
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2016

or

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

For the transition period from _____ to _____

Commission File Number: 001-35883

SeaWorld Entertainment, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

27-1220297

(I.R.S. Employer
Identification No.)

9205 South Park Center Loop, Suite 400

Orlando, Florida 32819

(Address of principal executive offices) (Zip Code)

(407) 226-5011

(Registrant's telephone number, including area code)

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

(Do not check if a smaller reporting company)

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The registrant had outstanding 88,856,649 shares of Common Stock, par value \$0.01 per share as of August 1, 2016.

SEAWORLD ENTERTAINMENT, INC. AND SUBSIDIARIES

FORM 10-Q

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

There are a number of risks, uncertainties and other important factors, many of which are beyond our control, that could cause our actual results to differ materially from the forward-looking statements contained in this Quarterly Report on Form 10-Q. Such risks, uncertainties and other important factors that could cause actual results to differ include, among others, the risks, uncertainties and factors set forth under "Item 1A. Risk Factors" in the Company's Annual Report on Form 10-K for the year ended December 31, 2015, filed with the Securities and Exchange Commission (the "SEC"), as such risk factors may be updated from time to time in our periodic filings with the SEC, including this report, and are accessible on the SEC's website at www.sec.gov, including the following:

- changes in federal and state regulations governing the treatment of animals and claims and lawsuits by activist groups;
- various factors beyond our control adversely affecting attendance and guest spending at our theme parks;
- incidents or adverse publicity concerning our theme parks;
- a decline in discretionary consumer spending or consumer confidence;
- significant portion of revenues generated in the States of Florida, California and Virginia and the Orlando market;
- seasonal fluctuations;
- inability to compete effectively;
- interactions between animals and our employees and our guests at attractions at our theme parks;
- animal exposure to infectious disease;
- high fixed cost structure of theme park operations;
- changing consumer tastes and preferences;
- cyber security risks and failure to maintain the integrity of internal or guest data;
- increased labor costs;
- inability to grow our business or fund theme park capital expenditures;
- adverse litigation judgments or settlements;
- inability to protect our intellectual property or the infringement on intellectual property rights of others;
- the loss of licenses and permits required to exhibit animals;
- loss of key personnel;
- unionization activities or labor disputes;
- inability to meet workforce needs;
- inability to maintain certain commercial licenses;
- restrictions in our debt agreements limiting flexibility in operating our business;
- our substantial leverage;
- inability to realize the benefits of acquisitions or other strategic initiatives;

- inadequate insurance coverage;
- inability to purchase or contract with third party manufacturers for rides and attractions;
- environmental regulations, expenditures and liabilities;
- suspension or termination of any of our business licenses; and
- the ability of affiliates of The Blackstone Group L.P. to significantly influence our decisions.

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

All references to "we," "us," "our," "Company" or "SeaWorld" in this Quarterly Report on Form 10-Q mean SeaWorld Entertainment, Inc., its subsidiaries and affiliates.

Website and Social Media Disclosure

We use our websites (www.seaworldentertainment.com and www.seaworldinvestors.com) and our corporate Twitter account (@SeaWorld) as channels of distribution of Company information. The information we post through these channels may be deemed material. Accordingly, investors should monitor these channels, in addition to following our press releases, SEC filings and public conference calls and webcasts. In addition, you may automatically receive e-mail alerts and other information about SeaWorld when you enroll your e-mail address by visiting the "E-mail Alerts" section of our website at www.seaworldinvestors.com. The contents of our website and social media channels are not, however, a part of this Quarterly Report on Form 10-Q.

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).

Solely for convenience, the trademarks, service marks, and trade names referred to hereafter in this Quarterly Report on Form 10-Q 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 Quarterly Report on Form 10-Q may contain additional trademarks, service marks and trade names of others, which are the property of their respective owners. All trademarks, service marks and trade names appearing in this Quarterly Report on Form 10-Q are, to our knowledge, the property of their respective owners.

PART I — FINANCIAL INFORMATION

Item 1. Unaudited Condensed Consolidated Financial Statements

SEAWORLD ENTERTAINMENT, INC. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share amounts)

	June 30, 2016	December 31, 2015
Assets		
Current assets:		
Cash and cash equivalents	\$ 29,234	\$ 18,971
Accounts receivable, net	58,116	39,538
Inventories	42,034	31,213
Prepaid expenses and other current assets	15,934	16,360
Total current assets	145,318	106,082
Property and equipment, at cost	2,788,705	2,748,161
Accumulated depreciation	(1,088,268)	(1,029,165)
Property and equipment, net	1,700,437	1,718,996
Goodwill	335,610	335,610
Trade names/trademarks, net	161,995	162,726
Other intangible assets, net	19,668	21,327
Deferred tax assets, net	36,739	23,994
Other assets	19,607	19,927
Total assets	\$ 2,419,374	\$ 2,388,662
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 109,554	\$ 93,743
Current maturities on long-term debt	81,850	31,850
Accrued salaries, wages and benefits	11,691	12,330
Deferred revenue	152,783	79,818
Dividends payable	18,849	430
Other accrued expenses	17,651	11,143
Total current liabilities	392,378	229,314
Long-term debt, net of debt issuance costs of \$11,514 and \$13,333 as of June 30, 2016 and December 31, 2015, respectively	1,543,137	1,548,893
Deferred tax liabilities, net	22,562	65,689
Other liabilities	63,569	40,646
Total liabilities	2,021,646	1,884,542
Commitments and contingencies (Note 10)		
Stockholders' Equity:		
Preferred stock, \$0.01 par value—authorized, 100,000,000 shares, no shares issued or outstanding at June 30, 2016 and December 31, 2015	—	—
Common stock, \$0.01 par value—authorized, 1,000,000,000 shares; 91,792,095 and 90,320,374 shares issued at June 30, 2016 and December 31, 2015, respectively	918	903
Additional paid-in capital	616,149	624,765
Accumulated other comprehensive loss	(26,858)	(13,137)
(Accumulated deficit) retained earnings	(37,610)	46,460
Treasury stock, at cost (6,519,773 shares at June 30, 2016 and December 31, 2015)	(154,871)	(154,871)
Total stockholders' equity	397,728	504,120
Total liabilities and stockholders' equity	\$ 2,419,374	\$ 2,388,662

See accompanying notes to unaudited condensed consolidated financial statements.

