other in-park spending. For season passes and other multi-use admission products, revenue is deferred and recognized based on the terms of the admission product and its estimated usage and is adjusted periodically.

We have entered into agreements with certain external theme park, zoo and other attraction operators, to jointly market and sell admission products. These joint products allow admission to both a Company park and an external park, zoo or other attraction. The agreements with the external parks specify the allocation of revenue to us from any jointly sold products. Deferred revenue is recorded based on the terms of the respective agreement and the related revenue is recognized over its related use.

### **Recently Issued Financial Accounting Standards**

Refer to Note 3- Recently Issued Accounting Pronouncements, in our notes to the consolidated financial statements included elsewhere in this Annual Report on Form 10-K.

## **Item 7A. Quantitative and Qualitative Disclosures about Market Risk**

### ***Inflation***

The impact of inflation has affected, and will continue to affect, our operations significantly. Our costs of food, merchandise and other revenues are influenced by inflation and fluctuations in global commodity prices. In addition,

costs for construction, repairs and maintenance are all subject to inflationary pressures.

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### ***Interest Rate Risk***

We are exposed to market risks from fluctuations in interest rates, and to a lesser extent on currency exchange rates, 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 fixed-rate long-term debt and interest rate swaps that fix a portion of our variable-rate long-term debt.

The effective portion of changes in the fair value of derivatives designated and that qualify as cash flow hedges is recorded in accumulated other comprehensive (loss) income and is subsequently reclassified into earnings in the period that the hedged forecasted transaction affects earnings. The ineffective portion of the change in fair value of the derivatives is recognized directly in earnings. Amounts reported in accumulated other comprehensive (loss) income related to derivatives will be reclassified to interest expense as interest payments are made on our variable-rate debt. During the next 12 months, our estimate is that an additional \$2.5 million will be reclassified as an increase to interest expense.

After considering the impact of interest rate swap agreements, at December 31, 2014, approximately \$1,260.0 million of our outstanding long-term debt represents fixed-rate debt and approximately \$352.4 million represents variable-rate debt. Assuming an average balance on our revolving credit borrowings of approximately \$40.0 million, a hypothetical 100 bps increase in 30-day LIBOR on our variable-rate debt would lead to an increase of approximately \$2.2 million in annual cash interest costs due to the impact of our fixed-rate swap agreements.

### **Item 8. Financial Statements and Supplementary Data**

Our consolidated financial statements and the notes thereto are provided in Part IV, Item 15 of this Annual Report on Form 10-K.

### **Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure**

None.

### **Item 9A. Controls and Procedures**

#### **Evaluation of Disclosure Controls and Procedures**

Regulations under the Securities Exchange Act of 1934, as amended (the Exchange Act), require public companies, including us, to maintain disclosure controls and procedures, which are defined in Rule 13a-15(e) and Rule 15d-15(e) of the Exchange Act to mean a company's controls and other procedures that are designed to ensure that information required to be disclosed in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and that such information is accumulated and communicated to management, including our principal executive officer and principal financial officer, or persons performing similar functions, as appropriate to allow timely decisions regarding required or necessary disclosures. In designing and evaluating our disclosure controls and procedures, management recognizes

that disclosure controls and procedures, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the disclosure controls and procedures are met. The design of any controls and procedures also is based on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Additionally, in designing disclosure controls and procedures, our management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible disclosure controls and procedures. Our management, with the participation of our principal executive officer and

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principal financial officer, has evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this report. Based upon that evaluation and subject to the foregoing, our principal executive officer and principal financial officer concluded that, as of the end of the period covered by this report, the design and operation of our disclosure controls and procedures were effective to accomplish their objectives at a reasonable assurance level.

## **Changes in Internal Control over Financial Reporting**

Regulations under the Exchange Act require public companies, including our Company, to evaluate any change in our internal control over financial reporting as such term is defined in Rule 13a-15(f) and Rule 15d-15(f) of the Exchange Act. There have been no changes in our internal control over financial reporting during the fiscal quarter ended December 31, 2014 that have materially affected, or that are reasonably likely to materially affect, our internal control over financial reporting.

## **Management's Report on Internal Control Over Financial Reporting**

As required by the SEC's rules and regulations for the implementation of Section 404 of the Sarbanes-Oxley Act, our management is responsible for establishing and maintaining adequate internal control over financial reporting. Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of our consolidated financial statements for external reporting purposes in accordance with accounting principles generally accepted in the United States of America. Our internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company, (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors, and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements in our consolidated financial statements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2014. In making these assessments, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control - Integrated Framework (2013)*. Based on our assessments and those criteria, management determined that the Company maintained effective internal control over financial reporting as of December 31, 2014.

