

# A Lesson From SeaWorld

## WRITTEN BY

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From time to time there is an SEC enforcement action that has a broader lesson for public companies. The recent settled enforcement action against SeaWorld Entertainment, Inc.

(<https://www.sec.gov/news/press-release/2018-198>) is one of those. In *SeaWorld* the SEC charged the company, its CEO and its vice president of communication with misleading investors when they failed to accurately disclose the impact of the *Blackfish* documentary, which criticized SeaWorld's treatment of orcas, on the company's reputation and business.

This SEC enforcement action is a reminder of the need for companies to properly evaluate adverse events and to timely and accurately disclose the impact of those events on the company's business and prospects, even when (and perhaps especially when) the event is publicly known. The often typical response that an event "is not expected to have a material effect" on the company may not, depending on the circumstances, be satisfactory. In *SeaWorld* the company had touted its reputation as one of its principal assets but it failed to timely disclose the effect of the *Blackfish* documentary on that reputation, which caused a significant decline in attendance and a resulting loss in share value when that effect was eventually disclosed.

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