

SeaWorld Entertainment, Inc.  
Form S-1/A  
December 09, 2013  
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As filed with the Securities and Exchange Commission on December 9, 2013

Registration No. 333-192420

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**AMENDMENT NO. 1**  
**TO**  
**FORM S-1**  
**REGISTRATION STATEMENT**  
*UNDER*  
*THE SECURITIES ACT OF 1933*

**SeaWorld Entertainment, Inc.**

(Exact name of registrant as specified in its charter)

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|  |  |   |
|--|--|---|
| <b>Delaware</b><br>(State or other jurisdiction of<br>incorporation or organization) | <b>7990</b><br>(Primary Standard Industrial<br>Classification Code Number) | <b>27-1220297</b><br>(I.R.S. Employer<br>Identification Number) |
|--|--|---|

9205 South Park Center Loop, Suite 400

Orlando, Florida 32819

(407) 226-5011

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

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**Approximate date of commencement of proposed sale to the public:** As soon as practicable after this Registration Statement is declared effective.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box: ..

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ..

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ..

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ..

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 x (Do not check if a smaller reporting company) Smaller reporting company ..

### CALCULATION OF REGISTRATION FEE

| Title of Each Class of<br>Securities to be Registered | Amount to be<br>Registered(1) | Proposed Maximum<br>Aggregate Offering<br>Price per Share(1) | Proposed Maximum<br>Aggregate<br>Offering Price(1)(2) | Amount of<br>Registration Fee(3) |
|---|-------------------------------|--|---|----------------------------------|
| Common Stock, par value \$0.01 per share              | 17,250,000                    | \$31.52  | \$543,720,000   | \$70,031.14                      |

- (1) Includes shares/offering price of shares of common stock that the underwriters have the option to purchase. See Underwriting.
- (2) These figures are estimated solely for the purpose of calculating the registration fee in accordance with Rule 457(c) under the Securities Act of 1933, as amended, based on the average of high and low prices of the common stock on November 15, 2013 as reported on the New York Stock Exchange.
- (3) Previously paid.

**The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.**

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**The information in this preliminary prospectus is not complete and may be changed. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell nor do we or the selling stockholders seek an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.**

**Subject to Completion. Dated December 9, 2013.**

**Preliminary Prospectus**

15,000,000 Shares

**SeaWorld Entertainment, Inc.**

Common Stock

The selling stockholders identified in this prospectus are offering 15,000,000 shares of common stock of SeaWorld Entertainment, Inc. The selling stockholders will receive all of the net proceeds from this offering and we will not receive any of the proceeds from the sale of the shares of common stock being sold by the selling stockholders.

Concurrently with this offering, we have also agreed to repurchase 1.5 million shares of our common stock directly from the selling stockholders in a private, non-underwritten transaction. This repurchase was approved by the special committee comprised of two of our independent, disinterested directors as being in the best interests of the Company and its stockholders other than the selling stockholders. The repurchase will be consummated concurrently with the closing of this offering and involves a price per share payable by the Company equal to the price per share that would be paid to the selling stockholders by the underwriters in this offering. The completion of this share repurchase is conditioned upon, among other things, the completion of this offering, but the completion of this offering is not conditioned upon the completion of such share repurchase.

The common stock of SeaWorld Entertainment, Inc. is listed on the New York Stock Exchange (the "NYSE") under the symbol "SEAS." The last reported sale price of SeaWorld Entertainment, Inc.'s common stock on the NYSE on December 6, 2013 was \$29.66 per share.

*Investing in our common stock involves risks. See **Risk Factors** beginning on page 17.*

**Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.**

|  | Per Share | Total |
|--|-----------|-------|
| Public offering price                                  | \$        | \$    |
| Underwriting discount and commissions(1)               | \$        | \$    |
| Proceeds, before expenses, to the selling stockholders | \$        | \$    |

(1) See Underwriting (Conflicts of Interest) for additional disclosure regarding the underwriting discount, commissions and estimated offering expenses.

To the extent that the underwriters sell more than 15,000,000 shares of common stock, the underwriters have the option to purchase up to an additional 2,250,000 shares from the selling stockholders at the public offering price less the underwriting discount and commissions. The selling stockholders will receive all of the proceeds from the sale of any such additional shares to the underwriters.

The underwriters expect to deliver the shares against payment in New York, New York on \_\_\_\_\_, 2013.

**Goldman, Sachs & Co.**

**J.P. Morgan**

**Blackstone Capital Markets**

Prospectus dated \_\_\_\_\_, 2013.

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Unless otherwise indicated or the context otherwise requires, financial data in this prospectus reflects the consolidated business and operations of SeaWorld Entertainment, Inc. and its consolidated subsidiaries.

We have not authorized anyone to provide any information or to make any representations other than those contained in this prospectus or in any free writing prospectuses we have prepared. We take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. This prospectus is an offer to sell only the shares offered hereby, but only under circumstances and in jurisdictions where it is lawful to do so. The information contained in this prospectus is current only as of its date.

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**MARKET AND INDUSTRY DATA**

Market data and industry statistics and forecasts used throughout this prospectus are based on the good faith estimates of management, which in turn are based upon management's reviews of independent industry publications, reports by market research firms and other independent and publicly available sources. Although we believe that these third-party sources are reliable, we do not guarantee the accuracy or completeness of this information and have not independently verified this information. Similarly, internal Company surveys, while believed by us to be reliable, have not been verified by any independent sources. Unless we indicate otherwise, market data and industry statistics used throughout this prospectus are for the year ended December 31, 2012.

In this prospectus (i) references to the TEA/AECOM Report refer to *Theme Index: The Global Attractions Attendance Report*, TEA/AECOM, 2012, (ii) references to the Freedonia Report refer to The Freedonia Group Inc.'s *Focus on Amusement Parks* report dated July 2011 and (iii) references to the IBISWorld Report refer to the *IBISWorld Industry Report 71311: Amusement Parks in the US* dated June 2013. Unless otherwise noted, attendance rankings included in this prospectus are based on the TEA/AECOM Report and theme park industry statistics are based on the Freedonia Report and/or the IBISWorld Report.

Although we are not aware of any misstatements regarding the industry data that we present in this prospectus, our estimates involve risks and uncertainties and are subject to change based on various factors, including those discussed under Risk Factors, Special Note Regarding Forward-Looking Statements and Management's Discussion and Analysis of Financial Condition and Results of Operations in this prospectus.

**TRADEMARKS, SERVICE MARKS AND TRADENAMES**

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) (Sesame Workshop).

Solely for convenience, the trademarks, service marks, and trade names referred to in this prospectus 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 prospectus contains 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 prospectus are, to our knowledge, the property of their respective owners.

**BASIS OF PRESENTATION**

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. (SWPEI), acquired 100% of the equity interests of Sea World LLC (f/k/a SeaWorld, Inc.) and SeaWorld Parks & Entertainment LLC (f/k/a Busch Entertainment Corporation)



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from certain subsidiaries of Anheuser-Busch Companies, Inc. We refer to this acquisition and related financing transactions as the 2009 Transactions. As a result of the 2009 Transactions, Blackstone and the other co-investors own, 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.) (collectively, the Partnerships ), common stock of SeaWorld Entertainment, Inc. The Partnerships are the selling stockholders in this offering. For a more complete description of the Partnerships, see Principal and Selling Stockholders and Certain Relationships and Related Party Transactions Limited Partnership Agreements and Equityholders Agreement.

As used in this prospectus, unless otherwise noted or the context otherwise requires, (i) references to the Company, we, our or us refer to SeaWorld Entertainment, Inc. and its consolidated subsidiaries, (ii) references to the Issuer refer to SeaWorld Entertainment, Inc. exclusive of its subsidiaries, (iii) references to Blackstone or the Sponsor refer to certain investment funds affiliated with The Blackstone Group L.P., (iv) references to the Investor Group refer, collectively, to Blackstone and other co-investors in the Partnerships, (v) references to the 2009 Advisory Agreement refer to the Amended and Restated 2009 Advisory Agreement among SeaWorld Parks & Entertainment, Inc. (f/k/a SW Acquisitions Co., Inc.), Sea World Parks & Entertainment LLC, Sea World LLC and affiliates of Blackstone, (vi) references to ABI refer to Anheuser-Busch, Incorporated, (vii) references to guests refer to our theme park visitors, (viii) references to customers refer to any consumer of our products and services, including guests of our theme parks, and (ix) references to the underwriters refer to the firms listed on the cover page of this prospectus.

All references herein to a fiscal year refer to the 12 months ended December 31 of such year, and references to the first, second, third and fourth fiscal quarters refer to the three months ended March 31, June 30, September 30 and December 31, respectively.

Information presented as of and for the fiscal years ended December 31, 2012, 2011 and 2010 is derived from our audited consolidated financial statements for those periods included elsewhere in this prospectus. Information presented for the one month period ended December 31, 2009 is derived from our audited consolidated statements of operations and comprehensive income (loss), stockholders equity and cash flows for the one month period ended December 31, 2009 not included in this prospectus. The results for the one month period ended December 31, 2009 include the results of operations of the Company from December 1, 2009 to December 31, 2009, which is the period in which we first became an independent, stand-alone entity following the 2009 Transactions. Information presented as of and for the nine months ended September 30, 2013 and 2012 is derived from our unaudited consolidated financial statements included elsewhere in this prospectus.

The historical consolidated financial statements and financial data included in this prospectus are those of SeaWorld Entertainment, Inc. and its consolidated subsidiaries. The historical consolidated financial information and financial data for the periods prior to the 2009 Transactions (the Predecessor Financial Information ) is not presented in this prospectus because it is not comparable and therefore not meaningful to a prospective investor. The Predecessor Financial Information does not fully reflect our operations on a stand-alone basis and we believe would not materially contribute to an investor s understanding of our historical financial performance. The Predecessor Financial Information prepared on a basis comparable with our consolidated financial statements included in this prospectus is not available and cannot be provided without unreasonable effort and expense. We believe that the omission of the Predecessor Financial Information will not have a material impact on an investor s understanding of our financial results and condition and related trends.

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**PROSPECTUS SUMMARY**

*This summary highlights certain significant aspects of our business and this offering. This is a summary of information contained elsewhere in this prospectus, is not complete and does not contain all of the information that you should consider before making your investment decision. You should carefully read the entire prospectus, including the information presented under the section entitled Risk Factors and the consolidated financial statements and the notes thereto, before making an investment decision. This summary contains forward-looking statements that involve risks and uncertainties. Our actual results may differ significantly from future results contemplated in the forward-looking statements as a result of certain factors such as those set forth in Risk Factors and Special Note Regarding Forward-Looking Statements. When making an investment decision, you should also read the discussion under Basis of Presentation above for the definition of certain terms used in this prospectus and a description of certain transactions and other matters described in this prospectus.*

**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 collection of approximately 67,000 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. In addition to our theme parks, we have recently begun to leverage our brands into media, entertainment and consumer products.

During the year ended December 31, 2012, we hosted more than 24 million guests in our theme parks, including approximately 3.5 million international guests from over 55 countries and six continents. During the nine months ended September 30, 2013, we hosted approximately 18.9 million guests, including approximately 2.9 million international guests. In the year ended December 31, 2012 and the nine months ended September 30, 2013, we had total revenues of \$1,423.8 million and \$1,188.3 million, respectively, and net income of \$77.4 million and \$64.0 million, respectively. Our increasing revenue and growing profit margins, combined with our disciplined approach to capital expenditures and working capital management, enable us to generate strong and recurring cash flow.

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, located in Orlando, San Antonio and San Diego, each rank among the most highly attended theme parks in the industry and offer up-close interactive experiences and a variety of live performances, including shows featuring Shamu in specially designed amphitheaters. We 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-a-kind animal collection.

**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 award-winning landscaping and gardens and allow our guests to discover the natural side of fun by offering a family experience featuring a variety of attractions and rollercoasters in a richly-themed environment. Busch Gardens Tampa presents our collection of exotic animals

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from Africa, Asia and Australia. Busch Gardens Williamsburg, which has been named the Most Beautiful Park in the World by the National Amusement Park Historical Association for 23 consecutive years, showcases European-themed cultural and culinary experiences, including high-quality theatrical productions.

***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 companion water parks to our SeaWorld theme parks in Orlando and San Diego and we have an Aquatica water park situated within our SeaWorld San Antonio theme park.

***Discovery Cove.*** Discovery Cove is a reservations only, all-inclusive, marine-life day resort adjacent to SeaWorld Orlando. Discovery Cove offers guests personal, signature experiences, including the opportunity to swim and interact with dolphins, take an underwater walking reef tour and enjoy pristine white-sand beaches and landscaped private cabanas. Discovery Cove presently limits its attendance to approximately 1,300 guests per day and features premium culinary offerings in order to provide guests with a more relaxed, intimate and high-end luxury resort experience.

***Sesame Place.*** Sesame Place is the only U.S. theme park based entirely on the award-winning television show Sesame Street. Located between Philadelphia and New York City, Sesame Place is a destination where parents and children can share in the spirit of imagination and experience Sesame Street together through whirling rides, water slides, colorful shows and furry friends. 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.

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Our theme parks are consistently recognized among the top theme parks in the world and rank among the most highly-attended in the industry. We generally locate our theme parks in geographical clusters, which improves 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. The following table summarizes our theme park portfolio as of December 31, 2012:

| Location                   | Theme |                     |               | Animal Habitats <sup>(2)</sup> | Rides <sup>(3)</sup> | Shows <sup>(4)</sup> | Play Areas <sup>(5)</sup> | Events <sup>(6)</sup> | Distinctive Experiences <sup>(7)</sup> |
|----------------------------|-------|---------------------|---------------|--------------------------------|----------------------|----------------------|---------------------------|-----------------------|--|
|                            | Park  | Year Opened         | Season        |                                |                      |                      |                           |                       |  |
| Orlando, FL                |       | 1973                | Year-round    | 19                             | 14                   | 18                   | 2                         | 7                     | 17                                     |
|                            |       | 2000                | Year-round    | 5                              | 0                    | 0                    | 0                         | 0                     | 5                                      |
|                            |       | 2008                | Year-round    | 5                              | 13                   | 0                    | 2                         | 0                     | 2                                      |
| Tampa, FL                  |       | 1959                | Year-round    | 16                             | 30                   | 18                   | 11                        | 9                     | 20                                     |
|                            |       | 1980                | Mar-Oct       | 0                              | 12                   | 0                    | 4                         | 1                     | 2                                      |
| San Diego, CA              |       | 1964                | Year-round    | 26                             | 10                   | 20                   | 2                         | 4                     | 11                                     |
| San Antonio, TX            |       | 1996 <sup>(1)</sup> | May-Sep       | 2                              | 11                   | 0                    | 0                         | 0                     | 0                                      |
|                            |       | 1988                | Feb-Dec       | 12                             | 23                   | 29                   | 12                        | 7                     | 32                                     |
| Williamsburg, VA           |       | 1975                | Mar-Oct & Dec | 7                              | 38                   | 16                   | 8                         | 6                     | 28                                     |
|                            |       | 1984                | May-Sep       | 1                              | 14                   | 1                    | 4                         | 0                     | 6                                      |
| Langhorne, PA              |       | 1980                | May-Oct & Dec | 0                              | 22                   | 14                   | 9                         | 4                     | 7                                      |
|                            |       |                     |               |                                |                      |                      |                           |                       |  |
| <b>Total<sup>(8)</sup></b> |       |                     |               | <b>93</b>                      | <b>187</b>           | <b>116</b>           | <b>54</b>                 | <b>38</b>             | <b>130</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 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 rides, including mechanical rides and water slides.
- (4) Represents annual and seasonal shows with live entertainment, animals, characters and/or 3-D or 4-D experiences.
- (5) Represents pure play areas, typically designed for children or seasonal special event oriented, often without a queue (such as water splash areas and Halloween mazes).
- (6) Represents special limited time events.
- (7) Represents special experiences, such as educational tours, immersive dining experiences and swimming with animals, often limited to small groups and individuals and/or requiring a supplemental fee.
- (8) The total number of animal habitats, rides, shows, play areas, events and distinctive experiences in our theme park portfolio varies seasonally.

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### Our Competitive Strengths

***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 highly 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. The popularity of our brands is evidenced by over 62 million unique visitors to our websites from January 2012 through September 2013. In addition to our theme parks, we have recently begun to leverage our brands into media, entertainment and consumer products. Our Sea Rescue television program was seen by more than 98 million viewers in its first two seasons and is currently in its third season. In October 2013, we introduced our newest television program, The Wildlife Docs.

***Differentiated Theme Parks.*** We own and operate 11 theme parks, including five 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 Amusement Today's Golden Ticket Awards for Best Landscaping. Our theme parks feature seven of the 50 highest rated steel rollercoasters in the world, led by Apollo's Chariot, the #5 rated steel rollercoaster in the world. Our theme parks have won the top three spots in Amusement Today's annual Golden Ticket Award for Best Marine Life Park since the award's inception in 2006. As of December 31, 2012, we had over 600 attractions, including 93 animal habitats, 116 shows and 187 rides to appeal to guests of all ages. 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.

***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 provides us with a stable attendance base while allowing us to benefit from improvements in macroeconomic conditions, including increased consumer spending and international travel.

***One of the World's Largest Zoological Collections.*** We believe we are attractively positioned in the industry due to our ability to display our extensive animal collection in a differentiated and interactive manner. We believe we have one of the world's largest zoological collections with approximately 67,000 animals, including approximately 7,000 marine and terrestrial animals and approximately 60,000 fish. With 28 killer whales, we have the largest group of killer whales in human care. We have established successful and innovative breeding programs that have produced 30 killer whales, 155 dolphins and 130 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 animal collection and expertise and attractive in-park assets

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located on valuable real estate. Our animal collection and zoological expertise, which have evolved over our more than four decades of caring for animals, would be very difficult to replicate. From 2010 through 2012, 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, led by Jim Atchison, our Chief Executive Officer and President, includes some of the most experienced theme park executives in the world, with an average tenure of more than 30 years in the industry. 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 and marketing. In addition, we are one of the world's foremost zoological organizations with approximately 1,600 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 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. We intend to continue to capitalize on this strength, including through our 2012 acquisition of Knott's Soak City Chula Vista water park in California, which we rebranded and relaunched as Aquatica San Diego on June 1, 2013 near our SeaWorld San Diego theme park.

***Attractive, Growing Profit Margins and Strong Cash Flow Generation.*** Our attractive and growing profit margins, combined with 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, environment, and education. 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 23,000 ill, injured, orphaned and abandoned animals for more than four decades.

### **Our Strategies**

We plan to grow our business by increasing our existing theme park revenues through strategies designed to drive higher attendance and increase in-park per capita spending, as well as by creating new sources of revenue through expansion of our theme parks, new theme park development and

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extending our brands into new media, entertainment and consumer products. We believe that our strategies complement each other as they lead to increased brand strength and awareness and drive revenue growth and profitability. Our strategies include the following components:

***Continue to Create Memorable Experiences for Our Guests.*** Our mission is to use the power of educational entertainment to continue to inspire our guests to celebrate, connect with and care for the natural world we share. We provide our guests with innovative and immersive theme park experiences, such as our 3-D, 360 degree TurtleTrek attraction, which opened in 2012 at SeaWorld Orlando, and our Antarctica: Empire of the Penguin attraction, which opened in 2013 also at SeaWorld Orlando, and immerses guests into a penguin habitat. We also offer guests exciting rides, animal encounters and beautifully-themed entertainment that are difficult to replicate, such as in-water experiences with beluga whales at SeaWorld Orlando and our Cheetah Hunt ride, which is a launch coaster that opened in 2011 and runs alongside a cheetah habitat at Busch Gardens Tampa. As a result of these distinctive offerings, our guest surveys routinely report very high Overall Satisfaction scores, with 97% of respondents in 2013 ranking their experience good or excellent. Going forward, we will continue to develop high-quality experiences for our guests, focused on integrating our impressive animal collection with creatively themed settings and products that our guests will remember long after they leave our theme parks.

***Drive Increased Attendance to Our Theme Parks.*** We plan to drive increased attendance to our theme parks by continually introducing new attractions, differentiated experiences and enhanced service offerings. Because of the historic correlation between capital investment and increased attendance, we plan to add to our award-winning portfolio of assets and spend capital in support of marketable events, such as SeaWorld's 50th Anniversary Celebration. We also plan to increase awareness of our theme parks and brands through effective media and marketing campaigns, including the targeted use of online and social media platforms. For example, since their introduction in 2006, our YouTube channels have attracted approximately 28 million views, and we believe that we can continue to use traditional and new media to increase awareness of our brands and drive attendance to our theme parks. In November 2013, we launched AnimalVision, which allows our guests to deepen their connection with animals at our theme parks through on-habitat cameras that stream 24/7 footage of our animal habitats to customized interactive websites.

***Expand In-Park Per Capita Spending through New and Enhanced Offerings.*** We believe that by providing our guests additional and enhanced offerings at various price points, we can drive further spending in our theme parks. For example, we recently introduced an all-day-dining deal for a supplemental fee, which we believe has resulted in increased in-park per capita spending. In addition, we have developed iPhone and Android smartphone applications for our SeaWorld and Busch Gardens 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 1.4 million downloads of our smartphone applications from June 2011 through September 2013. We believe that going forward, there are significant avenues to expand guest offerings in ways that both increase guest satisfaction and provide us with incremental revenue.

***Grow Revenue through Disciplined and Dynamic Pricing.*** We are focused on increasing our revenues through a variety of ticket options and disciplined pricing and promotional strategies. We offer an array of tailored admission options, including season passes and multi-park tickets to motivate the purchase of higher value products and increase in-park per capita spending. In addition, to increase non-peak demand we offer seasonal and special events and concerts, some of

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which are separately priced. We have begun deploying a dynamic pricing model, which will enable us to adjust admission prices for our theme parks based on expected demand.

***Increase Profitability through Operating Leverage and Rigorous Cost Management.*** Adding incremental attendance and driving additional in-park per capita spending affords us with an opportunity to realize gains in profitability because of the fixed cost base and high operating leverage of our business. We also employ rigorous cost management techniques to drive additional operating efficiencies. For example, we utilize a centralized procurement and strategic sourcing team and participate in several cooperative buying organizations to leverage our purchases company-wide and have also recently consolidated our marketing spending with a single agency to streamline our marketing efforts.

***Pursue Disciplined Capital Deployment, Expansion and Acquisition Opportunities.*** We pursue a disciplined capital deployment strategy focused on the development and improvement of rides, attractions and shows, as well as seek to leverage our strong brands and expertise to pursue selective domestic and international expansion and acquisition opportunities. As part of this strategy, we seek to replicate successful capital investments in particular attractions across multiple theme parks, as we did with our Journey to Atlantis watercoaster that premiered in SeaWorld Orlando and was later introduced in the other SeaWorld theme parks. We have been successful in grouping our theme parks and water parks near each other, which allows us to operate companion theme parks with reduced overhead costs and creates revenue opportunities through multi-park tickets and other joint marketing initiatives. For example, in November 2012, we acquired Knott's Soak City Chula Vista water park, which we rebranded and relaunched as Aquatica San Diego on June 1, 2013, near our SeaWorld San Diego theme park. We also evaluate new domestic theme park opportunities as well as potential joint venture opportunities that would allow us to expand internationally by combining our brands and zoological and operational expertise with third-party capital.

***Leverage and Expand Our Brands to Increase Awareness and Create New Opportunities.*** Our brands are highly regarded and are primarily based on our own intellectual property, which provides us with opportunities to leverage our intellectual property portfolio and develop new media, entertainment and consumer products. For example, on May 24, 2013, we opened Antarctica: Empire of the Penguin at our SeaWorld Orlando theme park that features a new animated penguin character, Puck, and coincides with the launch of new in-park merchandise, mobile gaming and consumer products designed around the Puck character. In addition, we are able to expand into new media platforms by partnering with others to create new, powerful entertainment opportunities. 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, which attracted over 98 million viewers in its first two seasons and has been rated as the number one show in its timeslot in a number of major U.S. markets since its debut. More recently, in October 2013, we introduced our newest television program, The Wildlife Docs.

***Continue our Support of Species Conservation, Sustainability and Animal Welfare.*** Our zoological know-how and coast-to-coast presence provide us with significant opportunities to contribute to global species conservation, sustainability and animal welfare initiatives. For example, our employees regularly assist in animal rescue efforts, and the non-profit SeaWorld & Busch Gardens Conservation Fund, of which we are the primary supporter and corporate member, makes grants to wildlife research and species conservation projects worldwide. Our species conservation efforts and philanthropic activities generate positive awareness and goodwill for our business. These efforts are a core part of our corporate culture and identity and resonate with our customers.



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### **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. theme park industry, which hosts approximately 315 million visitors per year, 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 12 of the 25 most-visited theme parks in the world. In 2013, the U.S. theme park industry is expected to generate approximately \$14.7 billion in revenues, according to the IBISWorld Report.

### **Risks Related to Our Business and this Offering**

Investing in our common stock involves substantial risks, and our ability to successfully operate our business is subject to numerous risks, including those that are generally associated with operating in the theme park industry and the broader entertainment industry. Some of the more significant challenges and risks include the following:

we could be adversely affected by a decline in discretionary consumer spending or consumer confidence. Difficult economic conditions and the unavailability of discretionary income may adversely impact attendance figures and guest spending patterns at our theme parks, which could adversely affect our revenue and profitability;

various factors beyond our control, including natural disasters, bad weather or forecasts of bad weather, an outbreak of infectious disease affecting our animals and a rise in oil prices and travel costs, could adversely affect attendance and guest spending patterns at our theme parks;

our inability to protect our valuable intellectual property rights, including as a result of intellectual property infringement claims by others resulting in the loss of our intellectual property rights, could adversely affect our business;

incidents or adverse publicity involving the risk of accidents, illnesses, environmental incidents and other incidents concerning our theme parks or the theme park industry generally could harm our brands and reputation, as well as negatively impact our revenue and profitability;

adverse litigation judgments or settlements could reduce our profitability or limit our ability to operate our business;

changes in or violations of federal and state regulations governing the treatment of animals, or the loss of licenses and permits required to exhibit animals, could materially adversely affect our business;

featuring animals at our theme parks involves some degree of risk to our employees and guests which could materially adversely affect us;

the loss of key personnel, including members of our senior management team who have extensive experience in the industry, may adversely affect our business;

the restrictions in our debt agreements may limit our flexibility in operating our business;

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our substantial leverage could, among other things, 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, and prevent us from meeting our obligations under our indebtedness; and

other factors set forth under **Risk Factors** in this prospectus.

Before you participate in this offering, you should carefully consider all of the information in this prospectus, including matters set forth under the heading **Risk Factors**.

## **Recent Developments**

### ***Initial Public Offering***

On April 24, 2013, we completed an initial public offering of our common stock at a price to the public of \$27.00 per share. In the initial public offering, the Company issued and sold 10,000,000 shares of common stock and the selling stockholders offered and sold 19,900,000 shares of common stock. Our initial public offering raised net proceeds to the Company, after deducting underwriting discounts and commissions, expenses and transaction costs, of \$245.4 million, a portion of which was used to redeem \$140.0 million aggregate principal amount of our 11% Senior Notes due 2016 (the **Senior Notes**), to make a one-time payment of \$46.3 million to an affiliate of Blackstone in connection with the termination of the 2009 Advisory Agreement and to repay \$37.0 million of our Term B Loan (as defined below) under our senior secured credit agreement (the **Senior Secured Credit Facilities**). The Company did not receive any of the proceeds from the sale of the shares sold by the selling stockholders in our initial public offering.

### ***Amendments to Our Senior Secured Credit Facilities***

On May 14, 2013 and August 9, 2013, we entered into Amendment No. 5 and Amendment No. 6, respectively (collectively, the **Amendments**), to our Senior Secured Credit Facilities. Pursuant to the Amendments, among other things, we refinanced our Term A Loan (as defined below) and Term B Loan into new Term B-2 Loans (as defined below), extended the final maturity date of our term loan facilities, reduced future principal and interest payments, provided for additional future borrowings and made certain other amendments.

### ***Antarctica: Empire of the Penguin***

On May 24, 2013, we opened Antarctica: Empire of the Penguin, a realm within our SeaWorld Orlando theme park themed to the snowy continent that includes a new attraction with innovative ride technology. Antarctica immerses guests into a penguin habitat and features the new animated penguin character, Puck. The attraction coincides with the launch of new in-park merchandise, mobile gaming and consumer products designed around the Puck character.

### ***Aquatica San Diego***

In November 2012, we acquired the Knott's Soak City Chula Vista water park in California from a subsidiary of Cedar Fair L.P. This water park was rebranded and relaunched as Aquatica San Diego on June 1, 2013 after undergoing extensive renovations. Aquatica San Diego is located near our SeaWorld San Diego theme park and is the latest theme park to be added to our portfolio.

### ***Share Repurchase***

Concurrently with this offering, we have also agreed to repurchase 1.5 million shares of our common stock from the selling stockholders. This repurchase was approved by the special committee

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comprised of two of our independent, disinterested directors as being in the best interests of the Company and its stockholders other than the selling stockholders.

In connection with the repurchase, we entered into an agreement with the selling stockholders to repurchase, concurrently with the closing of this offering, 1.5 million shares of our common stock directly from such selling stockholders in a private, non-underwritten transaction at a price per share equal to the price paid by the underwriters in this offering. We refer to this repurchase as the share repurchase.

We intend to fund the share repurchase with cash on hand. As a result, the funding of the share repurchase will, if completed, decrease the amount of cash on our balance sheet.

The consummation of the share repurchase will be contingent on the satisfaction of customary closing conditions. The completion of the share repurchase is conditioned upon, among other things, the completion of this offering, but the closing of this offering is not conditioned upon the consummation of the share repurchase, and there can be no assurance that the share repurchase will be consummated.

The description and the other information in this prospectus regarding the share repurchase is included in this prospectus solely for informational purposes. Nothing in this prospectus should be construed as an offer to sell, or the solicitation of an offer to buy, any of our common stock subject to the share repurchase.

## **Corporate History and Information**

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. on December 13, 2012.

Our principal executive offices are located at 9205 South Park Center Loop, Suite 400, Orlando, Florida 32819, and our telephone number is (407) 226-5011. We maintain a website at [www.seaworldentertainment.com](http://www.seaworldentertainment.com), as well as a number of other theme park specific and marketing websites. The information contained on our websites or that can be accessed through our websites neither constitutes part of this prospectus nor is incorporated by reference herein.

## **Our Sponsor**

Blackstone is one of the world's leading investment and advisory firms. Blackstone's alternative asset management businesses include the management of corporate private equity funds, real estate funds, hedge fund solutions, credit-oriented funds and closed-end mutual funds. Blackstone also provides various financial advisory services, including financial and strategic advisory, restructuring and reorganization advisory and fund placement services. Through its different investment businesses, as of September 30, 2013, Blackstone had assets under management of approximately \$248.1 billion.

After the completion of this offering, affiliates of Blackstone will no longer control a majority of the voting power of our outstanding common stock. However, Blackstone will continue to be able to significantly influence us and their interests may not in all cases be aligned with our or your interests. For a discussion of certain risks, potential conflicts and other matters associated with Blackstone's ownership of our common stock, see Risk Factors Risks Related to Our Business and Our Industry Affiliates of Blackstone will continue to be able to significantly influence our decisions after the completion of this offering and their interests may conflict with ours or yours in the future, Description of Capital Stock and Certain Relationships and Related Party Transactions.

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**THE OFFERING**

|  |   |
|--|---|
| Common stock offered by the selling stockholders                                   | 15,000,000 shares of common stock.  |
| Common stock to be outstanding after this offering and the share repurchase        | 91,785,717 shares of common stock (assuming a repurchase by the Company of 1.5 million shares of common stock from the selling stockholders).   |
| Option to purchase additional shares of common stock from the selling stockholders | 2,250,000 shares of common stock.   |
| Use of proceeds  | The selling stockholders will receive all of the net proceeds from the sale of the shares of our common stock in this offering, including upon the sale of shares if the underwriters exercise their option to purchase additional shares from the selling stockholders in this offering. We will not receive any of the proceeds from the sale of the shares of common stock by the selling stockholders.  |
| Share repurchase   | We have entered into an agreement with the selling stockholders to repurchase, concurrently with the closing of this offering, 1.5 million shares of our common stock directly from such selling stockholders in a private, non-underwritten transaction at a price per share equal to the price paid by the underwriters in this offering. The share repurchase was approved by the special committee comprised of two of our independent, disinterested directors. The completion of the share repurchase is conditioned upon, among other things, the completion of this offering, but the completion of this offering is not conditioned upon the completion of the share repurchase. |
| Risk factors   | See <b>Risk Factors</b> beginning on page 17 and other information included in this prospectus for a discussion of factors you should carefully consider before deciding to invest in our common stock.   |
| Dividend policy  | <p>In June 2013, our Board of Directors adopted a policy to pay, subject to legally available funds, a regular quarterly cash dividend. Pursuant to this policy, the Company paid quarterly cash dividends of \$0.20 per share on July 1 and October 1, 2013.</p> <p>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,</p>   |

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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 our Board of Directors may, at any time, modify or revoke our dividend policy on our common stock. See [Dividend Policy](#) and [Description of Indebtedness](#) for a description of the restrictions on our ability to pay dividends.

NYSE ticker symbol

SEAS.

Conflicts of Interest

Affiliates of Blackstone Advisory Partners L.P. own (through their ownership of Class A Units and Class B Units in certain of the Partnerships that own our common stock) in excess of 10% of our issued and outstanding common stock and, as selling stockholders in this offering, will receive in excess of 5% of the net proceeds of this offering. Because Blackstone Advisory Partners L.P. is an underwriter in this offering and its affiliates are expected to receive more than 5% of the net proceeds of this offering and because affiliates of Blackstone Advisory Partners L.P. own in excess of 10% of our issued and outstanding common stock, Blackstone Advisory Partners L.P. is deemed to have a conflict of interest under Rule 5121 ( Rule 5121 ) of the Financial Industry Regulatory Authority, Inc. ( FINRA ). Accordingly, this offering will be conducted in accordance with Rule 5121. Pursuant to Rule 5121, the appointment of a qualified independent underwriter is not necessary in connection with this offering as a bona fide public market, as defined in Rule 5121, exists for our common stock. See [Underwriting \(Conflicts of Interest\)](#).

The number of shares of our common stock to be outstanding immediately after the consummation of this offering and the share repurchase is based on 93,285,717 shares of common stock outstanding as of November 15, 2013, and does not give effect to 14,527,673 shares of common stock reserved for future issuance under our 2013 omnibus incentive plan (the 2013 Omnibus Incentive Plan ) as of November 15, 2013.

Unless we indicate otherwise or the context otherwise requires, all information in this prospectus:

assumes an offering of 15,000,000 shares by the selling stockholders and no exercise of the underwriters' option to purchase additional shares; and

reflects an eight-for-one stock split of our common stock and an increase in our authorized capital stock to 1,000,000,000 shares of common stock, par value \$0.01 per share, effected on April 8, 2013.

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**SUMMARY HISTORICAL CONSOLIDATED FINANCIAL DATA**

The following tables set forth our summary historical consolidated financial and operating data for the periods and as of the dates indicated.