SEAWORLD ENTERTAINMENT, INC. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF
COMPREHENSIVE INCOME (LOSS)
(In thousands, except per share amounts)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2016	2015	2016	2015
Net revenues:				
Admissions	\$ 223,979	\$ 238,451	\$ 360,905	\$ 375,291
Food, merchandise and other	147,157	153,165	230,472	230,917
Total revenues	<u>371,136</u>	<u>391,616</u>	<u>591,377</u>	<u>606,208</u>
Costs and expenses:				
Cost of food, merchandise and other revenues	28,913	31,112	45,914	47,015
Operating expenses (exclusive of depreciation and amortization shown separately below and includes equity compensation of \$526 and \$259 for the three months ended June 30, 2016 and 2015, respectively, and \$9,866 and \$328 for the six months ended June 30, 2016 and 2015, respectively)	191,433	191,202	371,726	345,013
Selling, general and administrative (includes equity compensation of \$1,935 and \$1,139 for the three months ended June 30, 2016 and 2015, respectively and \$22,185 and \$2,923 for the six months ended June 30, 2016 and 2015, respectively)	72,032	73,320	139,386	124,398
Restructuring and other related costs	—	122	112	267
Depreciation and amortization	40,708	50,110	115,756	93,964
Total costs and expenses	<u>333,086</u>	<u>345,866</u>	<u>672,894</u>	<u>610,657</u>
Operating income (loss)	38,050	45,750	(81,517)	(4,449)
Other expense (income), net	118	209	(24)	470
Interest expense	14,579	15,732	29,160	35,910
Loss on early extinguishment of debt and write-off of discounts and debt issuance costs	—	20,348	—	20,348
Income (loss) before income taxes	23,353	9,461	(110,653)	(61,177)
Provision for (benefit from) income taxes	5,585	3,652	(44,372)	(23,388)
Net income (loss)	\$ 17,768	\$ 5,809	\$ (66,281)	\$ (37,789)
Other comprehensive income (loss):				
Unrealized loss on derivatives, net of tax	(4,471)	(3,747)	(13,721)	(4,620)
Comprehensive income (loss)	\$ 13,297	\$ 2,062	\$ (80,002)	\$ (42,409)
Income (Loss) per share:				
Net income (loss) per share, basic	\$ 0.21	\$ 0.07	\$ (0.78)	\$ (0.44)
Net income (loss) per share, diluted	\$ 0.21	\$ 0.07	\$ (0.78)	\$ (0.44)
Weighted average common shares outstanding:				
Basic	<u>85,226</u>	<u>86,186</u>	<u>84,533</u>	<u>86,142</u>
Diluted	<u>85,358</u>	<u>86,291</u>	<u>84,533</u>	<u>86,142</u>
Cash dividends declared per share:				
Cash dividends declared per share	\$ 0.21	\$ 0.21	\$ 0.63	\$ 0.63

See accompanying notes to unaudited condensed consolidated financial statements.

SEAWORLD ENTERTAINMENT, INC. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE SIX MONTHS ENDED JUNE 30, 2016
(In thousands, except per share and share amounts)

	Shares of Common Stock Issued	Common Stock	Additional Paid-In Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Loss	Treasury Stock, at Cost	Total Stockholders' Equity
Balance at December 31, 2015	90,320,374	\$ 903	\$ 624,765	\$ 46,460	\$ (13,137)	\$ (154,871)	\$ 504,120
Equity-based compensation	—	—	32,051	—	—	—	32,051
Unrealized loss on derivatives, net of tax benefit of \$11,500	—	—	—	—	(13,721)	—	(13,721)
Vesting of restricted shares	1,533,015	15	(15)	—	—	—	—
Shares withheld for tax withholdings	(65,625)	—	(1,324)	—	—	—	(1,324)
Exercise of stock options	4,331	—	82	—	—	—	82
Accumulated cash dividends related to performance shares which vested during the period	—	—	(3,400)	—	—	—	(3,400)
Cash dividends declared to stockholders (\$0.63 per share), net of forfeitures	—	—	(36,010)	(17,789)	—	—	(53,799)
Net loss	—	—	—	(66,281)	—	—	(66,281)
Balance at June 30, 2016	91,792,095	\$ 918	\$ 616,149	\$ (37,610)	\$ (26,858)	\$ (154,871)	\$ 397,728

See accompanying notes to unaudited condensed consolidated financial statements.