The Company's independent registered public accounting firm has issued a report on the Company's internal control over financial reporting. This report appears on page F-2 in this Annual Report on Form 10-K.

## **Item 9B. Other Information**

### **Rule 10b5-1 Plans**



Our policy governing transactions in our securities by our directors, officers and employees permits such persons to adopt stock trading plans pursuant to Rule 10b5-1 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended. Our directors, officers and employees have in the past and may from time to time establish such stock trading plans. We do not undertake any obligation to disclose, or to update or revise any disclosure regarding, any such plans and specifically do not undertake to disclose the adoption, amendment, termination or expiration of any such plans.

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**Iran Threat Reduction and Syria Human Rights Act of 2012**

Pursuant to Section 219 of the Iran Threat Reduction and Syria Human Rights Act of 2012, which added Section 13(r) of the Exchange Act, the Company hereby incorporates by reference herein Exhibit 99.1 of this report, which includes disclosures publicly filed and/or provided to Blackstone, an affiliate of our major stockholders, by Travelport Limited and Travelport Worldwide Limited., which may be considered the Company's affiliates.

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**PART III.**

**Item 10. Director, Executive Officers and Corporate Governance**

The information required by this item will be included in our definitive proxy statement to be filed not later than 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K and is incorporated herein by reference.

**Item 11. Executive Compensation**

The information required by this item will be included in our definitive proxy statement to be filed not later than 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K and is incorporated herein by reference.

**Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters**

The information required by this item will be included in our definitive proxy statement to be filed not later than 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K and is incorporated herein by reference.

**Item 13. Certain Relationships and Related Transactions, and Director Independence**

The information required by this item will be included in our definitive proxy statement to be filed not later than 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K and is incorporated herein by reference.

**Item 14. Principal Accounting Fees and Services**

The information required by this item will be included in our definitive proxy statement to be filed not later than 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K and is incorporated herein by reference.

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**PART IV.**

**Item 15. Exhibits, Financial Statement Schedules**

(a) The following documents are filed as part of this report:

1. Consolidated Financial Statements

Report of Independent Registered Public Accounting Firm F-2

Consolidated Balance Sheets F-4

Consolidated Statements of Comprehensive Income F-5

Consolidated Statements of Changes in Stockholders' Equity F-6

Consolidated Statements of Cash Flows F-7

Notes to Consolidated Financial Statements F-8 to F-46

2. Financial Statement Schedules

Schedule I Registrant's Condensed Financial Statements F-47 to F-53

Schedules not listed above have been omitted because the information required to be set forth therein is not applicable or is shown in the financial statements or notes herein.

3. Exhibits

See the Exhibit Index beginning on page 70.

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Pursuant to the requirements of Section 13 or 15(d) 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.

**SeaWorld Entertainment, Inc.**

Date: February 27, 2015

/s/ DAVID F. D ALESSANDRO  
 Name: David F. D Alessandro  
 Title: Interim Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities indicated:

<b>Signature</b>	<b>Date</b>	<b>Capacity</b>
/S/ DAVID F. D ALESSANDRO  David F. D Alessandro	February 27, 2015	Interim Chief Executive Officer and Director (Principal Executive Officer)
/S/ JAMES M. HEANEY  James M. Heaney	February 27, 2015	Chief Financial Officer (Principal Financial Officer)
/S/ MARC G. SWANSON  Marc G. Swanson	February 27, 2015	Chief Accounting Officer (Principal Accounting Officer)
/S/ JAMES ATCHISON  James Atchison	February 27, 2015	Director
/S/ JOSEPH BARATTA  Joseph Baratta	February 27, 2015	Director
/S/ WILLIAM GRAY  William Gray	February 27, 2015	Director