We derived the summary consolidated financial data for the years ended December 31, 2012, 2011 and 2010 and as of December 31, 2012 from our audited consolidated financial statements included elsewhere in this prospectus. We derived the summary consolidated financial data for the nine months ended September 30, 2013 and 2012 and as of September 30, 2013 from our unaudited condensed consolidated financial statements included elsewhere in this prospectus. See Basis of Presentation.

Our historical operating results are not necessarily indicative of future operating results.

The summary historical consolidated financial data set forth below should be read in conjunction with Capitalization, Management's Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements and the notes thereto included elsewhere in this prospectus.

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|  | Nine Months Ended<br>September 30,                                 |                  | Year Ended<br>December 31, |                  |                    |
|--|--|------------------|----------------------------|------------------|--------------------|
|  | 2013   | 2012             | 2012                       | 2011             | 2010               |
|  | (Amounts in thousands, except per share and<br>per capita amounts) |                  |                            |                  |                    |
|  | (Unaudited)  |                  |                            |                  |                    |
| <b>Statement of operations data:</b>   |  |                  |                            |                  |                    |
| Net revenues   |  |                  |                            |                  |                    |
| Admissions   | \$ 747,610   | \$ 715,842       | \$ 884,407                 | \$ 824,937       | \$ 730,368         |
| Food, merchandise and other  | 440,681  | 444,737          | 539,345                    | 505,837          | 465,735            |
| <b>Total revenues</b>  | <b>1,188,291</b>   | <b>1,160,579</b> | <b>1,423,752</b>           | <b>1,330,774</b> | <b>1,196,103</b>   |
| Costs and expenses   |  |                  |                            |                  |                    |
| Cost of food, merchandise and other revenues   | 93,224   | 99,109           | 118,559                    | 112,498          | 97,871             |
| Operating expenses   | 570,559  | 560,145          | 726,509                    | 687,999          | 673,829            |
| Selling, general and administrative  | 149,581  | 150,571          | 184,920                    | 172,368          | 159,506            |
| Termination of advisory agreement  | 50,072   |                  |                            |                  |                    |
| Depreciation and amortization  | 124,154  | 122,085          | 166,975                    | 213,592          | 207,156            |
| <b>Total costs and expenses</b>  | <b>987,590</b>   | <b>931,910</b>   | <b>1,196,963</b>           | <b>1,186,457</b> | <b>1,138,362</b>   |
| <b>Operating income (loss)</b>   | <b>200,701</b>   | <b>228,669</b>   | <b>226,789</b>             | <b>144,317</b>   | <b>57,741</b>      |
| Other income (expense), net  | 193  | 2,110            | 1,563                      | (1,679)          | 1,937              |
| Interest expense   | 72,550   | 86,263           | 111,426                    | 110,097          | 134,383            |
| Loss on early extinguishment of debt and write-off of discounts and deferred financing costs | 32,429   |                  |                            |                  |                    |
| <b>Income (loss) before income taxes</b>   | <b>95,915</b>  | <b>144,516</b>   | <b>116,926</b>             | <b>32,541</b>    | <b>(74,705)</b>    |
| Provision for (benefit from) income taxes  | 31,930   | 58,273           | 39,482                     | 13,428           | (29,241)           |
| <b>Net income (loss)</b>   | <b>\$ 63,985</b>   | <b>\$ 86,243</b> | <b>\$ 77,444</b>           | <b>\$ 19,113</b> | <b>\$ (45,464)</b> |
| <b>Net income (loss) attributable to common stockholders</b>                                 | <b>\$ 63,985</b>   | <b>\$ 86,243</b> | <b>\$ 77,444</b>           | <b>\$ 19,113</b> | <b>\$ (45,464)</b> |
| <b>Per share data<sup>(1)</sup>:</b>   |  |                  |                            |                  |                    |
| Basic net income (loss) per share  | \$ 0.74  | \$ 1.05          | \$ 0.94                    | \$ 0.23          | \$ (0.56)          |
| Diluted net income (loss) per share  | \$ 0.73  | \$ 1.04          | \$ 0.93                    | \$ 0.23          | \$ (0.56)          |
| <b>Weighted-average number of shares used in per share amounts</b>                           |  |                  |                            |                  |                    |
| Basic  | 86,867   | 82,480           | 82,480                     | 81,392           | 80,800             |
| Diluted  | 87,531   | 83,301           | 83,552                     | 82,024           | 80,800             |
| <b>Other financial and operating data:</b>   |  |                  |                            |                  |                    |
| Adjusted EBITDA <sup>(2)</sup>   | \$ 392,487   | \$ 365,749       | \$ 415,206                 | \$ 382,059       | \$ 343,276         |
| Capital expenditures   | \$ 125,852   | \$ 154,976       | \$ 191,745                 | \$ 225,316       | \$ 120,196         |
| Attendance   | 18,926   | 19,862           | 24,391                     | 23,631           | 22,433             |
| Total revenue per capita   | \$ 62.79   | \$ 58.43         | \$ 58.37                   | \$ 56.31         | \$ 53.32           |

|  | As of September 30,<br>2013<br>Actual<br>(Unaudited) |              | 2012         | As of December 31,<br>2011<br>2010 |              |
|--|--|--------------|--------------|------------------------------------|--------------|
| <b>Consolidated balance sheet data (at end of period):</b> |  |              |              |                                    |              |
| Cash and cash equivalents                                  | \$ 210,516   | \$ 45,675    | \$ 66,663    | \$ 123,697                         | \$ 123,697   |
| Total assets   | \$ 2,658,136   | \$ 2,521,052 | \$ 2,547,095 | \$ 2,621,281                       | \$ 2,621,281 |
| Total long-term debt                                       | \$ 1,643,539   | \$ 1,823,974 | \$ 1,417,887 | \$ 1,410,529                       | \$ 1,410,529 |
| Total equity   | \$ 729,287   | \$ 449,848   | \$ 872,467   | \$ 949,795                         | \$ 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.

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(2) Under the indenture governing the Senior Notes and under our 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 Adjusted EBITDA.

The Senior Notes and our 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 our 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 our Senior Secured Credit Facilities. Adjusted EBITDA is a material component of these 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 requirement, 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 as described under Management Compensation Discussion and Analysis.

Adjusted EBITDA is not a recognized term under generally accepted accounting principles in the United States (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.

We believe that the most directly comparable GAAP measure to Adjusted EBITDA is net income (loss). The following table sets forth a reconciliation of net income (loss) to Adjusted EBITDA:

|   | Nine Months Ended<br>September 30,        |   | Year Ended December 31, |            |                           |
|---|---|---|-------------------------|------------|---------------------------|
|   | 2013<br>(Unaudited, amounts in thousands) | 2012<br>(Unaudited, amounts in thousands) | 2012                    | 2011       | 2010                      |
| Net income (loss)   | \$ 63,985                                 | \$ 86,243                                 | \$ 77,444               | \$ 19,113  | \$ (45,464)               |
| Provision for (benefit from) income taxes   | 31,930                                    | 58,273                                    | 39,482                  | 13,428     | (29,241)                  |
| Loss on early extinguishment of debt and write-off of discounts and deferred financing costs <sup>(a)</sup> | 32,429                                    |   |                         |            |                           |
| Interest expense  | 72,550                                    | 86,263                                    | 111,426                 | 110,097    | 134,383                   |
| Depreciation and amortization expense   | 124,154                                   | 122,085                                   | 166,975                 | 213,592    | 207,156                   |
| Termination of advisory agreement <sup>(b)</sup>  | 50,072                                    |   |                         |            |                           |
| Deferred revenue write-downs <sup>(c)</sup>   |   |   |                         |            | 17,348                    |
| Equity-based compensation expense <sup>(d)</sup>  | 4,704                                     | 1,361                                     | 1,681                   | 823        |                           |
| Advisory fee <sup>(e)</sup>   | 2,799                                     | 5,075                                     | 6,201                   | 6,012      | 4,704                     |
| Carve-out costs <sup>(f)</sup>  |   |   |                         | 6,085      | 45,330                    |
| Other non-cash expenses <sup>(g)</sup>  | 8,129                                     | 5,282                                     | 10,367                  | 12,468     | 9,060                     |
| Debt refinancing costs <sup>(h)</sup>   | 892                                       | 1,000                                     | 1,000                   | 441        |                           |
| Chula Vista acquisition <sup>(i)</sup>  | 843                                       | 167                                       | 630                     |            |                           |
| Adjusted EBITDA   | \$ 392,487                                | \$ 365,749                                | \$ 415,206              | \$ 382,059 | \$ 343,276 <sup>(j)</sup> |

- (a) Reflects a \$15.4 million premium paid for the early redemption of \$140.0 million aggregate principal amount of our 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 discount and deferred financing costs and a write-off of approximately \$11.5 million of certain capitalized debt issuance costs in connection with Amendment No. 5 to our Senior Secured Credit Facilities.
- (b) 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. See Certain Relationships and Related Party Transactions 2009 Advisory Agreement.
- (c) Reflects amortization of deferred revenue that would have occurred absent purchase accounting relating to the 2009 Transactions.
- (d) Reflects non-cash compensation expenses associated with the grants of equity compensation and partnership interests in the Partnerships.
- (e) Reflects historical fees paid to an affiliate of the Sponsor under the 2009 Advisory Agreement.



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- (f) Reflects certain carve-out costs and savings related to our separation from ABI and the establishment of certain operations at the Company on a stand-alone basis. These amounts primarily consist of the cost of third-party professional services, relocation expenses, severance costs and cost savings related to the termination of certain employees.
- (g) Reflects non-cash expenses related to miscellaneous asset write-offs and non-cash gains/losses on foreign currencies which were expensed.
- (h) Reflects costs which were expensed related to the amendments to our Senior Secured Credit Facilities.
- (i) 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.
- (j) The adjustments for the year ended December 31, 2010 include approximately \$20.9 million of adjustments permitted under our debt covenants related to our separation from ABI and certain restructuring costs. As we established some of the services provided to us by ABI at the Company, such services became part of our ongoing cost structure and accordingly, we did not use these adjustments for any periods subsequent to the year ended December 31, 2010. Adjusted EBITDA excluding such adjustments would have been \$322,376 for the year ended December 31, 2010.

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**RISK FACTORS**

*An investment in our common stock involves a high degree of risk. You should carefully consider each of the following risks as well as the other information included in this prospectus, including Selected Historical Consolidated Financial Data, Management's Discussion and Analysis of Financial Condition and Results of Operations and our financial statements and related notes, before investing in our common stock. Any of the following risks could materially and adversely affect our business, financial condition or results of operations. In such a case, the trading price of the common stock could decline and you may lose all or part of your investment in the Company.*

**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. The recent severe economic downturn, coupled with high volatility and uncertainty as to the future global economic landscape, has had and continues to have 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; and



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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.

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.

***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.

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***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.

***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 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 animal collection, our business, financial condition and results of operations.

***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.

Additionally, from time to time, animal activist and other third-party groups may make claims before government agencies and/or bring lawsuits against us. Such claims and lawsuits sometimes are based on allegations that we do not properly care for some of our featured animals. On other occasions, such claims and/or lawsuits 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, associated negative publicity could adversely affect our reputation and results of operations.



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### ***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 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. We have appealed certain of these citations and the appeal process is ongoing. In connection with this incident, we reviewed and revised our safety protocols and made certain safety-related facility enhancements. This incident has also been and continues to be the subject of significant media attention, including 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 55%, 20% and 11% of our revenues in 2012 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 prospectus, 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.

*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 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

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competition, increased 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 which could materially impact our future healthcare costs. While the legislation's ultimate impact is not yet known, it is possible that these changes 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.

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***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. 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 tradename 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

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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.

***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 September 30, 2013, our total indebtedness was approximately \$1,643.5 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 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 lesser 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

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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.

### ***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. 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.

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***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 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

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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 continue 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. 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.

*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.*

We began operating as a stand-alone company in December 2009, following the 2009 Transactions, 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 after the completion of this offering and their interests may conflict with ours or yours in the future.*

Immediately following this offering of common stock and the share repurchase, affiliates of Blackstone will beneficially own approximately 46.0% 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 substantial stake in Merlin Entertainments Group, which operates the Legoland theme parks, and certain other investments in the leisure and hospitality industries.



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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 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 this Offering and Ownership of Our Common Stock**

*Our stock price may change significantly following the offering, 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 is likely to continue to be volatile. The stock market recently has experienced significant volatility. This volatility often has been unrelated or disproportionate to the operating performance of particular companies. You may not be able to resell your shares at or above the offering price due to a number of factors such as those listed in Risks Related to Our Business and Our Industry and the following:

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;

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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 Securities and Exchange Commission (the "SEC");

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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

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

These broad market and industry fluctuations may adversely affect the market price of our common stock, regardless of our actual operating performance. In addition, price volatility may be greater if the public float and trading volume of our common stock is low.

In the past, following periods of market volatility, stockholders have instituted securities class action litigation. If we were involved in securities litigation, it could have a substantial cost and divert resources and the attention of executive management from our business regardless of the outcome of such litigation.

***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. For more information, see Dividend Policy.

***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.

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

After this offering, the sale 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.

Upon the consummation of this offering and the share repurchase, we will have a total of 91,785,717 shares of common stock outstanding (based on the number of shares outstanding as of November 15, 2013). All shares sold in this offering will be freely tradable without restriction or further registration under the Securities Act of 1933, as amended (the Securities Act ), except that any shares

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held by our affiliates, as that term is defined under Rule 144 of the Securities Act ( Rule 144 ), including our directors, executive officers and other affiliates (including affiliates of Blackstone) may be sold only in compliance with the limitations described in Shares Eligible for Future Sale.

The 44,212,089 shares held by the Partnerships and certain of our directors, officers and employees immediately following the consummation of this offering and the share repurchase will represent approximately 48.2% of our total outstanding shares of common stock following this offering and the share repurchase, based on the number of shares outstanding as of November 15, 2013. Such shares will be restricted securities within the meaning of Rule 144 and subject to certain restrictions on resale following the consummation of this offering. Restricted securities may be sold in the public market only if they are registered under the Securities Act or are sold pursuant to an exemption from registration such as Rule 144, as described in Shares Eligible for Future Sale.

In connection with this offering, we, our directors, executive officers and the selling stockholders have each agreed with the underwriters, subject to certain exceptions (including with respect to any shares to be sold in the share repurchase), not to dispose of or hedge any of our or their common stock or securities convertible into or exchangeable for shares of common stock during the period from the date of this prospectus continuing through the date 90 days after the date of this prospectus, except with the prior written consent of the representatives of the underwriters. See Underwriting.

Upon the expiration of the lock-up agreements described above, shares held by the Partnerships and certain of our directors, officers and employees will be 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. By exercising their registration rights and selling a large number of shares, the Partnerships could cause the prevailing market price of our common stock to decline. Following the completion of this offering and the share repurchase, the shares covered by registration rights will represent approximately 46.0% of our outstanding common stock (or 43.6%, if the underwriters exercise in full their option to purchase additional shares). Registration of any of these outstanding shares of common stock would result in such shares becoming freely tradable without compliance with Rule 144 upon effectiveness of the registration statement. See Shares Eligible for Future Sale.

As restrictions on resale end or if these stockholders 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 2013 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 2013 Omnibus Incentive Plan, of which 14,527,673 shares of common stock remain available for future issuance at November 15, 2013. The special pricing committee of the Board of Directors may determine the exact number of shares to be reserved for future issuance under the 2013 Omnibus Incentive Plan at its discretion.

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.

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### ***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;

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<sup>2</sup>/<sub>3</sub>% in voting power of all the then-outstanding shares of stock of the Company entitled to vote thereon, voting together as a single class, if Blackstone and its affiliates beneficially own, in the aggregate, less than 40% in voting power of the stock of the Company entitled to vote generally in the election of directors; and

that certain provisions may be amended only by the affirmative vote of the holders of at least 66<sup>2</sup>/<sub>3</sub>% in voting power of all the then-outstanding shares of stock of the Company entitled to vote thereon, voting together as a single class, if Blackstone and its affiliates beneficially own, in the aggregate, less than 40% in voting power of the stock of the Company entitled to vote generally in the election of directors.

These anti-takeover provisions could make it more difficult for a third party to acquire us, even if the third-party's 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. See Description of Capital Stock.

***Upon completion of this offering, we will no longer be a controlled company within the meaning of the NYSE rules and the rules of the SEC. However, we may continue to rely on exemptions from certain corporate governance requirements during a one year transition period.***

Blackstone will no longer own a majority of our outstanding common stock after the completion of this offering. As a result, we will no longer be a controlled company within the meaning of the corporate governance standards contained in Section 303A of the NYSE Listed Company Manual. Consequently, the NYSE rules will require that we (i) appoint a majority of independent directors to our Board of Directors within one year of the date we no longer qualify as a controlled company and (ii) appoint at least one independent director to each of the compensation and nominating and governance committees on the date we no longer qualify as a controlled company, at least a majority of independent directors within 90 days of such date and that the compensation and nominating and governance committees be composed entirely of independent directors within one year of such date. During these transition periods, we may continue to utilize the available exemptions from certain corporate governance requirements as permitted by the NYSE rules.

Accordingly, during the transition periods you will not have the same protections afforded to stockholders of companies that are subject to all of the corporate governance requirements of the NYSE.



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In addition, although we will no longer be a controlled company after the completion of this offering, Blackstone will continue to be able to significantly influence our decisions. See Risk Factors Risks Related to Our Business and Our Industry Affiliates of Blackstone will continue to be able to significantly influence our decisions after the completion of this offering and their interests may conflict with ours or yours in the future, Description of Capital Stock and Certain Relationships and Related Party Transactions.

### ***We may be unsuccessful in implementing required internal controls over financial reporting.***

As a result of becoming a public company, pursuant to Section 404 of the Sarbanes-Oxley Act of 2002, our management will be required to report on, and our independent registered public accounting firm to attest to, the effectiveness of our internal controls over financial reporting.

In connection with the audit for the years ended December 31, 2011 and December 31, 2012 and the review for the nine months ended September 30, 2013, we identified certain significant deficiencies in our internal controls over financial reporting. If we fail to remediate the significant deficiencies identified, fail to remediate any significant deficiencies or material weaknesses that may be identified 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. 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, which could potentially subject us to sanctions or investigations by the SEC or other regulatory authorities. 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.

### ***Non-U.S. holders who own or owned more than a certain ownership threshold may be subject to United States federal income tax on gain 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. holder (as defined in Material United States Federal Income and Estate Tax Consequences to Non-U.S. Holders ) who purchases common stock in this offering and 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.

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**SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS**

This prospectus contains forward-looking statements within the meaning of the federal securities laws. All statements, other than statements of historical facts included in this prospectus, 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 referred to under Prospectus Summary, Risk Factors, Dividend Policy, Management's Discussion and Analysis of Financial Condition and Results of Operations and Business are forward-looking statements. When used in this prospectus, the words estimates, expects, contemplates, anticipates, projects, plans, intends, believes, forecasts, may, should 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 prospectus. Such risks, uncertainties and other important factors include, among others, the risks, uncertainties and factors set forth above under Risk Factors, and the following risks, uncertainties and factors:

a decline in discretionary consumer spending or consumer confidence;

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

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

incidents or adverse publicity concerning our theme parks;

outbreak of infectious disease affecting our animals;

change in federal and state regulations governing the treatment of animals;

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 execute our growth strategy;

inability to fund theme park capital expenditures;

high fixed cost structure of theme park operations;

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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

although we will no longer be a controlled company after the completion of this offering, Blackstone will be able to significantly influence our decisions.

There may be other factors that may cause our actual results to differ materially from the forward-looking statements, including factors disclosed under the sections entitled Risk Factors and Management's Discussion and Analysis of Financial Condition and Results of Operations in this prospectus. You should evaluate all forward-looking statements made in this prospectus in the context of these risks and uncertainties.

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. All forward-looking statements in this prospectus apply only as of the date made and are expressly qualified in their entirety by the cautionary statements included in this prospectus. We undertake no obligation to publicly update or revise any forward-looking statements to reflect subsequent events or circumstances.



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**USE OF PROCEEDS**

The selling stockholders will receive all of the net proceeds from the sale of the shares of our common stock in this offering. Pursuant to the registration rights agreement entered into in connection with the 2009 Transactions, we will pay all expenses (other than the underwriting discount and commissions) of the selling stockholders in connection with this offering. We will not receive any of the proceeds from the sale of the shares of our common stock by the selling stockholders, including any sales pursuant to the option to purchase additional shares.

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**Table of Contents****PRICE RANGE OF COMMON STOCK**

Our common stock has traded on the NYSE under the symbol SEAS since April 19, 2013. Prior to that time, there was no public market for our common stock. The following table sets forth the high and low intraday sales prices per share of our common stock, as reported by the NYSE, for the periods indicated.

|                                  | <b>High</b> | <b>Low</b> |
|----------------------------------|-------------|------------|
| <b><u>2013</u></b>               |             |            |
| Quarter ended June 30, 2013      | \$ 39.65    | \$ 30.26   |
| Quarter ended September 30, 2013 | \$ 39.19    | \$ 28.38   |

The closing sale price of our common stock, as reported by the NYSE, on December 6, 2013 was \$29.66. As of November 15, 2013, there were 148 holders of record of our common stock.

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**DIVIDEND POLICY**

In 2011 and 2012, we paid special dividends of \$110.1 million and \$500.0 million, respectively, to our stockholders (net of required withholdings).

In June 2013, our Board of Directors adopted a policy to pay a regular quarterly cash dividend. Pursuant to this policy, we paid quarterly cash dividends of \$0.20 per share on July 1 and October 1, 2013.

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 our Board of Directors may, at any time, modify or revoke our dividend policy on our common stock.

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 our Senior Secured Credit Facilities and the indenture governing the Senior Notes. See Management's Discussion and Analysis of Financial Condition and Results of Operations and Description of Indebtedness for a description of the restrictions on our ability to pay dividends.

**Table of Contents****CAPITALIZATION**

The following table sets forth our cash and cash equivalents and capitalization as of September 30, 2013.

You should read this table in conjunction with the information contained in Use of Proceeds, Selected Historical Consolidated Financial Data, Management's Discussion and Analysis of Financial Condition and Results of Operations and Description of Indebtedness, as well as the consolidated financial statements and the notes thereto included elsewhere in this prospectus.

|  | As of<br>September 30, 2013<br>(Dollars in thousands,<br>except per share amount) |
|--|---|
| Cash and cash equivalents <sup>(1)</sup>   | \$ 210,516  |
| Long-term debt, including current portion of long-term debt:   |   |
| Senior Secured Credit Facility:  |   |
| Revolving Credit Facility  | \$  |
| Term B-2 Loans   | 1,401,487   |
| Senior Notes   | 260,000   |
| Unamortized discount on long term-debt   | (17,948)  |
| Total debt   | 1,643,539   |
| Stockholders' equity:  |   |
| Preferred stock, \$0.01 par value, 100,000,000 shares authorized, no shares issued or outstanding at September 30, 2013                            |   |
| Common stock, \$0.01 par value, 1,000,000,000 shares authorized, 89,626,525 shares, issued and outstanding at September 30, 2013 <sup>(1)(2)</sup> | 896   |
| Additional paid-in capital   | 688,927   |
| Accumulated other comprehensive gain   | 199   |
| Retained earnings  | 39,265  |
| Total stockholders' equity <sup>(4)</sup>  | 729,287   |
| Total capitalization <sup>(1)</sup>  | \$ 2,372,826  |

- (1) We will use cash on hand to fund the share repurchase and any repurchased shares will no longer be outstanding but will be held in treasury. As a result of the share repurchase, the amounts of our cash and cash equivalents, treasury stock, total stockholders' equity and total capitalization will be adjusted accordingly.
- (2) The number of outstanding shares excludes 3,677,309 unvested shares of common stock held by certain participants in the Company's equity compensation plan and 14,505,710 shares of common stock reserved for future issuance under the 2013 Omnibus Incentive Plan as of September 30, 2013.

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**SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA**

The following tables set forth our selected historical consolidated financial and operating data as of the dates and for each of the fiscal years ended December 31, 2012, 2011 and 2010, for the one month period ended December 31, 2009 and as of and for the nine months ended September 30, 2013 and for the nine months ended September 30, 2012.

The selected financial data as of and for each of the fiscal years ended December 31, 2012, 2011 and 2010 have been derived from our audited consolidated financial statements included elsewhere in this prospectus and the selected financial data for the one month period ended December 31, 2009 have been derived from our audited consolidated financial statements not included in this prospectus. The selected financial data as of and for the nine months ended September 30, 2013 and for the nine months ended September 30, 2012 have been derived from our unaudited condensed consolidated financial statements included elsewhere in this prospectus. Our historical operating results are not necessarily indicative of future operating results.

On December 1, 2009, investment funds affiliated with Blackstone and certain co-investors, through SeaWorld Entertainment, Inc. and its wholly-owned subsidiary, SWPEI, acquired 100% of the equity interests of Sea World LLC and SeaWorld Parks & Entertainment LLC (f/k/a Busch Entertainment Corporation) from subsidiaries of Anheuser-Busch Companies, Inc. The Predecessor Financial Information is not presented in this prospectus because it is not comparable and therefore not meaningful to a prospective investor. The Predecessor Financial Information does not fully reflect our operations on a stand-alone basis and we believe would not materially contribute to an investor's understanding of our historical financial performance. The Predecessor Financial Information prepared on a basis comparable with our consolidated financial statements included in this prospectus is not available and cannot be provided without unreasonable effort and expense. We believe that the omission of the Predecessor Financial Information would not have a material impact on an investor's understanding of our financial results and condition, cash flows and related trends.

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 elsewhere in this prospectus.



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|  | Nine Months Ended<br>September 30, |            | Year Ended<br>December 31, |            |             | One Month<br>Period Ended<br>December 31, |
|--|------------------------------------|------------|----------------------------|------------|-------------|---|
|  | 2013                               | 2012       | 2012                       | 2011       | 2010        | 2009 <sup>(1)</sup>                       |
| (Amounts in thousands, except per share and<br>per capita amounts)                           |                                    |            |                            |            |             |   |
| (Unaudited)  |                                    |            |                            |            |             |   |
| <b>Statement of operations data:</b>   |                                    |            |                            |            |             |   |
| Net revenues   |                                    |            |                            |            |             |   |
| Admissions   | \$ 747,610                         | \$ 715,842 | \$ 884,407                 | \$ 824,937 | \$ 730,368  | \$ 45,060                                 |
| Food, merchandise and other  | 440,681                            | 444,737    | 539,345                    | 505,837    | 465,735     | 27,918                                    |
| Total revenues   | 1,188,291                          | 1,160,579  | 1,423,752                  | 1,330,774  | 1,196,103   | 72,978                                    |
| Costs and expenses   |                                    |            |                            |            |             |   |
| Cost of food, merchandise and other revenues   | 93,224                             | 99,109     | 118,559                    | 112,498    | 97,871      | 5,472                                     |
| Operating expenses   | 570,559                            | 560,145    | 726,509                    | 687,999    | 673,829     | 51,957                                    |
| Selling, general and administrative  | 149,581                            | 150,571    | 184,920                    | 172,368    | 159,506     | 11,544                                    |
| Termination of advisory agreement  | 50,072                             |            |                            |            |             |   |
| Depreciation and amortization  | 124,154                            | 122,085    | 166,975                    | 213,592    | 207,156     | 17,973                                    |
| Acquisition-related expenses   |                                    |            |                            |            |             | 67,966                                    |
| Total costs and expenses   | 987,590                            | 931,910    | 1,196,963                  | 1,186,457  | 1,138,362   | 154,912                                   |
| Operating income (loss)  | 200,701                            | 228,669    | 226,789                    | 144,317    | 57,741      | (81,934)                                  |
| Other income (expense), net  | 193                                | 2,110      | 1,563                      | (1,679)    | 1,937       | 30  |
| Interest expense   | 72,550                             | 86,263     | 111,426                    | 110,097    | 134,383     | 11,501                                    |
| Loss on early extinguishment of debt and write-off of discounts and deferred financing costs | 32,429                             |            |                            |            |             |   |
| Income (loss) before income taxes  | 95,915                             | 144,516    | 116,926                    | 32,541     | (74,705)    | (93,405)                                  |
| Provision for (benefit from) income taxes  | 31,930                             | 58,273     | 39,482                     | 13,428     | (29,241)    | (35,664)                                  |
| Net income (loss)  | \$ 63,985                          | \$ 86,243  | \$ 77,444                  | \$ 19,113  | \$ (45,464) | \$ (57,741)                               |
| Net income (loss) attributable to common stockholders  | \$ 63,985                          | \$ 86,243  | \$ 77,444                  | \$ 19,113  | \$ (45,464) | \$ (57,741)                               |
| <b>Per share data<sup>(2)</sup>:</b>   |                                    |            |                            |            |             |   |
| Basic net income (loss) per share  | \$ 0.74                            | \$ 1.05    | \$ 0.94                    | \$ 0.23    | \$ (0.56)   | \$ (0.71)                                 |
| Diluted net income (loss) per share  | \$ 0.73                            | \$ 1.04    | \$ 0.93                    | \$ 0.23    | \$ (0.56)   | \$ (0.71)                                 |
| Weighted-average number of shares used in per share amounts                                  |                                    |            |                            |            |             |   |
| Basic  | 86,867                             | 82,480     | 82,480                     | 81,392     | 80,800      | 80,800                                    |
| Diluted  | 87,531                             | 83,301     | 83,552                     | 82,024     | 80,800      | 80,800                                    |
| <b>Other financial and operating data:</b>   |                                    |            |                            |            |             |   |
| Capital expenditures   | \$ 125,852                         | \$ 154,976 | \$ 191,745                 | \$ 225,316 | \$ 120,196  | \$ 3,149                                  |
| Attendance   | 18,926                             | 19,862     | 24,391                     | 23,631     | 22,433      | 1,402                                     |
| Total revenue per capita   | \$ 62.79                           | \$ 58.43   | \$ 58.37                   | \$ 56.31   | \$ 53.32    | \$ 52.05                                  |

As of September 30,  
2013  
(Unaudited)

2012  
(Amounts in thousands)

As of December 31,  
2011  
2010

Consolidated balance sheet data (at end of period):

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|                           |              |              |              |              |
|---------------------------|--------------|--------------|--------------|--------------|
| Cash and cash equivalents | \$ 210,516   | \$ 45,675    | \$ 66,663    | \$ 123,697   |
| Total assets              | \$ 2,658,136 | \$ 2,521,052 | \$ 2,547,095 | \$ 2,621,281 |
| Total long-term debt      | \$ 1,643,539 | \$ 1,823,974 | \$ 1,417,887 | \$ 1,410,529 |
| Total equity              | \$ 729,287   | \$ 449,848   | \$ 872,467   | \$ 949,795   |

- (1) Reflects our financial results from December 1, 2009 to December 31, 2009, which is the period in which we first became an independent, stand-alone entity in connection with the 2009 Transactions.
- (2) All share and per share amounts reflect an eight-for-one stock split of our common stock effected on April 8, 2013.

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**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 Historical Consolidated Financial Data and the historical consolidated financial statements and the notes thereto included elsewhere in this prospectus. 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 prospectus. 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 collection of approximately 67,000 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. In addition to our theme parks, we have recently begun to leverage our brands into media, entertainment and consumer products. During the year ended December 31, 2012, we hosted more than 24 million guests in our theme parks, including approximately 3.5 million international guests from over 55 countries and six continents. During the nine months ended September 30, 2013, we hosted approximately 18.9 million guests, including approximately 2.9 million international guests. In the year ended December 31, 2012 and the nine months ended September 30, 2013, we had total revenues of \$1,423.8 million and \$1,188.3 million, respectively, and net income of \$77.4 million and \$64.0 million, respectively.

**Key Business Metrics Evaluated by Management**

***Attendance***

We define attendance as the number of guest visits to our theme parks. Increased attendance drives increased admission revenue to our theme parks as well as total in-park spending. The level of attendance at 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 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 admission revenue divided by total attendance. Theme park admissions accounted for approximately 62% of our revenue for the year ended December 31, 2012. Over the same period of time, we reported \$36.26 in admission per capita, representing an increase of 3.9%. For the nine months ended September 30, 2013, theme park admissions accounted for approximately 63% of our revenue and we reported \$39.50 in admission per capita, representing an increase of 9.6% from the same period in 2012. Admission per capita is driven by ticket pricing, the mix of tickets purchased (such as single day, multi-day and annual pass) and the mix of attendance by theme parks visited.

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*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, 2012, in-park per capita spending accounted for approximately 38% of our revenue. Over the same time period, we reported \$22.11 of in-park per capita spending, representing an increase of 3.3%. For the nine months ended September 30, 2013, food, merchandise and other revenue accounted for approximately 37% of our total revenue and we reported \$23.28 of in-park per capita spending, representing an increase of 4.0% from the same period in 2012. 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**

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. The recent severe economic downturn, coupled with high volatility and uncertainty as to the future global economic landscape, has had and continues to have 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. 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 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, results of operations and cash flows.

### **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. The per capita spending for admission to the theme parks 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 for construction, repairs and maintenance, other inflationary pressures and

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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.

We barter theme park admission products for advertising and various other products and services. The fair value of the admission products is recognized into revenue and related expenses at the time of the exchange and approximates the fair value of the goods or services received.

**Results of Operations**

The following discussion provides an analysis of our unaudited condensed consolidated financial data for the nine months ended September 30, 2013 and 2012 and our audited consolidated financial data for the years ended December 31, 2012, 2011 and 2010. This data should be read in conjunction with our consolidated financial statements and the notes thereto included elsewhere in this prospectus.

**Comparison of the Nine Months Ended September 30, 2013 and 2012**

The following table presents key operating and financial information for the nine months ended September 30, 2013 and 2012:

|  | <b>For the Nine Months Ended September 30,</b>  |             |
|--|---|-------------|
|  | <b>2013</b>                                     | <b>2012</b> |
|  | <b>(Unaudited, amounts in thousands, except</b> |             |
|  | <b>per capita amounts)</b>                      |             |
| <b>Statement of operations data:</b>   |   |             |
| Net revenues   |   |             |
| Admissions   | \$ 747,610                                      | \$ 715,842  |
| Food, merchandise and other  | 440,681   | 444,737     |
| Total revenues   | 1,188,291                                       | 1,160,579   |
| Costs and expenses   |   |             |
| Cost of food, merchandise and other revenues   | 93,224  | 99,109      |
| Operating expenses   | 570,559   | 560,145     |
| Selling, general and administrative  | 149,581   | 150,571     |
| Termination of advisory agreement  | 50,072  |             |
| Depreciation and amortization  | 124,154   | 122,085     |
| Total costs and expenses   | 987,590   | 931,910     |
| Operating income   | 200,701   | 228,669     |
| Other income, net  | 193   | 2,110       |
| Interest expense   | 72,550  | 86,263      |
| Loss on early extinguishment of debt and write-off of discounts and deferred financing costs | 32,429  |             |
| Income before income taxes   | 95,915  | 144,516     |
| Provision for income taxes   | 31,930  | 58,273      |
| Net income   | \$ 63,985                                       | \$ 86,243   |
| <b>Other data:</b>   |   |             |
| Attendance   | 18,926  | 19,862      |
| Total revenue per capita   | \$ 62.79  | \$ 58.43    |



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*Admissions revenue.* Admissions revenue for the nine months ended September 30, 2013 increased \$31.8 million (4.4%) to \$747.6 million as compared to \$715.8 million for the nine months ended September 30, 2012. The increase in revenue was a result of a 9.6% increase in admission per capita from \$36.04 in the first nine months of 2012 to \$39.50 in the first nine months of 2013 offset largely by a 4.7% 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 the first nine months of 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 nine months ended September 30, 2013 decreased \$4.0 million (0.9%) to \$440.7 million as compared to \$444.7 million for the nine months ended September 30, 2012. This decrease was a result of the decrease in attendance offset by a 4.0% increase in in-park per capita spending from \$22.39 in the nine months ended September 30, 2012 to \$23.28 in the nine months ended September 30, 2013. The increase in in-park per capita spending was due to targeted price increases and increased penetration and 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 nine months ended September 30, 2013 decreased \$5.9 million (5.9%) to \$93.2 million as compared to \$99.1 million for the nine months ended September 30, 2012. These costs represent 21.2% of related revenue earned for the nine months ended September 30, 2013 and 22.3% of related revenue earned for the nine months ended September 30, 2012.