SEAWORLD ENTERTAINMENT, INC. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	For the Six Months Ended June 30,	
	2016	2015
Cash Flows From Operating Activities:		
Net loss	\$ (66,281)	\$ (37,789)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	115,756	93,964
Amortization of debt issuance costs and discounts	2,668	4,013
Loss on early extinguishment of debt and write-off of discounts and debt issuance costs	—	20,348
Loss on sale or disposal of assets	6,719	3,744
Loss on derivatives	1	287
Deferred income tax benefit	(44,372)	(24,268)
Equity-based compensation	32,051	3,251
Changes in assets and liabilities:		
Accounts receivable	(23,460)	(22,608)
Inventories	(10,821)	(5,615)
Prepaid expenses and other current assets	228	511
Accounts payable	18,179	26,780
Accrued salaries, wages and benefits	(639)	4,610
Deferred revenue	76,991	71,485
Other accrued expenses	4,301	3,057
Other assets and liabilities	416	312
Net cash provided by operating activities	111,737	142,082
Cash Flows From Investing Activities:		
Capital expenditures	(103,224)	(83,534)
Change in restricted cash	198	(179)
Net cash used in investing activities	(103,026)	(83,713)
Cash Flows From Financing Activities:		
Proceeds from the issuance of debt	—	280,000
Repayment of long-term debt	(8,425)	(267,725)
Proceeds from draw on revolving credit facility	70,000	45,000
Repayment of revolving credit facility	(20,000)	(45,000)
Dividends paid to stockholders	(38,781)	(36,262)
Debt issuance costs	—	(4,571)
Redemption premium payment	—	(14,300)
Payment of tax withholdings on equity-based compensation through shares withheld	(1,324)	(836)
Exercise of stock options	82	—
Purchase of treasury stock	—	(5,650)
Net cash provided by (used in) financing activities	1,552	(49,344)
Change in Cash and Cash Equivalents	10,263	9,025
Cash and Cash Equivalents—Beginning of period	18,971	43,906
Cash and Cash Equivalents—End of period	<u>\$ 29,234</u>	<u>\$ 52,931</u>
Supplemental Disclosures of Noncash Investing and Financing Activities		
Capital expenditures in accounts payable	\$ 26,375	\$ 18,984
Dividends declared, but unpaid	\$ 18,849	\$ 18,391

See accompanying notes to unaudited condensed consolidated financial statements.

SEAWORLD ENTERTAINMENT, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(In thousands, except share and per share amounts)

1. DESCRIPTION OF THE BUSINESS AND BASIS OF PRESENTATION

Description of the Business

SeaWorld Entertainment, Inc., through its wholly-owned subsidiary, SeaWorld Parks & Entertainment, Inc. (“SEA”) (collectively, the “Company”), owns and operates twelve theme parks within the United States. Prior to its initial public offering in April 2013, the Company was owned by ten limited partnerships (the “Partnerships” or the “selling stockholders”), ultimately owned by affiliates of The Blackstone Group L.P. (“Blackstone”) and certain co-investors.

The Company operates SeaWorld theme parks in Orlando, Florida; San Antonio, Texas; and San Diego, California, and Busch Gardens theme parks in Tampa, Florida, and Williamsburg, Virginia. The Company operates water park attractions in Orlando, Florida (Aquatica); San Antonio, Texas (Aquatica); San Diego, California (Aquatica); Tampa, Florida (Adventure Island); and Williamsburg, Virginia (Water Country USA). The Company also operates a reservations-only attraction offering interaction with marine animals in Orlando, Florida (Discovery Cove) and a seasonal park in Langhorne, Pennsylvania (Sesame Place). In March 2016, Aquatica San Antonio was converted into a stand-alone, separate admission park that guests can access through an independent gate without the need to purchase admission to SeaWorld San Antonio.

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) and applicable rules and regulations of the Securities and Exchange Commission (“SEC”) regarding interim financial reporting. Certain information and note disclosures normally included in annual financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. Therefore, these unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes for the year ended December 31, 2015 included in the Company’s Annual Report on Form 10-K filed with the SEC. The unaudited condensed consolidated balance sheet as of December 31, 2015 has been derived from the audited consolidated financial statements included in the Company’s Annual Report on Form 10-K.

In the opinion of management, such unaudited condensed consolidated financial statements reflect all normal recurring adjustments necessary to present fairly the financial position, results of operations, and cash flows for the interim periods, but are not necessarily indicative of the results of operations for the year ending December 31, 2016 or any future period due to the seasonal nature of the Company’s operations. Based upon historical results, the Company typically generates its highest revenues in the second and third quarters of each year and incurs a net loss in the first and fourth quarters, in part because seven of its theme parks are only open for a portion of the year.

The unaudited condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, including SEA. All intercompany accounts have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements and related disclosures in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the unaudited condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. Significant estimates and assumptions include, but are not limited to, the accounting for self-insurance, deferred tax assets, deferred revenue, equity compensation and the valuation of goodwill and other indefinite-lived intangible assets. Actual results could differ from those estimates.

Reclassifications

Certain prior year amounts have been reclassified to conform to the 2016 presentation, in particular, \$2,975 previously included in deferred tax assets, net, in the accompanying unaudited condensed consolidated balance sheet as of December 31, 2015 was reclassified to noncurrent deferred tax assets, net, and noncurrent deferred tax liabilities, net, in the amounts of \$503 and \$2,472, respectively. The reclassification is as a result of the adoption of a new Accounting Standards Update (“ASU”). See Note 2—Recently Issued Accounting Pronouncements for further details.

SEAWORLD ENTERTAINMENT, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(In thousands, except share and per share amounts)

Segment Reporting

The Company maintains discrete financial information for each of its twelve theme parks, which is used by the Chief Operating Decision Maker (“CODM”), identified as the Chief Executive Officer, as a basis for allocating resources. Each theme park has been identified as an operating segment and meets the criteria for aggregation due to similar economic characteristics. In addition, all of the theme parks provide similar products and services and share similar processes for delivering services. The theme parks have a high degree of similarity in the workforces and target similar consumer groups. Accordingly, based on these economic and operational similarities and the way the CODM monitors and makes decisions affecting the operations, the Company has concluded that its operating segments may be aggregated and that it has one reportable segment.

Property and Equipment—Net

Property and equipment are recorded at cost. The cost of ordinary or routine maintenance, repairs, spare parts and minor renewals is expensed as incurred. Development costs associated with new attractions and products are generally capitalized after necessary feasibility studies have been completed and final concept or contracts have been approved. The cost of assets is depreciated using the straight-line method based on the following estimated lives:

Land improvements	10-40 years
Buildings	5-40 years
Rides, attractions and equipment	3-20 years
Animals	1-50 years

Material costs to purchase animals are capitalized and amortized over their estimated lives (1-50 years). Construction in process assets consist primarily of new rides, attractions and infrastructure improvements that have not yet been placed in service. These assets are stated at cost and are not depreciated. Once construction of an asset is completed and placed into service, the asset is reclassified to the appropriate asset class based on its nature and depreciated in accordance with its useful life above.