/S/ JUDITH A. MCHALE February 27, 2015 Director

Judith A. McHale

/S/ THOMAS MOLONEY February 27, 2015 Director

Thomas Moloney

/S/ ELLEN TAUSCHER February 27, 2015 Director

Ellen Tauscher

/S/ DEBORAH M. THOMAS February 27, 2015 Director

Deborah M. Thomas

/S/ PETER WALLACE February 27, 2015 Director

Peter Wallace

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<b>Exhibit No.</b>	<b>Description</b>
3.1	Amended and Restated Certificate of Incorporation of SeaWorld Entertainment, Inc. (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed on April 24, 2013) (No. 001-35883)
3.2	Amended and Restated Bylaws of SeaWorld Entertainment, Inc. (incorporated by reference to Exhibit 3.2 to the Registrant's Current Report on Form 8-K filed on December 12, 2014) (No. 001-35883)
4.1	Stockholders Agreement, dated as of April 24, 2013, among SeaWorld Entertainment, Inc. and the other parties thereto (incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K filed on April 24, 2013)
10.1	Indenture, dated as of December 1, 2009, among SW Acquisitions Co., Inc., the guarantors named therein and Wilmington Trust FSB, as trustee (incorporated by reference to Exhibit 10.1 to the Registrant's Registration Statement on Form S-1 (No. 333-185697))
10.2	First Supplemental Indenture, dated as of August 30, 2011, among SeaWorld Parks & Entertainment, Inc. (f/k/a SW Acquisitions Co., Inc.), the guarantors named therein and Wilmington Trust, National Association (as successor by merger to Wilmington Trust FSB), as trustee (incorporated by reference to Exhibit 10.2 to the Registrant's Registration Statement on Form S-1 (No. 333-185697))
10.3	Second Supplemental Indenture, dated as of March 30, 2012, among SeaWorld Parks & Entertainment, Inc. (f/k/a SW Acquisitions Co., Inc.), the guarantors named therein and Wilmington Trust, National Association (as successor by merger to Wilmington Trust FSB), as trustee (incorporated by reference to Exhibit 10.3 to the Registrant's Registration Statement on Form S-1 (No. 333-185697))
10.4	Third Supplemental Indenture, dated as of December 17, 2012, among SeaWorld Parks & Entertainment, Inc. (f/k/a SW Acquisitions Co., Inc.), the guarantors named therein and Wilmington Trust, National Association (as successor by merger to Wilmington Trust FSB), as trustee (incorporated by reference to Exhibit 10.4 to the Registrant's Registration Statement on Form S-1 (No. 333-185697))
10.5	Fourth Supplemental Indenture, dated as of April 12, 2013, among SeaWorld Parks & Entertainment, Inc. (f/k/a SW Acquisition Co., Inc.), the guarantors named therein and Wilmington Trust, National Association (as successor by merger to Wilmington Trust FSB), as trustee (incorporated by reference to Exhibit 10.42 to the Registrant's Registration Statement on Form S-1 (No. 333-185697))
10.6	Fifth Supplemental Indenture, dated as of November 22, 2013, among SeaWorld Parks & Entertainment, Inc. (f/k/a SW Acquisition Co., Inc.), the guarantors named therein and Wilmington Trust, National Association (as successor by merger to Wilmington Trust FSB), as trustee (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on November 25, 2013) (No. 001-35883)
10.7	

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Amendment No. 4, dated as of April 5, 2013, to the Credit Agreement, among SeaWorld Parks & Entertainment, Inc. (f/k/a SW Acquisitions Co., Inc.), the guarantors party thereto from time to time, Bank of America, N.A., as administrative agent, collateral agent, letter of credit issuer and swing line lender, Bank of America, N.A., as lead arranger and bookrunner, and the other agents and lenders from time to time party thereto (the amended and restated Credit Agreement is included as Exhibit A hereto) (incorporated by reference to Exhibit 10.41 to the Registrant's Registration Statement on Form S-1 (No. 333-185697))