*Operating expenses.* Operating expenses for the nine months ended September 30, 2013 increased by \$10.4 million (1.9%) to \$570.5 million as compared to \$560.1 million for the nine months ended September 30, 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, and miscellaneous asset write-offs, offset by successful expense reductions implemented during the year. Operating expenses reflected 48.0% of total revenues for the nine months ended September 30, 2013 and 48.3% for the nine months ended September 30, 2012.

*Selling, general and administrative.* Selling, general and administrative expenses for the nine months ended September 30, 2013 decreased by \$1.0 million (0.7%) to \$149.6 million as compared to \$150.6 million for the nine months ended September 30, 2012. This decrease was primarily a result of the elimination of the 2009 Advisory Agreement fees due to the termination of this agreement in April 2013, offset by 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. As a percentage of total revenue, selling, general and administrative expenses were 12.6% in the nine months ended September 30, 2013 compared to 13.0% in the nine months ended September 30, 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.

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*Depreciation and amortization.* Depreciation and amortization expense for the nine months ended September 30, 2013 increased by \$2.1 million (1.7%) to \$124.2 million as compared to \$122.1 million for the nine months ended September 30, 2012 due to the impact of fully depreciated assets offset by new asset additions.

*Interest expense.* Interest expense for the nine months ended September 30, 2013 decreased \$13.7 million (15.9%) to \$72.6 million as compared to \$86.3 million for the nine months ended September 30, 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 \$32.4 million for the nine months ended September 30, 2013 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 \$11.5 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 nine months ended September 30, 2013 was \$31.9 million compared to \$58.3 million in the nine months ended September 30, 2012. The decrease primarily results from the decrease in pretax income in the first nine months of 2013 compared to the first nine months of 2012 along with a decrease in our effective income tax rate (from 40.3% to 33.3%). Our effective income tax rate decreased due to certain tax credits along with changes in our state tax compliance structure.

**Comparison of the Years Ended December 31, 2012 and 2011**

The following table presents key operating and financial information for the years ended December 31, 2012 and 2011:

|  | <b>Year Ended December 31,</b>                           |                  |
|--|--|------------------|
|  | <b>2012</b>  | <b>2011</b>      |
|  | <b>(Amounts in thousands, except per capita amounts)</b> |                  |
| <b>Statement of operations data:</b>         |  |                  |
| Net revenues                                 |  |                  |
| Admissions                                   | \$ 884,407   | \$ 824,937       |
| Food, merchandise and other                  | 539,345  | 505,837          |
| <b>Total revenues</b>                        | <b>1,423,752</b>   | <b>1,330,774</b> |
| Costs and expenses                           |  |                  |
| Cost of food, merchandise and other revenues | 118,559  | 112,498          |
| Operating expenses                           | 726,509  | 687,999          |
| Selling, general and administrative          | 184,920  | 172,368          |
| Depreciation and amortization                | 166,975  | 213,592          |
| <b>Total costs and expenses</b>              | <b>1,196,963</b>   | <b>1,186,457</b> |
| Operating income                             | 226,789  | 144,317          |
| Other income (expense), net                  | 1,563  | (1,679)          |
| Interest expense                             | 111,426  | 110,097          |
| <b>Income before income taxes</b>            | <b>116,926</b>   | <b>32,541</b>    |
| Provision for income taxes                   | 39,482   | 13,428           |
| <b>Net income</b>                            | <b>\$ 77,444</b>   | <b>\$ 19,113</b> |



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**Other data:**

|                          |          |          |
|--------------------------|----------|----------|
| Attendance               | 24,391   | 23,631   |
| Total revenue per capita | \$ 58.37 | \$ 56.31 |

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*Admissions revenue.* Admissions revenue for the year ended December 31, 2012 increased \$59.5 million (7%) to \$884.4 million as compared to \$824.9 million for the year ended December 31, 2011. The increase in revenue was a result of a 4% increase in admission per capita from \$34.91 in 2011 to \$36.26 in 2012 and a 3% increase in total attendance. The increase in admission per capita was primarily a result of higher ticket pricing and reduced discounts corresponding with the opening of the Manta rollercoaster at SeaWorld San Diego and the Aquatica attraction at SeaWorld San Antonio, as well as increased real consumer spending growth from improved macroeconomic conditions. Increased attendance was primarily driven by increased real consumer spending, as well as the opening of the Manta rollercoaster at SeaWorld San Diego, the Aquatica attraction at SeaWorld San Antonio, the TurtleTrek attraction at SeaWorld Orlando and the Verbolten rollercoaster at Busch Gardens Williamsburg.

*Food, merchandise and other revenue.* Food, merchandise and other revenue for the year ended December 31, 2012 increased \$33.5 million (7%) to \$539.3 million as compared to \$505.8 million for the year ended December 31, 2011. The increase in revenue was a result of a 3% increase in in-park per capita spending from \$21.41 in 2011 to \$22.11 in 2012 and a 3% increase in total attendance. The increase in in-park per capita spending was driven primarily by price increases and product promotion.

*Costs of food, merchandise and other revenues.* Costs of food, merchandise and other revenues for the year ended December 31, 2012 increased \$6.1 million (5%) to \$118.6 million as compared to \$112.5 million for the year ended December 31, 2011. These costs represent 21.9% of related revenue earned for the year ended December 31, 2012 and 22.2% of related revenue earned for the year ended December 31, 2011.

*Operating expenses.* Operating expenses for the year ended December 31, 2012 increased \$38.5 million (6%) to \$726.5 million as compared to \$688.0 million for the year ended December 31, 2011. The increase was primarily driven by increased operating costs relating to new attractions and increased variable costs due to our higher sales volume. These expenses reflected 51.0% of total revenues for the year ended December 31, 2012 and 51.7% for the year ended December 31, 2011.

*Selling, general and administrative.* Selling, general and administrative expenses for the year ended December 31, 2012 increased \$12.5 million (7%) to \$184.9 million as compared to \$172.4 million for the year ended December 31, 2011. This increase primarily reflects an increase in marketing expenditures and higher corporate expenses resulting from the build-out of our corporate office staff.

*Depreciation and amortization.* Depreciation and amortization expense for the year ended December 31, 2012 decreased \$46.6 million (22%) to \$167.0 million as compared to \$213.6 million for the year ended December 31, 2011. The decrease was primarily attributable to the partial year impact of assets designated with two-year lives at the December 1, 2009 transaction date, which are now fully depreciated, partially offset by asset additions.

*Interest expense.* Interest expense for the year ended December 31, 2012 increased \$1.3 million (1%) to \$111.4 million as compared to \$110.1 million for the year ended December 31, 2011, primarily reflecting the effects of our March 2012 debt refinancing, which increased the amount

of our outstanding principal balance of our long-term debt and reduced the interest rates on our long-term debt. See our unaudited condensed consolidated financial statements and the notes thereto included elsewhere in this prospectus for a further description of the terms of the refinancing.

*Provision for income taxes.* Provision for income taxes for the year ended December 31, 2012 increased \$26.1 million (194%) to \$39.5 million as compared to \$13.4 million for the year ended December 31, 2011, which primarily reflects an increase in taxable earnings and was partially offset by a decrease in our effective income tax rate (from 41.3% to 33.8%). Our effective income tax rate decreased due to changes in our state tax planning structure along with certain non-recurring tax credits.

**Table of Contents****Comparison of the Years Ended December 31, 2011 and 2010**

The following table presents key operating and financial information for the years ended December 31, 2011 and 2010:

|  | <b>Year Ended December 31,</b>       |                    |
|--|--------------------------------------|--------------------|
|  | <b>2011</b>                          | <b>2010</b>        |
|  | <b>(Amounts in thousands, except</b> |                    |
|  | <b>per capita amounts)</b>           |                    |
| <b>Statement of operations data:</b>         |                                      |                    |
| Net revenues                                 |                                      |                    |
| Admissions                                   | \$ 824,937                           | \$ 730,368         |
| Food, merchandise and other                  | 505,837                              | 465,735            |
| <b>Total revenues</b>                        | <b>1,330,774</b>                     | <b>1,196,103</b>   |
| Costs and expenses                           |                                      |                    |
| Cost of food, merchandise and other revenues | 112,498                              | 97,871             |
| Operating expenses                           | 687,999                              | 673,829            |
| Selling, general and administrative          | 172,368                              | 159,506            |
| Depreciation and amortization                | 213,592                              | 207,156            |
| <b>Total costs and expenses</b>              | <b>1,186,457</b>                     | <b>1,138,362</b>   |
| Operating income                             | 144,317                              | 57,741             |
| Other (expense) income, net                  | (1,679)                              | 1,937              |
| Interest expense                             | 110,097                              | 134,383            |
| <b>Income (loss) before income taxes</b>     | <b>32,541</b>                        | <b>(74,705)</b>    |
| Provision for (benefit from) income taxes    | 13,428                               | (29,241)           |
| <b>Net income (loss)</b>                     | <b>\$ 19,113</b>                     | <b>\$ (45,464)</b> |
| <b>Other data:</b>                           |                                      |                    |
| Attendance                                   | 23,631                               | 22,433             |
| Total revenue per capita                     | \$ 56.31                             | \$ 53.32           |

**Admissions revenue.** Admissions revenue in 2011 increased \$94.5 million (13%) to \$824.9 million as compared to \$730.4 million in 2010. The increase in revenue was a result of a 7% increase in admission per capita from \$32.56 in 2010 to \$34.91 in 2011 and a 5% increase in attendance. The increase in admission per capita was primarily a result of higher ticket pricing and reduced discounts corresponding with increased real consumer spending growth from improved macroeconomic conditions and the opening of the One Ocean show at SeaWorld Orlando, the Cheetah Hunt rollercoaster at Busch Gardens Tampa and Sesame Bay of Play at SeaWorld San Antonio. Increased attendance was primarily driven by increased real consumer spending, as well as the opening of the One Ocean show at SeaWorld Orlando, the Cheetah Hunt rollercoaster at Busch Gardens Tampa, Sesame Bay of Play at SeaWorld San Antonio and the Turtle Reef attraction at SeaWorld San Diego.

**Food, merchandise and other revenue.** Food, merchandise and other revenue in 2011 increased \$40.1 million (9%) to \$505.8 million as compared to \$465.7 million in 2010. The increase in revenue was a result of a 5% increase in attendance and a 3% increase in in-park per capita spending from \$20.76 in 2010 to \$21.41 in 2011. The increase in in-park per capita spending was driven primarily by an increased focus on product promotion at our theme parks and strategic price increases in both food and merchandise.

**Costs of food, merchandise and other revenues.** Costs of food, merchandise and other revenues in 2011 increased \$14.6 million (15%) to \$112.5 million as compared to \$97.9 million in 2010.

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These costs represent 22.2% of related revenue earned in 2011 as compared to 21.0% of related revenue in 2010 driven primarily by commodity price increases and the impact of inflation.

*Operating expenses.* Operating expenses for 2011 increased \$14.2 million (2%) to \$688.0 million as compared to \$673.8 million in 2010. These expenses represent 51.7% of total revenues in 2011 as compared to 56.3% in 2010. The year-over-year dollar increase was primarily driven by increased operating costs relating to new attractions and increases in compensation expense, partially offset by strategic cost reductions, such as staffing and scheduling changes and streamlined operating hours at our theme parks. The reduction in operating expenses as a percentage of total revenues year-over-year represents increased operating leverage.

*Selling, general and administrative.* Selling, general and administrative expenses for 2011 increased \$12.9 million (8%) to \$172.4 million as compared to \$159.5 million in 2010. This increase primarily reflects the separation from ABI and establishment of certain stand-alone corporate operations, including legal, payroll, and procurement, partially offset by a reduction in marketing expenditures.

*Depreciation and amortization.* Depreciation and amortization expense for 2011 increased \$6.4 million (3%) to \$213.6 million as compared to \$207.2 million in 2010. The increase was primarily attributable to asset additions related to the introduction of several new attractions at our theme parks.

*Interest expense.* Interest expense for 2011 decreased \$24.3 million (18%) to \$110.1 million as compared to \$134.4 million in 2010, driven primarily by a reduction in our interest rates on our long-term debt as a result of our refinancings in February and April 2011. See our consolidated financial statements and the notes thereto included elsewhere in this prospectus for a further description of the terms of the refinancing.

*Provision for (benefit from) income taxes.* Provision for income taxes was \$13.4 million for 2011 as compared to an income tax benefit of \$29.2 million for 2010, which primarily reflects an increase in taxable earnings increasing our effective income tax rate from 39.1% to 41.3%. Our effective income tax rate increased due to certain non-recurring tax adjustments.

## **Seasonality and Unaudited Selected Quarterly Results of Operations**

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 a winter kids festival, spring 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.

The following table sets forth unaudited selected quarterly results of operations for 2011, 2012 and the first three quarters of 2013. In the opinion of management, the following selected quarterly information includes all adjustments, consisting solely of normal recurring adjustments, necessary for

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the fair statement of the results of operations for these periods. This information should be read in conjunction with our consolidated financial statements and notes thereto included elsewhere in this prospectus. This quarterly data is not necessarily indicative of our operating results for any future period.

|                                      | 2011  |                |               |                | 2012          |                |               |                | 2013          |                |               |
|--------------------------------------|---|----------------|---------------|----------------|---------------|----------------|---------------|----------------|---------------|----------------|---------------|
|                                      | First Quarter   | Second Quarter | Third Quarter | Fourth Quarter | First Quarter | Second Quarter | Third Quarter | Fourth Quarter | First Quarter | Second Quarter | Third Quarter |
|                                      | (Unaudited, amounts in thousands, except per share amounts) |                |               |                |               |                |               |                |               |                |               |
| Total revenues                       | \$ 178,076  | \$ 404,210     | \$ 496,448    | \$ 252,040     | \$ 212,442    | \$ 425,882     | \$ 522,255    | \$ 263,173     | \$ 238,610    | \$ 411,292     | \$ 538,389    |
| Operating (loss) income              | \$ (74,307)   | \$ 91,664      | \$ 152,942    | \$ (25,982)    | \$ (48,279)   | \$ 93,086      | \$ 183,862    | \$ (1,880)     | \$ (35,873)   | \$ 30,980      | \$ 205,594    |
| Net (loss) income                    | \$ (61,842)   | \$ 37,948      | \$ 73,853     | \$ (30,846)    | \$ (45,134)   | \$ 39,120      | \$ 92,257     | \$ (8,799)     | \$ (40,360)   | \$ (15,854)    | \$ 120,199    |
| (Loss) earnings per share:           |   |                |               |                |               |                |               |                |               |                |               |
| Net (loss) income per share, basic   | \$ (0.77)   | \$ 0.47        | \$ 0.91       | \$ (0.37)      | \$ (0.55)     | \$ 0.47        | \$ 1.12       | \$ (0.11)      | \$ (0.49)     | \$ (0.18)      | \$ 1.34       |
| Net (loss) income per share, diluted | \$ (0.77)   | \$ 0.46        | \$ 0.90       | \$ (0.37)      | \$ (0.55)     | \$ 0.47        | \$ 1.11       | \$ (0.11)      | \$ (0.49)     | \$ (0.18)      | \$ 1.33       |

**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), and common stock dividends. As of September 30, 2013, we had a working capital balance of approximately \$44.6 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 also 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.

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In June 2013, our Board of Directors adopted a policy to pay quarterly dividends. As a result, an initial quarterly cash dividend of \$0.20 per share, was declared to all common stockholders of record at the close of business on June 20, 2013, which was paid on July 1, 2013. Additionally, in September 2013, our Board of Directors declared a cash dividend of \$0.20 per share to all common stockholders of record at the close of business on September 20, 2013, which was paid on October 1, 2013. Approximately \$17.9 million was paid on both July 1, 2013 and October 1, 2013 related to these dividend declarations. Approximately \$0.3 million will be paid as certain time restricted shares vest over their requisite service periods. Dividends on certain performance restricted shares were approximately \$1.8 million and will accumulate and be paid only if and to the extent the shares vest in accordance with their terms. See Note 12-Dividends to our unaudited condensed consolidated financial statements for further discussion.

In March 2012, the Board of Directors declared a \$500.0 million cash dividend to our common stockholders, which at that time consisted of entities controlled by certain affiliates of Blackstone, of which \$463.2 million was paid in the nine months ended September 30, 2012. The amount and timing of any future dividends payable on our common stock is within the sole discretion of our Board of Directors. See Dividend Policy.

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.

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

|  | For the Nine Months Ended<br>September 30, |   | 2012        | Year Ended<br>December 31,     |            |
|--|--|---|-------------|--------------------------------|------------|
|  | 2013<br>(Unaudited, amounts in thousands)  | 2012<br>(Unaudited, amounts in thousands) |             | 2011<br>(Amounts in thousands) | 2010       |
| Net cash provided by operating activities            | \$ 276,317                                 | \$ 302,648                                | \$ 303,513  | \$ 268,249                     | \$ 202,281 |
| Net cash used in investing activities                | (125,803)                                  | (154,976)                                 | (204,318)   | (225,316)                      | (120,196)  |
| Net cash provided by (used in) financing activities  | 14,327                                     | (71,492)                                  | (120,183)   | (99,967)                       | (20,500)   |
| Net increase (decrease) in cash and cash equivalents | \$ 164,841                                 | \$ 76,180                                 | \$ (20,988) | \$ (57,034)                    | \$ 61,585  |

**Cash Flows from Operating Activities**

Net cash provided by operating activities was \$276.3 million during the nine months ended September 30, 2013 as compared to \$302.6 million during the nine months ended September 30, 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, partially offset by additional cash generated from theme park operations due to an increase in total revenue primarily related to higher admissions revenue.

Net cash provided by operating activities increased during the year ended December 31, 2012 as compared to the year ended December 31, 2011 primarily as a result of the following: (i) an increase in cash generated from theme park operations due to increased theme park attendance, increased theme park admission fees and higher in-park spending per capita on food, merchandise and other in-park spending and (ii) lower costs and expenses as a percentage of sales due to our labor efficiency initiatives and greater economies of scale. The increase in net cash provided by operating activities was partially offset by unfavorable changes in our working capital accounts.

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Net cash provided by operating activities increased during the year ended December 31, 2011 as compared to the year ended December 31, 2010 primarily as a result of the following: (i) an increase in cash generated from theme park operations due to increased theme park attendance, increased theme park admission fees and higher in-park spending per capita on food, merchandise and other in-park spending; (ii) lower costs and expenses as a percentage of sales due to our labor efficiency initiatives and greater economies of scale; and (iii) changes in our deferred income tax provision. The increase in net cash provided by operating activities was partially offset by unfavorable changes in our working capital accounts.

### ***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 nine months ended September 30, 2013 consisted primarily of capital expenditures of \$125.9 million largely related to future attractions. Net cash used in investing activities during the nine months ended September 30, 2012 consisted of \$155.0 million of capital expenditures largely related to a greater number of attractions opening in 2012 due to capital under-investments in previous years.

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 future attractions and zoological safety infrastructure.

Net cash used in investing activities during the year ended December 31, 2011 consisted of capital expenditures of \$225.3 million. The level of capital expenditures in 2011 and 2012 was elevated as a result of costs related to building out our corporate infrastructure as a stand-alone company following our separation from ABI, zoological safety infrastructure investments, and catch-up spending due to under-investment in our theme parks prior to the acquisition by Blackstone on December 1, 2009. Excluding the impact of the remaining 2013 and 2014 zoological safety infrastructure investment of approximately \$35 million and potential investments for new theme parks, we plan to reduce the level of capital expenditures to an average of approximately 10% of total revenue per year beginning in 2014.

Net cash used in investing activities during the year ended December 31, 2010 consisted of capital expenditures of \$120.2 million. Our most significant capital expenditure items during the period included future attractions, exhibits and corporate infrastructure projects.

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 generally expect to fund our 2013 capital expenditures through our operating cash flow.

### ***Cash Flows from Financing Activities***

Net cash provided by financing activities during the nine months ended September 30, 2013 was primarily attributable to the receipt of \$253.8 million of the proceeds from our initial public offering, net of underwriter discounts and commissions, offset by \$185.7 million of repayments of debt which consisted 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. During the nine months ended September 30, 2013, we also paid \$18.1 million in cash dividends, \$15.4 million in a redemption premium for the Senior Notes, \$14.0 million in debt issuance costs, \$4.7 million in costs incurred in connection with our initial public offering and \$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, a standalone Southern California water park, from an affiliate of Cedar Fair L.P.

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Net cash used in financing activities during the nine months ended September 30, 2012 was primarily attributable to cash dividends paid of \$463.2 million, \$52.5 million in repayments of debt, \$36.0 million of repayments on the revolving credit facility and debt issuance costs paid of \$7.0 million. This was partially offset by proceeds of \$487.2 million from term loan borrowings under the Senior Secured Credit Facilities.

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 \$7.0 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.

Net cash used in financing activities during the year ended December 31, 2011 was primarily attributable to the following: (i) repayment of \$586.2 million of our long-term debt in connection with a refinancing of our Senior Secured Credit Facilities, (ii) the payment of a \$106.9 million portion of our \$110.1 million dividend (net of required withholdings) and (iii) debt issuance costs of \$5.9 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 the proceeds of \$550.3 million from the term loan borrowings under our Senior Secured Credit Facilities, a draw on our revolving credit facility of \$36.0 million and \$12.8 million of proceeds (net of issuance costs) from the issuance of common stock to the Partnerships described above.

In 2011 and 2012, we declared special dividends of \$110.1 million and \$500.0 million, respectively, to our stockholders.

Net cash used in financing activities during the year ended December 31, 2010 consisted of repayment of long-term debt of \$20.5 million.

**Our Indebtedness**

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

***Senior Secured Credit Facilities***

SWPEI is the borrower under our Senior Secured Credit Facilities. The obligations under our Senior Secured Credit Facilities are fully, unconditionally and irrevocably guaranteed by each of the Issuer, any subsidiary of the Issuer that directly or indirectly owns 100% of the issued and outstanding equity interests of SWPEI, and, subject to certain exceptions, each of SWPEI'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 SWPEI's direct or indirect domestic subsidiaries (other than a domestic subsidiary that is a subsidiary of a foreign subsidiary) and 65% of the capital stock of, or other equity interests in, any of SWPEI's foreign subsidiaries and any of SWPEI's domestic subsidiaries that are treated as disregarded entities for U.S. federal income tax purposes if substantially all the assets of such domestic subsidiary consist of equity interests of one or more controlled foreign corporations within the meaning of the Internal Revenue Code of 1986, as amended (the Code) and (ii) certain tangible and intangible assets of SWPEI and those of the Guarantors (subject to certain exceptions and qualifications).



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As of September 30, 2013, our Senior Secured Credit Facilities consisted of:

a \$1,401.5 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 September 30, 2013. The Revolving Credit Facility will mature on the earlier of (a) April 24, 2018 or (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 swingline borrowings. As of September 30, 2013, we had approximately \$18.5 million of outstanding letters of credit, leaving approximately \$174.0 million available for borrowing.

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

SWPEI is required to prepay outstanding term loans, subject to certain exceptions, with:

50% of SWPEI's annual excess cash flow (with step-downs to 25% and 0%, as applicable, based upon SWPEI's total leverage ratio), subject to certain exceptions;

100% of the net cash proceeds of certain non-ordinary course asset sales or other dispositions subject to reinvestment rights and certain exceptions; and

100% of the net cash proceeds of any incurrence of debt by SWPEI or any of its restricted subsidiaries, other than debt permitted to be incurred or issued under our Senior Secured Credit Facilities.

SWPEI may voluntarily repay amounts outstanding under our Senior Secured Credit Facilities at any time without premium or penalty, other than prepayment premium on voluntary prepayment of Term B-2 Loans on or prior to May 14, 2014 and customary breakage costs with respect to LIBOR loans.

Our Senior Secured Credit Facilities contain a number of significant affirmative and negative covenants. Such covenants, among other things, restrict, subject to certain exceptions, the ability of SWPEI and its restricted subsidiaries to:

incur additional indebtedness, make guarantees and enter into hedging arrangements;

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 SWPEI's capital stock;

make investments, loans and advances, including acquisitions;

engage in certain transactions with affiliates;

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make changes in nature of the business; and

make prepayments of junior debt.

Our Senior Secured Credit Facilities also contain covenants requiring SWPEI to maintain specified maximum annual capital expenditures, a maximum net total 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.

In connection with our initial public offering, SWPEI entered into Amendment No. 4 to our Senior Secured Credit Facilities ( Amendment No. 4 ) on April 5, 2013 with 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 party thereto. Amendment No. 4 amends the terms of our existing Senior Secured Credit Facilities to, among other things, permit SWPEI to pay certain distributions and dividends following an initial public offering of the Company in an amount not to exceed the greater of (i) 6% per annum of the net proceeds received by, or contributed to, SWPEI and its restricted subsidiaries from our initial public offering and (ii) an aggregate amount per annum not to exceed:

\$90.0 million, so long as, after giving pro forma effect to such payment, the total leverage ratio shall be no greater than 5.00 to 1.00 and greater than 4.50 to 1.00,

\$120.0 million, so long as, after giving pro forma effect to such payment, the total leverage ratio shall be no greater than 4.50 to 1.00 and greater than 4.00 to 1.00,

the greater of (a) \$120.0 million and (b) 7.5% of market capitalization, so long as, after giving pro forma effect to such payment, the total leverage ratio shall be no greater than 4.00 to 1.00 and greater than 3.50 to 1.00; and

an unlimited amount, so long as, after giving pro forma effect to such payment, the total leverage ratio shall be no greater than 3.50 to 1.00.

In addition, Amendment No. 4 replaced the then existing \$172.5 million senior secured revolving credit facility maturing on February 17, 2016 with a new \$192.5 million senior secured revolving credit facility maturing on the date which is the earlier of (a) April 24, 2018 and (b) the 91st day prior to the earlier of the maturity date of any Senior Notes with an aggregate principal amount greater than \$50.0 million outstanding and the maturity date of any indebtedness incurred to refinance any of the Term B Loans or the Senior Notes, and the terms of the new senior secured revolving credit facility will be substantially the same as the existing senior secured revolving credit facility, except that the existing applicable margins will be determined based on SWPEI's corporate family rating in lieu of a secured leverage ratio. Amendment No. 4 also increased the total leverage ratios at which the percentage of excess cash flow that is required to be prepaid under our Senior Secured Credit Facilities decreases, refreshed SWPEI's \$175.0 million general investment basket, increased the amount of annual capital expenditures from \$165.0 million in any fiscal year to \$185.0 million in any fiscal year and refreshed the \$25.0 million one year pull forward amount of capital expenditures for the fiscal year ended December 31, 2013 and permitted certain amendments of the terms of the Senior Notes.

On May 14, 2013, SWPEI entered into Amendment No. 5 to our Senior Secured Credit Facilities ( Amendment No. 5 ), which amended the terms of the existing Senior Secured Credit Facilities to, among other things, refinance our Term A Loan and our Term B Loan into new Term B-2 Loans, extend the final maturity date of the term loan facilities, reduce future principal and interest payments and provide for additional future borrowings.

The Term B-2 Loans were borrowed in an aggregate principal amount of \$1,405.0 million. Borrowings under the Term B-2 Loans bear interest, at SWPEI's option, at a rate equal to a margin

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over either (a) a base rate determined by reference to the higher of (1) the 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 for the interest period relevant to such borrowing. The 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 SWPEI of a certain leverage ratio. At September 30, 2013, we selected the LIBOR rate (interest rate of 3.00% at September 30, 2013).

Term B-2 Loans will 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 first payment due and paid on September 30, 2013 and the balance due on the final maturity date. The Term B-2 Loans have a final maturity date of May 14, 2020. Amendment No. 5 also permits us to add one or more incremental term loan facilities to the Senior Secured Credit Facilities and/or increase commitments under the Revolving Credit Facility in an aggregate principal amount of up to \$350.0 million. We may also incur additional incremental term loans provided that, among other things, on a pro forma basis after giving effect to the incurrence of such incremental term loans, the first lien secured net leverage ratio, as defined in the Senior Secured Credit Facility, is no greater than 3.50 to 1.00.

As a result of Amendment No. 5, approximately \$11.5 million of debt issuance costs were written off and are included as loss on early extinguishment of debt and write-off of discounts and deferred financing costs on our unaudited condensed consolidated statements of operations and comprehensive income (loss) for the nine months ended September 30, 2013. As a result of Amendment No. 4 and Amendment No. 5, we capitalized fees totaling approximately \$14.0 million, which are amortized to interest expense using weighted average interest method.

On August 9, 2013, SWPEI entered into Amendment No. 6 to our Senior Secured Credit Facilities (Amendment No. 6), which amended the terms of the existing Senior Secured Credit Facilities to, among other things, amend the calculation of SWPEI's covenant Adjusted EBITDA to allow the add back of the \$46.3 million termination fee paid in connection with the termination of the 2009 Advisory Agreement.

As of September 30, 2013, we were in compliance in all material respects with all covenants in the provisions contained in the documents governing our Senior Secured Credit Facilities.

See Description of Indebtedness Senior Secured Credit Facilities for further information on our Senior Secured Credit Facilities.

***The Senior Notes***

On December 1, 2009, SWPEI 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 September 30, 2013, we had \$260.0 million aggregate principal amount of the Senior Notes outstanding after redeeming \$140.0 million aggregate principal amount of the Senior Notes in April 2013 using a portion of the net proceeds we received in connection with our initial public offering, as described below.

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;

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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.

We may redeem some or all of the Senior Notes at any time prior to December 1, 2014, at a price equal to 100% of the principal amount of the Senior Notes redeemed plus the Applicable Premium as of, and accrued and unpaid interest to, the redemption date, subject to the right of the holders of record on the relevant record date to receive interest due on the relevant interest payment date. The Applicable Premium is defined as the greater of (1) 1.0% of the principal amount of the Senior Notes and (2) the excess, if any, of (a) the present value at such redemption date of (i) the redemption price of the Senior Notes at December 1, 2014 plus (ii) all required interest payments due on the Senior Notes through December 1, 2014 (excluding accrued but unpaid interest to the redemption date), computed using a discount rate equal to the Treasury Rate plus 50 basis points over (b) the principal amount 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% pursuant to a provision in the indenture governing the Senior Notes that permitted us to redeem up to 35% of the aggregate principal amount of the Senior Notes with the net cash proceeds of certain equity offerings and to pay estimated premiums and accrued interest thereon. The redemption premium of \$15.4 million, along with a write-off of approximately \$5.5 million in related discounts and deferred financing costs is included as loss on early extinguishment of debt and write-off of discounts and deferred financing costs on our unaudited condensed consolidated statements of operations and comprehensive income (loss) for the nine months ended September 30, 2013.

The indenture governing the Senior Notes contains a number of covenants that, among other things, restrict SWPEI'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

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engage in certain types of transactions with affiliates.

These covenants are subject to a number of important limitations and exceptions.

The indenture governing the Senior Notes provides 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 to become or be declared due and payable (subject, in some cases, to specified grace periods).

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As of September 30, 2013, we were in compliance in all material respects with all covenants and the provisions contained in the indenture governing the Senior Notes. See [Description of Indebtedness](#) for further information on the Senior Notes.

### ***Covenant Compliance***

Under the indenture governing the Senior Notes and under our 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 our 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 our 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 our Senior Secured Credit Facilities. Adjusted EBITDA is a material component of these 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 as described under [Management Compensation Discussion and Analysis](#). 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 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.

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The following table reconciles net income (loss) to Adjusted EBITDA:

|   | For the Nine Months Ended<br>September 30, |   | Years Ended December 31,                  |   |   |
|---|--|---|---|---|---|
|   | 2013<br>(Unaudited, amounts in thousands)  | 2012<br>(Unaudited, amounts in thousands) | 2012<br>(Unaudited, amounts in thousands) | 2011<br>(Unaudited, amounts in thousands) | 2010<br>(Unaudited, amounts in thousands) |
| Net income (loss)   | \$ 63,985                                  | \$ 86,243                                 | \$ 77,444                                 | \$ 19,113                                 | \$ (45,464)                               |
| Provision for (benefit from) income taxes   | 31,930                                     | 58,273                                    | 39,482                                    | 13,428                                    | (29,241)                                  |
| Loss on early extinguishment of debt and write-off of discounts and deferred financing costs <sup>(a)</sup> | 32,429                                     |   |   |   |   |
| Interest expense  | 72,550                                     | 86,263                                    | 111,426                                   | 110,097                                   | 134,383                                   |
| Depreciation and amortization expense   | 124,154                                    | 122,085                                   | 166,975                                   | 213,592                                   | 207,156                                   |
| Termination of advisory agreement <sup>(b)</sup>  | 50,072                                     |   |   |   |   |
| Deferred revenue write-downs <sup>(c)</sup>   |  |   |   |   | 17,348                                    |
| Equity-based compensation expense <sup>(d)</sup>  | 4,704                                      | 1,361                                     | 1,681                                     | 823                                       |   |
| Advisory fee <sup>(e)</sup>   | 2,799                                      | 5,075                                     | 6,201                                     | 6,012                                     | 4,704                                     |
| Carve-out costs <sup>(f)</sup>  |  |   |   | 6,085                                     | 45,330                                    |
| Other non-cash expenses <sup>(g)</sup>  | 8,129                                      | 5,282                                     | 10,367                                    | 12,468                                    | 9,060                                     |
| Debt refinancing costs <sup>(h)</sup>   | 892  | 1,000                                     | 1,000                                     | 441                                       |   |
| Chula Vista acquisition <sup>(i)</sup>  | 843  | 167                                       | 630                                       |   |   |
| Adjusted EBITDA   | \$ 392,487                                 | \$ 365,749                                | \$ 415,206                                | \$ 382,059                                | \$ 343,276 <sup>(j)</sup>                 |

- (a) Reflects a \$15.4 million premium paid for the early redemption of \$140.0 million of our 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 \$11.5 million of certain capitalized debt issuance costs in connection with Amendment No. 5 to our Senior Secured Credit Facilities.
- (b) 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. See Certain Relationships and Related Party Transactions 2009 Advisory Agreement.
- (c) Reflects amortization of deferred revenue that would have occurred absent purchase accounting relating to the 2009 Transactions.
- (d) Reflects non-cash compensation expenses associated with the grants of equity compensation.
- (e) Reflects historical fees paid to an affiliate of the Sponsor under the 2009 Advisory Agreement.
- (f) Reflects certain carve-out costs and savings related to our separation from ABI and the establishment of certain operations at the Company on a stand-alone basis. These amounts primarily consist of the cost of third-party professional services, relocation expenses, severance costs and cost savings related to the termination of certain employees.
- (g) Reflects non-cash expenses related to miscellaneous asset write-offs and non-cash gains/losses on foreign currencies which were expensed.
- (h) Reflects costs which were expensed related to the amendments to our Senior Secured Credit Facilities.
- (i) 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.
- (j) The adjustments for the year ended December 31, 2010 include approximately \$20.9 million of



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adjustments permitted under our debt covenants, related to our separation from ABI and certain restructuring costs. As we established some of the services provided to us by ABI, such services became part of our ongoing cost structure and accordingly, we did not use these adjustments for any periods subsequent to the year ended December 31, 2010. Adjusted EBITDA excluding such adjustments would have been \$322,376 for the year ended December 31, 2010.