During the first quarter of 2016, the Company removed deep-water lifting floors from the orca habitats at each of its three SeaWorld theme parks. As a result, during the six months ended June 30, 2016, the Company recorded approximately \$33,700 of accelerated depreciation related to the disposal of these lifting floors, which is included in depreciation and amortization expense in the unaudited condensed consolidated statements of comprehensive income (loss). During the six months ended June 30, 2016, the Company also recorded approximately \$6,400 in asset write-offs associated with its previously disclosed orca habitat expansion (the “Blue World Project”) as the Company made a decision to not move forward with the Blue World Project as originally designed and planned.

2. RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

The Company reviews new accounting pronouncements as they are issued or proposed by the Financial Accounting Standards Board (“FASB”).

On March 30, 2016, the FASB issued ASU 2016-09, *Improvements to Employee Share-Based Payment Accounting*. This ASU simplifies several aspects of the accounting for share-based payment transactions (Topic 718) including the accounting for income taxes, forfeitures and statutory tax withholding requirements, as well as the classification of related amounts within the statement of cash flows and the classification of awards as either equity or liabilities. The ASU will be effective for annual periods beginning after December 15, 2016, and interim periods therein, with early adoption permitted. The Company is currently evaluating the impact of this ASU on its condensed consolidated financial statements.

On February 25, 2016, the FASB issued ASU 2016-02, *Leases*. This ASU establishes a new lease accounting model that, for many companies, eliminates the concept of operating leases and requires entities to record lease assets and lease liabilities on the balance sheet for certain types of leases. The ASU will be effective for annual periods beginning after December 15, 2018, and interim periods therein. Early adoption will be permitted for all entities. The provisions of the ASU are to be applied using a modified retrospective approach. The Company is currently evaluating the impact of this ASU on its condensed consolidated financial statements.

SEAWORLD ENTERTAINMENT, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(In thousands, except share and per share amounts)

In November 2015, the FASB issued ASU 2015-17, *Balance Sheet Classification of Deferred Taxes*. This ASU simplifies the accounting for deferred taxes by requiring an entity to classify all deferred taxes as noncurrent assets or noncurrent liabilities. No other changes were made to the current guidance on deferred taxes. The ASU is effective for annual periods beginning after December 15, 2016 with early adoption permitted and may be applied as a change in accounting principle either retrospectively or prospectively. The Company elected to early adopt this ASU retrospectively as of March 31, 2016. As a result of adopting this ASU, the Company reclassified \$2,975 of current deferred tax assets, net, in the accompanying unaudited condensed consolidated balance sheet as of December 31, 2015, to noncurrent deferred tax assets, net, and noncurrent deferred tax liabilities, net, in the amounts of \$503 and \$2,472, respectively. The adoption of this ASU did not impact the Company's condensed consolidated results of operations, stockholders' equity or cash flows.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which supersedes the revenue recognition requirements in Topic 605, *Revenue Recognition*. This ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. In August 2015, the FASB issued ASU 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date*, which defers the effective date to annual reporting periods beginning after December 15, 2017 using one of two retrospective application methods with earlier adoption permitted for annual periods beginning after December 15, 2016. During 2016, the FASB issued three updates to the revenue recognition guidance (Topic 606), ASU 2016-08, *Principal Versus Agent Considerations (Reporting Revenue Gross Versus Net)*, ASU 2016-10, *Identifying Performance Obligations and Licensing* and ASU 2016-12, *Narrow-Scope Improvements and Practical Expedients*. The Company has not yet selected a transition method and is evaluating the accounting and disclosure requirements on its condensed consolidated financial statements but does not currently anticipate a material impact upon adoption; however, the Company is in the process of evaluating the effect this ASU will have on the classification of revenue and related disclosures.

3. EARNINGS (LOSS) PER SHARE

Earnings (loss) per share is computed as follows (in thousands, except per share data):

	For the Three Months Ended June 30,						For the Six Months Ended June 30,					
	2016			2015			2016			2015		
	Net Income	Shares	Per Share Amount	Net Income	Shares	Per Share Amount	Net Loss	Shares	Per Share Amount	Net Loss	Shares	Per Share Amount
Basic earnings (loss) per share	\$ 17,768	85,226	\$ 0.21	\$ 5,809	86,186	\$ 0.07	\$ (66,281)	84,533	\$ (0.78)	\$ (37,789)	86,142	\$ (0.44)
Effect of dilutive incentive-based awards		132			105			—			—	
Diluted earnings (loss) per share	\$ 17,768	85,358	\$ 0.21	\$ 5,809	86,291	\$ 0.07	\$ (66,281)	84,533	\$ (0.78)	\$ (37,789)	86,142	\$ (0.44)

In accordance with the *Earnings Per Share* Topic of the Accounting Standards Codification ("ASC"), basic earnings (loss) per share is computed by dividing net income (loss) by the weighted average number of shares of common stock outstanding during the period (excluding treasury stock and unvested restricted stock). The shares of unvested restricted stock are eligible to receive dividends; however, dividend rights will be forfeited if the award does not vest. Accordingly, only vested shares of outstanding restricted stock are included in the calculation of basic earnings (loss) per share. The weighted average number of repurchased shares during the period, if any, which are held as treasury stock, are excluded from shares of common stock outstanding.

Diluted earnings (loss) per share is determined using the treasury stock method based on the dilutive effect of unvested restricted stock and certain shares of common stock that are issuable upon exercise of stock options. The Company's outstanding performance-vesting restricted share awards are considered contingently issuable shares and are excluded from the calculation of diluted earnings (loss) per share until the performance measure criteria is met as of the end of the reporting period. There were approximately 3,942,000 and 1,933,000 anti-dilutive shares of common stock excluded from the computation of diluted earnings per share during the three months ended June 30, 2016 and 2015, respectively. During the six months ended June 30, 2016 and 2015, the Company excluded potentially dilutive shares of approximately 4,841,000 and 1,583,000, respectively, as their effect would have been anti-dilutive due to the Company's net loss in those periods.