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<b>Exhibit No.</b>	<b>Description</b>
10.8	Amendment No. 5, dated as of May 14, 2013, to the Credit Agreement, among SeaWorld Parks & Entertainment, Inc. (f/k/a SW Acquisitions Co., Inc.), the guarantors party thereto from time to time, Bank of America, N.A., as administrative agent, collateral agent, Letter of Credit issuer and swing line lender, Merrill Lynch, Pierce, Fenner & Smith Incorporated and Bank of America, N.A., as joint lead arrangers, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Barclays Capital, Deutsche Bank Securities Inc., Goldman Sachs Lending Partners LLC, J.P. Morgan Securities LLC, Macquarie Capital (USA) Inc. and Mizuho Corporate Banks, Ltd. as joint bookrunners, Deutsche Bank Securities Inc. and Barclays Bank plc, as co-syndication agents, and the other agents and lenders from time to time party thereto (the amended and restated Credit Agreement is included as Exhibit A hereto) (incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q filed on May 23, 2013) (No. 001-35883)
10.9	Amendment No. 6, dated as of August 9, 2013, to the Credit Agreement, among SeaWorld Parks & Entertainment, Inc. (f/k/a SW Acquisitions Co., Inc.), the guarantors party thereto from time to time, Bank of America, N.A., as administrative agent, collateral agent, Letter of Credit issuer and swing line lender, Merrill Lynch, Pierce, Fenner & Smith Incorporated and Bank of America, N.A., as joint lead arrangers, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Barclays Capital, Deutsche Bank Securities Inc., Goldman Sachs Lending Partners LLC, J.P. Morgan Securities LLC, Macquarie Capital (USA) Inc. and Mizuho Corporate Banks, Ltd. as joint bookrunners, Deutsche Bank Securities Inc. and Barclays Bank plc, as co-syndication agents, and the other agents and lenders from time to time party thereto (incorporated by reference to Exhibit 10.7 to the Registrant's Quarterly Report on Form 10-Q filed on August 14, 2013) (No. 001-35883)
10.10	Joinder Agreement, dated as of December 17, 2012, under the Credit Agreement, among SeaWorld of Texas Holdings, LLC, SeaWorld of Texas Management, LLC, SeaWorld of Texas Beverage, LLC and Bank of America, N.A., as administrative agent and collateral agent (incorporated by reference to Exhibit 10.6 to the Registrant's Registration Statement on Form S-1 (No. 333-185697))
10.11	Security Agreement, dated as of December 1, 2009, among SW Acquisitions Co., Inc., the other grantors named therein and Bank of America, N.A., as collateral agent (incorporated by reference to Exhibit 10.7 to the Registrant's Registration Statement on Form S-1 (No. 333-185697))
10.12	Supplement No. 1, dated as of December 17, 2012, to the Security Agreement among the grantors identified therein and Bank of America, N.A., as collateral agent (incorporated by reference to Exhibit 10.8 to the Registrant's Registration Statement on Form S-1 (No. 333-185697))
10.13	Pledge Agreement, dated as of December 1, 2009, between SeaWorld Entertainment, Inc. (f/k/a/SW Holdco, Inc.) and Bank of America, N.A., as collateral agent (incorporated by reference to Exhibit 10.9 to the Registrant's Registration Statement on Form S-1 (No. 333-185697))
10.14	Patent Security Agreement, dated as of December 1, 2009, by SeaWorld Parks & Entertainment (f/k/a Busch Entertainment LLC) in favor of Bank of America, N.A., as collateral agent (incorporated by reference to Exhibit 10.10 to the Registrant's Registration Statement on Form S-1 (No. 333-185697))
10.15	Trademark Security Agreement, dated as of December 1, 2009, by SeaWorld Parks & Entertainment (f/k/a Busch Entertainment LLC) in favor of Bank of America, N.A., as collateral agent (incorporated by reference to Exhibit 10.11 to the Registrant's Registration Statement on Form S-1 (No. 333-185697))
10.16	

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Trademark Security Agreement, dated as of December 1, 2009, by Sea World LLC in favor of Bank of America, N.A., as collateral agent (incorporated by reference to Exhibit 10.12 to the Registrant's Registration Statement on Form S-1 (No. 333-185697))

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<b>Exhibit No.</b>	<b>Description</b>
10.17	Copyright Security Agreement, dated as of December 1, 2009, by SeaWorld Parks & Entertainment (f/k/a Busch Entertainment LLC) in favor of Bank of America, N.A., as collateral agent (incorporated by reference to Exhibit 10.13 to the Registrant's Registration Statement on Form S-1 (No. 333-185697))
10.18	Copyright Security Agreement, dated as of December 1, 2009, by Sea World LLC in favor of Bank of America, N.A., as collateral agent (incorporated by reference to Exhibit 10.14 to the Registrant's Registration Statement on Form S-1 (No. 333-185697))
10.19	Registration Rights Agreement, dated December 1, 2009, by and among SeaWorld Entertainment, Inc. (f/k/a SW Holdco, Inc.), SW Cayman L.P. and the equityholders named therein (incorporated by reference to Exhibit 10.17 to the Registrant's Registration Statement on Form S-1 (No. 333-185697))
10.20	Lease Amendment, dated January 9, 1978, by and between the City of San Diego and Sea World Inc. (incorporated by reference to Exhibit 10.18 to the Registrant's Registration Statement on Form S-1 (No. 333-185697))
10.21	Lease Amendment, dated March 6, 1979, by and between the City of San Diego and Sea World Inc. (incorporated by reference to Exhibit 10.19 to the Registrant's Registration Statement on Form S-1 (No. 333-185697))
10.22	Lease Amendment, dated December 12, 1983, by and between the City of San Diego and Sea World Inc. (incorporated by reference to Exhibit 10.20 to the Registrant's Registration Statement on Form S-1 (No. 333-185697))
10.23	Lease Amendment, dated June 24, 1985, by and between the City of San Diego and Sea World Inc. (incorporated by reference to Exhibit 10.21 to the Registrant's Registration Statement on Form S-1 (No. 333-185697))
10.24	Lease Amendment, dated September 22, 1986, by and between the City of San Diego and Sea World Inc. (incorporated by reference to Exhibit 10.22 to the Registrant's Registration Statement on Form S-1 (No. 333-185697))
10.25	Lease Amendment, dated June 29, 1998, by and between the City of San Diego and Sea World Inc. (incorporated by reference to Exhibit 10.23 to the Registrant's Registration Statement on Form S-1 (No. 333-185697))
10.26	Lease Amendment, dated July 9, 2002, by and between the City of San Diego and Sea World Inc. (incorporated by reference to Exhibit 10.24 to the Registrant's Registration Statement on Form S-1 (No. 333-185697))
10.27	Trademark License Agreement, dated December 1, 2009, by and between Anheuser- Busch Incorporated and Busch Entertainment LLC (incorporated by reference to Exhibit 10.25 to the Registrant's Registration Statement on Form S-1 (No. 333-185697))
10.28	Amended and Restated Agreement, dated April 1, 1983, by and between SeaWorld Parks & Entertainment LLC (f/k/a SPI, Inc.) and Sesame Workshop (f/k/a Children's Television Workshop) (Portions of this exhibit have been omitted pursuant to a request for confidential treatment) (incorporated by reference to Exhibit 10.26 to the Registrant's Registration Statement on Form S-1 (No. 333-185697))
10.29	