**Contractual Obligations**

The following table summarizes our principal contractual obligations as of December 31, 2012 (in thousands):

|   | Total               | Less than 1<br>Year | 1-3 Years         | 3-5 Years           | More than 5<br>Years |
|---|---------------------|---------------------|-------------------|---------------------|----------------------|
| Long-term debt (including current portion) <sup>(1)</sup> | \$ 1,845,774        | \$ 21,330           | \$ 42,660         | \$ 1,781,784        | \$                   |
| Interest <sup>(2)</sup>                                   | 379,080             | 101,635             | 199,374           | 78,071              |                      |
| Operating leases <sup>(3)</sup>                           | 360,703             | 12,983              | 25,609            | 24,002              | 298,109              |
| Purchase obligations <sup>(4)</sup>                       | 121,334             | 106,493             | 14,841            |                     |                      |
| <b>Total contractual obligations</b>                      | <b>\$ 2,706,891</b> | <b>\$ 242,441</b>   | <b>\$ 282,484</b> | <b>\$ 1,883,857</b> | <b>\$ 298,109</b>    |

- (1) In connection with our initial public offering in April 2013, we repaid \$37.0 million of the outstanding indebtedness under the then existing Term B Loan and redeemed \$140.0 million aggregate principal amount of the Senior Notes at a redemption price of 111.0%, plus accrued and unpaid interest thereon.
- (2) Estimated future interest payments for our Senior Secured Credit Facilities are based on interest rates in effect at December 31, 2012 and estimated future interest payments for the Senior Notes are based on interest rates in effect at December 31, 2012. Interest obligations also include letter of credit and commitment fees for the used and unused portions of our Revolving Credit Facility. In addition, interest expense associated with deferred financing fees was excluded from the table as the expense is non-cash in nature.
- (3) 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.
- (4) We had minimum purchase commitments with various vendors through May 2013. Outstanding minimum purchase commitments consist primarily of capital expenditures related to future attractions, infrastructure enhancements for existing facilities and information technology products and services.

As of September 30, 2013, there were no material changes to our contractual obligations, other than the long-term debt and interest obligations. As a result of the changes due to Amendment No. 5 to our Senior Secured Credit Facilities, our long-term debt obligations at September 30, 2013 (in thousands), not including any possible prepayments are as follows for the less than one year, 1-3 year, 3-5 year and more than 5 year periods, respectively: \$14,050; \$14,050; \$274,050; and \$1,359,337. Our estimated future interest payments for our Senior Secured Credit Facilities and Senior Notes based on interest rates in effect at September 30, 2013 are as follows for the less than one year, 1-3 year, 3-5 year and more than 5 year periods, respectively: \$71,920; \$142,456; \$87,973; and \$62,786.

**Off-Balance Sheet Arrangements**

We had no off-balance sheet arrangements as of September 30, 2013.

**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

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commodity prices. In addition, costs for construction, repairs and maintenance are all subject to inflationary pressures.

### ***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 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 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 \$1.6 million will be reclassified as an increase to interest expense.

After considering the impact of interest rate swap agreements, at September 30, 2013, approximately \$810.0 million of our outstanding long-term debt represents fixed-rate debt and approximately \$851.5 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 \$4.6 million in annual cash interest costs due to the impact of our fixed-rate swap agreements.

### **Critical Accounting Policies**

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. Internal development costs associated with rides and equipment are capitalized after feasibility studies have been completed and substantially all product development is complete. Interest is capitalized on all major 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

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be shortened, we depreciate the remaining net book value in excess of the 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, the amount of the impairment charge recorded and whether the effects could materially impact the consolidated financial statements included elsewhere in this prospectus.

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

Goodwill and other indefinite-lived intangible assets are reviewed for impairment annually 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 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 recorded value of the reporting unit is compared to the fair value of the reporting unit, which is determined using a discounted future cash flow analysis. If the recorded amount exceeds the fair value, the impairment write-down is quantified 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



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management's best estimates given 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, 2012 and 2010, 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. At December 1, 2011, 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 2011 and the quantitative assessments that were performed as of December 1, 2012 and 2010, we had no reporting units that were considered at risk of failing step one of the goodwill impairment test.

Our indefinite-lived intangible assets consist of certain trade names 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, royalty rate by park, appropriate discount rates, remaining useful life, and other assumptions. 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. At December 1, 2012, the fair value of trade names was substantially in excess of their carrying values.

### ***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 and capital loss 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 operations. Section 382 of 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.

Although we believe that this offering will likely give 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.

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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. Management has analyzed the positive and negative evidence and has determined that it is more likely than not that our deferred tax assets will be realized, and, therefore, no valuation allowances are needed.

### ***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 or when products are delivered to customers. For season passes and other multiuse admissions, revenue is deferred and recognized based on the terms of the admission product and the estimated number of visits expected 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 upon admission.

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

In May 2011, the Financial Accounting Standards Board ( FASB ) issued guidance clarifying how to measure and disclose fair value. This guidance amends the application of the highest and best use concept to be used only in the measurement of fair value of nonfinancial assets, clarifies that the measurement of the fair value of equity-classified financial instruments should be performed from the perspective of a market participant who holds the instrument as an asset, clarifies that an entity that manages a group of financial assets and liabilities on the basis of its net risk exposure can measure those financial instruments on the basis of its net exposure to those risks, and clarifies when premiums and discounts should be taken into account when measuring fair value. The fair value disclosure requirements were also amended. This new guidance is effective for fiscal years and interim periods beginning after December 15, 2011. We adopted the amended guidance effective January 1, 2012 and it did not have a material effect on our consolidated financial statements included elsewhere in this prospectus.

In June 2011, the FASB issued guidance that revises the manner in which entities present comprehensive income in their financial statements. The guidance requires entities to report the components of comprehensive income in either a single, continuous statement or two separate but consecutive statements. In December 2011, the FASB issued guidance which defers certain requirements set forth in June 2011. These amendments were made to allow the FASB time to redeliberate whether to present on the face of the financial statements the effects of reclassifications out of accumulated other comprehensive income on the components of net income and other

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comprehensive income in all periods presented. Both sets of guidance were effective for fiscal years, and interim periods within those years, beginning after December 15, 2011 and are required to be applied retrospectively. We adopted this guidance on January 1, 2012 and accordingly applied to the new guidance retrospectively. Such adoption only resulted in a change in how we present the components of comprehensive income.

In September 2011, the FASB issued guidance related to testing goodwill for impairment. Under the amended guidance, entities testing goodwill for impairment have the option of performing a qualitative assessment before calculating the fair value of the reporting units. If the entities determine, based on the qualitative assessment, that it is more likely than not an impairment has not occurred, no further quantitative testing is necessary. The guidance is effective for fiscal years beginning after December 15, 2011, with early adoption permitted. We early adopted the guidance and performed a qualitative assessment as our initial step for the 2011 annual review of goodwill impairment. The adoption of this guidance did not have a material impact on our consolidated financial statements.

In July 2012, the FASB issued new accounting guidance relating to impairment testing for indefinite-lived intangible assets. In accordance with this guidance, an entity has the option first to assess qualitative factors to determine whether events and circumstances indicate that it is more likely than not that an indefinite-lived intangible asset is impaired. If after such assessment an entity concludes that the indefinite-lived intangible asset is not impaired, then the entity is not required to take further action. However, if an entity concludes otherwise, then it is required to determine the fair value of the indefinite-lived intangible asset and perform the quantitative impairment test as required by existing standards. This guidance is effective for annual and interim impairment tests for fiscal years beginning after September 15, 2012 and early adoption is permitted. We are in the process of evaluating this guidance, which is not expected to have a material impact on our consolidated financial statements included elsewhere in this prospectus.

In February 2013, the Financial Accounting Standards Board issued Accounting Standards Update ( ASU ) No. 2013-02, *Reporting Amounts Reclassified Out of Accumulated Other Comprehensive Income*, which amends ASC 220, *Comprehensive Income*. The amended guidance requires entities to provide information about the amounts reclassified out of accumulated other comprehensive income by component. Additionally, entities are required to present, either on the face of the financial statements or in the notes, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income. The amended guidance does not change the current requirements for reporting net income or other comprehensive income. The amendments are effective prospectively for reporting periods beginning after December 15, 2012. The adoption of ASU No. 2013-02 did not have a significant impact on our condensed consolidated financial statements.

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**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 collection of approximately 67,000 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. In addition to our theme parks, we have recently begun to leverage our brands into media, entertainment and consumer products.

During the year ended December 31, 2012, we hosted more than 24 million guests in our theme parks, including approximately 3.5 million international guests from over 55 countries and six continents. During the nine months ended September 30, 2013, we hosted approximately 18.9 million guests, including approximately 2.9 million international guests. In the year ended December 31, 2012 and the nine months ended September 30, 2013, we had total revenues of \$1,423.8 million and \$1,188.3 million, respectively, and net income of \$77.4 million and \$64.0 million, respectively. Our increasing revenue and growing profit margins, combined with our disciplined approach to capital expenditures and working capital management, enable us to generate strong and recurring cash flow.

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. In 2012, we acquired Knott's Soak City Chula Vista water park in California, which we rebranded and relaunched as Aquatica San Diego on June 1, 2013.

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, located in Orlando, San Antonio and San Diego, each rank among the most highly attended theme parks in the industry and offer up-close interactive experiences and a variety of live performances, including shows featuring Shamu in specially designed amphitheatres. We 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-a-kind animal collection.

***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 award-winning landscaping and gardens and allow our guests to discover the natural side of fun by offering a family experience featuring a variety of attractions and rollercoasters in a richly-themed environment. Busch Gardens Tampa presents our collection of animals from Africa, Asia and Australia. Busch Gardens Williamsburg, which has been named the Most Beautiful Park in the World by the National Amusement Park Historical Association for 23 consecutive years, showcases European-themed cultural and culinary experiences, including high-quality theatrical productions.

***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 companion water parks to our SeaWorld theme parks in Orlando and San Diego and we have an Aquatica water park situated within our SeaWorld San Antonio theme park.



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***Discovery Cove.*** Discovery Cove is a reservations only, all-inclusive, marine-life day resort adjacent to SeaWorld Orlando. Discovery Cove offers guests personal, signature experiences, including the opportunity to swim and interact with dolphins, take an underwater walking reef tour and enjoy pristine white-sand beaches and landscaped private cabanas. Discovery Cove presently limits its attendance to approximately 1,300 guests per day and features premium culinary offerings in order to provide guests with a more relaxed, intimate and high-end luxury resort experience.

***Sesame Place.*** Sesame Place is the only U.S. theme park based entirely on the award-winning television show Sesame Street. Located between Philadelphia and New York City, Sesame Place is a destination where parents and children can share in the spirit of imagination and experience Sesame Street together through whirling rides, water slides, colorful shows and furry friends. 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.

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, 2012, theme park admissions accounted for approximately 62% of our revenue, and purchases of food, merchandise and other spending accounted for approximately 38% of our revenue. Over the same period of time, we reported \$36.26 in admission per capita and \$22.11 in-park per capita spending, representing an increase of 3.9% and 3.3%, respectively, when compared to the year ended December 31, 2011. For the nine months ended September 30, 2013, theme park admissions accounted for approximately 63% of our revenue and purchases of food, merchandise and other spending accounted for approximately 37% of our total revenue. Over the nine months ended September 30, 2013, we reported \$39.50 in admission per capita and \$23.28 of in-park per capita spending, representing an increase of 9.6% and 4.0%, respectively, from the nine month period ended September 30, 2012. For more information, see [Our Brands](#) and [Our Products and Services](#) below.

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 [Our Animals](#) and [Philanthropy and Community Relations](#) below.

### **Our Competitive Strengths**

***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 highly 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. The popularity of our brands is evidenced by over 62 million unique visitors to our websites from January 2012 through September 2013. In addition to our theme parks, we have recently begun to leverage our brands into media, entertainment and consumer products. Our Sea Rescue television program was seen by more than 98 million viewers in its first two seasons and is currently in its third season. In October 2013, we introduced our newest television program, The Wildlife Docs.

***Differentiated Theme Parks.*** We own and operate 11 theme parks, including five 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,

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aesthetic appeal, shopping and dining and have won numerous awards, including Amusement Today's Golden Ticket Awards for Best Landscaping. Our theme parks feature seven of the 50 highest rated steel rollercoasters in the world, led by Apollo's Chariot, the #5 rated steel rollercoaster in the world. Our theme parks have won the top three spots in Amusement Today's annual Golden Ticket Award for Best Marine Life Park since the award's inception in 2006. As of December 31, 2012, we had over 600 attractions, including 93 animal habitats, 116 shows and 187 rides to appeal to guests of all ages. 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.

***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 provides us with a stable attendance base while allowing us to benefit from improvements in macroeconomic conditions, including increased consumer spending and international travel.

***One of the World's Largest Zoological Collections.*** We believe we are attractively positioned in the industry due to our ability to display our extensive animal collection in a differentiated and interactive manner. We believe we have one of the world's largest zoological collections with approximately 67,000 animals, including approximately 7,000 marine and terrestrial animals and approximately 60,000 fish. With 28 killer whales, we have the largest group of killer whales in human care. We have established successful and innovative breeding programs that have produced 30 killer whales, 155 dolphins and 130 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 animal collection and expertise and attractive in-park assets located on valuable real estate. Our animal collection and zoological expertise, which have evolved over our more than four decades of caring for animals, would be very difficult to replicate. From 2010 through 2012, 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, led by Jim Atchison, our Chief Executive Officer and President, includes some of the most experienced theme park executives in the world, with an average tenure of more than 30 years in the industry. 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 and marketing. In addition, we are one of the world's foremost zoological organizations with approximately 1,600 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 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. We intend to continue to capitalize on this strength, including through

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our 2012 acquisition of Knott's Soak City Chula Vista water park in California, which we rebranded and relaunched as Aquatica San Diego on June 1, 2013 near our SeaWorld San Diego theme park.

***Attractive, Growing Profit Margins and Strong Cash Flow Generation.*** Our attractive and growing profit margins, combined with 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, environment, and education. 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 23,000 ill, injured, orphaned and abandoned animals for more than four decades.

## **Our Strategies**

We plan to grow our business by increasing our existing theme park revenues through strategies designed to drive higher attendance and increase in-park per capita spending, as well as by creating new sources of revenue through expansion of our theme parks, new theme park development and extending our brands into new media, entertainment and consumer products. We believe that our strategies complement each other as they lead to increased brand strength and awareness and drive revenue growth and profitability. Our strategies include the following components:

***Continue to Create Memorable Experiences for Our Guests.*** Our mission is to use the power of educational entertainment to continue to inspire our guests to celebrate, connect with and care for the natural world we share. We provide our guests with innovative and immersive theme park experiences, such as our 3-D, 360-degree TurtleTrek attraction, which opened in 2012 at SeaWorld Orlando, and our Antarctica: Empire of the Penguin attraction, which opened in 2013 also at SeaWorld Orlando, and immerses guests into a penguin habitat. We also offer guests exciting rides, animal encounters and beautifully-themed entertainment that are difficult to replicate, such as in-water experiences with beluga whales at SeaWorld Orlando and our Cheetah Hunt ride, which is a launch coaster that opened in 2011 and runs alongside a cheetah habitat at Busch Gardens Tampa. As a result of these distinctive offerings, our guest surveys routinely report very high Overall Satisfaction scores, with 97% of respondents in 2013 ranking their experience good or excellent. Going forward, we will continue to develop high-quality experiences for our guests, focused on integrating our impressive animal collection with creatively themed settings and products that our guests will remember long after they leave our theme parks. In November 2013, we launched AnimalVision, which allows our guests to deepen their connection with animals at our theme parks through on-habitat cameras that stream 24/7 footage of our animal habitats to customized interactive websites.

***Drive Increased Attendance to Our Theme Parks.*** We plan to drive increased attendance to our theme parks by continually introducing new attractions, differentiated experiences and enhanced service offerings. Because of the historic correlation between capital investment and

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increased attendance, we plan to add to our award-winning portfolio of assets and spend capital in support of marketable events, such as SeaWorld's 50th Anniversary Celebration. We also plan to increase awareness of our theme parks and brands through effective media and marketing campaigns, including the targeted use of online and social media platforms. For example, since their introduction in 2006, our YouTube channels have attracted approximately 28 million views, and we believe that we can continue to use traditional and new media to increase awareness of our brands and drive attendance to our theme parks.

***Expand In-Park Per Capita Spending through New and Enhanced Offerings.*** We believe that by providing our guests additional and enhanced offerings at various price points, we can drive further spending in our theme parks. For example, we recently introduced an all-day-dining deal for a supplemental fee, which we believe has resulted in increased in-park per capita spending. In addition, we have developed iPhone and Android smartphone applications for our SeaWorld and Busch Gardens 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 1.4 million downloads of our smartphone applications from June 2011 through September 2013. We believe that going forward, there are significant avenues to expand guest offerings in ways that both increase guest satisfaction and provide us with incremental revenue.

***Grow Revenue through Disciplined and Dynamic Pricing.*** We are focused on increasing our revenues through a variety of ticket options and disciplined pricing and promotional strategies. We offer an array of tailored admission options, including season passes and multi-park tickets to motivate the purchase of higher value products and increase in-park per capita spending. In addition, to increase non-peak demand we offer seasonal and special events and concerts, some of which are separately priced. We have begun deploying a dynamic pricing model, which will enable us to adjust admission prices for our theme parks based on expected demand.

***Increase Profitability through Operating Leverage and Rigorous Cost Management.*** Adding incremental attendance and driving additional in-park per capita spending affords us with an opportunity to realize gains in profitability because of the fixed cost base and high operating leverage of our business. We also employ rigorous cost management techniques to drive additional operating efficiencies. For example, we utilize a centralized procurement and strategic sourcing team and participate in several cooperative buying organizations to leverage our purchases company-wide and have also recently consolidated our marketing spending with a single agency to streamline our marketing efforts.

***Pursue Disciplined Capital Deployment, Expansion and Acquisition Opportunities.*** We pursue a disciplined capital deployment strategy focused on the development and improvement of rides, attractions and shows, as well as seek to leverage our strong brands and expertise to pursue selective domestic and international expansion and acquisition opportunities. As part of this strategy, we seek to replicate successful capital investments in particular attractions across multiple theme parks, as we did with our Journey to Atlantis watercoaster that premiered in SeaWorld Orlando and was later introduced in the other SeaWorld theme parks. We have been successful in grouping our theme parks and water parks near each other, which allows us to operate companion theme parks with reduced overhead costs and creates revenue opportunities through multi-park tickets and other joint marketing initiatives. For example, in November 2012, we acquired Knott's Soak City Chula Vista water park, which we rebranded and relaunched as Aquatica San Diego on June 1, 2013, near our SeaWorld San Diego theme park. We also evaluate new domestic theme park opportunities as well as potential joint venture opportunities that would allow us to expand internationally by combining our brands and zoological and operational expertise with third-party capital.

***Leverage and Expand Our Brands to Increase Awareness and Create New Opportunities.*** Our brands are highly regarded and are primarily based on our own intellectual property, which provides us with opportunities to leverage our intellectual property

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portfolio and develop new media, entertainment and consumer products. For example, on May 24, 2013, we opened Antarctica: Empire of the Penguin at our SeaWorld Orlando theme park that features a new animated penguin character, Puck, and coincides with the launch of new in-park merchandise, mobile gaming, and consumer products designed around the Puck character. In addition, we are able to expand into new media platforms by partnering with others to create new, powerful entertainment opportunities. 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, which attracted over 98 million viewers in its first two seasons and has been rated as the number one show in its timeslot in a number of major U.S. markets since its debut. More recently, in October 2013, we introduced our newest television program, The Wildlife Docs.

***Continue our Support of Species Conservation, Sustainability and Animal Welfare.*** Our zoological know-how and coast-to-coast presence provide us with significant opportunities to contribute to global species conservation, sustainability and animal welfare initiatives. For example, our employees regularly assist in animal rescue efforts, and the non-profit SeaWorld & Busch Gardens Conservation Fund, of which we are the primary supporter and corporate member, makes grants to wildlife research and species conservation projects worldwide. Our species conservation efforts and philanthropic activities generate positive awareness and goodwill for our business. These efforts are a core part of our corporate culture and identity and resonate with our customers.

### **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. theme park industry, which hosts approximately 315 million visitors per year, 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 12 of the 25 most-visited theme parks in the world. In 2013, the U.S. theme park industry is expected to generate approximately \$14.7 billion in revenues, according to the IBISWorld Report.

### **Our Brands**

We own or license a portfolio of globally recognized brands, including SeaWorld, Shamu, Busch Gardens and Sesame Place. By focusing on nature-based themes, our theme parks distinguish themselves from traditional theme parks and are able to attract a diverse geographic and demographic mix of guests. Our brand portfolio is highly stable, reducing our exposure to changing consumer tastes.

Our strong brands allow us to command higher admissions prices, drive in-park per capita spending and generate out-of-park revenue. We are focused on developing proprietary brands and intellectual property that we can leverage through a variety of media and entertainment platforms and consumer products to 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. Our brands are among our most important assets, and we are actively engaged in enforcement and other activities to protect our intellectual property rights.

**Table of Contents****Our Theme Parks**

We are best known for our theme parks, which hosted more than 24 million guests during the year ended December 31, 2012 and approximately 18.9 million guests during the nine months ended September 30, 2013. 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. The 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 2012, SeaWorld Orlando, SeaWorld San Diego and Busch Gardens Tampa each ranked among the top 25 theme parks worldwide based on attendance, and Aquatica Orlando and Water Country USA each ranked among the top 20 water parks worldwide based on attendance. We generally locate our theme parks in geographical clusters, which improves 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.

The following table summarizes our theme park portfolio as of December 31, 2012:

| Location                   | Theme Park | Year Opened         | Season        | Animal Habitats <sup>(2)</sup> | Rides <sup>(3)</sup> | Shows <sup>(4)</sup> | Play Areas <sup>(5)</sup> | Events <sup>(6)</sup> | Distinctive Experiences <sup>(7)</sup> |
|----------------------------|------------|---------------------|---------------|--------------------------------|----------------------|----------------------|---------------------------|-----------------------|--|
| Orlando, FL                |            | 1973                | Year-round    | 19                             | 14                   | 18                   | 2                         | 7                     | 17                                     |
|                            |            | 2000                | Year-round    | 5                              | 0                    | 0                    | 0                         | 0                     | 5                                      |
|                            |            | 2008                | Year-round    | 5                              | 13                   | 0                    | 2                         | 0                     | 2                                      |
| Tampa, FL                  |            | 1959                | Year-round    | 16                             | 30                   | 18                   | 11                        | 9                     | 20                                     |
|                            |            | 1980                | Mar-Oct       | 0                              | 12                   | 0                    | 4                         | 1                     | 2                                      |
| San Diego, CA              |            | 1964                | Year-round    | 26                             | 10                   | 20                   | 2                         | 4                     | 11                                     |
| San Antonio, TX            |            | 1996 <sup>(1)</sup> | May-Sep       | 2                              | 11                   | 0                    | 0                         | 0                     | 0                                      |
| Williamsburg, VA           |            | 1988                | Feb-Dec       | 12                             | 23                   | 29                   | 12                        | 7                     | 32                                     |
|                            |            | 1975                | Mar-Oct & Dec | 7                              | 38                   | 16                   | 8                         | 6                     | 28                                     |
| Langhorne, PA              |            | 1984                | May-Sep       | 1                              | 14                   | 1                    | 4                         | 0                     | 6                                      |
|                            |            | 1980                | May-Oct & Dec | 0                              | 22                   | 14                   | 9                         | 4                     | 7                                      |
| <b>Total<sup>(8)</sup></b> |            |                     |               | <b>93</b>                      | <b>187</b>           | <b>116</b>           | <b>54</b>                 | <b>38</b>             | <b>130</b>                             |

(1) On November 20, 2012, we acquired the Knott's Soak City Chula Vista water park from Cedar Fair, L.P. This water park was 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 rides, including mechanical rides and water slides.

(4) Represents annual and seasonal shows with live entertainment, animals, characters and/or 3-D or 4-D experiences.

(5) Represents pure play areas, typically designed for children or seasonal special event oriented, often without a queue (such as water splash areas and Halloween mazes).

(6) Represents special limited time events.

(7) Represents special experiences, such as educational tours, immersive dining experiences and swimming with animals, often limited to small groups and individuals and/or requiring a supplemental fee.

(8) The total number of animal habitats, rides, shows, play areas, events and distinctive experiences in our theme park portfolio varies seasonally.

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**SeaWorld.** SeaWorld is globally recognized as the leading marine-life theme park brand in the world. Our SeaWorld theme parks offer a truly memorable experience for guests of all ages: up-close animal encounters, thrilling attractions and lavish performances that immerse guests in the marine-life theme. Each SeaWorld theme park showcases killer whales at Shamu Stadium, which features inspiring shows, underwater viewing and special dining experiences. We currently own and operate the following SeaWorld branded theme parks:

*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 original Journey to Atlantis watercoaster ride and Kraken, a floorless rollercoaster. In 2009, SeaWorld Orlando opened Manta, integrating animals and a beautiful aquarium into the theming of a flying rollercoaster. In April 2012, we opened 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, which allows a 3-D movie to be shown all around guests and even above them. In 2013, we opened Antarctica: Empire of the Penguin, a realm within our SeaWorld Orlando theme park that immerses guests into a penguin habitat. This attraction includes innovative ride technology and features a new animated penguin character, Puck.

*SeaWorld San Antonio* is one of the world's largest marine-life theme parks, encompassing 416 acres in San Antonio, Texas. Open 11 months of the year, 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. Our guests can upgrade their experience for an additional fee to also enjoy our Aquatica water park located within SeaWorld San Antonio.

*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. Manta, a new attraction built in 2012 and modeled on the successful Manta ride in SeaWorld Orlando, includes animal habitats featuring bat rays and other marine-life as well as a launch rollercoaster shaped like a giant manta ray.

Collectively, our theme parks have won the top three spots in Amusement Today's annual Golden Ticket Award for Best Marine Life Park since the award's inception in 2006. We have over 48 years of experience developing techniques for reproducing, maintaining and showing marine mammals.

**Busch Gardens.** Our Busch Gardens theme parks are family-oriented theme parks designed to immerse guests in foreign geographic settings and they feature a combination of rollercoasters, exotic animals and high-energy theatrical productions that appeal to all ages. Our Busch Gardens theme parks are renowned for their beauty and cleanliness with award-winning landscaping and gardens. We currently own and operate the following Busch Gardens theme parks:

*Busch Gardens Tampa* features exotic animals, thrill rides and shows on 306 acres of lush natural landscape. With more than 12,000 animals representing more than 300 species, Busch Gardens Tampa offers more opportunities to learn about and interact with amazing animals than any other of our theme parks. Our zoological collection is a popular attraction for families, and its portfolio of rides, including three of the world's top 35 steel rollercoasters, broaden the theme park's appeal to teens and thrill seekers of all ages. Our newest attractions include the award winning Iceploration show, state-of-the-art Animal Care Center and Christmas Town, which opened in 2012.

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*Busch Gardens Williamsburg* is regularly recognized as one of the highest quality theme parks in the world, capturing dozens of awards over its 37-year 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 23 consecutive years and has earned the 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, Alpenggeist and Griffon, ranked in the top 50 in Amusement Today's 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.

***Aquatica.*** Aquatica are high-end water parks that place an equal emphasis on high-energy water rides and innovative presentations of marine and terrestrial animals, while leveraging our brand and aquatic mammal expertise. We position our Aquatica water parks as companions to our SeaWorld theme parks and currently own and operate the following Aquatica branded theme parks:

Aquatica Orlando is an 81 acre South Seas-themed water park adjacent to SeaWorld Orlando. It was the 3rd most attended water park in North America in 2011 and 2012 and is open year-round. 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, including the signature Dolphin Plunge that carries guests through a Commerson's dolphin habitat.

Aquatica San Diego is the latest theme park to be added to our portfolio. This theme park was acquired from Cedar Fair in November 2012 and was rebranded and relaunched as Aquatica San Diego on June 1, 2013 after undergoing extensive renovations.

Aquatica San Antonio is a newly-added water park located within SeaWorld San Antonio and accessible to guests for an additional fee. It features a variety of waterslides, rivers, lagoons, more than 45,000 square feet of beach area, private cabanas and more than 500 stingrays and tropical fish.

***Discovery Cove.*** Located next to SeaWorld Orlando, Discovery Cove is a reservations only, all-inclusive marine-life theme park that is open year-round to guests. 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. We opened new attractions at Discovery Cove in the last two years, 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 between Philadelphia and New York City, Sesame Place is the only theme park in America entirely dedicated to Sesame Street's spirit of imagination. The theme park shares SeaWorld's education and learning through entertainment philosophy and allows parents to rediscover their own childhood. Our rights to the Sesame Street brand in the United States extend through 2021. Despite its small size and seasonal operating schedule, Sesame Place attracts more than one million guests annually due to its strong family appeal. Sesame Place debuted the Neighborhood Street Party Parade and an annual Christmas event in 2011.

***Water Country USA.*** Virginia's largest family water play 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 and features a 23,000 square-foot wave pool, a science fiction themed interactive children's play area, kid-sized water



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slides, live shows and several other attractions. One of its newest attractions is Vanish Point, a thrilling drop slide, which opened in 2011.

***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 eighth most attended water park in North America and features a friendly wave pool and children's water playground that appeal to its core constituency, local families with young children.

### ***Our New Attractions***

Our theme parks feature a variety of attractions for our guests, including the following attractions added in 2013 and 2012:

**Antarctica: Empire of the Penguin (SeaWorld Orlando):** This new attraction at SeaWorld Orlando blends penguin encounters with a family ride for a one-of-a-kind experience. The attraction features a new and innovative ride component, a penguin habitat that is home to more than 230 penguins, an underwater viewing gallery and new culinary and retail offerings.

**Food & Wine Festival (Busch Gardens Williamsburg):** The Busch Gardens Williamsburg Food & Wine Festival was introduced in 2013 and provides guests with an opportunity to take a culinary tour of one of the highest quality theme parks in the world. This new seasonal event features sample-sized portions of international foods, wines and other refreshments not usually found at Busch Gardens Williamsburg.

**Madagascar LIVE! Operation: Vacation (Busch Gardens Tampa and SeaWorld San Diego):** This original live musical show features singers, dancers and music performed by a live band. Guests can sing, clap and dance along to original songs and party favorites as they join in with the popular characters from the DreamWorks Animation Madagascar franchise.

**Pets Ahoy (SeaWorld San Antonio):** The popular Pets Ahoy show from SeaWorld Orlando was introduced at SeaWorld San Antonio in 2013. The comical show features the talents of dogs, cats, birds, rats, pot-belly pigs and other animals performing a series of entertaining skits. Nearly all of the animals featured in the show are rescued from animal shelters.

**Animal Care Center (Busch Gardens Tampa):** At our Animal Care Center guests have the opportunity to observe and take part in the animal care experience. From nutrition to x-rays and surgeries, much of the animal care is conducted within guest view in this state-of-the-art animal care facility.

**Aquatica San Antonio (SeaWorld San Antonio):** Aquatica San Antonio is a resort style water park opened inside SeaWorld San Antonio and available for an additional fee. It features thrilling water slides, rivers, lagoons, more than 45,000 square feet of beach area, private cabanas and more than 500 stingrays and tropical fish. 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.

**Christmas Town (Busch Gardens Tampa):** Christmas Town allows guests to experience the Christmas season with a separate admission evening event offering more than a million holiday lights, special entertainment, shopping, dining and seasonal attractions.

**Entwined: Tales of Good and Grimm (Busch Gardens Williamsburg):** Entwined is Busch Gardens' new storytelling show in Das Festhaus, a restaurant and entertainment venue.

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Freshwater Oasis (Discovery Cove): Freshwater Oasis offers wading adventures and face-to-face encounters with otters and marmosets.

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**Iceploration (Busch Gardens Tampa):** Iceploration is a new ice show set in the 1,100-seat Moroccan Palace Theater. It combines skaters, oversized puppets, atmospheric special effects, original music and animals to tell the story of a young boy and his grandfather exploring the world.

**Just for Kids (SeaWorld Orlando):** Just for Kids is an event that provides children with an opportunity to sing, dance and play. Guests experience live shows, kid-sized rides and some of today's favorite children's music artists at this popular festival.

**Let's Play Together (Sesame Place):** Let's Play Together is the newest addition to Sesame Place. Elmo, Cookie Monster, Grover, Rosita, Bert, Ernie and Abby Cadabby play, sing and dance while learning all about the wonderful things that friends do together.

**Manta (SeaWorld San Diego):** Manta is an attraction that includes animal habitats featuring bat rays and other marine-life, as well as a launch rollercoaster shaped like a giant manta ray.

**TurtleTrek (SeaWorld Orlando):** TurtleTrek is a realistic 3-D, 360 degree movie, providing guests with an opportunity to find out what it is like to be a turtle on an epic journey where they encounter hardships and challenges as they try to make it back to their home beach. TurtleTrek also features two large saltwater and freshwater habitats that are home to endangered sea turtles and manatees.

**Verbolten (Busch Gardens Williamsburg):** Verbolten is a multi-launch, indoor/outdoor rollercoaster that ends with an 88-foot drop toward the theme park's Rhine River.

## ***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.

In 2012, we opened new attractions in seven of our theme parks. On May 24, 2013, we opened one of our biggest new attractions: Antarctica: Empire of the Penguin, a realm within our SeaWorld Orlando park themed to the snowy continent that includes a new attraction with innovative ride technology. Antarctica immerses guests into a penguin habitat. On June 1, 2013, we rebranded and relaunched the Knott's Soak City Chula Vista water park which we acquired in November 2012, as Aquatica San Diego, after making capital investments to upgrade its facilities.