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4. INCOME TAXES

Income tax expense or benefit is recognized based on the Company's estimated annual effective tax rate which is based upon the tax rate expected for the full calendar year applied to the pretax income or loss of the interim period. The Company's consolidated effective tax rate for the three and six months ended June 30, 2016 was 23.9% and 40.1%, respectively, and differs from the statutory federal income tax rate primarily due to state income taxes and other permanent items, primarily related to equity-based compensation. The Company's consolidated effective tax rate for the three and six months ended June 30, 2015 was 38.6% and 38.2%, respectively, and differs from the statutory federal income tax rate primarily due to state income taxes and other permanent items.

The Company has determined that there are no positions currently taken that would rise to a level requiring an amount to be recorded or disclosed as an unrecognized tax benefit. If such positions do arise, it is the Company's intent that any interest or penalty amount related to such positions will be recorded as a component of the income tax provision (benefit) in the applicable period.

5. OTHER ACCRUED EXPENSES

Other accrued expenses at June 30, 2016 and December 31, 2015, consisted of the following:

	June 30, 2016	December 31, 2015
Accrued property taxes	\$ 7,396	\$ 2,250
Accrued interest	648	441
Self-insurance reserve	8,981	6,973
Other	626	1,479
Total other accrued expenses	<u>\$ 17,651</u>	<u>\$ 11,143</u>

6. LONG-TERM DEBT

Long-term debt as of June 30, 2016 and December 31, 2015 consisted of the following:

	June 30, 2016	December 31, 2015
Term B-2 Loans (effective interest rate of 3.26% at June 30, 2016 and December 31, 2015)	\$ 1,331,363	\$ 1,338,387
Term B-3 Loans (effective interest rate of 4.33% at June 30, 2016 and December 31, 2015)	246,500	247,900
Revolving Credit Facility	<u>65,000</u>	<u>15,000</u>
Total long-term debt	1,642,863	1,601,287
Less discounts	(6,362)	(7,211)
Less debt issuance costs	(11,514)	(13,333)
Less current maturities	(81,850)	(31,850)
Total long-term debt, net	<u>\$ 1,543,137</u>	<u>\$ 1,548,893</u>

SEA is the borrower under the senior secured credit facilities, as amended pursuant to a credit agreement dated as of December 1, 2009 (the "Senior Secured Credit Facilities"). Also on December 1, 2009, SEA issued \$400,000 aggregate principal amount of unsecured senior notes due December 1, 2016 (the "Senior Notes"). On March 30, 2015, SEA entered into an incremental term loan amendment, Amendment No. 7 (the "Incremental Amendment"), to its existing Senior Secured Credit Facilities. On April 7, 2015, SEA borrowed \$280,000 of additional term loans (the "Term B-3 Loans") pursuant to the Incremental Amendment. The proceeds, along with cash on hand, were used to redeem all of the \$260,000 outstanding principal of the Senior Notes at a redemption price of 105.5% plus accrued and unpaid interest and pay fees, costs and other expenses in connection with the Term B-3 Loans.

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Debt issuance costs and discounts are amortized to interest expense using the effective interest method over the term of the related debt and are included in long-term debt, net, in the accompanying unaudited condensed consolidated balance sheets. Unamortized debt issuance costs and discounts for the Term B-2 Loans, Term B-3 Loans and senior secured revolving credit facility (the “Revolving Credit Facility”) were \$12,980, \$3,042 and \$1,854, respectively, at June 30, 2016. Unamortized debt issuance costs and discounts for the Term B-2 Loans, Term B-3 Loans and Revolving Credit Facility were \$14,713, \$3,448 and \$2,383, respectively, at December 31, 2015.

Senior Secured Credit Facilities

As of June 30, 2016, the Senior Secured Credit Facilities consisted of \$1,331,363 in Term B-2 Loans and \$246,500 in Term B-3 Loans, which will mature on May 14, 2020, along with a \$192,500 Revolving Credit Facility, of which \$65,000 was outstanding at June 30, 2016 (at an interest rate of 2.93%). The Revolving Credit Facility will mature on the earlier of (a) April 24, 2018 and (b) the 91st day prior to the maturity date of any indebtedness incurred to refinance any of the term loans. The outstanding balance under the Revolving Credit Facility fluctuates each quarter based on working capital needs and is included in current maturities on long-term debt on the accompanying unaudited condensed consolidated balance sheet as of June 30, 2016.

The Term B-2 Loans amortize in equal quarterly installments in an aggregate annual amount equal to 1.0% of the original principal amount of the Term B-2 Loans on May 14, 2013, with the balance due on the final maturity date, of May 14, 2020. The Term B-3 Loans amortize in equal quarterly installments in an aggregate annual amount equal to 1.0% of the original principal amount of the Term B-3 Loans on April 7, 2015, with the balance due on the final maturity date of May 14, 2020. SEA may voluntarily repay amounts outstanding under the Senior Secured Credit Facilities at any time without premium or penalty, other than customary “breakage” costs with respect to LIBOR loans.

SEA is required to prepay the outstanding Term B-2 and Term B-3 loans, subject to certain exceptions, with

- (i) 50% of SEA’s annual “excess cash flow” (with step-downs to 25% and 0%, as applicable, based upon achievement by SEA of a certain total net leverage ratio), subject to certain exceptions;
- (ii) 100% of the net cash proceeds of certain non-ordinary course asset sales or other dispositions subject to reinvestment rights and certain exceptions; and
- (iii) 100% of the net cash proceeds of any incurrence of debt by SEA or any of its restricted subsidiaries, other than debt permitted to be incurred or issued under the 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 SEA 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. There were no mandatory prepayments during 2016 or 2015 since none of the events indicated above occurred.