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Amendment, dated August 24, 2006, to the Amended and Restated Agreement, dated April 1, 1983, by and between SeaWorld Parks & Entertainment LLC (f/k/a SPI, Inc.) and Sesame Workshop (f/k/a Children's Television Workshop) (incorporated by reference to Exhibit 10.27 to the Registrant's Registration Statement on Form S-1 (No. 333-185697))

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<b>Exhibit No.</b>	<b>Description</b>
10.30	License Agreement, dated August 24, 2006, by and between Sesame Workshop and SeaWorld Parks & Entertainment LLC (f/k/a Busch Entertainment Corporation) (Portions of this exhibit have been omitted pursuant to a request for confidential treatment) (incorporated by reference to Exhibit 10.28 to the Registrant's Registration Statement on Form S-1 (No. 333-185697))
10.31	Change in Control Notification and Consent, dated October 6, 2009, pursuant to the license agreement, dated April 1, 1983, as amended on August 24, 2006, between SeaWorld Parks & Entertainment LLC (f/k/a Busch Entertainment Corporation) and Sesame Workshop (incorporated by reference to Exhibit 10.29 to the Registrant's Registration Statement on Form S-1 (No. 333-185697))
10.32	Change in Control Notification and Consent, dated October 6, 2009, pursuant to the license agreement, dated August 24, 2006, between SeaWorld Parks & Entertainment LLC (f/k/a Busch Entertainment Corporation) and Sesame Workshop (incorporated by reference to Exhibit 10.30 to the Registrant's Registration Statement on Form S-1 (No. 333-185697))
10.33	Second Amended and Restated Equityholders Agreement, dated as of April 11, 2011 (incorporated by reference to Exhibit 10.38 to the Registrant's Registration Statement on Form S-1 (No. 333-185697))
10.34	Amended and Restated 2009 Advisory Agreement, dated as of March 22, 2013 (incorporated by reference to Exhibit 10.32 to the Registrant's Registration Statement on Form S-1 (No. 333-185697))
10.35	2013 Omnibus Incentive Plan (incorporated by reference to Exhibit 10.31 to the Registrant's Registration Statement on Form S-1 (No. 333-185697))
10.36	Form of Restricted Stock Grant and Acknowledgment (incorporated by reference to Exhibit 10.15 to the Registrant's Registration Statement on Form S-1 (No. 333-185697))
10.37	Form of Restricted Stock Agreement (incorporated by reference to Exhibit 10.40 to the Registrant's Registration Statement on Form S-1 (No. 333-185697))
10.38	SeaWorld Parks & Entertainment, Inc. Key Employee Severance Plan, effective August 1, 2010 (incorporated by reference to Exhibit 10.37 to the Registrant's Registration Statement on Form S-1 (No. 333-185697))
10.39	Offer Letter to James M. Heaney, dated January 17, 2012 (incorporated by reference to Exhibit 10.33 to the Registrant's Registration Statement on Form S-1 (No. 333-185697))
10.40	Offer Letter to Scott D. Helmstedter, dated February 16, 2011 (incorporated by reference to Exhibit 10.34 to the Registrant's Registration Statement on Form S-1 (No. 333-185697))
10.41	Offer Letter to David D. Alessandro, dated September 1, 2010 (incorporated by reference to Exhibit 10.35 to the Registrant's Registration Statement on Form S-1 (No. 333-185697))
10.42	Summary Compensation Letter to Donald W. Mills Jr., dated April 22, 2010 (incorporated by reference to Exhibit 10.36 to the Registrant's Registration Statement on Form S-1 (No. 333-185697))
10.43	Form of Share Repurchase Agreement between SeaWorld Entertainment, Inc. and the Partnerships (incorporated by reference to Exhibit 10.45 to the Registrant's Registration Statement on Form S-1 (No. 333-192420))
10.44	Amended and Restated Outside Director Compensation Policy (incorporated by reference to Exhibit 10.3 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2014) (No.