During 2014 and 2015, we plan to celebrate the 50th anniversary of the SeaWorld brand at all three of our SeaWorld theme parks with a variety of new events, attractions, decors and musical features that celebrate our leadership in the marine-life theme park segment. SeaWorld's 50th Anniversary Celebration will be highlighted by major new attractions, such as Explorer's Reef in SeaWorld San Diego, which features an opportunity for our guests to experience hands-on interactions with sea creatures. Beyond the new products and experiences that we will be offering to our guests, we believe that we will be able to capitalize on the strong brand recognition and widespread appeal of our theme parks by raising public awareness of the anniversary celebration across traditional and digital media. Also in 2014, at our Busch Gardens Tampa park, we are scheduled to complete construction on Falcon's Fury, a 335 foot tall drop tower that will pivot guests 90 degrees into a face down dive position before dropping toward the ground.

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

Maintenance at our theme parks is a key component of guest service and safety and includes two areas of focus: facilities and infrastructure and rides and attractions. Facilities and infrastructure 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.

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 or 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 and a global leader in 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 animal collections in the world, with approximately 67,000 animals, including 7,000 marine and terrestrial animals and 60,000 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 collection. Those efforts have produced 30 killer whales, 155 dolphins and 130 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 28 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 collection 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.

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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, 2012 and the nine months ended September 30, 2013, theme park admissions accounted for approximately 62% and 63%, respectively, 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 30% of our admission ticket purchases are made online.

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. 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), the theme park operations team manages the planning and execution of the overall theme park experience on a daily basis. In pursuit of continuous improvement at our guest touch points, theme park operations identify and leverage 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 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

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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.

We operate more than 200 specialty 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 55,000 unique SKUs across five divisions. 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 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 and Consumer Products***

To capitalize on our popular brands, we have begun to 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 our first-ever multi-platform mobile app game, TurtleTrek, which launched on iTunes in November 2012. 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, books, apparel, and technology accessories, among many other product types. For example, we worked with Mattel to develop our first Barbie I Can Be: SeaWorld Trainer Doll playset, which debuted to the public in 2008. In 2013, our licensees have an aggregate of approximately 250 SKUs with retail distributors worldwide. New product launches in 2013 included direct to retail products, consumer packaged goods, fashion dolls, plush toys, puzzles, board games, digital games and children's apparel. We believe that 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 consumer awareness and increased consumer loyalty.

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In addition, we have expanded our brand appeal through strategic alliances with well-known external brands, including Sesame Street and The Polar Express. Recently, 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.

### ***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. Through September 30, 2013, we hosted more than 1,200 group events at our theme parks across the country.

### ***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 marketing value and influence and drive mutual business gains. We identify prospective corporate sponsors based on their industry and industry-leading position among Fortune 1000 companies, and we select them based on their ability to deliver impactful marketing value to our theme parks and our brands, as well as to consumer products and various entertainment platforms. Our current corporate sponsors include, among others, Southwest Airlines, which has been a sponsor for over 20 years, and The Coca-Cola Company. 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-for-profit SeaWorld & Busch Gardens Conservation Fund. For example, in 2012, The Coca-Cola Company and Southwest Airlines launched new channel marketing programs and consumer promotions on our behalf with Walmart, Wendy's, Dunkin Donuts, Regal Cinemas, Cinemark, NASCAR, MyCokeRewards and Southwest Vacations.

### ***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 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

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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 23,000 ill, injured, orphaned and abandoned animals.

Our commitment to research and conservation also has led to advances in the care of animals in both 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.

Most recently, we have 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 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 740,000 free single day passes to active military personnel and their families for the year ended December 31, 2012 and approximately 600,000 free single day passes to active military personnel and their families for the nine months ended September 30, 2013.

## **Our Guests and Customers**

Our theme parks are located near a number of large metropolitan areas, with a total population of over 55 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, 2012, families comprised 55% of our attendance with an average party size of 3.7 people and for the nine



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months ended September 30, 2013, families comprised 56% 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 a winter kids festival, spring 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.

### **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.

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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, 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

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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, but also other parks in the United States that are owned or operated by SeaWorld Parks & Entertainment LLC, its subsidiaries or affiliates.

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.

## **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 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 animal 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, 2012, we employed approximately 22,100 employees, approximately 4,400 of whom were employed on a full-time basis. The number of part-time and seasonal employees, many of whom are high school and college students, increases during our peak operating season. None of our employees are covered by a collective bargaining agreement, and we consider our employee relations to be good.

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### **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 environmental, 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 animal 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 occurrence for property 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 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.

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**Properties**

The following table summarizes our principal properties, which includes undeveloped land.

| <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 Farm                          |
| Langhorne, PA    | 55 acres                 | Owned Theme Park                             |
| San Antonio, TX  | 416 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                |

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

Our Senior Secured Credit Facilities are collateralized by first priority or equivalent security interests in, among other things, certain tangible and intangible assets, including our fee-owned properties. See Description of Indebtedness Senior Secured Credit Facilities.

***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 \$9.6 million, which is subject to adjustment on January 1, 2014.

**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.

**Table of Contents****MANAGEMENT****Executive Officers and Directors**

The following table sets forth certain information regarding our executive officers and directors as of November 15, 2013:

| <b>Name</b>              | <b>Age</b> | <b>Position</b>  |
|--------------------------|------------|--|
| Jim Atchison             | 47         | Chief Executive Officer and President, Director                                    |
| James M. Heaney          | 50         | Chief Financial Officer  |
| Daniel B. Brown          | 59         | Chief Operating Officer SeaWorld & Discovery Cove                                  |
| Donald W. Mills Jr.      | 55         | Chief Operating Officer Busch Gardens & Sesame Place                               |
| Scott D. Helmstedter     | 49         | Chief Creative Officer   |
| G. Anthony (Tony) Taylor | 48         | Chief Legal and Corporate Affairs Officer, General Counsel and Corporate Secretary |
| Dave Hammer              | 53         | Chief Human Resources Officer  |
| Marc Swanson             | 42         | Chief Accounting Officer   |
| Brad Andrews             | 64         | Chief Zoological Officer   |
| David F. D Alessandro    | 62         | Chairman of the Board of the Directors   |
| Joseph P. Baratta        | 42         | Director   |
| Bruce McEvoy             | 36         | Director   |
| Judith A. McHale         | 66         | Director   |
| Peter F. Wallace         | 38         | Director   |
| Deborah M. Thomas        | 49         | Director   |

*Jim Atchison* has been a director, Chief Executive Officer and President of the Company since 2009. He served as President and Chief Operating Officer of Busch Entertainment Corporation from 2007 to 2009, as Executive Vice President and General Manager of SeaWorld Orlando from 2003 to 2007 and as Vice President of Marketing of the same entity from 2002 to 2003. Prior to that, Mr. Atchison was the Vice President of Finance of Busch Gardens Tampa from 1998 to 2002. Mr. Atchison is also a member of the board of directors of the SeaWorld & Busch Gardens Conservation Fund and Hubbs-SeaWorld Research Institute, and he is also a member of the University of Central Florida Board of Trustees. Mr. Atchison holds a bachelor's degree in marketing from the University of South Florida and a master's degree in business administration from the University of Central Florida.

*James M. Heaney* has been our Chief Financial Officer since January 2012. From 2007 to 2011, he served as Chief Financial Officer and Senior Vice President of Finance and Travel Operations for Disney Cruise Line. Mr. Heaney began his career at Disney as Finance Manager in 1994 and was promoted to Director and Vice President of Finance in 1997 and 2002, respectively. From 1990 to 1994, Mr. Heaney served as Finance Manager and Financial Analyst at Royal Caribbean Cruises Ltd. From 1989 to 1990, he worked as a Financial Analyst of Pueblo Xtra International and from 1988 to 1989, as Financial Systems Analyst of Gould, Inc CSD. Mr. Heaney holds a bachelor's degree in operations management from Texas Tech University and a master's degree in business administration with an academic emphasis in finance from the University of Florida.

*Daniel B. Brown* has been the Chief Operating Officer SeaWorld & Discovery Cove since 2010. Prior to that, Mr. Brown served as Park President of SeaWorld Orlando, Discovery Cove and Aquatica from 2007 to 2010, Park President of Busch Gardens Tampa and Adventure Island from 2003 to 2007, Park President of Busch Gardens Williamsburg from 1999 to 2003, and Vice President of Operations of Busch Entertainment Corporation from 1997 to 1999. Mr. Brown serves on the Dean's Advisory Board of UCF's Rosen College of Hospitality Management, the executive board of Visit Orlando and the board of the Hubbs-SeaWorld Research Institute. He holds a bachelor's degree of Arts from Webster University.

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*Donald W. Mills Jr.* has been the Chief Operating Officer Busch Gardens & Sesame Place theme parks since 2010. Prior to that, Mr. Mills served as Executive Vice President and General Manager of Busch Gardens Tampa from 2007 to 2010, Executive Vice President and General Manager of Busch Gardens Williamsburg from 2003 to 2007, Vice President of Park Operations of Busch Gardens Williamsburg from 2002 to 2003, Vice President of Park Operations of SeaWorld San Diego from 1999 to 2002, Vice President of Park Operations of Busch Gardens Tampa and Vice President of Adventure Island from 1992 to 1994. Mr. Mills is a member of the advisory board of the University of South Florida College of Business and a member of the board of directors of the IAAPA Foundation. He holds a bachelor's degree of Science and Marketing from the University of South Florida.

*Scott D. Helmstedter* has been our Chief Creative Officer since 2011. He served as Principal and Executive Producer of In Motion Entertainment from 2000 to 2011, and from 1997 to 1999 as a Producer at Universal Studios. Prior to that, from 1995 to 1997, Mr. Helmstedter was the Line Producer of Buena Vista Pictures of The Walt Disney Company, and from 1986 until 1995 he served as Production Manager of The Walt Disney Company. Mr. Helmstedter holds a bachelor's degree of Arts from Azusa Pacific University and a master's degree in business administration from Claremont Graduate University.

*G. Anthony (Tony) Taylor* has been our Chief Legal Officer, General Counsel and Corporate Secretary since 2010. In March 2013, he was appointed to lead the newly established Corporate Affairs group, which includes Industry & Governmental Affairs, Corporate Communications, Community Affairs, Risk Management and Corporate Social Responsibility. Prior to joining the Company, Mr. Taylor held the position of Associate General Counsel of Anheuser-Busch Companies, Inc. from 2000 to 2010, and a Principal in Blumenfeld Kaplan in St. Louis from 1993 to 2000. He holds bachelor's degrees in political science and speech communication from the University of Missouri and a juris doctor degree from Washington University.

*Dave Hammer* has been our Chief Human Resources Officer since 2009. Prior to that, Mr. Hammer served as Corporate Vice President of Human Resources of Busch Entertainment Corporation from 2004 until 2009, Vice President of Human Resources of Sea World Florida and Corporate Manager of Human Resources for Busch Entertainment Corporation from 1999 to 2001, Director of Human Resources of Busch Properties, Inc. from 1995 to 1999 and as Vice President of Human Resources for Sesame Place from 1991 to 1995. Mr. Hammer is a member of the board of directors of the Florida Chamber of Commerce. He holds a bachelor's degree in human resources from St. Leo College in Tampa, Florida.

*Marc Swanson* has been our Chief Accounting Officer since 2012. Prior to that, he has been Vice President Performance Management and Corporate Controller of SeaWorld Parks & Entertainment, Inc. from 2011 to 2012, the Corporate Controller of Busch Entertainment Corporation from 2008 to 2011 and the Vice President of Finance of Sesame Place from 2004 to 2008. He is a member of the board of directors of the SeaWorld & Busch Gardens Conservation Fund. Mr. Swanson holds a bachelor's degree in accounting from Purdue University and a master's degree in business administration from DePaul University, and is a CPA.

*Brad Andrews* has been our Chief Zoological Officer since 2010. He served as Corporate Vice President of Zoological Operations of Busch Entertainment Corporation from 1991 to 2010, Vice President and Assistant Zoological Director of the same entity from 1990 to 1991. Prior to that, he served as Curator and Vice President Mammals of SeaWorld Orlando from 1988 until 1990. Mr. Andrews is also a member of the board of directors of the SeaWorld & Busch Gardens Conservation Fund, Hubbs-SeaWorld Research Institute, Wildlife Alliance, International Elephant Foundation,

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International Rhino Foundation, Cheetah Conservation Fund, African Carnivore Research Association, Global Conservation Network and United States Rugby Foundation. Mr. Andrews holds a bachelor's degree of Science from St. Mary's College.

*David F. D'Alessandro* has been the chairman of the Board of Directors of the Company since 2010. He served as Chairman, President and Chief Executive Officer of John Hancock Financial Services from 2000 to 2004, having served as President and Chief Operating Officer of the same entity from 1996 to 2000, and guided the company through a merger with ManuLife Financial Corporation in 2004. Mr. D'Alessandro served as President and Chief Operating Officer of ManuLife in 2004. He is a former Partner of the Boston Red Sox. A graduate of Syracuse University, he holds honorary doctorates from three colleges and serves as vice chairman of Boston University.

*Joseph P. Baratta* has been a director of the Company since 2009. Mr. Baratta is the Global Head of the Private Equity Group at Blackstone, which he joined in 1998. Before joining Blackstone, Mr. Baratta worked at Tinicum Incorporated, McCown De Leeuw & Company and Morgan Stanley. Mr. Baratta is also a trustee of the Private Equity Foundation. Mr. Baratta holds a bachelor's degree from Georgetown University, where he currently serves on the University's Board of Regents and the Advisory Board of the McDonough School of Business.

*Bruce McEvoy* has been a director of the Company since 2009. Mr. McEvoy is a Managing Director in the Private Equity Group at Blackstone, which he joined in 2006. Before joining Blackstone, Mr. McEvoy worked at General Atlantic and McKinsey & Company. Mr. McEvoy also currently serves on the board of directors of Catalent, GCA Services, Performance Food Group, RGIS Inventory Specialists and Vivint, and he was formerly a director of DJO Orthopedics. Mr. McEvoy graduated from Princeton University and Harvard Business School.

*Judith A. McHale* has been a director of the Company since March 2013. Ms. McHale currently serves as the President and Chief Executive Officer of Cane Investments, LLC. From 2009 to 2011, Ms. McHale served as Under Secretary of State for Public Diplomacy and Public Affairs for the U.S. Department of State. From 2006 to 2009, Ms. McHale served as a Managing Partner in the formation of GEF/Africa Growth Fund. Prior to that, Ms. McHale served as the President and Chief Executive Officer of Discovery Communications. Ms. McHale currently serves on the board of directors of Ralph Lauren Corporation, Yellow Media Limited and Hilton Worldwide Holdings Inc. Ms. McHale graduated from the University of Nottingham in England and Fordham University School of Law.

*Peter F. Wallace* has been a director of the Company since 2009. Mr. Wallace is a Senior Managing Director in Blackstone's Private Equity Group, which he joined in 1997. Mr. Wallace also currently serves on the board of directors of AlliedBarton Security Services, GCA Services, Michaels Stores, Inc., Vivint and the Weather Channel Companies. Mr. Wallace was formerly a director of Crestwood Midstream Partners, New Skies Satellites and Pelmorex Media. Mr. Wallace graduated from Harvard College.

*Deborah M. Thomas* has been a director of the Company since November 11, 2013. Ms. Thomas currently serves as the Chief Financial Officer of Hasbro, Inc. Prior to her appointment in 2009 as Hasbro's Chief Financial Officer, Ms. Thomas served as Senior Vice President and Head of Corporate Finance for Hasbro from 2007 to 2009. Ms. Thomas also served as Hasbro's Corporate Controller and has held positions of increasing responsibility since joining Hasbro's Finance Department in 1998. Prior to joining Hasbro, Ms. Thomas held Assurance positions at KPMG Peat Marwick, LLP from 1986 through 1998, in the United States and in the United Kingdom. Ms. Thomas holds a bachelor's degree from Providence College, where she currently serves on the President's Advisory Council, and is a CPA.

## **Composition of the Board of Directors**

Our business and affairs are managed under the direction of our Board of Directors. Our Board of Directors consists of seven directors, three of whom are independent. Our amended and restated



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certificate of incorporation provides for a classified Board of Directors, with two directors in Class I (Mr. D Alessandro and Ms. McHale), two directors in Class II (Messrs. Atchison and McEvoy) and three directors in Class III (Messrs. Baratta and Wallace and Ms. Thomas). See

Description of Capital Stock Anti-Takeover Effects of our Amended and Restated Certificate of Incorporation and Amended and Restated Bylaws and Certain Provisions of Delaware Law Classified Board of Directors. In addition, we entered into a stockholders agreement with certain affiliates of Blackstone in connection with our initial public offering. This agreement grants Blackstone the right to designate nominees to our Board of Directors subject to the maintenance of certain ownership requirements in us. As a result, under the terms of the Stockholders Agreement, based on its beneficial ownership of our common stock immediately after the completion of this offering, Blackstone will be entitled to nominate at least 40% of the total number of directors comprising our Board of Directors. See Certain Relationships and Related Party Transactions Stockholders Agreement.

### ***Background and Experience of Directors***

When considering whether directors and nominees have the experience, qualifications, attributes or skills, taken as a whole, to enable our Board of Directors to satisfy its oversight responsibilities effectively in light of our business and structure, the Board of Directors focused primarily on each person's background and experience as reflected in the information discussed in each of the directors' individual biographies set forth above. We believe that our directors provide an appropriate mix of experience and skills relevant to the size and nature of our business. Once appointed, directors serve until they resign or are terminated by the stockholders. In particular, the members of our Board of Directors considered the following important characteristics, among others:

Mr. Atchison our Board of Directors considered Mr. Atchison's extensive familiarity with our business and his thorough knowledge of our industry owing to his 26-year history with the Company.

Mr. D Alessandro our Board of Directors considered Mr. D Alessandro's financial and management expertise and his valuable experience gained from his positions as Chairman, President and Chief Executive Officer of John Hancock Financial Services.

Mr. Baratta our Board of Directors considered Mr. Baratta's service on the boards of a diverse group of companies, his significant financial, investment and operational experience as the Global Head of Private Equity at Blackstone and his experience with investments in and advising several companies, including companies in the entertainment industry.

Mr. McEvoy our Board of Directors considered Mr. McEvoy's knowledge and expertise based on his experiences at Blackstone coupled with his experience as a director of several companies, as well as his management consulting experience.

Ms. McHale our Board of Directors considered Ms. McHale's extensive business and management expertise, including her experience as an executive officer and director of several public companies, as well as her prior service as a high-ranking official in the U.S. Department of State.

Mr. Wallace our Board of Directors considered Mr. Wallace's service on the boards of a diverse group of companies, as well as his significant financial and investment experience relating to his position as a Senior Managing Director at Blackstone.

Ms. Thomas our Board of Directors considered Ms. Thomas' significant financial and management expertise and her extensive experience in leading global financial operations as the Chief Financial Officer of Hasbro, Inc.

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### ***Board Leadership Structure***

Our Board of Directors is led by the Non-Executive Chairman. The Chief Executive Officer position is separate from the Chairman position. We believe that the separation of the Chairman and Chief Executive Officer positions is appropriate corporate governance for us at this time.

### ***Role of Board in Risk Oversight***

The Board of Directors has extensive involvement in the oversight of risk management related to us and our business and accomplishes this oversight through the regular reporting by the Audit Committee. The Audit Committee represents the Board of Directors by periodically reviewing our accounting, reporting and financial practices, including the integrity of our financial statements, the surveillance of administrative and financial controls and our compliance with legal and regulatory requirements. Through its regular meetings with management, including the finance, legal, and internal audit functions, the Audit Committee reviews and discusses all significant areas of our business and summarizes for the Board of Directors all areas of risk and the appropriate mitigating factors. In addition, our Board of Directors receives periodic detailed operating performance reviews from management.

### ***Controlled Company Exception***

After the completion of this offering and the share repurchase, affiliates of Blackstone will beneficially own approximately 46.0% of our common stock and voting power. As a result, we will no longer be a controlled company within the meaning of the NYSE corporate governance standards. The NYSE rules require that we appoint a majority of independent directors to our Board of Directors within one year of the date we no longer qualify as a controlled company. The NYSE rules also require that we have at least one independent director on each of our Compensation and Nominating and Corporate Governance Committees on the date we no longer qualify as a controlled company, at least a majority of independent directors within 90 days of such date and fully independent Compensation and Nominating and Governance Committees within one year of such date.

### ***Board Committees***

The standing committees of our Board of Directors consist of an Audit Committee, a Compensation Committee and a Nominating and Corporate Governance Committee.

Our president and chief executive officer and other executive officers regularly report to the non-executive directors and the Audit, the Compensation and the Nominating and Corporate Governance Committees to ensure effective and efficient oversight of our activities and to assist in proper risk management and the ongoing evaluation of management controls. The vice president of internal audit reports functionally and administratively to our chief financial officer and directly to the Audit Committee. We believe that the leadership structure of our Board of Directors provides appropriate risk oversight of our activities.

### ***Audit Committee***

Our Audit Committee consists of Ms. McHale, who serves as the Chair, Mr. McEvoy and Ms. Thomas. Ms. McHale and Ms. Thomas qualify as independent directors under the NYSE corporate governance standards and the independence requirements of Rule 10A-3 of the Securities Exchange Act of 1934, as amended (the Exchange Act). We expect a third new independent director to replace Mr. McEvoy within one year of the effective date of the registration statement relating to our initial public offering so that all of our Audit Committee members will be independent as such term is defined in Rule 10A-3(b)(i) under the Exchange Act and under NYSE Rule 303(A).

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The purpose of the Audit Committee is to prepare the audit committee report required by the SEC to be included in our proxy statement and to assist our Board of Directors in overseeing and monitoring (1) the quality and integrity of our financial statements, (2) our compliance with legal and regulatory requirements, (3) our independent registered public accounting firm's qualifications and independence, (4) the performance of our internal audit function and (5) the performance of our independent registered public accounting firm.

Our Board of Directors has adopted a written charter for the Audit Committee which is available on the Investor Relations portion of our website.

### ***Compensation Committee***

Our Compensation Committee consists of Mr. D Alessandro, who serves as the Chair, and Messrs. Wallace and McEvoy. Mr. D Alessandro qualifies as an independent director under the NYSE corporate governance standards. Under the NYSE rules, we are required to have at least a majority of independent members on the Compensation Committee within 90 days from date that we cease to be a controlled company and a Compensation Committee that is comprised entirely of independent members within one year from such date.

The purpose of the Compensation Committee is to assist our Board of Directors in discharging its responsibilities relating to (1) setting our compensation program and compensation of our executive officers and directors, (2) monitoring our incentive and equity-based compensation plans and (3) preparing the compensation committee report required to be included in our proxy statement under the rules and regulations of the SEC.

Our Board of Directors has adopted a written charter for the Compensation Committee which is available on the Investor Relations portion of our website.

### ***Compensation Committee Interlocks and Insider Participation***

None of our executive officers currently serves, or has served during the last year, as a member of the board of directors or compensation committee of any entity that has one or more executive officers serving as a member of our Board of Directors or the Compensation Committee. We are parties to certain transactions with Blackstone described in Certain Relationships and Related Party Transactions section of this prospectus.

### ***Nominating and Corporate Governance Committee***

Our Nominating and Corporate Governance Committee consists of Mr. D Alessandro, who serves as the Chair, and Messrs. Wallace and McEvoy. Mr. D Alessandro qualifies as an independent director under the NYSE corporate governance standards. Under the NYSE rules, we are required to have at least a majority of independent members on the Nominating and Corporate Governance Committee within 90 days from date that we cease to be a controlled company and a Nominating and Corporate Governance Committee that is comprised entirely of independent members within one year from such date.

The purpose of our Nominating and Corporate Governance Committee is to assist our Board of Directors in discharging its responsibilities relating to (1) identifying individuals qualified to become new Board of Directors members, consistent with criteria approved by the Board of Directors, subject to the stockholders agreement with Blackstone, (2) reviewing the qualifications of incumbent directors to determine whether to recommend them for reelection and selecting, or recommending that the Board of Directors select, the director nominees for the next annual meeting of stockholders, (3) identifying Board of Directors members qualified to fill vacancies on any Board of Directors committee and

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recommending that the Board of Directors appoint the identified member or members to the applicable committee, subject to the stockholders agreement with Blackstone, (4) reviewing and recommending to the Board of Directors corporate governance principles applicable to us, (5) overseeing the evaluation of the Board of Directors and management and (6) handling such other matters that are specifically delegated to the committee by the Board of Directors from time to time.

Our Board of Directors has adopted a written charter for the Nominating and Corporate Governance Committee which is available on the Investor Relations portion of our website.

### **Code of Business Conduct and Ethics**

Our Code of Business Conduct and Ethics applies to all of our directors, officers and employees, including our principal executive officer, principal financial officer and principal accounting officer. Our Code of Business Conduct and Ethics is available on the Investor Relations portion of our website. Our Code of Business Conduct and Ethics is a code of ethics, as defined in Item 406(b) of Regulation S-K. We will make any legally required disclosures regarding amendments to, or waivers of, provisions of our code of ethics on our Internet website.

### **Compensation Discussion and Analysis**

#### ***Introduction***

Our executive compensation plan is designed to attract and retain individuals with the qualifications to manage and lead the Company as well as to motivate them to develop professionally and contribute to the achievement of our financial goals and ultimately create and grow our equity value.

Our named executive officers for 2012 were:

Jim Atchison, our President and Chief Executive Officer;

James M. Heaney, our Chief Financial Officer; and

our three other most highly compensated executive officers who served in such capacities at December 31, 2012, namely,

Daniel B. Brown, our Chief Operating Officer SeaWorld & Discovery Cove;

Donald W. Mills, Jr., our Chief Operating Officer Busch Gardens & Sesame Place; and

Scott D. Helmstedter, our Chief Creative Officer.

#### ***Executive Compensation Objectives and Philosophy***

Our primary executive compensation objectives are to:

attract, retain and motivate senior management leaders who are capable of advancing our mission and strategy and ultimately, create and maintain our long-term equity value. Such leaders must engage in a collaborative approach and possess the ability to execute our business strategy in an industry characterized by competitiveness, growth and a challenging business environment;

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reward senior management in a manner aligned with our financial performance; and

align senior management's interests with our equity owners' long-term interests through equity participation and ownership.

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To achieve our objectives, we deliver executive compensation through a combination of the following components:

Base salary;

Bonuses which are tied to company financial performance;

Long-term incentive compensation;

Broad-based employee benefits;

Supplemental executive perquisites; and

Severance benefits.

Our total executive compensation plan is inclusive of base salaries and other benefits and perquisites, including severance benefits, which are designed to attract and retain senior management talent. We also use annual cash incentive compensation and long-term equity incentives to ensure a performance-based delivery of pay that aligns, as closely as possible, the rewards of our named executive officers with the long-term interests of our equity-owners while enhancing executive retention.

### ***Compensation Determination Process***

In connection with our initial public offering, we established a Compensation Committee that is responsible for making all executive compensation determinations.

Prior to our initial public offering, our Board of Directors made all of the decisions about our executive compensation. In making initial compensation determinations with respect to our named executive officers, our Board of Directors considered a number of variables, consistent with our executive compensation objectives, including individual circumstances related to each executive's recruitment or retention and the position for which they were hired. For example, our Board of Directors granted to Mr. Atchison a substantially greater number of equity awards in light of his role as our President and Chief Executive Officer as compared to the other named executive officers. The specific terms of each of the equity grants to our named executive officers are discussed below under Narrative Disclosure to Summary Compensation Table and Grants of Plan-Based Awards. Our Board of Directors did not use any compensation consultants in making its compensation determinations and has not benchmarked any of its compensation determinations against a peer group.

Mr. Atchison generally participates in discussions and deliberations with our Board of Directors regarding the determinations of annual cash incentive awards for our executive officers. Specifically, he makes recommendations to our Board of Directors regarding the performance targets to be used under our annual bonus plan and the amounts of annual cash incentive awards. Mr. Atchison does not participate in discussions regarding his own compensation.

### ***Compensation Elements***

The following is a discussion and analysis of each component of our executive compensation program.

#### ***Base Salary***

Annual base salaries compensate our executive officers for fulfilling the requirements of their respective positions and provide them with a level of cash income predictability and stability with respect to a portion of their total compensation. Our Board of Directors believes that the level of an



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executive officer's base salary should reflect such executive's performance, experience and breadth of responsibilities, salaries for similar positions within our industry and any other factors relevant to that particular job. The Board of Directors utilized the experience, market knowledge and insight of its members in evaluating the competitiveness of current salary levels. Our Human Resources Department is also a resource for such information as needed.

In the sole discretion of our Board of Directors, base salaries for our executive officers may be periodically adjusted to take into account changes in job responsibilities or competitive pressures. Our Board of Directors did not make any adjustments to any of our named executive officers base salaries in 2012.

***Bonuses***

*Annual Cash Incentive Compensation.* Annual cash incentive awards are available to all salaried exempt employees, including our named executive officers, under our annual bonus plan. The objectives of the bonus plan are to motivate these employees to achieve short-term performance goals and tie a portion of their cash compensation to our performance by rewarding them based on our overall performance.

Under our SeaWorld Parks & Entertainment Bonus Plan (the 2012 Bonus Plan), each employee eligible to participate in the 2012 Bonus Plan was eligible to earn an annual cash incentive award based on our achievement of such employee's Adjusted EBITDA target for 2012. The Adjusted EBITDA target was determined by our Board of Directors early in the year, after taking into consideration management's recommendations and our budget for the year.

Under our 2012 Bonus Plan, Adjusted EBITDA is defined in the same way as the definition of Adjusted EBITDA that is used for covenant calculations under the indenture governing our Senior Notes and the credit agreement governing our Senior Secured Credit Facilities, which 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 under such covenants.

Each participant in the 2012 Bonus Plan had a bonus potential target, computed as a percentage of salary, based on job level. For fiscal 2012, the bonus potential target for Mr. Atchison was 100% of his 2012 base salary and the bonus potential target for each of Messrs. Heaney, Brown, Mills and Helmstedter was 75% of their respective 2012 base salaries.

As detailed in the following table, actual amounts paid under the 2012 Bonus Plan were calculated by multiplying each named executive officer's base salary by his bonus potential percentage to obtain their bonus potential target, which was then adjusted by an achievement factor based on our actual achievement against the Adjusted EBITDA target.

|           |   |             |   |            |
|-----------|---|-------------|---|------------|
|           |   |             |   | Bonus      |
| Salary    | X |             | = | Potential  |
|           |   | Bonus       |   |            |
|           |   | Potential   |   |            |
|           |   | Percentage  |   | Target     |
| Bonus     |   |             |   |            |
| Potential | X |             | = | Actual     |
|           |   | Achievement |   |            |
|           |   | Factor      |   | Bonus Paid |
| Target    |   |             |   |            |



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The achievement factor was determined by calculating our achievement against the Adjusted EBITDA target based on the pre-established scale set forth in the following table:

|                                  | Adjusted EBITDA Target |        |         |
|----------------------------------|------------------------|--------|---------|
|                                  | Threshold              | Target | Maximum |
| Performance Percentage of Target | 95%                    | 100%   | 105%    |
| Achievement Factor               | 33%                    | 100%   | 130%    |

Based on the pre-established scale set forth above, no cash incentive award would have been paid unless our Adjusted EBITDA for 2012 was at or above 95% of the Adjusted EBITDA target; provided, however, that if Adjusted EBITDA performance was below 95% of target, but no less than 83.3% of target, then the Board of Directors had the ability to award a special discretionary payment up to 25% of a named executive officer's bonus potential target. If our actual performance was 100% of target, then the named executive officers would have been paid their respective bonus potential target amounts. If performance was 105% of target, then our named executive officers would have been eligible for a maximum cash incentive award equal to 130% of their respective bonus potential target amounts. For performance percentages between the specified threshold, target and maximum levels, the resulting achievement factor would have been adjusted on a linear basis. For performance above 105% of target, additional payments could have been awarded by our Board of Directors upon a determination that an additional discretionary payment was warranted.

Notwithstanding the establishment of the performance target and the formula for determining the cash incentive award payment amounts as illustrated in the tables above, our Board of Directors had the ability to exercise negative discretion and award a lesser amount to our named executive officers under our annual 2012 Bonus Plan than the amount determined by the bonus plan formula if, in the exercise of its business judgment, our Board of Directors determined that a lesser amount was warranted under the circumstances. In addition, with respect to Messrs. Heaney, Brown, Mills and Helmstedter, if Adjusted EBITDA performance exceeded target, then a cash incentive award above target could only be paid upon an initial recommendation from Mr. Atchison to our Board of Directors and a final determination by our Board of Directors that an award above target was warranted.

For fiscal 2012, our Board of Directors set an Adjusted EBITDA target of \$415.6 million and our actual Adjusted EBITDA was \$415.2 (or 99.9% of target), which resulted in an achievement factor of 98.73% based on the pre-established scale. The following table illustrates the calculation of the annual cash incentive awards payable to each of our named executive officers under our 2012 Bonus Plan in light of these performance results. Actual amounts awarded to each of the named executive officers are also reported under the Non-Equity Incentive Plan Compensation column of the Summary Compensation Table under the 2012 designation.

|                                | 2012<br>Salary | Bonus<br>Potential<br>Percentage | Bonus<br>Potential<br>Target | Achievement<br>Factor | Actual<br>Bonus<br>Paid |
|--------------------------------|----------------|----------------------------------|------------------------------|-----------------------|-------------------------|
| Jim Atchison                   | \$ 395,000     | 100%                             | \$ 395,000                   | 98.73%                | \$ 389,984              |
| James M. Heaney <sup>(1)</sup> | \$ 275,000     | 75%                              | \$ 206,250                   | 98.73%                | \$ 203,631              |
| Daniel B. Brown                | \$ 297,000     | 75%                              | \$ 222,750                   | 98.73%                | \$ 219,921              |
| Donald W. Mills, Jr.           | \$ 280,008     | 75%                              | \$ 210,006                   | 98.73%                | \$ 207,339              |
| Scott D. Helmstedter           | \$ 275,000     | 75%                              | \$ 206,250                   | 98.73%                | \$ 203,631              |

- (1) Since Mr. Heaney commenced employment with us on January 20, 2012, his annual cash incentive award was pro-rated and calculated based on eleven months of his \$300,000 annual base salary.

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*Discretionary Bonuses.* From time to time, our Board of Directors may award discretionary bonuses in addition to any annual bonus payable under our annual bonus plan. For fiscal 2012, our Board of Directors awarded Mr. Heaney a discretionary bonus of \$50,000 in recognition of his significant contributions during the fourth quarter of fiscal 2012.

### ***Long-Term Incentive Compensation***

Our management employees, including our named executive officers, were granted long-term incentive awards that are designed to promote our interests by providing our management employees with the opportunity to participate in our equity, thereby incentivizing them to remain in our service. These long-term incentive awards were granted to our named executive officers in the form of Employee Units in the Partnerships. In addition, certain members of management, including Messrs. Atchison, Brown and Mills, purchased Class D Units of the Partnerships.