SEA may also increase and/or 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 \$350,000. SEA 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 Leverage Ratio, as defined in the Senior Secured Credit Facilities, is no greater than 3.50 to 1.00.

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

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Term B-2 Loans

The Term B-2 Loans were initially borrowed in an aggregate principal amount of \$1,405,000. Borrowings under the Senior Secured Credit Facilities bear interest, at SEA's option, at a rate equal to a margin over either (a) a base rate determined by reference to the higher of (1) the rate of interest in effect for such day as publicly announced from time to time by Bank of America, N.A. as its "prime rate" and (2) the federal funds effective rate plus 1/2 of 1% or (b) a LIBOR rate determined by reference to the British Bankers Association ("BBA") LIBOR rate, or the successor thereto if the BBA is no longer making a LIBOR rate available, for the interest period relevant to such borrowing. The applicable margin for the Term B-2 Loans is 1.25%, in the case of base rate loans, and 2.25%, in the case of LIBOR rate loans, subject to a base rate floor of 1.75% and a LIBOR floor of 0.75%. The applicable margin for the Term B-2 Loans (under either a base rate or LIBOR rate) is subject to one 25 basis point step-down upon achievement by SEA of a total net leverage ratio equal to or less than 3.25 to 1.00. At June 30, 2016, SEA selected the LIBOR rate (interest rate of 3.00% at June 30, 2016).

Term B-3 Loans

Borrowings of Term B-3 Loans bear interest at a fluctuating rate per annum equal to, at SEA's option, (a) a base rate equal to the higher of (1) the federal funds rate plus 1/2 of 1% and (2) the rate of interest in effect for such day as publicly announced from time to time by Bank of America, N.A. as its "prime rate" or (b) a LIBOR rate determined by reference to the BBA LIBOR rate, or the successor thereto if the BBA is no longer making a LIBOR rate available, for the interest period relevant to such borrowing. The applicable margin for the Term B-3 Loans is 2.25%, in the case of base rate loans, and 3.25%, in the case of LIBOR rate loans, subject to a base rate floor of 1.75% and a LIBOR floor of 0.75%. At June 30, 2016, SEA selected the LIBOR rate (interest rate of 4.00% at June 30, 2016).

Revolving Credit Facility

Borrowings of loans under the Revolving Credit Facility bear interest at a fluctuating rate per annum equal to, at SEA's option, (a) a base rate equal to the higher of (1) the federal funds rate plus 1/2 of 1%, and (2) the rate of interest in effect for such day as publicly announced from time to time by Bank of America, N.A. as its "prime rate" or (b) a LIBOR rate determined by reference to the BBA LIBOR rate, or the successor thereto if the BBA is no longer making a LIBOR rate available, for the interest period relevant to such borrowing. The applicable margin for borrowings under the Revolving Credit Facility is 1.75%, in the case of base rate loans, and 2.75%, in the case of LIBOR rate loans. The applicable margin (under either a base rate or LIBOR rate) is subject to one 25 basis point step-down upon achievement by SEA of certain corporate credit ratings. At June 30, 2016, SEA selected the LIBOR rate and achieved the corporate credit ratings for an applicable LIBOR margin of 2.50%. Subsequent to June 30, 2016, SEA borrowed an additional \$15,000 under the Revolving Credit Facility for general working capital purposes and repaid \$80,000.

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

As of June 30, 2016, SEA had approximately \$17,200 of outstanding letters of credit and \$65,000 outstanding under the Revolving Credit Facility, leaving approximately \$110,300 available for borrowing.

Restrictive Covenants

The Senior Secured Credit Facilities contain a number of customary negative covenants. Such covenants, among other things, restrict, subject to certain exceptions, the ability of SEA and its restricted subsidiaries to incur additional indebtedness; make guarantees; create liens on assets; enter into sale and leaseback transactions; engage in mergers or consolidations; sell assets; make fundamental changes; pay dividends and distributions or repurchase SEA's capital stock; make investments, loans and advances, including acquisitions; engage in certain transactions with affiliates; make changes in the nature of the business; and make prepayments of junior debt. The Senior Secured Credit Facilities also contain covenants requiring SEA to maintain specified maximum annual capital expenditures, a maximum total net leverage ratio and a minimum interest coverage ratio. All of the net assets of SEA and its consolidated subsidiaries are restricted and there are no unconsolidated subsidiaries of SEA.

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The Senior Secured Credit Facilities permit restricted payments in an aggregate amount per annum not to exceed the greater of (1) 6% of initial public offering net proceeds received by SEA or (2) (a) \$90,000, so long as , on a Pro Forma Basis (as defined in the Senior Secured Credit Facilities) after giving effect to the payment of any such restricted payment, the Total Leverage Ratio, (as defined in the Senior Secured Credit Facilities), is no greater than 5.00 to 1.00 and greater than 4.50 to 1.00, (b) \$120,000, so long as, on a Pro Forma Basis after giving effect to the payment of any such restricted payment, the Total Leverage Ratio is no greater than 4.50 to 1.00 and greater than 4.00 to 1.00, (c) the greater of (A) \$120,000 and (B) 7.5% of Market Capitalization (as defined in the Senior Secured Credit Facilities), so long as, on a Pro Forma Basis after giving effect to the payment of any such restricted payment, the Total Leverage Ratio is no greater than 4.00 to 1.00 and greater than 3.50 to 1.00 and (d) an unlimited amount, so long as, on a Pro Forma Basis after giving effect to the payment of any such restricted payment, the Total Leverage Ratio is no greater than 3.50 to 1.00.