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<b>Exhibit No.</b>	<b>Description</b>
10.45 *	Separation and Consulting Agreement, dated December 10, 2014, by and between SeaWorld Entertainment, Inc. and James Atchison
10.46 *	Restricted Stock Award Agreement, dated January 15, 2015, by and between SeaWorld Entertainment, Inc. and David D Alessandro
21.1	List of Subsidiaries (incorporated by reference to Exhibit 21.1 to the Registrant's Registration Statement on Form S-1 (No. 333-185697))
23.1*	Consent of Deloitte & Touche LLP
31.1*	Certification of Annual Report by Chief Executive Officer under Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification of Annual Report by Chief Financial Officer under Section 302 of the Sarbanes-Oxley Act of 2002
32.1*	Certification of Chief Executive Officer Pursuant to 18 U.S.C Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2*	Certification of Chief Financial Officer Pursuant to 18 U.S.C Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
99.1*	Section 13(r) Disclosure
101.INS**	XBRL Instance Document
101.SCH**	XBRL Taxonomy Extension Schema Document
101.CAL**	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF**	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB**	XBRL Taxonomy Extension Label Linkbase Document
101.PRE**	XBRL Taxonomy Extension Presentation Linkbase Document

Identifies exhibits that consist of a management contract or compensatory plan or arrangement.

\* Filed herewith.

\*\* XBRL (Extensible Business Reporting Language) information is furnished and not filed for purposes of Sections 11 and 12 of the Securities Act of 1933 and Section 18 of the Securities Exchange Act of 1934.

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**SEAWORLD ENTERTAINMENT, INC.**

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors and Stockholders of

SeaWorld Entertainment, Inc.

Orlando, Florida

We have audited the accompanying consolidated balance sheets of SeaWorld Entertainment, Inc. and subsidiaries (the Company ) as of December 31, 2014 and 2013, and the related consolidated statements of comprehensive income, changes in stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2014. Our audits also included the financial statement schedule listed in the Index at Page F-1. We also have audited the Company's internal control over financial reporting as of December 31, 2014, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on these financial statements and financial statement schedule and an opinion on the Company's internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over

financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of SeaWorld Entertainment, Inc. and subsidiaries as of December 31, 2014 and 2013, and the

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results of their operations and their cash flows for each of the three years in the period ended December 31, 2014, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein. Also, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on the criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

*/s/ DELOITTE & TOUCHE LLP*

Certified Public Accountants

Tampa, Florida

February 26, 2015

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**Table of Contents****SEAWORLD ENTERTAINMENT, INC. AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS***(In thousands, except share and per share amounts)*

	<b>December 31,</b>	
	<b>2014</b>	<b>2013</b>
<b>Assets</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 43,906	\$ 116,841
Accounts receivable, net	37,002	41,509
Inventories	33,134	36,209
Prepaid expenses and other current assets	20,894	19,613
Deferred tax assets, net	7,268	28,887
Total current assets	142,204	243,059
Property and equipment, at cost	2,612,052	2,485,805
Accumulated depreciation	(867,421)	(714,305)
Property and equipment, net	1,744,631	1,771,500
Goodwill	335,610	335,610
Trade names/trademarks, net	164,188	163,508
Other intangible assets, net	24,525	27,843
Other assets	31,316	35,890
<b>Total assets</b>	<b>\$ 2,442,474</b>	<b>\$ 2,577,410</b>
<b>Liabilities and Stockholders Equity</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 88,279	\$ 98,500
Current maturities on long-term debt	14,050	14,050
Accrued salaries, wages and benefits	19,068	23,996
Deferred revenue	79,367	82,945
Dividends payable	172	17,939
Other accrued expenses	20,149	15,264
Total current liabilities	221,085	252,694
Long-term debt	1,589,403	1,632,531
Deferred tax liabilities, net	31,760	25,670
Other liabilities	20,691	18,488
Total liabilities	1,862,939	1,929,383
<b>Commitments and contingencies (Note 14)</b>		
<b>Stockholders Equity:</b>		