The Class D Units had economic characteristics similar to those of shares of common stock in a corporation and the Employee Units are profits interests having economic characteristics similar to stock appreciation rights (i.e., Employee Units only had value to the extent there was appreciation in the value of our business from and after the applicable date of grant).

Investment funds affiliated with Blackstone and other co-investors hold Class A Units and Class B Units of the Partnerships. In addition, ABI holds Class C Units in the Partnerships, which entitle ABI to receive, subject to certain conditions, a specified portion of distributions from the Partnerships. Under the terms of the partnership agreements of the Partnerships, an affiliate of Blackstone determines any voting and disposition decisions with respect to the shares of our common stock held by the Partnerships.

The Employee Units were divided into a time-vesting portion (one-third of the Employee Units granted), a 2.25x exit-vesting portion (one-third of the Employee Units granted), and a 2.75x exit-vesting portion (one-third of the Employee Units granted). Unvested Employee Units were not entitled to distributions from the Partnerships. For additional information regarding our Employee Units, see Narrative Disclosure to Summary Compensation Table and Grants of Plan-Based Awards Employee Units.

The Employee Units granted to our named executive officers were designed to motivate them to focus on efforts that would increase the value of our equity while enhancing their retention. The specific sizes of the equity grants made to our named executive officers were determined in light of Blackstone's practices with respect to management equity programs at other private companies in its portfolio and the executive officer's position and level of responsibilities with us.

In connection with our initial public offering, our directors, officers and employees surrendered all Class D Units and Employee Units of the Partnerships held by them and received shares of our common stock from the Partnerships. For more information, see Management Narrative Disclosure to Summary Compensation Table and Grants of Plan-Based Awards Terms of Equity Award and Grants Employee Units.

In addition, we also made grants of restricted shares of our common stock to our directors, officers and employees in connection with our initial public offering. We granted our named executive officers the following number of restricted shares of our common stock: Mr. Atchison, 89,846; Mr. Heaney, 29,948; Mr. Brown, 29,948; Mr. Mills, 29,948; and Mr. Helmstedter, 17,969. These restricted shares have vesting terms substantially similar to those applicable to shares delivered in respect of the unvested Employee Units that were held by our directors, officers and employees, except that any restricted shares that would otherwise vest within six months following the closing of our initial public offering instead became vested on the day following the six month anniversary of the grant date.

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*Fiscal 2012 Grants.* On June 7, 2012, Mr. Heaney was granted 37,500 Employee Units and Mr. Brown was granted 10,000 Employee Units. Mr. Heaney commenced employment as our Chief Financial Officer on January 20, 2012 and his fiscal 2012 grant reflected an initial grant of Employee Units in connection with his hiring. In fiscal 2011, a portion of Mr. Brown's initial grant of Employee Units was withheld. On June 7, 2012, Mr. Brown was granted the 10,000 Employee Units that had been withheld from his original allocation. Since the 10,000 Employee Units had been withheld from Mr. Brown's initial fiscal 2011 grant, it was determined appropriate to compensate Mr. Brown for the taxes he incurred in connection with this grant.

### ***Benefits and Perquisites***

We provide to all our employees, including our named executive officers, broad-based benefits that are intended to attract and retain employees while providing them with retirement and health and welfare security. Broad-based employee benefits include:

a 401(k) savings plan;

medical, dental, vision, life and accident insurance, disability coverage, dependent care and healthcare flexible spending accounts; and

employee assistance program benefits.

Under our 401(k) savings plan, we match a portion of the funds set aside by the employee. All matching contributions by us become vested on the two-year anniversary of the participant's hire date. At no cost to the employee, we provide an amount of basic life and accident insurance coverage valued at two times the employee's annual base salary. The employee may also select supplemental life and accident insurance, for a premium to be paid by the employee.

We also provide our executive officers with limited perquisites and personal benefits that are not generally available to all employees, such as executive relocation assistance and complimentary access to our theme parks. In addition, all employees with at least three weeks of vacation have the opportunity to participate in our vacation sell benefit program and sell back vacation days to us in order to offset personal health insurance premiums. We provide these limited perquisites and personal benefits in order to further our goal of attracting and retaining our executive officers. These benefits and perquisites are reflected in the All Other Compensation column of the Summary Compensation Table and the accompanying footnote in accordance with SEC rules.

### ***Severance Arrangements***

Our Board of Directors believes that a Key Employee Severance Plan (the "Severance Plan") is necessary to attract and retain the talent necessary for our long-term success. Our Board of Directors views our Severance Plan as a recruitment and retention device that helps secure the continued employment and dedication of our named executive officers, including when we are considering strategic alternatives.

Each of our named executive officers is eligible for the Severance Plan benefits. Under the terms of the Severance Plan, each named executive officer is entitled to severance benefits if his employment is terminated for any reason other than voluntary resignation or willful misconduct. The severance payments under the Severance Plan are contingent upon the affected executive's execution of a release and waiver of claims, which contains non-compete, non-solicitation and confidentiality provisions. See "Potential Payments Upon Termination" for descriptions of these arrangements.

**Table of Contents****Summary Compensation Table**

The following table provides summary information concerning compensation paid or accrued by us to or on behalf of our named executive officers for services rendered to us during 2012.

| Name and Principal Position                        | Year | Salary<br>(\$) <sup>(1)</sup> | Bonus<br>(\$) <sup>(2)</sup> | Stock<br>Awards<br>(\$) <sup>(3)</sup> | Option<br>Awards<br>(\$) | Non-Equity<br>Incentive<br>Plan<br>Compensation<br>(\$) <sup>(4)</sup> | Change<br>in<br>Pension<br>Value<br>and<br>Nonqualified<br>Deferred<br>Compensation | All Other<br>Compensation<br>(\$) <sup>(6)</sup> | Total<br>(\$) |
|--|------|-------------------------------|------------------------------|--|--------------------------|--|---|--|---------------|
|  |      |                               |                              |  |                          |  | Earnings<br>(\$) <sup>(5)</sup>   |  |               |
| Jim Atchison                                       | 2012 | 395,000                       |                              |  |                          | 389,984  |   | 17,781   | 802,765       |
| Chief Executive Officer and President and Director | 2011 | 395,000                       |                              |  |                          | 497,700  |   | 10,010   | 902,710       |
| James M. Heaney                                    | 2012 | 283,077                       | 50,000                       | 542,750                                |                          | 203,631  |   | 8,478  | 1,087,936     |
| Chief Financial Officer                            |      |                               |                              |  |                          |  |   |  |               |
| Daniel B. Brown                                    | 2012 | 297,000                       |                              | 240,000                                |                          | 219,921  |   | 331,029  | 1,087,950     |
| Chief Operating Officer SeaWorld & Discovery Cove  | 2011 | 297,000                       |                              |  |                          | 280,655  |   | 21,129   | 598,784       |
| Donald W. Mills, Jr.                               | 2012 | 280,008                       |                              |  |                          | 207,339  |   | 18,442   | 505,789       |
| Chief Operating Officer Busch Gardens              | 2011 | 280,008                       |                              |  |                          | 264,608  |   | 20,420   | 565,036       |
| Scott D. Helmstedter                               | 2012 | 275,000                       |                              |  |                          | 203,631  |   | 9,802  | 488,433       |
| Chief Creative Officer                             | 2011 | 206,250                       |                              |  |                          | 194,906  |   | 5,597  | 406,753       |

- (1) Mr. Heaney commenced employment as our Chief Financial Officer on January 20, 2012 and the amount reported in this column for Mr. Heaney reflects the portion of his annual base salary earned in fiscal 2012 from such date.
- (2) Amount reported represents the discretionary bonus paid to Mr. Heaney. See Compensation Discussion and Analysis Compensation Elements Bonuses Discretionary Bonuses.
- (3) Amounts included in this column reflect the aggregate grant date fair value of Employee Units in the Partnerships granted during 2012, calculated in accordance with FASB ASC Topic 718, utilizing the assumptions discussed in Note 18 to our consolidated financial statements for the year ended December 31, 2012.
- (4) Amounts included in this column reflect the named executive officer's annual cash incentive awards paid. See Compensation Discussion and Analysis Compensation Elements Bonuses Annual Cash Incentive Compensation. The amount reported for Mr. Heaney in fiscal 2012 will reflect a pro-rated annual cash incentive award in connection with his January 20, 2012 employment commencement date. In addition, the amount reported for Mr. Helmstedter in fiscal 2011 reflects a pro-rated annual cash incentive award in connection with his April 1, 2011 employment commencement date.
- (5) We have no pension benefits, nonqualified defined contribution or other nonqualified deferred compensation plans for executive officers.
- (6) Amounts reported under All Other Compensation for fiscal 2012 include contributions to our 401(k) plan on behalf of our named executive officers as follows: Mr. Atchison \$8,750; Mr. Heaney \$7,437; Mr. Brown \$8,750; Mr. Mills \$8,750; and Mr. Helmstedter \$8,750. Amounts reported also include life and long-term disability insurance premiums paid by us on behalf of our named executive officers as follows: Mr. Atchison \$1,435; Mr. Heaney \$1,041; Mr. Brown \$1,131; Mr. Mills \$1,076; and Mr. Helmstedter \$1,052. Amounts reported for Messrs. Atchison, Brown and Mills also include the dollar value of vacation days sold to pay for personal health insurance premiums under our vacation sell benefit program as follows: Mr. Atchison \$7,596; Mr. Brown \$11,423; and Mr. Mills \$8,616. Amount reported for Mr. Brown also includes a tax gross-up of \$309,725 with respect to the taxable income on his June 7, 2012 Employee Unit grant. See Compensation Discussion and Analysis Long-Term Incentive Compensation Fiscal 2012 Grants. In addition, the named executive officers (and their spouses) each receive a Corporate Executive Card that entitles them and an unlimited number of guests to complimentary access to our theme parks. There is no incremental cost to us associated with the use of the Corporate Executive Card.

**Table of Contents****Grants of Plan-Based Awards in 2012**

The following table provides supplemental information relating to grants of plan-based awards made to our named executive officers during 2012.

| Name                 | Grant Date | Estimated Possible Payouts Under Non-Equity Incentive Plan Awards <sup>(1)</sup> |             |              | Estimated Future Payouts Under Equity Incentive Plan Awards |                           |             | All Other Stock Awards: Number of Shares of Stock or Units (#) <sup>(2)</sup> | Grant Date Fair Value of Stock and Option Awards (\$) <sup>(3)</sup> |
|----------------------|------------|--|-------------|--------------|---|---------------------------|-------------|---|--|
|                      |            | Threshold (\$)   | Target (\$) | Maximum (\$) | Threshold (#)   | Target (#) <sup>(2)</sup> | Maximum (#) |   |  |
| Jim Atchison         |            | 130,350  | 395,000     | 513,500      |   |                           |             |   |  |
| James M. Heaney      | 6/7/2012   | 68,063   | 206,250     | 268,125      |   | 25,000                    | 12,500      | 542,750   |  |
| Daniel B. Brown      | 6/7/2012   | 73,508   | 222,750     | 289,575      |   | 6,667                     | 3,333       | 240,000   |  |
| Donald W. Mills, Jr. |            | 69,302   | 210,006     | 273,007      |   |                           |             |   |  |
| Scott D. Helmstedter |            | 68,063   | 206,250     | 268,125      |   |                           |             |   |  |

- (1) Reflects possible payouts under our 2012 Bonus Plan. See Compensation Discussion and Analysis Compensation Elements Bonuses Annual Cash Incentive Compensation for a discussion of threshold, target and maximum cash incentive compensation payouts. Since Mr. Heaney commenced employment with us on January 20, 2012, his annual cash incentive award was pro-rated and calculated based on eleven months of his \$300,000 annual base salary. The actual amounts of cash incentive compensation paid to our named executive officers under our 2012 Bonus Plan are disclosed in the Summary Compensation Table under the Non-Equity Incentive Plan Compensation column.
- (2) As described in more detail in the Narrative Disclosure to Summary Compensation Table and Grants of Plan-Based Awards-Terms of Equity Award Grants section that follows, amounts reported reflect grants of Employee Units that are divided into three tranches for vesting purposes; one third are time-vesting and two-thirds are exit-vesting (of which one-third are 2.25x exit-vesting and one-third are 2.75x exit-vesting). The exit-vesting units are reported as an equity incentive plan award in the Estimated Future Payouts Under Equity Incentive Plan Awards column, while the time-vesting tranche of the awards are reported as an all other stock award in the All Other Stock Awards: Number of Shares of Stock or Units column.
- (3) Represents the grant date fair value of the 37,500 Employee Units granted to Mr. Heaney and the 10,000 Employee Units granted to Mr. Brown, calculated in accordance with FASB ASC Topic 718 and utilizing the assumptions discussed in Note 18 to our consolidated financial statements for the year ended December 31, 2012.

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**Narrative Disclosure to Summary Compensation Table and Grants of Plan-Based Awards**

*Terms of Equity Award Grants*

*Employee Units*

As a condition to receiving his Employee Units, each named executive officer was required to enter into a subscription agreement with us and the Partnerships and to become a party to the partnership agreements of each of the Partnerships as well as an equity holders agreement. These agreements generally governed the named executive officer's rights with respect to the Employee Units. In connection with our initial public offering, our directors, officers and employees surrendered all Class D Units and Employee Units of the Partnerships held by them and received shares of our common stock. The number of shares of our common stock delivered to such equity holders of the Partnerships was determined in a manner intended to replicate the economic benefit provided by the Class D Units and Employee Units based upon the valuation of us derived from the initial public offering price, and the number of shares had the same value as the Class D Units or Employee Units that were held by the equity holder immediately prior to such transaction. Class D Units and vested Employee Units were converted into shares of common stock and unvested Employee Units were converted into unvested restricted shares of our common stock, which are subject to vesting terms substantially similar to those applicable to the unvested Employee Units immediately prior to such transaction, as described below under *Vesting Terms*.

*Vesting Terms*

Only vested Employee Units were entitled to distributions from the Partnerships. The Employee Units were divided into a time-vesting portion (1/3 of the Employee Units granted), a 2.25x exit-vesting portion (1/3 of the Employee Units granted), and a 2.75x exit-vesting portion (1/3 of the Employee Units granted).

*Time-Vesting Units:* 12 months after the initial vesting reference date, as defined in the applicable subscription agreement, 20% of the named executive officer's time-vesting Employee Units vest, subject to his continued employment through such date. Thereafter, an additional 20% of the named executive officer's time-vesting Employee Units would vest every year until he is fully vested, subject to his continued employment through each vesting date. Notwithstanding the foregoing, the time-vesting Employee Units become fully vested on an accelerated basis if a change of control (as defined in the equity holders agreement) occurred while the named executive officer was still employed by us.

*2.25x Exit-Vesting Units:* The 2.25x exit-vesting Employee Units would vest if the named executive officer was employed by us when and if Blackstone receives cash proceeds in respect of its Partnership units equal to (x) a 20% annualized effective compounded return rate on its investment and (y) a 2.25x multiple on its investment.

*2.75x Exit-Vesting Units:* The 2.75x exit-vesting Employee Units would vest if the named executive officer was employed by us when and if Blackstone receives cash proceeds in respect of its Partnership units equal to (x) a 15% annualized effective compounded return rate on its investment and (y) a 2.75x multiple on its investment.

Employee Units vested across all Partnerships pro rata with the named executive officer's aggregate holdings in each Partnership, maintaining a constant ratio of Employee Units held in each Partnership throughout the period in which a named executive officer held Employee Units, subject to the right of the Partnerships to adjust the number of a named executive officer's Employee Units in a particular Partnership from time to time (which would not affect any vesting thereof).

Any Employee Units that had not vested as of the date of termination of a named executive officer's employment would be immediately forfeited.

**Table of Contents****Outstanding Equity Awards at 2012 Fiscal-Year End**

The following table provides information regarding outstanding equity awards made to our named executive officers as of December 31, 2012. The equity awards held by the named executive officers are Employee Units, which represent an equity interest in the Partnerships.

| Name                 | Grant Date | Equity Awards   |  |  | Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$)(4) |
|----------------------|------------|---|--|--|---|
|                      |            | Number of Shares or Units That Have Not Vested (#)(1) | Market Value of Shares or Units That Have Not Vested (\$)(3) | Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)(2) |   |
| Jim Atchison         | 5/6/2011   | 15,000  | 810,000  | 75,000   |   |
| James M. Heaney      | 6/7/2012   | 12,500  |  | 25,000   |   |
| Daniel B. Brown      | 5/6/2011   | 3,667   | 198,018  | 18,333   |   |
|                      | 6/7/2012   | 3,333   |  | 6,667  |   |
| Donald W. Mills, Jr. | 5/6/2011   | 5,000   | 270,000  | 25,000   |   |
| Scott D. Helmstedter | 5/6/2011   | 6,000   | 324,000  | 15,000   |   |

- (1) Reflects time-vesting Employee Units that had not vested as of December 31, 2012. The following provides information with respect to the vesting schedule of the time-vesting Employee Units that had not vested as of December 31, 2012:

Mr. Atchison these units vested 20% a year over five years on each anniversary of the December 1, 2009 vesting reference date.

Mr. Heaney these units vested 20% a year over five years on each anniversary of the April 1, 2012 vesting reference date.

Mr. Brown the units granted to Mr. Brown on May 6, 2011 vested 20% a year over five years on each anniversary of the December 1, 2009 vesting reference date. The units granted to Mr. Brown on June 7, 2012 vested 20% a year over five years on each anniversary of the January 1, 2012 vesting reference date.

Mr. Mills these units vested 20% a year over five years on each anniversary of the December 1, 2009 vesting reference date.

Mr. Helmstedter these units vested 20% a year over five years on each anniversary of the April 1, 2011 vesting reference date.

Vesting of the time-vesting Employee Units would have been accelerated if a change of control occurred while the executive was still employed by us, as described under Narrative Disclosure to Summary Compensation Table and Grants of Plan-Based Awards-Terms of Equity Award Grants.

- (2) Reflects exit-vesting Employee Units (of which one-half are 2.25x exit-vesting and one-half are 2.75x exit-vesting). Unvested exit-vesting Employee Units vested as described under the Narrative Disclosure to Summary Compensation Table and Grants of Plan-Based Awards-Terms of Equity Award Grants section above.
- (3) Based on the appreciation in the value of our business from and after the date of grant through June 7, 2012, the date of the Company's most recent valuation.
- (4) The value of our business had not appreciated to a level that would have created value in the exit-vesting Employee Units as of June 7, 2012, the date of the Company's most recent valuation. Therefore, we believe the market value of the exit-vesting Employee Units was zero on that date.



**Table of Contents****Option Exercises and Stock Vested in 2012**

The following table provides information regarding the number of Employee Units held by our named executive officers that vested during 2012.

| Name                                | Equity Awards   |  |
|-------------------------------------|---|--|
|                                     | Number of Shares<br>or<br>Units<br>Acquired<br>on<br>Vesting<br>(#) | Value<br>Realized on<br>Vesting<br>(\$) <sup>(1)</sup> |
| Jim Atchison                        | 7,500   | 405,000  |
| James M. Heaney                     |   |  |
| Daniel B. Brown                     | 1,833   | 98,982   |
| Donald W. Mills, Jr.                | 2,500   | 135,000  |
| Scott D. Helmstedter <sup>(2)</sup> | 1,500   |  |

- (1) Based on the appreciation in the value of our business from and after the date of grant through June 7, 2012, the date of the Company's most recent valuation.
- (2) Based on the appreciation in the value of our business from and after the date of grant through May 6, 2011, the date of the Company's most current valuation prior to Mr. Helmstedter's April 1, 2012 vesting date.

**Pension Benefits**

We have no pension benefits for the executive officers.

**Nonqualified Deferred Compensation for 2012**

We have no nonqualified defined contribution or other nonqualified deferred compensation plans for executive officers.

**Table of Contents****Potential Payments Upon Termination**

The following table describes the potential payments and benefits that would have been payable to our named executive officers under existing plans assuming a termination of their employment for reasons other than willful misconduct or a voluntary resignation on December 31, 2012.

The amounts shown in the table do not include payments and benefits to the extent they are provided generally to all salaried employees upon termination of employment and do not discriminate in scope, terms or operation in favor of the named executive officers. These include accrued but unpaid salary and distributions of plan balances under our 401(k) savings plan.

| Name                                 | Cash Severance Payment (\$)(1) | Continuation of Group Health Plans (\$)(2) | Accrued but Unused Vacation (\$)(3) | Executive Outplacement Services (\$)(4) | Value of Employee Unit Acceleration (\$)(5) | Total (\$) |
|--------------------------------------|--------------------------------|--|-------------------------------------|---|---|------------|
| <b>Jim Atchison</b>                  |                                |  |                                     |   |   |            |
| Termination under the Severance Plan | 1,185,000                      | 71,540                                     | 10,635                              | 10,000                                  |   | 1,277,175  |
| Change of Control                    |                                |  |                                     |   | 810,000                                     | 810,000    |
| <b>James M. Heaney</b>               |                                |  |                                     |   |   |            |
| Termination under the Severance Plan | 675,000                        | 19,777                                     |                                     | 10,000                                  |   | 704,777    |
| Change of Control                    |                                |  |                                     |   |   |            |
| <b>Daniel B. Brown</b>               |                                |  |                                     |   |   |            |
| Termination under the Severance Plan | 519,750                        | 19,777                                     | 7,996                               | 10,000                                  |   | 557,523    |
| Change of Control                    |                                |  |                                     |   | 198,018                                     | 198,018    |
| <b>Donald W. Mills, Jr.</b>          |                                |  |                                     |   |   |            |
| Termination under the Severance Plan | 490,014                        | 24,199                                     | 21,539                              | 10,000                                  |   | 545,752    |
| Change of Control                    |                                |  |                                     |   | 270,000                                     | 270,000    |
| <b>Scott D. Helmstedter</b>          |                                |  |                                     |   |   |            |
| Termination under the Severance Plan | 618,750                        | 11,532                                     |                                     | 10,000                                  |   | 640,282    |
| Change of Control                    |                                |  |                                     |   | 324,000                                     | 324,000    |

(1) Cash severance payment includes the following:

Mr. Atchison two times the sum of his annual base salary (\$395,000) plus his targeted bonus under the 2012 Bonus Plan (\$395,000);

Mr. Heaney eighteen months base salary (\$450,000) plus his targeted bonus under the 2012 Bonus Plan (\$225,000);

Mr. Brown twelve months base salary (\$297,000) plus his targeted bonus under the 2012 Bonus Plan (\$222,750);

Mr. Mills twelve months base salary (\$280,008) plus his targeted bonus under the 2012 Bonus Plan (\$210,006); and

Mr. Helmstedter eighteen months base salary (\$412,500) plus his targeted bonus under the 2012 Bonus Plan (\$206,250).

(2) Reflects the cost of providing the executive officer with continued health, dental, vision, prescription drug and mental health coverage as enrolled at the time of his termination for a period of twenty-four months for Mr. Atchison and for a period of twelve months for Messrs. Heaney, Brown, Mills and Helmstedter, in each case, assuming 2013 rates.



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- (3) Amounts shown represent the following number of accrued but unused vacation days: Mr. Atchison, 7 days; Mr. Heaney, 0 days; Mr. Brown, 7 days; Mr. Mills, 22 days; and Mr. Helmstedter, 0 days
- (4) Amounts shown assume that executive outplacement services are provided to each of the named executive officers for a period of nine months.
- (5) Upon a change of control, our named executive officers' unvested time-vesting Employee Units would have become immediately vested. The amounts reported are based on the appreciation in the value of our business from and after the applicable date of grant through June 7, 2012, the date of the Company's most recent valuation. Amounts reported assume that the exit-vesting Employee Units would not have vested upon a change of control since the value of our business had not appreciated to a level that would have created value in the exit-vesting Employee Units as of June 7, 2012, the date of the Company's most recent valuation.

***Severance Arrangements and Restrictive Covenants***

We have adopted the Severance Plan for the benefit of certain key employees. Each of the named executive officers is a member of our Strategy Committee and is eligible for severance pay and benefits under the Severance Plan. All severance pay and benefits must be approved by the Chief Administrative Officer and our Chairman of the Board of Directors.

**Mr. Atchison**

If Mr. Atchison's employment terminates as a result of (1) job elimination resulting from a business reorganization, reduction in force, facility closure, business consolidation; (2) job elimination resulting from a sale or merger; (3) lack of an available position following a return from a certified medical leave of absence or work related injury or illness; or (4) unsatisfactory job performance, Mr. Atchison will be entitled to receive:

a lump sum payment equal to two times his annual base pay at the time of termination;

any remaining accrued but unused vacation;

the targeted bonus for the plan year in which he is terminated;

continued health, dental, vision, prescription drug and mental health coverage as enrolled at the time of his termination for a period of twenty four months; and

executive outplacement services (as determined by us), which services must be engaged within thirty days of the termination of employment.

**Messrs. Heaney and Helmstedter**

If the employment of Messrs. Heaney and Helmstedter terminates as a result of (1) job elimination resulting from a business reorganization, reduction in force, facility closure, business consolidation; (2) job elimination resulting from a sale or merger; (3) lack of an available position following a return from a certified medical leave of absence or work related injury or illness; or (4) unsatisfactory job performance, Messrs. Heaney and Helmstedter will be entitled to receive:

a lump sum payment equal to eighteen months of his annual base pay at the time of termination;

any remaining accrued but unused vacation;

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the targeted bonus for the plan year in which he is terminated;

continued health, dental, vision, prescription drug and mental health coverage as enrolled at the time of his termination for a period of twelve months; and

executive outplacement services (as determined by us), which services must be engaged within thirty days of the termination of employment.

**Table of Contents**Messrs. Brown and Mills

If the employment of Messrs. Brown and Mills terminates as a result of (1) job elimination resulting from a business reorganization, reduction in force, facility closure, business consolidation; (2) job elimination resulting from a sale or merger; (3) lack of an available position following a return from a certified medical leave of absence or work related injury or illness; or (4) unsatisfactory job performance, Messrs. Brown and Mills will be entitled to receive:

a lump sum payment equal to twelve months of his annual base pay at the time of termination;

any remaining accrued but unused vacation;

the targeted bonus for the plan year in which he is terminated;

continued health, dental, vision, prescription drug and mental health coverage as enrolled at the time of his termination for a period of twelve months; and

executive outplacement services (as determined by us), which services must be engaged within thirty days of the termination of employment.

In order to be eligible for the Severance Plan benefits, the employee must sign and return a release and waiver of claims that will include but is not limited to (1) a one-year non-compete covenant; (2) a two-year non-solicitation covenant; (3) a non-disparagement covenant; (4) an agreement to cooperate in any current or future legal matters relating to activities or matters occurring the employees term of employment; and (5) the release of any and all claims that the employee may have in connection with their employment with us or with the termination of employment.

No benefits are payable under the Severance Plan if (1) the eligible employee fails or refuses to return the release and waiver of claims; (2) the eligible employee voluntarily terminates their employment for any reason; or (3) the eligible employee engages in willful misconduct as determined at the discretion of the Chief Administrative Officer and our Chairman of the Board of Directors.

**Director Compensation**

The following table summarizes all compensation for our non-employee directors for fiscal year 2012. The employee directors and Sponsor-affiliated directors receive no additional compensation for serving on the Board of Directors or the Audit Committee and, as a result, are not listed in the table below. The compensation paid to Mr. Atchison, our President and Chief Executive Officer, is presented in the Summary Compensation Table and the related explanatory tables.

| Name                            | Fees Earned<br>or Paid in<br>Cash<br>(\$) | Stock<br>Awards<br>(\$) <sup>(1)</sup> | Option<br>Awards<br>(\$) | Non-Equity<br>Incentive<br>Plan<br>Compensation<br>(\$) | Change in<br>Pension<br>Value and<br>Nonqualified<br>Deferred<br>Compensation<br>Earnings | All Other<br>Compensation<br>(\$) | Total<br>(\$) |
|---------------------------------|---|--|--------------------------|---|---|-----------------------------------|---------------|
| David F. D. Alessandro          | 200,000                                   |  |                          |   |   |                                   | 200,000       |
| Joseph P. Baratta               |   |  |                          |   |   |                                   |               |
| Bruce McEvoy                    |   |  |                          |   |   |                                   |               |
| Judith A. McHale <sup>(2)</sup> |   |  |                          |   |   |                                   |               |
| Peter F. Wallace                |   |  |                          |   |   |                                   |               |

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Deborah M. Thomas<sup>(3)</sup>

- (1) As of December 31, 2012, Mr. D Alessandro held 6,562 unvested time-vesting Employee Units and 35,000 unvested Employee Units subject to both time-vesting and exit-vesting criteria.
- (2) Ms. McHale was appointed to the Board of Directors on March 8, 2013. Since she was appointed after the 2012 fiscal year, she did not receive any compensation from us during the 2012 fiscal

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- year. A description of Ms. McHale's compensation arrangement is set forth below under Description of Director Compensation.
- (3) Ms. Thomas was appointed to the Board of Directors on November 11, 2013. Since she was appointed after the 2012 fiscal year, she did not receive any compensation from us during the 2012 fiscal year. A description of Ms. Thomas' compensation arrangement is set forth below under Description of Director Compensation.

***Description of Director Compensation***

This section contains a description of the material terms of our compensation arrangements for Mr. D Alessandro, Ms. McHale and Ms. Thomas. As noted above, Messrs. Baratta, McEvoy and Wallace are employees of Blackstone and do not receive any compensation from us for their services on our Board of Directors. All of our directors, including Messrs. Baratta, McEvoy and Wallace, are reimbursed for the out-of-pocket expenses they incur in connection with their service as directors. We pay a cash retainer to our independent directors for serving as directors and an additional cash payment for serving as a committee chair, and we grant equity-based awards to our independent directors under the 2013 Omnibus Incentive Plan (as defined herein).

*Mr. D Alessandro.* Mr. D Alessandro, who serves as Chairman of the Board of Directors, receives an annual cash retainer of \$200,000 a year. In addition, Mr. D Alessandro was provided the opportunity to invest in Class D Units of the Partnerships and, in fiscal 2010, he was granted 52,500 Employee Units as part of his compensation. Similar to the Employee Units granted to our named executive officers, Mr. D Alessandro's Employee Units are divided into a time-vesting portion (one-third of the Employee Units granted), a 2.25x exit-vesting portion (one-third of the Employee Units granted), and a 2.75x exit-vesting portion (one-third of the Employee Units granted). In connection with our initial public offering, Mr. D Alessandro surrendered his Class D Units and Employee Units of the Partnerships and received shares of our common stock. Restricted shares of our common stock issued in respect of unvested Employee Units are subject to vesting terms substantially similar to those described below under Vesting Terms. The vesting terms of Mr. D Alessandro's Employee Units are set forth below.

***Vesting Terms***

*Time-Vesting Units:* 25% of the time-vesting Employee Units vested on Mr. D Alessandro's September 7, 2010 start date and the remaining 75% vested in equal annual installments on each of the first four anniversaries of his September 7, 2010 start date. Notwithstanding the foregoing, the time-vesting Employee Units would have become fully vested on an accelerated basis if a change of control (as defined in the equity holders agreement) occurred while Mr. D Alessandro was still serving as our Chairman of the Board of Directors.

*2.25x Exit-Vesting Units:* The 2.25x Employee Units vested based on a double trigger that includes both time-vesting and exit-vesting criteria. The time-vesting criteria were the same as the portion of his award that was solely time-vesting described above. 25% of the 2.25x Employee Units satisfied the time-vesting criteria on Mr. D Alessandro's September 7, 2010 start date and the remaining 75% would have satisfied the time-vesting criteria in equal annual installments on each of the first four anniversaries of his September 7, 2010 start date. The exit-vesting criteria would have been satisfied when and if Blackstone received cash proceeds in respect of its Partnership units equal to (x) a 20% annualized effective compounded return rate on its investment and (y) a 2.25x multiple on its investment. Upon Mr. D Alessandro's departure as Chairman of the Board of Directors, all 2.25x Employee Units which would have satisfied the time-vesting criteria, would have remained outstanding subject to achievement of the exit-vesting criteria.



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*2.75x Exit-Vesting Units:* The 2.75x Employee Units vested based on a double trigger that includes both time-vesting and exit-vesting criteria. The time-vesting criteria were the same as the portion of his award that was solely time-vesting described above. 25% of the 2.25x Employee Units satisfied the time-vesting criteria on Mr. D Alessandro's September 7, 2010 start date and the remaining 75% would have satisfied the time-vesting criteria in equal annual installments on each of the first four anniversaries of his September 7, 2010 start date. The exit-vesting criteria would have been satisfied when and if Blackstone received cash proceeds in respect of its Partnership units equal to (x) a 15% annualized effective compounded return rate on its investment and (y) a 2.75x multiple on its investment. Upon Mr. D Alessandro's departure as Chairman of the Board of Directors, all 2.75x Employee Units which would have satisfied the time-vesting criteria, would have remained outstanding subject to achievement of the exit-vesting criteria.

### *Forfeiture Provisions*

Generally, any Employee Units that have not vested upon Mr. D Alessandro's departure as Chairman of the Board of Directors would have been immediately forfeited, except that the 2.25x Employee Units and the 2.75x Employee Units would have, to the extent the applicable time-vesting criteria have been met, remained outstanding following Mr. D Alessandro's departure, subject to achievement of the applicable exit-vesting criteria. If Mr. D Alessandro was terminated by us for cause (or he voluntarily resigned when grounds existed for cause) or in the event he breaches any of the restrictive covenants set forth in the subscription agreement, all of his Employee Units (whether vested or unvested) would have been forfeited.

*Ms. McHale.* On March 8, 2013, Ms. McHale was appointed to the Board of Directors. We entered into a letter agreement with Ms. McHale pursuant to which she will receive an annual retainer of \$80,000 (representing \$60,000 for her service as a non-employee director and \$20,000 for her service as the Chair of the Audit Committee) payable in cash in four installments on the date of each quarterly scheduled Board meeting; provided, however, her retainer installment payable in respect of her first quarter of service was pro-rated to reflect the partial service during such quarter. In addition, she will receive an annual equity award comprised of shares of our restricted common stock valued at \$120,000, based on the closing price of shares of our common stock on the applicable date of grant; provided, however, with respect to the initial award, the value was based upon the price of shares of our common stock offered to the public in connection with our initial public offering.

*Ms. Thomas.* On November 11, 2013, Ms. Thomas was appointed to the Board of Directors. We entered into a letter agreement with Ms. Thomas pursuant to which she will receive an annual retainer of \$60,000 for her service as a non-employee director payable in cash in four installments on the date of each quarterly scheduled Board meeting; provided, however, her retainer installment payable in respect of her first quarter of service will be pro-rated to reflect the partial service during such quarter. In addition, she will receive an annual equity award comprised of shares of our restricted common stock valued at \$120,000, based on the closing price of shares of our common stock on the applicable date of grant.

### *Vesting Terms and Forfeiture*

Ms. McHale's annual equity award will be subject to vesting in three annual installments on each anniversary of the applicable date of grant (or with respect to the initial award, March 8, 2013), subject to her continued service on the Board of Directors; provided, that if the stockholders fail to re-elect her to the Board of Directors, or she is otherwise removed from the Board of Directors without cause, any unvested portion of an annual equity award will vest in full. Upon any other termination of her service prior to the completion of the applicable vesting period, she will forfeit the unvested portion of any annual equity award.