As of June 30, 2016, the Total Leverage Ratio as calculated under the Senior Secured Credit Facilities was 4.71 to 1.00, which results in the Company having a \$90,000 capacity for restricted payments in 2016. During the six months ended June 30, 2016, the Company used approximately \$57,000 of its available restricted payments capacity leaving an aggregate amount of approximately \$33,000 for the remainder of calendar year 2016 to declare dividends or make certain other restricted payments under the Senior Secured Credit Facilities, provided that the Total Leverage Ratio does not exceed 5.00 to 1.00, measured quarterly on a Pro Forma Basis after giving effect to any such restricted payment. However, the amount available for dividend declarations, share repurchases and certain other restricted payments under the covenant restrictions in the debt agreements adjusts at the beginning of each quarter, as set forth above.

As of June 30, 2016, SEA was in compliance with all covenants contained in the documents governing the Senior Secured Credit Facilities.

Interest Rate Swap Agreements

As of June 30, 2016, SEA has four traditional interest rate swap agreements (collectively, the “Interest Rate Swap Agreements”). Three of the interest rate swap agreements have a combined notional amount of \$1,000,000; mature on September 30, 2016; require the Company to pay a fixed rate of interest between 1.049% and 1.051% per annum; pay swap counterparties a variable rate of interest based upon the greater of 0.75% or the three month BBA LIBOR; and have interest settlement dates occurring on the last day of March, June, September and December through maturity. The fourth traditional interest rate swap was executed in April 2015 to effectively fix the interest rate on \$250,000 of the Term B-3 Loans and has a notional amount of \$250,000; is scheduled to mature on September 30, 2016; requires the Company to pay a fixed rate of interest of 0.901% per annum; pays swap counterparties a variable rate of interest based upon the greater of 0.75% or the three month BBA LIBOR; and has interest settlement dates occurring on the last day of September, December, March and June through maturity.

In June 2015, the Company entered into five forward interest rate swap agreements (“the Forward Swaps”) to effectively fix the interest rate on the three month LIBOR-indexed interest payments associated with \$1,000,000 of SEA’s outstanding long-term debt. The Forward Swaps have an effective date of September 30, 2016; have a total notional amount of \$1,000,000; mature on May 14, 2020; require the Company to pay a weighted-average fixed rate of 2.45% per annum; pay swap counterparties a variable rate of interest based upon the greater of 0.75% or the three month BBA LIBOR; and have interest settlement dates occurring on the last day of September, December, March and June through maturity.

SEA designated the Interest Rate Swap Agreements and the Forward Swaps above as qualifying cash flow hedge accounting relationships as further discussed in Note 7—Derivative Instruments and Hedging Activities that follows.

Cash paid for interest relating to the Senior Secured Credit Facilities and the Interest Rate Swap Agreements was \$28,301 in the six months ended June 30, 2016. Cash paid for interest relating to the Senior Secured Credit Facilities, Interest Rate Swap Agreements and the then-existing Senior Notes was \$35,201 in the six months ended June 30, 2015.

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7. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

Risk Management Objective of Using Derivatives

The Company is exposed to certain risks arising from both its business operations and economic conditions. The Company principally manages its exposures to a wide variety of business and operational risks through management of its core business activities. The Company manages economic risks, including interest rate, liquidity and credit risk primarily by managing the amount, sources and duration of its debt funding and the use of derivative financial instruments. Specifically, the Company enters into derivative financial instruments to manage exposures that arise from business activities that result in the receipt or payment of future known and uncertain cash amounts, the value of which are determined by interest rates. The Company's derivative financial instruments are used to manage differences in the amount, timing and duration of the Company's known or expected cash receipts and its known or expected cash payments principally related to the Company's borrowings. The Company does not speculate using derivative instruments.

As of June 30, 2016 and December 31, 2015, the Company did not have any derivatives outstanding that were not designated in hedge accounting relationships.

Cash Flow Hedges of Interest Rate Risk

The Company's objectives in using interest rate derivatives are to add stability to interest expense and to manage its exposure to interest rate movements. To accomplish this objective, the Company primarily uses interest rate swaps as part of its interest rate risk management strategy. During the three and six months ended June 30, 2016 and 2015, such derivatives were used to hedge the variable cash flows associated with existing variable-rate debt. As of June 30, 2016, the Company had four outstanding Interest Rate Swap Agreements with a combined notional value of \$1,250,000 and five Forward Swaps with a combined notional value of \$1,000,000 that were designated as cash flow hedges of interest rate risk. The effective portion of changes in the fair value of derivatives designated and that qualify as cash flow hedges is recorded in accumulated other comprehensive loss 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. During the three and six months ended June 30, 2016, an immaterial loss related to the ineffective portion was recognized in other expense (income), net, on the accompanying unaudited condensed statements of comprehensive income (loss). During the three and six months ended June 30, 2015, a loss of \$1 and \$287, respectively, related to the ineffective portion was recognized in other expense (income), net, on the accompanying unaudited condensed consolidated statements of comprehensive income (loss). Amounts reported in accumulated other comprehensive loss related to derivatives will be reclassified to interest expense as interest payments are made on the Company's variable-rate debt. During the next 12 months, the Company estimates that an additional \$13,474 will be reclassified as an increase to interest expense.

Tabular Disclosure of Fair Values of Derivative Instruments on the Balance Sheet

The table below presents the fair value of the Company's derivative financial instruments as well as their classification on the unaudited condensed consolidated balance sheets as of June 30, 2016 and December 31, 2015:

	Liability Derivatives As of June 30, 2016		Liability Derivatives As of December 31, 2015	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivatives designated as hedging instruments:				
Interest rate swaps	Other liabilities	\$ 847	Other liabilities	\$ 1,673
Forward interest rate swaps	Other liabilities	43,932	Other liabilities	17,927
Total derivatives designated as hedging instruments		<u>\$ 44,779</u>		<u>\$ 19,600</u>

The unrealized loss on derivatives is recorded net of a tax benefit of \$11,500 for the six months ended June 30, 2016, and is included in the unaudited condensed consolidated statement of changes in stockholders' equity and the unaudited condensed consolidated statements of comprehensive income (loss).