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Preferred stock, \$0.01 par value authorized, 100,000,000 shares, no shares issued or outstanding at December 31, 2014 and 2013		
Common stock, \$0.01 par value authorized, 1,000,000,000 shares; 90,191,100 shares issued at December 31, 2014 and 89,900,453 shares issued at December 31, 2013	902	899
Additional paid-in capital	655,471	689,394
Accumulated other comprehensive (loss) income	(483)	11
Retained earnings	33,516	1,886
Treasury stock, at cost (4,105,970 shares at December 31, 2014 and 1,500,000 shares at December 31, 2013)	(109,871)	(44,163)
Total stockholders equity	579,535	648,027
<b>Total liabilities and stockholders equity</b>	<b>\$ 2,442,474</b>	<b>\$ 2,577,410</b>

See accompanying notes to consolidated financial statements.

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**SEAWORLD ENTERTAINMENT, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2014, 2013 AND 2012**

*(In thousands, except per share amounts)*

	<b>Year Ended December 31,</b>		
	<b>2014</b>	<b>2013</b>	<b>2012</b>
<b>Net revenues:</b>			
Admissions	\$ 859,426	\$ 921,016	\$ 884,407
Food, merchandise and other	518,386	539,234	539,345
Total revenues	1,377,812	1,460,250	1,423,752
<b>Costs and expenses:</b>			
Cost of food, merchandise and other revenues	109,024	114,192	118,559
Operating expenses (exclusive of depreciation and amortization shown separately below)	727,659	743,322	730,582
Selling, general and administrative	189,369	187,298	184,920
Restructuring and other related costs	11,567		
Separation costs	2,574		
Secondary offering costs	747	1,407	
Termination of advisory agreement		50,072	
Depreciation and amortization	176,275	166,086	166,975
Total costs and expenses	1,217,215	1,262,377	1,201,036
Operating income	160,597	197,873	222,716
Other income, net	(198)	(241)	(1,563)
Interest expense	81,543	90,622	110,565
Loss on early extinguishment of debt and write-off of discounts and deferred financing costs	461	29,858	2,053
Income before income taxes	78,791	77,634	111,661
Provision for income taxes	28,872	25,714	37,440
<b>Net income</b>	<b>\$ 49,919</b>	<b>\$ 51,920</b>	<b>\$ 74,221</b>
<b>Other comprehensive income:</b>			
Unrealized (loss) gain on derivatives, net of tax	(494)	1,265	(1,254)
<b>Comprehensive income</b>	<b>\$ 49,425</b>	<b>\$ 53,185</b>	<b>\$ 72,967</b>
<b>Earnings per share:</b>			

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Net income per share, basic	\$	0.57	\$	0.59	\$	0.90
Net income per share, diluted	\$	0.57	\$	0.59	\$	0.89
<b>Weighted average commons shares outstanding:</b>						
Basic		87,183		87,537		82,480
Diluted		87,480		88,152		83,552

See accompanying notes to consolidated financial statements.

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**SEAWORLD ENTERTAINMENT, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2014, 2013 AND 2012**

*(In thousands, except per share and share amounts)*

	Shares of Common Stock Issued	Common Stock	Additional Paid-In Capital	(Accumulated Deficit) Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Treasury Stock, at Cost	Total Stockholders' Equity
<b>Balance at December 31, 2011</b>	82,418,808	\$ 824	\$ 955,735	\$ (88,416)	\$	\$	\$ 868,143
Equity-based compensation	318,200	3	1,188				1,191
Unrealized loss on derivatives, net of tax benefit of \$627					(1,254)		(1,254)
Cash dividends declared to stockholders (\$6.07 per share)			(500,000)				(500,000)
Net income				74,221			74,221
<b>Balance at December 31, 2012</b>	82,737,008	827	456,923	(14,195)	(1,254)		442,301
Equity-based compensation	74,561	1	6,025				6,026
Unrealized gain on derivatives, net of tax expense of \$632					1,265		1,265
Issuance of common stock in initial public offering, net of underwriter commissions and offering costs	10,000,000	100	245,341				245,441
Conversion of common stock into unvested restricted shares	(3,216,719)	(32)	32				
Vesting of restricted shares	334,066 (28,463)	3	(3) (852)				(852)