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Ms. Thomas' annual equity award will be subject to vesting in three annual installments on each anniversary of the applicable date of grant (or with respect to the initial award, November 11, 2013), subject to her continued service on the Board of Directors; provided, that if the stockholders fail to re-elect her to the Board of Directors, or she is otherwise removed from the Board of Directors without cause, any unvested portion of an annual equity award will vest in full. Upon any other termination of her service prior to the compensation of the applicable vesting period, she will forfeit the unvested portion of any annual equity award.

**Compensation Arrangements in Connection with Our Initial Public Offering**

Our Board of Directors retained Frederic W. Cook & Co., Inc. (FW Cook), an independent compensation consulting firm, to advise on executive compensation in connection with our initial public offering. Our Board of Directors reviewed the cash compensation arrangements of our executive officers with FW Cook and determined to increase the base salary and/or target annual bonus opportunities for certain such individuals, including for our named executive officers. In determining the increases in base salary and target annual bonus opportunities for each of the named executive officers, our Board of Directors reviewed, among other things, each named executive officer's past performance of his job responsibilities and his contributions to our financial and business performance as well as competitive conditions. In addition, our Board of Directors reviewed compensation peer group data provided by FW Cook for companies engaged in the same or similar industries as the Company. Due to the limited number of pure leisure facilities public companies, our Board of Directors determined that it was appropriate to include other companies in the compensation peer group that are in the entertainment, restaurant and hospitality industries and compete with us for executive talent. The compensation peer group that the Board of Directors used to benchmark named executive officer base salaries and target annual bonus opportunities was composed of the following 14 companies: Ameristar Casinos, Inc.; Boyd Gaming Corporation; Cedar Fair, L.P.; The Cheesecake Factory Incorporated; Chipotle Mexican Grill, Inc.; Cinemark Holdings, Inc.; Hyatt Hotels Corporation; The Madison Square Garden Company; Panera Bread Company; Penn National Gaming, Inc.; Pinnacle Entertainment, Inc.; Regal Entertainment Group; Six Flags Entertainment Corporation; and Vail Resorts, Inc. While the compensation peer group included companies of smaller, comparable and larger size, our expected market capitalization placed us at the 47th percentile of the peer group companies. Based on the review, our Board of Directors determined to set total annual cash compensation for our named executive officers, i.e., base salaries and target annual bonus opportunities, at a level that is generally between the 25th percentile and the median of the compensation peer group, but to place a greater portion of the total cash compensation at-risk under our variable performance-based cash bonus opportunity as compared to the compensation peer group. Our Board of Directors determined that setting base salary and target annual bonus opportunities at these levels was appropriate to reward performance and ensure retention as we transition from a private to a publicly traded company. The following table sets forth the new base salaries and target annual bonus opportunities for our named executive officers, effective as of April 1, 2013:

|                      | <b>Base<br/>Salary</b> | <b>Bonus<br/>Potential<br/>Percentage<sup>(1)</sup></b> | <b>Bonus<br/>Potential<br/>Target<sup>(1)</sup></b> |
|----------------------|------------------------|---|---|
| Jim Atchison         | \$ 698,000             | 150%  | \$ 1,047,000  |
| James M. Heaney      | \$ 356,000             | 100%  | \$ 356,000  |
| Daniel B. Brown      | \$ 346,000             | 100%  | \$ 346,000  |
| Donald W. Mills, Jr. | \$ 346,000             | 100%  | \$ 346,000  |
| Scott D. Helmstedter | \$ 284,000             | 100%  | \$ 284,000  |

- (1) Any annual cash incentive awards earned for fiscal 2013 will be pro-rated for the period from January 1, 2013 through March 31, 2013 at the named executive officer's former bonus potential percentage and for the period April 1, 2013 through the end of the 2013 fiscal year, based on the new bonus potential percentages set forth above.

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***2013 Omnibus Incentive Plan***

In connection with our initial public offering, our Board of Directors adopted, and our stockholders approved, the 2013 Omnibus Incentive Plan.

*Purpose.* The purpose of the 2013 Omnibus Incentive Plan is to provide a means through which to attract and retain key personnel and to provide a means whereby our directors, officers, employees, consultants and advisors (and prospective directors, officers, employees, consultants and advisors) can acquire and maintain an equity interest in us, or be paid incentive compensation, including incentive compensation measured by reference to the value of our common stock, thereby strengthening their commitment to our welfare and aligning their interests with those of our stockholders.

*Administration.* The 2013 Omnibus Incentive Plan is administered by the Compensation Committee of our Board of Directors or such other committee of our Board of Directors to which it has delegated power, or if no such committee or subcommittee thereof exists, the Board of Directors (as applicable, the Committee). The Committee has the sole and plenary authority to establish the terms and conditions of any award consistent with the provisions of the 2013 Omnibus Incentive Plan. The Committee is authorized to interpret, administer, reconcile any inconsistency in, correct any defect in and/or supply any omission in the 2013 Omnibus Incentive Plan and any instrument or agreement relating to, or any award granted under, the 2013 Omnibus Incentive Plan; establish, amend, suspend, or waive any rules and regulations and appoint such agents as the Committee deems appropriate for the proper administration of the 2013 Omnibus Incentive Plan; and to make any other determination and take any other action that the Committee deems necessary or desirable for the administration of the 2013 Omnibus Incentive Plan. Except to the extent prohibited by applicable law or the applicable rules and regulations of any securities exchange or inter-dealer quotation system on which the securities of the Company are listed or traded, the Committee may allocate all or any portion of its responsibilities and powers to any one or more of its members and may delegate all or any part of its responsibilities and powers to any person or persons selected by it in accordance with the terms of the 2013 Omnibus Incentive Plan. Any such allocation or delegation may be revoked by the Committee at any time. Unless otherwise expressly provided in the 2013 Omnibus Incentive Plan, all designations, determinations, interpretations, and other decisions under or with respect to the 2013 Omnibus Incentive Plan or any award or any documents evidencing awards granted pursuant to the 2013 Omnibus Incentive Plan are within the sole discretion of the Committee, may be made at any time and are final, conclusive and binding upon all persons or entities, including, without limitation, us, any holder or beneficiary of any award, and any of our stockholders.

*Shares Subject to the 2013 Omnibus Incentive Plan.* The 2013 Omnibus Incentive Plan provides that the total number of shares of common stock that may be issued under the 2013 Omnibus Incentive Plan is 15,000,000. Of this amount, the maximum number of shares for which incentive stock options may be granted is 15,000,000; the maximum number of shares for which options or stock appreciation right may be granted to any individual participant during any single fiscal year is 1,500,000; the maximum number of shares for which performance compensation awards denominated in shares may be granted to any individual participant in respect of a single fiscal year is 600,000 (or if any such awards are settled in cash, the maximum amount may not exceed the fair market value of such shares on the last day of the performance period to which such award relates); the maximum number of shares of common stock granted during a single fiscal year to any non-employee director, taken together with any cash fees paid to such non-employee director during the fiscal year, shall not exceed \$500,000 in total value; and the maximum amount that may be paid to any individual for a single fiscal year under a performance compensation award denominated in cash is \$2,750,000. Except for substitute awards (as described below), in the event any award terminates, lapses, or is settled without the payment of the full number of shares subject to such award, including as a result of net set settlement of the award or as a result of the award being settled in cash, the undelivered shares

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may be granted again under the 2013 Omnibus Incentive Plan, unless the shares are surrendered after the termination of the 2013 Omnibus Incentive Plan, and only if stockholder approval is not required under the then-applicable rules of the exchange on which the shares of common stock are listed. Awards may, in the sole discretion of the Committee, be granted in assumption of, or in substitution for, outstanding awards previously granted by an entity directly or indirectly acquired by us or with which we combine (referred to as substitute awards), and such substitute awards shall not be counted against the total number of shares that may be issued under the 2013 Omnibus Incentive Plan, except that substitute awards intended to qualify as incentive stock options shall count against the limit on incentive stock options described above. No award may be granted under the 2013 Omnibus Incentive Plan after the tenth anniversary of the effective date (as defined therein), but awards theretofore granted may extend beyond that date.

*Options.* The Committee may grant non-qualified stock options and incentive stock options, under the 2013 Omnibus Incentive Plan, with terms and conditions determined by the Committee that are not inconsistent with the 2013 Omnibus Incentive Plan; provided that all stock options granted under the 2013 Omnibus Incentive Plan are required to have a per share exercise price that is not less than 100% of the fair market value of our common stock underlying such stock options on the date an option is granted (other than in the case of options that are substitute awards), and all stock options that are intended to qualify as incentive stock options must be granted pursuant to an award agreement expressly stating that the option is intended to qualify as an incentive stock option, and will be subject to the terms and conditions that comply with the rules as may be prescribed by Section 422 of the Code. The maximum term for stock options granted under the 2013 Omnibus Incentive Plan will be ten years from the initial date of grant, or with respect to any stock options intended to qualify as incentive stock options, such shorter period as prescribed by Section 422 of the Code. However, if a non-qualified stock option would expire at a time when trading of shares of common stock is prohibited by the Company's insider trading policy (or Company-imposed blackout period), the term will automatically be extended to the 30th day following the end of such period. The purchase price for the shares as to which a stock option is exercised may be paid to us, to the extent permitted by law (i) in cash or its equivalent at the time the stock option is exercised, (ii) in shares having a fair market value equal to the aggregate exercise price for the shares being purchased and satisfying any requirements that may be imposed by the Committee, or (iii) by such other method as the Committee may permit in its sole discretion, including without limitation (A) in other property having a fair market value on the date of exercise equal to the purchase price; (B) if there is a public market for the shares at such time, through the delivery of irrevocable instructions to a broker to sell the shares being acquired upon the exercise of the stock option and to deliver to us the amount of the proceeds of such sale equal to the aggregate exercise price for the shares being purchased, or (C) through a net exercise procedure effected by withholding the minimum number of shares needed to pay the exercise price and all applicable required withholding taxes. Any fractional shares of common stock will be settled in cash.

*Stock Appreciation Rights.* The Committee may grant stock appreciation rights, with terms and conditions determined by the Committee that are not inconsistent with the 2013 Omnibus Incentive Plan. Generally, each stock appreciation right will entitle the participant upon exercise to an amount (in cash, shares or a combination of cash and shares, as determined by the Committee) equal to the product of (i) the excess of (A) the fair market value on the exercise date of one share of common stock, over (B) the strike price per share, times (ii) the numbers of shares of common stock covered by the stock appreciation right. The strike price per share of a stock appreciation right will be determined by the Committee at the time of grant but in no event may such amount be less than the fair market value of a share of common stock on the date the stock appreciation right is granted (other than in the case of stock appreciation rights granted in substitution of previously granted awards). The Committee may in its sole discretion substitute, without the consent of the holder or beneficiary of such stock appreciation rights, stock appreciation rights settled in shares of common stock (or settled in shares or cash in the sole discretion of the Committee) for nonqualified stock options.

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*Restricted Shares and Restricted Stock Units.* The Committee may grant restricted shares of our common stock or restricted stock units, representing the right to receive, upon the expiration of the applicable restricted period, one share of common stock for each restricted stock unit, or, in its sole discretion of the Committee, the cash value thereof (or any combination thereof). As to restricted shares of our common stock, subject to the other provisions of the 2013 Omnibus Incentive Plan, the holder will generally have the rights and privileges of a stockholder as to such restricted shares of common stock, including without limitation the right to vote such restricted shares of common stock (except, that if the lapsing of restrictions with respect to such restricted shares of common stock is contingent on satisfaction of performance conditions other than or in addition to the passage of time, any dividends payable on such restricted shares of common stock will be retained, and delivered without interest to the holder of such shares when the restrictions on such shares lapse). To the extent provided in the applicable award agreement, the holder of outstanding restricted stock units will be entitled to be credited with dividend equivalent payments (upon the payment by us of dividends on shares of common stock) either in cash or, at the sole discretion of the Committee, in shares of common stock having a value equal to the amount of such dividends (and interest may, at the sole discretion of the Committee, be credited on the amount of cash dividend equivalents at a rate and subject to such terms as determined by the Committee), which will be payable at the same time as the underlying restricted stock units are settled following the release of restrictions on such restricted stock units.

*Other Stock-Based Awards.* The Committee may issue unrestricted common stock, rights to receive grants of awards at a future date, or other awards denominated in shares of common stock (including, without limitation, performance shares or performance units), under the 2013 Omnibus Incentive Plan, including performance-based awards.

*Performance Compensation Awards.* The Committee may also designate any award as a performance compensation award intended to qualify as performance-based compensation under section 162(m) of the Code. The Committee also has the authority to make an award of a cash bonus to any participant and designate such award as a performance compensation award under the 2013 Omnibus Incentive Plan. The Committee has sole discretion to select the length of any applicable performance periods, the types of performance compensation awards to be issued, the applicable performance criteria and performance goals, and the kinds and/or levels of performance goals that are to apply. The performance criteria that will be used to establish the performance goals may be based on the attainment of specific levels of performance of the Company (and/or one or more affiliates, divisions or operational and/or business units, product lines, brands, business segments, administrative departments, or any combination of the foregoing) and are limited to the following: (i) net earnings or net income (before or after taxes); (ii) basic or diluted earnings per share (before or after taxes); (iii) net revenue or net revenue growth; (iv) gross revenue or gross revenue growth, gross profit or gross profit growth; (v) net operating profit (before or after taxes); (vi) return measures (including, but not limited to, return on investment, assets, capital, employed capital, invested capital, equity, or sales); (vii) cash flow measures (including, but not limited to, operating cash flow, free cash flow, and cash flow return on capital), which may but are not required to be measured on a per share basis; (viii) earnings before or after taxes, interest, depreciation and/or amortization (including EBIT and EBITDA); (ix) gross or net operating margins; (x) productivity ratios; (xi) share price (including, but not limited to, growth measures and total stockholder return); (xii) expense targets or cost reduction goals, general and administrative expense savings; (xiii) operating efficiency; (xiv) objective measures of customer satisfaction; (xv) working capital targets; (xvi) measures of economic value added or other value creation metrics; (xvii) inventory control; (xviii) enterprise value; (xix) sales; (xx) stockholder return; (xxi) client retention; (xxii) competitive market metrics; (xxiii) employee retention; (xxiv) timely completion of new product rollouts; (xxv) timely launch of new facilities; (xxvi) measurements related to a new purchasing co-op; (xxvii) objective measures of personal targets, goals or completion of projects (including but not limited to succession and hiring projects, completion of specific acquisitions, reorganizations or other corporate transactions or capital-raising transactions, expansions of specific

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business operations and meeting divisional or project budgets); (xxviii) system-wide revenues; (xxix) royalty income; (xxx) comparisons of continuing operations to other operations; (xxxi) market share; (xxxii) cost of capital, debt leverage year-end cash position or book value; (xxxiii) strategic objectives, development of new product lines and related revenue, sales and margin targets, franchisee growth and retention, menu design and growth, co-branding or international operations; or (xxxiv) any combination of the foregoing. Any one or more of the performance criteria may be stated as a percentage of another performance criteria, or used on an absolute or relative basis to measure our performance as a whole or any of our divisions or operational and/or business units, product lines, brands, business segments, administrative departments or any combination thereof, as the Committee may deem appropriate, or any of the above performance criteria may be compared to the performance of a selected group of comparison companies, or a published or special index that the Committee, in its sole discretion, deems appropriate, or as compared to various stock market indices. Unless otherwise determined by the Committee at the time a performance compensation award is granted, the Committee shall, during the first 90 days of a performance period (or, within any other maximum period allowed under Section 162(m) of the Code), or at any time thereafter to the extent the exercise of such authority at such time would not cause the performance compensation awards granted to any participant for such performance period to fail to qualify as performance-based compensation under Section 162(m) of the Code, specify adjustments or modifications to be made to the calculation of a performance goal for such performance period, based on and in order to appropriately reflect the following events: (i) asset write-downs; (ii) litigation or claim judgments or settlements; (iii) the effect of changes in tax laws, accounting principles, or other laws or regulatory rules affecting reported results; (iv) any reorganization and restructuring programs; (v) extraordinary nonrecurring items as described in Accounting Standards Codification Topic 225-20 (or any successor pronouncement thereto) and/or in management's discussion and analysis of financial condition and results of operations appearing in our annual report to stockholders for the applicable year; (vi) acquisitions or divestitures; (vii) any other specific, unusual or nonrecurring events, or objectively determinable category thereof; (viii) foreign exchange gains and losses; (ix) discontinued operations and nonrecurring charges; and (x) a change in our fiscal year.

Following the completion of a performance period, the Committee will review and certify in writing whether, and to what extent, the performance goals for the performance period have been achieved and, if so, calculate and certify in writing that amount of the performance compensation awards earned for the period based upon the performance formula. In determining the actual amount of an individual participant's performance compensation award for a performance period, the Committee has the discretion to reduce or eliminate the amount of the performance compensation award consistent with Section 162(m) of the Code. Unless otherwise provided in the applicable award agreement, the Committee does not have the discretion to (A) grant or provide payment in respect of performance compensation awards for a performance period if the performance goals for such performance period have not been attained; or (B) increase a performance compensation award above the applicable limitations set forth in the 2013 Omnibus Incentive Plan.

*Effect of Certain Events on 2013 Omnibus Incentive Plan and Awards.* In the event of (a) any dividend (other than regular cash dividends) or other distribution (whether in the form of cash, shares of common stock, other securities or other property), recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, split-up, split-off, spin-off, combination, repurchase or exchange of our shares of common stock or other securities, issuance of warrants or other rights to acquire our shares of common stock or other securities, or other similar corporate transaction or event (including, without limitation, a change in control, as defined in the 2013 Omnibus Incentive Plan) that affects the shares of common stock, or (b) unusual or nonrecurring events (including, without limitation, a change in control) affecting us, any affiliate, or the financial statements of us or any affiliate, or changes in applicable rules, rulings, regulations or other requirements of any governmental body or securities exchange or inter-dealer quotation system, accounting principles or law, such that in either case an

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adjustment is determined by the Committee in its sole discretion to be necessary or appropriate, then the Committee must make any such adjustments in such manner as it may deem equitable, including without limitation, any or all of: (i) adjusting any or all of (A) the share limits applicable under the 2013 Omnibus Incentive Plan with respect to the number of awards which may be granted hereunder, (B) the number of our shares of common stock or other securities which may be delivered in respect of awards or with respect to which awards may be granted under the 2013 Omnibus Incentive Plan and (C) the terms of any outstanding award, including, without limitation, (1) the number of shares of common stock subject to outstanding awards or to which outstanding awards relate, (2) the exercise price or strike price with respect to any award or (3) any applicable performance measures; (ii) providing for a substitution or assumption of awards, accelerating the exercisability of, lapse of restrictions on, or termination of, awards or providing for a period of time for participants to exercise outstanding awards prior to the occurrence of such event; and (iii) cancelling any one or more outstanding awards and causing to be paid to the holders holding vested awards (including any awards that would vest as a result of the occurrence of such event but for such cancellation) the value of such awards, if any, as determined by the Committee (which if applicable may be based upon the price per share of common stock received or to be received by other stockholders of the Company in such event), including without limitation, in the case of options and stock appreciation rights, a cash payment equal to the excess, if any, of the fair market value of the shares of common stock subject to the option or stock appreciation right over the aggregate exercise price thereof. For the avoidance of doubt, the Committee may cancel any stock option or stock appreciation right for no consideration if the fair market value of the shares subject to such option or stock appreciation right is less than or equal to the aggregate exercise price or strike price of such stock option or stock appreciation right.

*Nontransferability of Awards.* An award will not be transferable or assignable by a participant otherwise than by will or by the laws of descent and distribution and any such purported assignment, alienation, pledge, attachment, sale, transfer or encumbrance will be void and unenforceable against us or any affiliate. However, the Committee may, in its sole discretion, permit awards (other than incentive stock options) to be transferred, including transfer to a participant's family members, any trust established solely for the benefit of participant or such participant's family members, any partnership or limited liability company of which participant, or participant and participant's family members, are the sole member(s), and a beneficiary to whom donations are eligible to be treated as charitable contributions for tax purposes.

*Amendment and Termination.* The Board of Directors may amend, alter, suspend, discontinue, or terminate the 2013 Omnibus Incentive Plan or any portion thereof at any time; provided, that no such amendment, alteration, suspension, discontinuation or termination may be made without stockholder approval if (i) such approval is necessary to comply with any regulatory requirement applicable to the 2013 Omnibus Incentive Plan or for changes in GAAP to new accounting standards, (ii) it would materially increase the number of securities which may be issued under the 2013 Omnibus Incentive Plan (except for adjustments in connection with certain corporate events), or (iii) it would materially modify the requirements for participation in the 2013 Omnibus Incentive Plan; provided, further, that any such amendment, alteration, suspension, discontinuance or termination that would materially and adversely affect the rights of any participant or any holder or beneficiary of any award shall not to that extent be effective without such individual's consent. The Committee may also, to the extent consistent with the terms of any applicable award agreement, waive any conditions or rights under, amend any terms of, or alter, suspend, discontinue, cancel or terminate, any award granted or the associated award agreement, prospectively or retroactively, subject to the consent of the affected Participant if any such waiver, amendment, alteration, suspension, discontinuance, cancellation or termination would materially and adversely affect the rights of any Participant with respect to such award; provided, further, that without stockholder approval, except as otherwise permitted in the 2013 Omnibus Incentive Plan, (i) no amendment or modification may reduce the exercise price of any option or the strike price of any stock appreciation right, (ii) the Committee may not cancel any outstanding

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option or stock appreciation right and replace it with a new option or stock appreciation right (with a lower exercise price or strike price, as the case may be) or other award or cash payment that is greater than the value of the cancelled option or stock appreciation right, and (iii) the Committee may not take any other action which is considered a repricing for purposes of the stockholder approval rules of any securities exchange or inter-dealer quotation system on which our securities are listed or quoted.

*Dividends and Dividend Equivalents.* The Committee in its sole discretion may provide part of an award with dividends or dividend equivalents, on such terms and conditions as may be determined by the Committee in its sole discretion; provided, that no dividend equivalents shall be payable in respect of outstanding (i) Options or stock appreciation right or (ii) unearned performance compensation awards or other unearned awards subject to performance conditions (other than or in addition to the passage of time) (although dividend equivalents may be accumulated in respect of unearned awards and paid within 15 days after such awards are earned and become earned, payable or distributable).

*Clawback/Forfeiture.* An award agreement may provide that the Committee may in its sole discretion cancel such award if the participant, while employed by or providing services to us or any affiliate or after termination of such employment or service, violates a non-competition, non-solicitation or non-disclosure covenant or agreement or otherwise has engaged in or engages in other detrimental activity that is in conflict with or adverse to our interests or the interests of any affiliate, including fraud or conduct contributing to any financial restatements or irregularities, as determined by the Committee in its sole discretion. The Committee may also provide in an award agreement that if the participant otherwise has engaged in or engages in any activity referred to in the preceding sentence, the participant will forfeit any gain realized on the vesting or exercise of such award, and must repay the gain to us. The Committee may also provide in an award agreement that if the participant receives any amount in excess of what the participant should have received under the terms of the award for any reason (including without limitation by reason of a financial restatement, mistake in calculations or other administrative error), then the participant shall be required to repay any such excess amount to us. Without limiting the foregoing, all awards shall be subject to reduction, cancellation, forfeiture or recoupment to the extent necessary to comply with applicable law.



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**PRINCIPAL AND SELLING STOCKHOLDERS**

The following table and accompanying footnotes set forth information with respect to the beneficial ownership of our common stock, as of November 15, 2013, for:

each person known by us to own beneficially more than 5% of our outstanding shares of common stock;

each of our directors;

each of our named executive officers;

all of our directors and executive officers as a group; and

each selling stockholder.

For further information regarding material transactions between us and the selling stockholders, see Certain Relationships and Related Party Transactions.

The selling stockholders are affiliates of Blackstone Advisory Partners, L.P., a registered broker-dealer and an underwriter in this offering. Each of the selling stockholders acquired shares of the Company's common stock in the ordinary course of business and, at the time of its acquisition of shares of the Company's common stock, did not have any agreements or understanding, directly or indirectly, with any person to distribute such shares.

In connection with this offering and depending on the applicable facts and circumstances, a selling stockholder may be deemed to be an underwriter within the meaning of such term under the Securities Act.

The number of shares and percentages of beneficial ownership prior to this offering set forth below are based on the number of shares of our common stock issued and outstanding immediately prior to the consummation of this offering and the share repurchase. The number of shares and percentages of beneficial ownership after this offering and the share repurchase set forth below are based on the number of shares of our common stock issued and outstanding immediately after the consummation of this offering and the share repurchase assuming the selling stockholders sell 15,000,000 shares of common stock offered by this prospectus and assuming that the share repurchase of 1.5 million shares is consummated concurrently with the closing of this offering.

Beneficial ownership for the purposes of the following table is determined in accordance with the rules and regulations of the SEC. A person is a beneficial owner of a security if that person has or shares voting power, which includes the power to vote or to direct the voting of the security, or investment power, which includes the power to dispose of or to direct the disposition of the security or has the right to acquire such powers within 60 days.

Unless otherwise noted in the footnotes to the following table, and subject to applicable community property laws, the persons named in the table have sole voting and investment power with respect to their beneficially owned common stock.

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Except as otherwise indicated in the footnotes below, the address of each beneficial owner is c/o SeaWorld Entertainment, Inc., 9205 South Park Center Loop, Suite 400, Orlando, Florida 32819.

| Name of Beneficial Owner   | Common Stock Beneficially Owned<br>After this Offering and the<br>Share Repurchase          |      |   |  |      |  |      |  |
|--|---|------|---|--|------|--|------|--|
|  | Common Stock<br>Beneficially Owned<br>Prior to this<br>Offering and the<br>Share Repurchase |      | Shares of<br>Common<br>Stock<br>Offered | Assuming the<br>Underwriters<br>Option is not<br>Exercised |      | Assuming the<br>Underwriters<br>Option is<br>Exercised in Full |      |  |
|  | Number  | %    |   | Number   | %    | Number   | %    |  |
| <b>Principal and Selling Stockholders:</b>                                   |   |      |   |  |      |  |      |  |
| The Partnerships affiliated with The Blackstone Group L.P. <sup>(1)(2)</sup> | 58,745,708  | 63.0 | 15,000,000                              | 42,245,708   | 46.0 | 39,995,708   | 43.6 |  |
| <b>Directors and Named Executive Officers:</b>                               |   |      |   |  |      |  |      |  |
| Jim Atchison   | 789,010   | *    |   | 789,010  | *    | 789,010  | *    |  |
| David F. D. Alessandro   | 294,599   | *    |   | 294,599  | *    | 294,599  | *    |  |
| Joseph P. Baratta <sup>(3)</sup>   |   |      |   |  |      |  |      |  |
| Bruce McEvoy <sup>(3)</sup>  |   |      |   |  |      |  |      |  |
| Judith A. McHale   | 4,444   | *    |   | 4,444  | *    | 4,444  | *    |  |
| Peter Wallace <sup>(3)</sup>   |   |      |   |  |      |  |      |  |
| Deborah M. Thomas  | 3,846   | *    |   | 3,846  | *    | 3,846  | *    |  |
| James M. Heaney  | 182,156   | *    |   | 182,156  | *    | 182,156  | *    |  |
| Dan Brown  | 276,621   | *    |   | 276,621  | *    | 276,621  | *    |  |
| Donald Mills   | 261,740   | *    |   | 261,740  | *    | 261,740  | *    |  |
| Scott Helmstedter  | 153,965   | *    |   | 153,965  | *    | 153,965  | *    |  |
| All directors and executive officers as a group (11 persons)                 | 1,966,381   | 2.1  |   | 1,966,381  | 2.1  | 1,966,381  | 2.1  |  |

\* Less than 1%.

- (1) As of November 15, 2013, the Partnerships owned 63.0% of our outstanding common stock and no other person or entity had a direct beneficial ownership interest in our common stock as of such date until the expiration of the lock-up period related to such common stock. The shares to be sold in this offering by the Partnerships, including any additional shares that the underwriters have the option to purchase, will be allocated among the Partnerships pro rata based on their current ownership percentages.
- (2) Reflects shares of our common stock held by the Partnerships as follows: 45,906,268 shares of our common stock held by SW Delaware L.P. ( SWD ), 1,432,904 shares of our common stock held by SW Delaware A L.P. ( SWDA ), 1,611,551 shares of our common stock held by SW Delaware B L.P. ( SWDB ), 1,470,291 shares of our common stock held by SW Delaware C L.P. ( SWDC ), 528,213 shares of our common stock held by SW Delaware D L.P. ( SWDD ), 1,655,347 shares of our common stock held by SW Delaware E L.P. ( SWDE ), 1,293,705 shares of our common stock held by SW Delaware F L.P. ( SWDF ), 1,970,378 shares of our common stock held by SW Delaware Co-Invest L.P. ( SWDCI ), 2,157,788 shares of our common stock held by SW Delaware (GS) L.P. ( SWDGS ) and 719,263 shares of our common stock held by SW Delaware (GSO) L.P. Blackstone and other members of the Investor Group own various classes of interests in the Partnerships as described under Certain Relationships and Related Party Transactions Limited Partnership Agreements. Investors in SWDGS include certain affiliates of Goldman, Sachs & Co.

Under the terms of the partnership agreements of the Partnerships, the general partner determines any voting and dispositions decisions with respect to the shares of our common stock held by the Partnerships. In certain circumstances, Blackstone and certain other members of the Investor Group are permitted to surrender their interests in the Partnerships to the Partnerships and receive shares of our common stock held by the Partnerships. The general partner of each of the Partnerships is SW Cayman Limited. SW Cayman Limited is wholly owned by Blackstone Capital Partners (Cayman III) V L.P. The general partner of Blackstone Capital Partners (Cayman III) V L.P. is Blackstone Management Associates (Cayman) V L.P. The general partner of Blackstone Management Associates (Cayman) V L.P. is BCP V GP L.L.C. The sole member of BCP V GP L.L.C. is Blackstone Holdings III L.P. The general partner of Blackstone Holdings III L.P. is Blackstone Holdings III GP L.P. The general partner of Blackstone Holdings III GP L.P. is Blackstone Holdings III GP Management L.L.C. The sole member of Blackstone Holdings III GP Management L.L.C. is The Blackstone Group L.P. The general partner of The Blackstone Group L.P. is Blackstone Group Management L.L.C. Blackstone Group Management L.L.C. is wholly owned by Blackstone's senior managing directors and controlled by its founder, Stephen A. Schwarzman. As a result of his control of Blackstone Group Management L.L.C., Mr. Schwarzman has

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voting and investment power with respect to the shares held by the Partnerships. Each of such Blackstone entities (other than the Partnerships to the extent of their direct holdings) and Mr. Schwarzman may be deemed to beneficially own the shares beneficially owned by the Partnerships directly or indirectly controlled by it or him, but each disclaims beneficial ownership

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of such shares. The address of each of Mr. Schwarzman and each of the other entities listed in this footnote is c/o The Blackstone Group L.P., 345 Park Avenue, New York, New York 10154.

- (3) Messrs. Baratta, McEvoy and Wallace are each employees of Blackstone, but each disclaims beneficial ownership of the shares beneficially owned by the Partnerships. The address for Messrs. Baratta, McEvoy and Wallace is c/o The Blackstone Group L.P., 345 Park Avenue, New York, New York 10154.

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**CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS**

**Stockholders Agreement**

In connection with our initial public offering, we entered into a stockholders agreement with the Partnerships, which are affiliates of Blackstone. This agreement granted the Partnerships the right to nominate to our Board of Directors a number of designees equal to: (i) at least a majority of the total number of directors comprising our Board of Directors as long as the Partnerships and their affiliates beneficially own at least 50% of the shares of our common stock entitled to vote generally in the election of our directors; (ii) at least 40% of the total number of directors comprising our Board of Directors at such time as long as the Partnerships and their affiliates beneficially own at least 40% but less than 50% of the shares of our common stock entitled to vote generally in the election of our directors; (iii) at least 30% of the total number of directors comprising our Board of Directors at such time as long as the Partnerships and their affiliates beneficially own at least 30% but less than 40% of the shares of our common stock entitled to vote generally in the election of our directors; (iv) at least 20% of the total number of directors comprising our Board of Directors at such time as long as the Partnerships and their affiliates beneficially own at least 20% but less than 30% of the shares of our common stock entitled to vote generally in the election of our directors; and (v) at least 10% of the total number of directors comprising our Board of Directors at such time as long as the Partnerships and their affiliates beneficially own at least 5% but less than 20% of the shares of our common stock entitled to vote generally in the election of our directors. For purposes of calculating the number of directors that the Partnerships are entitled to nominate pursuant to the formula outlined above, any fractional amounts would be rounded up to the nearest whole number (e.g., one and one quarter directors shall equate to two directors) and the calculation would be made on a pro forma basis after taking into account any increase in the size of our Board of Directors.

In addition, in the event a vacancy on the Board of Directors is caused by the death, retirement or resignation of a Partnership's director-designee, the Partnerships shall, to the fullest extent permitted by law, have the right to have the vacancy filled by a new Partnership's director-designee.

**Limited Partnership Agreements and Equityholders Agreement**

Investment funds affiliated with Blackstone and other co-investors hold Class A Units and Class B Units of the Partnerships. In addition, ABI holds Class C Units in the Partnerships, which entitle ABI to receive, subject to certain conditions, a specified portion of distributions from the Partnerships.

As of November 15, 2013, Blackstone beneficially owned 8,600,000 Class A Units in the Partnerships consisting of 6,870,315.17 Class A Units in SWD, 248,783.61 Class A Units in SWDA, 279,799.84 Class A Units in SWDB, 255,273.63 Class A Units in SWDC, 91,709.15 Class A Units in SWDD, 287,403.79 Class A Units in SWDE, 224,615.11 Class A Units in SWDF and 342,099.70 Class A Units in SWDCI. Other members of the Investor Group, including certain of our directors and officers, affiliates of Goldman, Sachs & Co. and other investors, own the remaining limited partnership units in the Partnerships, consisting of 101,000 Class B Units and ten Class C Units. In connection with our initial public offering, our directors, officers and employees surrendered all Class D Units and Employee Units to the Partnerships held by them and received shares of our common stock with substantially equivalent value to such Class D Units and the Employee Units. Shares of our common stock issued in respect of the unvested Employee Units are subject to vesting terms substantially similar to those described above under

Management Narrative Disclosure to Summary Compensation Table and Grants of Plan-Based Awards Terms of Equity Award Grants Employee Units Vesting Terms.

Pursuant to the limited partnership agreements of each of the Partnerships (referred to herein as the Partnership Agreements), Blackstone, through its affiliate SW Cayman Limited, the general

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partner of the Partnerships, has the right to determine when dispositions of shares of our common stock held by the Partnerships will be made and, subject to certain exceptions, when distributions will be made to the limited partners of the Partnerships and the amount of any such distributions. If SW Cayman Limited authorizes a distribution, such distribution will be made to the partners of the Partnerships (1) in the case of a tax distribution (as described below), to the holders of limited partnerships units in proportion to the amount of taxable income of the Partnerships allocated to such holders and (2) in the case of other distributions, pro rata in accordance with the percentages of their respective partnership interests, subject to vesting requirements of certain Employee Units held by members of our management. ABI holds Class C Units in the Partnerships, which entitle ABI to receive, subject to certain conditions, a specified portion of distributions from the Partnerships. ABI has consent rights with respect to certain amendments to the Partnership Agreements.

The Partnership Agreements provide that SW Cayman Limited, as the general partner, will be entitled in its sole discretion and without the approval of the other partners to perform or cause to be performed all management and operational functions relating to the Partnerships and shall have the sole power to bind the Partnerships. The limited partners may not participate in the management or control of the Partnerships.

The Partnership Agreements provide that, subject to certain exceptions, the general partner will not withdraw from the Partnerships or resign as a general partner. The general partner is not permitted to transfer its general partnership interests except to an affiliate of the general partner. The Partnership Agreements also provide that, subject to certain exceptions, the limited partners will not transfer their limited partnership interests. Under the terms of the Partnership Agreements, an affiliate of Blackstone determines any voting and disposition decisions with respect to the shares of our common stock held by the Partnerships. In certain circumstances, Blackstone and certain other members of the Investor Group are permitted to surrender their interests in the Partnerships to the Partnerships and receive shares of our common stock held by the Partnerships.

The Partnership Agreements contain a covenant limiting the Partnerships' ability to enter into transactions with their affiliates, which is similar to the affiliate transactions covenant contained in the indenture governing the Senior Notes.

The Partnership Agreements provide that each of the Partnerships will be dissolved upon the earliest of (i) the determination of the general partner to dissolve the Partnerships, (ii) such date when there are no limited partners, (iii) at such times as all of the assets of the Partnership have been converted into cash and cash equivalents, (iv) the entry of a decree of judicial dissolution of the Partnership or (v) the dissolution, resignation, expulsion or bankruptcy of the general partner.

In connection with the 2009 Transactions, we entered into an equityholders agreement with the Partnerships and certain equity holders of the Partnerships. Pursuant to the agreement, in the event that we propose to redeem or repurchase any of our equity interests held by the Partnerships, we are required to offer each Partnership the right to participate in such redemption or repurchase on a pro rata basis.

## **Registration Rights Agreement**

In connection with the 2009 Transactions, we entered into a registration rights agreement with the Partnerships and certain equity holders of the Partnerships. Subject to certain conditions, this agreement provides to the Partnerships an unlimited number of demand registrations and customary piggyback registration rights. The registration rights agreement also provides that we will pay certain expenses of the Partnerships and certain of its equity holders relating to such registrations and indemnify them against certain liabilities which may arise under the Securities Act.

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### **2009 Advisory Agreement**

In connection with the 2009 Transactions, SWPEI, SeaWorld Parks & Entertainment LLC and Sea World LLC entered into an advisory agreement with Blackstone Management Partners L.L.C. ( "BMP" ) pursuant to which BMP provided certain strategic and structuring advice and assistance to us. This agreement was amended and restated in March 2013 and terminated in connection with our initial public offering, provided that provisions relating to indemnification and certain other provisions survive termination. In the year ended December 31, 2012 and the nine months ended September 30, 2013, we paid approximately \$6.2 million and \$6.6 million, respectively (excluding expense reimbursement), to Blackstone pursuant to the 2009 Advisory Agreement and in connection with the termination of the 2009 Advisory Agreement, we paid BMP total fees of \$46.3 million. The termination fee was calculated by determining the present value (using a discount rate equal to the yield to maturity on the business day immediately preceding the date on which such termination fee is payable of the class of outstanding U.S. government bonds having a final maturity closest to the tenth anniversary of the date of the 2009 Advisory Agreement) of all then-current and future monitoring fees payable under the agreement (assuming that the agreement terminated on its tenth anniversary).

### **Debt and Interest Payments**

As of September 30, 2013, approximately \$65 million aggregate principal amount of the Senior Notes and approximately \$77.5 million of aggregate principal amount of Term B-2 Loan under our Senior Secured Credit Facilities were owned by affiliates of Blackstone. We make periodic interest payments on such debt in accordance with its terms. See "Description of Indebtedness - Senior Notes."

### **Repurchase of Securities**

As market conditions warrant, we and our major stockholders, including Blackstone and its affiliates, may from time to time, depending upon market conditions, seek to repurchase our debt securities or loans in privately negotiated or open market transactions, by tender offer or otherwise.

### **Equity Investment by Directors and Executive Officers**

Our management employees, including our named executive officers, received long-term incentive awards that are designed to promote our interests by providing our management employees with the opportunity to acquire an equity interest in the Partnerships as an incentive for the person to remain in our service. In fiscal 2011 and fiscal 2012, our named executive officers received grants of such awards in the form of Employee Units in the Partnerships. In addition, certain directors and members of management, including Messrs. Atchison, Brown and Mills, purchased Class D Units of the Partnerships.

### **Equity Healthcare Program Agreement**

Effective as of January 1, 2012, we entered into an employer health program agreement with Equity Healthcare LLC ( "Equity Healthcare" ), an affiliate of Blackstone, pursuant to which Equity Healthcare provides to us certain negotiating, monitoring and other services in connection with our health benefit plans. Because of the combined purchasing power of its client participants, Equity Healthcare is able to negotiate pricing terms for providers that are believed to be more favorable than the companies could obtain for themselves on an individual basis.

In consideration for Equity Healthcare's services, we paid Equity Healthcare a fee of \$2.50 per participating employee per month for benefit plans beginning on or after January 1, 2012 and we pay a fee of \$2.60 per participating employee per month for plans beginning on or after January 1, 2013.

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and \$2.70 per participating employee per month for plans beginning on or after January 1, 2014. As of December 31, 2012, we had approximately 3,400 employees enrolled in Equity Healthcare health benefit plans.

### **Core Trust Purchasing Group Participation Agreement**

Effective May 1, 2010, we entered into a five year participation agreement with Core Trust Purchasing Group ( CPG ), which designates CPG as our exclusive group purchasing organization for the purchase of certain products and services from third party vendors. CPG secures from vendors pricing terms for goods and services that are believed to be more favorable than participants in the group purchasing organization could obtain for themselves on an individual basis. Under the participation agreement, we must purchase 80% of the requirements of our participating locations for core categories of specified products and services, from vendors participating in the group purchasing arrangement with CPG or CPG may terminate the contract.

We do not pay any fees to participate in this group arrangement, and we can terminate participation in any category of products and services at any time prior to the expiration of the agreement without penalty with a reasonable business justification, including if pricing under the agreement becomes uncompetitive or uneconomical, customer service is not satisfactory or participation negatively impacts our corporate governance or compliance policies.

In connection with purchases by its participants (including us), CPG receives a commission from the vendors in respect of such purchases. Additionally, Blackstone has entered into a separate agreement with CPG whereby Blackstone receives a portion of the gross fees vendors pay to CPG based on the volume of purchases made by us. CPG is not a Blackstone affiliate and Blackstone is not a party to our participation agreement with CPG. A portion of the fees CPG remits to Blackstone is intended to reimburse Blackstone for a portion of the costs it incurs in connection with facilitating our participation in CPG and monitoring the services CPG provides to us. Our purchases through CPG were approximately \$25.0 million and \$22.2 million for the fiscal year ended December 31, 2012 and 2011, respectively, and approximately \$25.8 million for the nine months ended September 30, 2013.

### **Other**

Mr. Thomas J. Valley, the Director of Domestic Sales of a subsidiary of the Company, is the brother-in-law of our Chief Executive Officer and President. Mr. Valley's total compensation for fiscal 2012 was \$108,566.

From time to time, we do business with a number of other companies affiliated with Blackstone. We believe that all such arrangements have been entered into in the ordinary course of business and have been conducted on an arms-length basis.

### **Related Persons Transaction Policy**

Our Board of Directors recognizes the fact that transactions with related persons present a heightened risk of conflicts of interests and/or improper valuation (or the perception thereof). In connection with our initial public offering, our Board of Directors adopted a written policy on transactions with related persons that is in conformity with the requirements upon issuers having publicly-held common stock that is listed on the NYSE. Under this policy:

any related person transaction, and any material amendment or modification to a related person transaction, must be reviewed and approved or ratified by a committee of the Board of Directors composed solely of independent directors who are disinterested or by the disinterested members of the Board of Directors; and



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any employment relationship or transaction involving an executive officer and any related compensation must be approved by the compensation committee of the Board of Directors or recommended by the compensation committee to the Board of Directors for its approval.

In connection with the review and approval or ratification of a related person transaction:

management must disclose to the committee or disinterested directors, as applicable, the name of the related person and the basis on which the person is a related person, the material terms of the related person transaction, including the approximate dollar value of the amount involved in the transaction, and all the material facts as to the related person's direct or indirect interest in, or relationship to, the related person transaction;

management must advise the committee or disinterested directors, as applicable, as to whether the related person transaction complies with the terms of our agreements governing our material outstanding indebtedness that limit or restrict our ability to enter into a related person transaction;

management must advise the committee or disinterested directors, as applicable, as to whether the related person transaction will be required to be disclosed in our applicable filings under the Securities Act or the Exchange Act, and related rules, and, to the extent required to be disclosed, management must ensure that the related person transaction is disclosed in accordance with such Acts and related rules; and

management must advise the committee or disinterested directors, as applicable, as to whether the related person transaction constitutes a personal loan for purposes of Section 402 of the Sarbanes-Oxley Act of 2002.

In addition, the related person transaction policy provides that the committee or disinterested directors, as applicable, in connection with any approval or ratification of a related person transaction involving a non-employee director or director nominee, should consider whether such transaction would compromise the director or director nominee's status as an independent, outside, or non-employee director, as applicable, under the rules and regulations of the SEC, the NYSE and the Code.

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**ORGANIZATIONAL STRUCTURE**

The following diagram illustrates our organizational structure immediately prior to the consummation of this offering and the share repurchase.

- (1) Includes shares of our common stock held by our current and former employees and directors.
- (2) SWPEI is the borrower under our Senior Secured Credit Facilities and the issuer of the Senior Notes. See Description of Indebtedness.
- (3) The obligations under our Senior Secured Credit Facilities and the Senior Notes are guaranteed by SeaWorld Entertainment, Inc. and all of the existing and future material domestic subsidiaries of SeaWorld Parks & Entertainment, Inc.

**Table of Contents****DESCRIPTION OF INDEBTEDNESS****Senior Secured Credit Facilities**

In December 2009, SWPEI entered into Senior Secured Credit Facilities with Bank of America, N.A., as administrative agent, collateral agent, letter of credit issuer and swing line lender, Banc of America Securities LLC and Deutsche Bank Securities Inc., as joint lead arrangers, and the other agents and lenders from time to time party thereto. We entered into several amendments to our Senior Secured Credit Facilities prior to the date hereof with Bank of America, N.A., as administrative agent, collateral agent, letter of credit issuer and swing line lender, and the other agents and lenders from time to time party thereto.

At September 30, 2013, our Senior Secured Credit Facilities consisted of:

\$1,401.5 million Term B-2 Loans, which will mature on the May 14, 2020; and

a \$192.5 million Revolving Credit Facility, which was undrawn at September 30, 2013. The Revolving Credit Facility will mature on the earlier of (a) April 24, 2018 or (b) the 91st day prior to the earlier of (1) the maturity date of Senior Notes (also referred to as Mezzanine Debt ) 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 Mezzanine Debt, and includes borrowing capacity available for letters of credit and for short-term borrowings referred to as the swingline borrowings. As of September 30, 2013, we had approximately \$18.5 million of outstanding letters of credit leaving approximately \$174.0 million available for borrowings.

The obligations under our Senior Secured Credit Facilities are fully, unconditionally and irrevocably guaranteed by each of the Issuer, any subsidiary of the Issuer that directly or indirectly owns 100% of the issued and outstanding equity interests of SWPEI, and, subject to certain exceptions, each of SWPEI's existing and future material domestic wholly-owned subsidiaries.

The Revolving Credit Facility includes borrowing capacity available for letters of credit and for short-term borrowings referred to as the swingline borrowings. In addition, our Senior Secured Credit Facilities also provide us with the option to raise incremental credit facilities, refinance the loans with debt incurred outside our Senior Secured Credit Facilities and extend the maturity date of the revolving loans and term loans, subject to certain limitations.

***Interest Rate and Fees***

Borrowings under the Term B-2 Loans bear interest, at SWPEI's opinion, at a rate equal to a margin over either (a) a base rate determined by reference to the higher of (1) the 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 BBA LIBOR rate for the interest period relevant to such borrowing. The 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%, subject to one 25 basis point step-down upon achievement by SWPEI of a certain leverage ratio.

Borrowings under the Revolving Credit Facility bear interest, at SWPEI's option, at a rate equal to a margin over either (a) a base rate determined by reference to the higher of (1) the administrative agent'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 BBA LIBOR rate for the interest period relevant to such borrowing. The margin for 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 upon achievement of certain corporate ratings.

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

### ***Prepayments***

Our Senior Secured Credit Facilities, as amended, requires SWPEI to prepay outstanding term loans, subject to certain exceptions, with:

50% of SWPEI's annual excess cash flow (with step-downs to 25% and 0%, as applicable, based upon SWPEI's total leverage ratio), subject to certain exceptions;

100% of the net cash proceeds of certain non-ordinary course asset sales or other dispositions, subject to reinvestment rights and certain exceptions; and

100% of the net cash proceeds of any incurrence of debt by SWPEI or any of its restricted subsidiaries, other than debt permitted to be incurred or issued under our Senior Secured Credit Facilities.

Notwithstanding any of the foregoing, each lender of term loans has the right to reject its pro rata share of mandatory prepayments described above, in which case we may retain the amounts so rejected.

The foregoing mandatory prepayments will be applied pro rata to installments of term loans in direct order of maturity.

SWPEI may voluntarily repay amounts outstanding under our Senior Secured Credit Facilities at any time without premium or penalty, other than prepayment premium on voluntary prepayment of Term B-2 Loans on or prior to May 14, 2014 and customary breakage costs with respect to LIBOR loans.

### ***Amortization***

SWPEI is currently required to repay installments on the Term B-2 Loans in quarterly installments equal to 1.0% per annum of the original principal amount of Term B-2 Loans, with the remaining amount payable on the maturity date.

### ***Collateral***

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 of SWPEI's direct or indirect domestic subsidiaries (other than a domestic subsidiary that is a subsidiary of a foreign subsidiary) and 65% of the capital stock of, or other equity interests in, any of SWPEI's direct foreign subsidiaries and any of SWPEI's domestic subsidiaries that are treated as disregarded entities for U.S. federal income tax purposes if substantially all the assets of such domestic subsidiary consist of equity interests of one or more controlled foreign corporations within the meaning of the Code and (ii) certain tangible and intangible assets of SWPEI and those of the Guarantors (subject to certain exceptions and qualifications).

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### ***Certain Covenants and Events of Default***

Our Senior Secured Credit Facilities contain a number of significant affirmative and negative covenants. Such covenants, among other things, restrict, subject to certain exceptions, the ability of SWPEI and its restricted subsidiaries to:

incur additional indebtedness, make guarantees and enter into hedging arrangements;

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 SWPEI'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 that (i) require SWPEI to maintain a (A) maximum net total leverage ratio and (B) minimum interest coverage ratio, and (ii) impose maximum annual capital expenditures requirements.

In addition, our Senior Secured Credit Facilities contain certain customary representations and warranties, affirmative covenants and events of default. If an event of default occurs, the lenders under our Senior Secured Credit Facilities will be entitled to take various actions, including the acceleration of amounts due under our Senior Secured Credit Facilities and all actions permitted to be taken by a secured creditor.

In connection with our initial public offering, SWPEI entered into Amendment No. 4 to our Senior Secured Credit Facilities. Amendment No. 4 amended the terms of our existing Senior Secured Credit Facilities to, among other things, permit SWPEI to pay certain distributions and dividends following an initial public offering of the Company and replaced the then existing \$172.5 million senior secured revolving credit facility with a new \$192.5 million senior secured revolving credit facility. On May 14, 2013, SWPEI entered into Amendment No. 5 to our Senior Secured Credit Facilities. Amendment No. 5 amended the terms of the existing Senior Secured Credit Facilities to, among other things, refinance our Term A Loan and our Term B Loan into new Term B-2 Loans, extend the final maturity date of the term loan facilities, reduce future principal and interest payments, and provide for additional future borrowings. On August 9, 2013, SWPEI entered into Amendment No. 6 to our Senior Secured Credit Facilities. Amendment No. 6 amended the calculation of SWPEI's covenant Adjusted EBITDA to allow the add

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back of the \$46.3 million termination fee paid in connection with the termination of the 2009 Advisory Agreement.

As of September 30, 2013, we were in compliance in all material respects with all covenants in the provisions contained in the documents governing our Senior Secured Credit Facilities.

**Table of Contents****Senior Notes****General**

On December 1, 2009, SWPEI 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 September 30, 2013, we had \$260.0 million aggregate principal amount of Senior Notes outstanding after redeeming \$140.0 million aggregate principal amount of Senior Notes using a portion of the net proceeds received in connection with our initial public offering at a redemption price of 111.0% plus accrued interest thereon.

**Ranking**

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.

**Optional Redemption**

We may redeem some or all of the Senior Notes at any time prior to December 1, 2014 at a price equal to 100% of the principal amount of Senior Notes redeemed plus the Applicable Premium as of, and accrued and unpaid interest to, the redemption date, subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date. The Applicable Premium is defined as the greater of (1) 1.0% of the principal amount of the Senior Notes and (2) the excess, if any, of (a) the present value at such redemption date of (i) the redemption price of the Senior Notes at December 1, 2014 or plus (ii) all required interest payments due on the Senior Notes through December 1, 2014 (excluding accrued but unpaid interest to the redemption date), computed using a discount rate equal to the Treasury Rate plus 50 basis points over (b) the principal amount of the Senior Notes.

After December 1, 2014, we may redeem the Senior Notes at the redemption prices listed below, if redeemed during the 12-month period beginning on December 1 of each of the years indicated below:

| <b>Year</b> | <b>Percentage</b> |
|-------------|-------------------|
| 2014        | 105.50%           |
| 2015        | 102.75%           |

In addition, under the indenture we had the right, until December 1, 2014, to redeem up to 35% of the aggregate principal amount of the Senior Notes at a redemption price equal to 111.0% of the aggregate principal amount thereof, plus accrued and unpaid interest, if any, to the redemption date, subject to the right of holders of the Senior Notes of record on the relevant record date to receive interest due on the relevant interest payment date, with the net cash proceeds received by us from one or more equity offerings; provided that (i) at least 65% of the sum of the aggregate principal amount of

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the Senior Notes originally issued under the indenture remains outstanding immediately after the occurrence of each such redemption and (ii) each such redemption occurs within 90 days of the date of closing of each such equity offering. Pursuant to such provisions, we used a portion of the net proceeds received by us from our initial public offering to redeem \$140.0 million aggregate principal amount of the Senior Notes at a redemption price of 111.0% plus accrued interest thereon.

### ***Change of Control Offer***

Upon the occurrence of a change of control (as defined in the indenture governing the Senior Notes), SWPEI will be required to offer to repurchase some or all of the Senior Notes at 101% of the aggregate principal amount thereof, plus accrued and unpaid interest, if any, to the repurchase date.

### ***Covenants***

The indenture governing the Senior Notes contains a number of covenants that, among other things, restrict SWPEI'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.

### ***Events of Default***

The indenture governing the Senior Notes provides 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 to become or be declared due and payable (subject, in some cases, to specified grace periods).

As of September 30, 2013, we were in compliance in all material respects with all covenants and the provisions contained in the indenture governing the Senior Notes.





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### **DESCRIPTION OF CAPITAL STOCK**

The following is a description of the material terms of, and is qualified in its entirety by, our amended and restated certificate of incorporation and amended and restated bylaws.

Our purpose is to engage in any lawful act or activity for which corporations may now or hereafter be organized under the General Corporation Law of the State of Delaware (the "DGCL"). Our authorized capital stock consists of 1,000,000,000 shares of common stock, par value \$0.01 per share, and 100,000,000 shares of preferred stock, par value \$0.01 per share. No shares of preferred stock will be issued or outstanding immediately after the public offering contemplated by this prospectus. Unless our Board of Directors determines otherwise, we will issue all shares of our capital stock in uncertificated form.

#### **Common Stock**

Holder of our common stock are entitled to one vote for each share held of record on all matters on which stockholders are entitled to vote generally, including the election or removal of directors. The holders of our common stock do not have cumulative voting rights in the election of directors.

Upon our liquidation, dissolution or winding up and after payment in full of all amounts required to be paid to creditors and to the holders of preferred stock having liquidation preferences, if any, the holders of our common stock will be entitled to receive pro rata our remaining assets available for distribution. Holders of our common stock do not have preemptive, subscription, redemption or conversion rights. The common stock will not be subject to further calls or assessment by us. There will be no redemption or sinking fund provisions applicable to the common stock. All shares of our common stock that will be outstanding at the time of the completion of the offering will be fully paid and non-assessable. The rights, powers, preferences and privileges of holders of our common stock will be subject to those of the holders of any shares of our preferred stock we may authorize and issue in the future.

#### **Preferred Stock**

Our amended and restated certificate of incorporation authorizes our Board of Directors to establish one or more series of preferred stock (including convertible preferred stock). Unless required by law or by the NYSE, the authorized shares of preferred stock will be available for issuance without further action by you. Our Board of Directors is able to determine, with respect to any series of preferred stock, the powers (including voting powers), preferences and relative, participating, optional or other special rights, and the qualifications, limitations or restrictions thereof, including, without limitation:

the designation of the series;

the number of shares of the series, which our Board of Directors may, except where otherwise provided in the preferred stock designation, increase (but not above the total number of authorized shares of the class) or decrease (but not below the number of shares then outstanding);

whether dividends, if any, will be cumulative or non-cumulative and the dividend rate of the series;

the dates at which dividends, if any, will be payable;

the redemption rights and price or prices, if any, for shares of the series;

the terms and amounts of any sinking fund provided for the purchase or redemption of shares of the series;



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the amounts payable on shares of the series in the event of any voluntary or involuntary liquidation, dissolution or winding-up of the affairs of the Company;

whether the shares of the series will be convertible into shares of any other class or series, or any other security, of the Company or any other corporation, and, if so, the specification of the other class or series or other security, the conversion price or prices or rate or rates, any rate adjustments, the date or dates as of which the shares will be convertible and all other terms and conditions upon which the conversion may be made;

restrictions on the issuance of shares of the same series or of any other class or series; and

the voting rights, if any, of the holders of the series.

We could issue a series of preferred stock that could, depending on the terms of the series, impede or discourage an acquisition attempt or other transaction that some, or a majority, of the holders of our common stock might believe to be in their best interests or in which the holders of our common stock might receive a premium for your common stock over the market price of the common stock. Additionally, the issuance of preferred stock may adversely affect the holders of our common stock by restricting dividends on the common stock, diluting the voting power of the common stock or subordinating the liquidation rights of the common stock. As a result of these or other factors, the issuance of preferred stock could have an adverse impact on the market price of our common stock.

### **Dividends**

The DGCL permits a corporation to declare and pay dividends out of surplus or, if there is no surplus, out of its net profits for the fiscal year in which the dividend is declared and/or the preceding fiscal year. Surplus is defined as the excess of the net assets of the corporation over the amount determined to be the capital of the corporation by the Board of Directors. The capital of the corporation is typically calculated to be (and cannot be less than) the aggregate par value of all issued shares of capital stock. Net assets equals the fair value of the total assets minus total liabilities. The DGCL also provides that dividends may not be paid out of net profits if, after the payment of the dividend, remaining capital would be less than the capital represented by the outstanding stock of all classes having a preference upon the distribution of assets.

Declaration and payment of any dividend will be subject to the discretion of our Board of Directors. The time and amount of dividends will be dependent upon our financial condition, operations, cash requirements and availability, debt repayment obligations, capital expenditure needs and restrictions in our debt instruments, industry trends, the provisions of Delaware law affecting the payment of distributions to stockholders and any other factors our Board of Directors may consider relevant.

In June 2013, our Board of Directors adopted a policy to pay a regular quarterly cash dividend. Pursuant to this policy, we paid quarterly cash dividends of \$0.20 per share on July 1 and October 1, 2013.

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 our Board of Directors may, at any time, modify or revoke our dividend policy on our common stock.

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### **Annual Stockholder Meetings**

Our amended and restated certificate of incorporation and our amended and restated bylaws provide that annual stockholder meetings will be held at a date, time and place, if any, as exclusively selected by our Board of Directors. To the extent permitted under applicable law, we may conduct meetings by remote communications, including by webcast.

### **Anti-Takeover Effects of Our Amended and Restated Certificate of Incorporation and Amended and Restated Bylaws and Certain Provisions of Delaware Law**

Our amended and restated certificate of incorporation, amended and restated bylaws and the DGCL contain provisions, which are summarized in the following paragraphs, that are intended to enhance the likelihood of continuity and stability in the composition of our Board of Directors. These provisions are intended to avoid costly takeover battles, reduce our vulnerability to a hostile change of control and enhance the ability of our Board of Directors to maximize stockholder value in connection with any unsolicited offer to acquire us. However, these provisions may have an anti-takeover effect and may delay, deter or prevent a merger or acquisition of the Company by means of a tender offer, a proxy contest or other takeover attempt that a stockholder might consider in its best interest, including those attempts that might result in a premium over the prevailing market price for the shares of common stock held by stockholders.

### ***Authorized but Unissued Capital Stock***

Delaware law does not require stockholder approval for any issuance of authorized shares. However, the listing requirements of the NYSE, which would apply if and so long as our common stock remains listed on the NYSE, require stockholder approval of certain issuances equal to or exceeding 20% of the then outstanding voting power or then outstanding number of shares of common stock. Additional shares that may be used in the future may be used for a variety of corporate purposes, including future public offerings, to raise additional capital or to facilitate acquisitions.

Our Board of Directors may generally issue preferred shares on terms calculated to discourage, delay or prevent a change of control of the Company or the removal of our management. Moreover, our authorized but unissued shares of preferred stock will be available for future issuances without stockholder approval and could be utilized for a variety of corporate purposes, including future offerings to raise additional capital, to facilitate acquisitions and employee benefit plans.

One of the effects of the existence of unissued and unreserved common stock or preferred stock may be to enable our Board of Directors to issue shares to persons friendly to current management, which issuance could render more difficult or discourage an attempt to obtain control of the Company by means of a merger, tender offer, proxy contest or otherwise, and thereby protect the continuity of our management and possibly deprive our stockholders of opportunities to sell their shares of common stock at prices higher than prevailing market prices.

### ***Classified Board of Directors***

Our amended and restated certificate of incorporation provides that our Board of Directors will be divided into three classes of directors, with the classes to be as nearly equal in number as possible, and with the directors serving three-year terms. As a result, approximately one-third of our Board of Directors will be elected each year. The classification of directors will have the effect of making it more difficult for stockholders to change the composition of our Board of Directors. Our amended and restated certificate of incorporation and amended and restated bylaws provide that, subject to any

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rights of holders of preferred stock to elect additional directors under specified circumstances, the number of directors will be fixed from time to time exclusively pursuant to a resolution adopted by the Board of Directors.

### ***Business Combinations***

We have opted out of Section 203 of the DGCL; however, our amended and restated certificate of incorporation contains similar provisions providing that we may not engage in certain business combinations with any interested stockholder for a three-year period following the time that the stockholder became an interested stockholder, unless:

prior to such time, our Board of Directors approved either the business combination or the transaction which resulted in the stockholder becoming an interested stockholder;

upon consummation of the transaction that resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of our voting stock outstanding at the time the transaction commenced, excluding certain shares; or

at or subsequent to that time, the business combination is approved by our Board of Directors and by the affirmative vote of holders of at least  $66\frac{2}{3}\%$  of our outstanding voting stock that is not owned by the interested stockholder.

Generally, a business combination includes a merger, asset or stock sale or other transaction resulting in a financial benefit to the interested stockholder. Subject to certain exceptions, an interested stockholder is a person who, together with that person's affiliates and associates, owns, or within the previous three years owned, 15% or more of our outstanding voting stock. For purposes of this section only, voting stock has the meaning given to it in Section 203 of the DGCL.

Under certain circumstances, this provision will make it more difficult for a person who would be an interested stockholder to effect various business combinations with the Company for a three-year period. This provision may encourage companies interested in acquiring the Company to negotiate in advance with our Board of Directors because the stockholder approval requirement would be avoided if our Board of Directors approves either the business combination or the transaction which results in the stockholder becoming an interested stockholder. These provisions also may have the effect of preventing changes in our Board of Directors and may make it more difficult to accomplish transactions which stockholders may otherwise deem to be in their best interests.

Our amended and restated certificate of incorporation provides that Blackstone and its affiliates, and any of their respective direct or indirect transferees and any group as to which such persons are a party, do not constitute interested stockholders for purposes of this provision.

### ***Removal of Directors; Vacancies***

Under the DGCL, unless otherwise provided in our amended and restated certificate of incorporation, directors serving on a classified board may be removed by the stockholders only for cause. Our amended and restated certificate of incorporation provides that directors may be removed with or without cause upon the affirmative vote of a majority in voting power of all outstanding shares of stock entitled to vote thereon, voting together as a single class; provided, however, at any time when Blackstone and its affiliates beneficially own, in the aggregate, less than 40% in voting power of the stock of the Company entitled to vote generally in the election of directors, directors may only be removed for cause, and only by the affirmative vote of 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. In addition, our amended and restated certificate of incorporation also provides that, subject to the rights granted to one or more series of

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preferred stock then outstanding or the rights granted under the stockholders agreement with affiliates of Blackstone, any newly created directorship on the Board of Directors that results from an increase in the number of directors and any vacancies on our Board of Directors will be filled only by the affirmative vote of a majority of the remaining directors, even if less than a quorum, by a sole remaining director or by the stockholders; provided, however, at any time when Blackstone and its affiliates beneficially own, in the aggregate, less than 40% in voting power of the stock of the Company entitled to vote generally in the election of directors, any newly created directorship on the Board of Directors that results from an increase in the number of directors and any vacancy occurring in the Board of Directors may only be filled by a majority of the directors then in office, although less than a quorum, or by a sole remaining director (and not by the stockholders).

### ***No Cumulative Voting***

Under Delaware law, the right to vote cumulatively does not exist unless the certificate of incorporation specifically authorizes cumulative voting. Our amended and restated certificate of incorporation does not authorize cumulative voting. Therefore, stockholders holding a majority in voting power of the shares of our stock entitled to vote generally in the election of directors will be able to elect all our directors.

### ***Special Stockholder Meetings***

Our amended and restated certificate of incorporation provides that special meetings of our stockholders may be called at any time only by or at the direction of the Board of Directors or the chairman of the Board of Directors; provided, however, at any time when Blackstone and its affiliates beneficially own, in the aggregate, at least 40% in voting power of the stock of the Company entitled to vote generally in the election of directors, special meetings of our stockholders shall also be called by the Board of Directors or the chairman of the Board of Directors at the request of Blackstone and its affiliates. Our amended and restated bylaws prohibit the conduct of any business at a special meeting other than as specified in the notice for such meeting. These provisions may have the effect of deferring, delaying or discouraging hostile takeovers, or changes in control or management of the Company.

### ***Requirements for Advance Notification of Director Nominations and Stockholder Proposals***

Our amended and restated bylaws establish advance notice procedures with respect to stockholder proposals and the nomination of candidates for election as directors, other than nominations made by or at the direction of the Board of Directors or a committee of the Board of Directors. In order for any matter to be properly brought before a meeting, a stockholder will have to comply with advance notice requirements and provide us with certain information. Generally, to be timely, a stockholder's notice must be received at our principal executive offices not less than 90 days nor more than 120 days prior to the first anniversary date of the immediately preceding annual meeting of stockholders. Our amended and restated bylaws also specify requirements as to the form and content of a stockholder's notice. Our amended and restated bylaws allow the chairman of the meeting at a meeting of the stockholders to adopt rules and regulations for the conduct of meetings which may have the effect of precluding the conduct of certain business at a meeting if the rules and regulations are not followed. These provisions will not apply to Blackstone and its affiliates so long as the stockholders agreement remains in effect. These provisions may also defer, delay or discourage a potential acquirer from conducting a solicitation of proxies to elect the acquirer's own slate of directors or otherwise attempting to influence or obtain control of the Company.

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### ***Stockholder Action by Written Consent***

Pursuant to Section 228 of the DGCL, any action required to be taken at any annual or special meeting of the stockholders may be taken without a meeting, without prior notice and without a vote if a consent or consents in writing, setting forth the action so taken, is signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares of our stock entitled to vote thereon were present and voted, unless our amended and restated certificate of incorporation provides otherwise. Our amended and restated certificate of incorporation will preclude stockholder action by written consent at any time when Blackstone and its affiliates beneficially own, in the aggregate, less than 40% in voting power of the stock of the Company entitled to vote generally in the election of directors.

### ***Supermajority Provisions***

Our amended and restated certificate of incorporation and amended and restated bylaws provide that the Board of Directors is expressly authorized to make, alter, amend, change, add to, rescind or repeal, in whole or in part, our bylaws without a stockholder vote in any matter not inconsistent with the laws of the State of Delaware and our amended and restated certificate of incorporation. For as long as Blackstone and its affiliates beneficially own, in the aggregate, at least 40% in voting power of the stock of the Company entitled to vote generally in the election of directors, any amendment, alteration, rescission or repeal of our bylaws by our stockholders will require the affirmative vote of a majority in voting power of the outstanding shares of our stock present in person or represented by proxy at the meeting of stockholders and entitled to vote on such amendment, alteration, change, addition, rescission or repeal. At any time when Blackstone and its affiliates beneficially own, in the aggregate, less than 40% in voting power of all outstanding shares of the stock of the Company entitled to vote generally in the election of directors, any amendment, alteration, rescission or repeal of our bylaws by our stockholders will require 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.

The DGCL provides generally that the affirmative vote of a majority of the outstanding shares entitled to vote thereon, voting together as a single class, is required to amend a corporation's certificate of incorporation, unless the certificate of incorporation requires a greater percentage.

Our amended and restated certificate of incorporation provides that at any time when Blackstone and its affiliates beneficially own, in the aggregate, less than 40% in voting power of the stock of the Company entitled to vote generally in the election of directors, the following provisions in our amended and restated certificate of incorporation may be amended, altered, repealed or rescinded 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:

the provision requiring a  $66\frac{2}{3}\%$  supermajority vote for stockholders to amend our amended and restated bylaws;

the provisions providing for a classified Board of Directors (the election and term of our directors);

the provisions regarding resignation and removal of directors;

the provisions regarding competition and corporate opportunities;

the provisions regarding entering into business combinations with interested stockholders;

the provisions regarding stockholder action by written consent;

the provisions regarding calling special meetings of stockholders;





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