Shares withheld for tax withholdings								
Cash dividends declared to stockholders (\$0.60 per share), net of forfeitures			(18,072)	(35,839)				(53,911)
Repurchase of 1,500,000 shares of treasury stock, at cost						(44,163)		(44,163)
Net income				51,920				51,920
<b>Balance at December 31, 2013</b>	89,900,453	899	689,394	1,886	11	(44,163)		648,027
Equity-based compensation			2,349					2,349
Unrealized loss on derivatives, net of tax benefit of \$286						(494)		(494)
Vesting of restricted shares	299,583	3	(3)					
Shares withheld for tax withholdings	(8,936)		(213)					(213)
Cash dividends declared to stockholders (\$0.62 per share), net of forfeitures			(36,056)	(18,289)				(54,345)
Repurchase of 2,605,970 shares of treasury stock, at cost						(65,708)		(65,708)
Net income				49,919				49,919
<b>Balance at December 31, 2014</b>	90,191,100	\$ 902	\$ 655,471	\$ 33,516	\$ (483)	\$ (109,871)	\$	579,535

See accompanying notes to consolidated financial statements.

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**SEAWORLD ENTERTAINMENT, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2014, 2013 AND 2012**

*(In thousands)*

	<b>Year Ended December 31,</b>		
	<b>2014</b>	<b>2013</b>	<b>2012</b>
<b>Cash Flows From Operating Activities:</b>			
Net income	\$ 49,919	\$ 51,920	\$ 74,221
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	176,275	166,086	166,975
Amortization of debt issuance costs and discounts	9,399	10,869	13,896
Loss on sale or disposal of assets	5,792	10,100	11,223
Loss on early extinguishment of debt and write-off of discounts and deferred financing costs	461	29,858	2,053
Deferred income tax provision	28,000	24,728	36,937
Equity-based compensation	2,349	6,025	1,191
Changes in assets and liabilities:			
Accounts receivable	6,256	(3,215)	4,651
Inventories	2,709	(166)	(4,156)
Prepaid expenses and other current assets	(1,276)	(5,343)	(1,327)
Accounts payable	(8,791)	4,293	(6,247)
Accrued salaries, wages and benefits	(4,928)	(9,092)	899
Deferred revenue	(6,089)	94	(1,444)
Other accrued expenses	(763)	(824)	(760)
Other assets and liabilities	2,219	1,128	1,328
<b>Net cash provided by operating activities</b>	<b>261,532</b>	<b>286,461</b>	<b>299,440</b>
<b>Cash Flows From Investing Activities:</b>			
Capital expenditures	(154,641)	(166,258)	(191,745)
Acquisition of Knott's Soak City Water Park			(12,000)
Acquisition of intangible assets	(1,900)		
Change in restricted cash	(5)	(118)	(573)
<b>Net cash used in investing activities</b>	<b>(156,546)</b>	<b>(166,376)</b>	<b>(204,318)</b>
<b>Cash Flows From Financing Activities:</b>			
Repayment of long-term debt	(45,537)	(189,255)	(57,680)
Purchase of treasury stock	(60,058)	(44,163)	
Proceeds from draw on revolving credit facility	40,000	35,000	61,000
Repayment of revolving credit facility	(40,000)	(35,000)	(97,000)

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Dividends paid to stockholders	(72,113)	(36,175)	(502,977)
Proceeds from the issuance of debt		1,455	487,163
Debt issuance costs		(10,635)	(2,951)
Payment of tax withholdings on equity-based compensation through shares withheld	(213)	(852)	
Proceeds from issuance of common stock in initial public offering, net of underwriter commissions		253,800	
Repayment of note payable		(3,000)	
Redemption premium payment		(15,400)	
Offering costs		(4,694)	(3,665)
<b>Net cash used in financing activities</b>	<b>(177,921)</b>	<b>(48,919)</b>	<b>(116,110)</b>
<b>Change in Cash and Cash Equivalents</b>	<b>(72,935)</b>	<b>71,166</b>	<b>(20,988)</b>
Cash and Cash Equivalents Beginning of period	116,841	45,675	66,663
<b>Cash and Cash Equivalents End of period</b>	<b>\$ 43,906</b>	<b>\$ 116,841</b>	<b>\$ 45,675</b>
<b>Supplemental Disclosures of Noncash Investing and Financing Activities</b>			
Dividends declared, but unpaid	\$ 172	\$ 17,939	\$ 203