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Tabular Disclosure of the Effect of Derivative Instruments on the Statements of Comprehensive Income (Loss)

The table below presents the pretax effect of the Company's derivative financial instruments on the unaudited condensed consolidated statements of comprehensive income (loss) for the three and six months ended June 30, 2016 and 2015:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Derivatives in Cash Flow Hedging Relationships:				
Loss related to effective portion of derivatives recognized in accumulated other comprehensive loss	\$ (8,267)	\$ (6,832)	\$ (26,888)	\$ (8,981)
Gain related to effective portion of derivatives reclassified from accumulated other comprehensive loss to interest expense	\$ 834	\$ 739	\$ 1,667	\$ 1,469
Loss related to ineffective portion of derivatives recognized in other expense (income), net	\$ —	\$ (1)	\$ (1)	\$ (287)

Credit Risk-Related Contingent Features

The Company has agreements with each of its derivative counterparties that contain a provision where if the Company defaults on any of its indebtedness, including default where repayment of the indebtedness has not been accelerated by the lender, then the Company could also be declared in default on its derivative obligations. As of June 30, 2016, the termination value of derivatives in a net liability position, which includes accrued interest but excludes any adjustment for nonperformance risk, related to these agreements was \$47,809. As of June 30, 2016, the Company has posted no collateral related to these agreements. If the Company had breached any of these provisions at June 30, 2016, it could have been required to settle its obligations under the agreements at their termination value of \$47,809.

Changes in Accumulated Other Comprehensive Loss

The following table reflects the changes in accumulated other comprehensive loss for the six months ended June 30, 2016, net of tax:

	(Losses) Gains on Cash Flow Hedges
Accumulated other comprehensive loss:	
Accumulated other comprehensive loss at December 31, 2015	\$ (13,137)
Other comprehensive loss before reclassifications	(14,628)
Amounts reclassified from accumulated other comprehensive loss to interest expense	907
Unrealized loss on derivatives, net of tax	(13,721)
Accumulated other comprehensive loss at June 30, 2016	<u><u>\$ (26,858)</u></u>

8. FAIR VALUE MEASUREMENTS

Fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement is required to be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, fair value accounting standards establish a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Levels 1 and 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

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The Company has determined that the majority of the inputs used to value its derivative financial instruments using the income approach fall within Level 2 of the fair value hierarchy. The Company uses readily available market data to value its derivatives, such as interest rate curves and discount factors. ASC 820, *Fair Value Measurement* also requires consideration of credit risk in the valuation. The Company uses a potential future exposure model to estimate this credit valuation adjustment ("CVA"). The inputs to the CVA are largely based on observable market data, with the exception of certain assumptions regarding credit worthiness which make the CVA a Level 3 input. Based on the magnitude of the CVA, it is not considered a significant input and the derivatives are classified as Level 2. Of the Company's long-term obligations, the Term B-2 Loans and Term B-3 Loans are classified in Level 2 of the fair value hierarchy. The fair value of the term loans as of June 30, 2016 approximate their carrying value, excluding unamortized debt issuance costs and discounts, due to the variable nature of the underlying interest rates and the frequent intervals at which such interest rates are reset. See Note 6—Long-Term Debt.

There were no transfers between Levels 1, 2 or 3 during the three and six months ended June 30, 2016. The Company did not have any assets measured at fair value as of June 30, 2016. The following table presents the Company's estimated fair value measurements and related classifications as of June 30, 2016:

	Quoted Prices in Active Markets for Identical Assets and Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2016
Liabilities:				
Derivative financial instruments (a)	\$ —	\$ 44,779	\$ —	\$ 44,779
Long-term obligations (b)	\$ —	\$ 1,642,863	\$ —	\$ 1,642,863

- (a) Reflected at fair value in the unaudited condensed consolidated balance sheet as other liabilities of \$44,779.
- (b) Reflected at carrying value, net of unamortized debt issuance costs and discounts, in the unaudited condensed consolidated balance sheet as current maturities on long-term debt of \$81,850 and long-term debt of \$1,543,137 as of June 30, 2016.

There were no transfers between Levels 1, 2 or 3 during the year ended December 31, 2015. The Company did not have any assets measured at fair value as of December 31, 2015. The following table presents the Company's estimated fair value measurements and related classifications as of December 31, 2015:

	Quoted Prices in Active Markets for Identical Assets and Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2015
Liabilities:				
Derivative financial instruments (a)	\$ —	\$ 19,600	\$ —	\$ 19,600
Long-term obligations (b)	\$ —	\$ 1,601,287	\$ —	\$ 1,601,287

- (a) Reflected at fair value in the unaudited condensed consolidated balance sheet as other liabilities of \$19,600.
- (b) Reflected at carrying value, net of unamortized debt issuance costs and discounts, in the unaudited condensed consolidated balance sheet as current maturities on long-term debt of \$31,850 and long-term debt of \$1,548,893 as of December 31, 2015.

9. RELATED-PARTY TRANSACTIONS

As of June 30, 2016, approximately \$58,000 aggregate principal amount of Term B-2 Loans were owned by affiliates of Blackstone. As of December 31, 2015, approximately \$77,000 aggregate principal amount of Term B-2 Loans and \$9,000 aggregate principal amount of Term B-3 Loans were owned by affiliates of Blackstone. The Company makes voluntary principal repayments as well as periodic principal and interest payments on such debt in accordance with its terms.

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Dividend Payments

On January 5, February 22 and June 8, 2016, the Board of Directors of the Company (the “Board”) declared a cash dividend of \$0.21 per share to all common stockholders of record at the close of business on January 15, March 14 and June 20, 2016, respectively. In connection with these dividend declarations, certain affiliates of Blackstone were paid dividends in the amount of \$4,095 on January 22, April 1 and July 1, 2016 (see Note 12—Stockholders’ Equity).

10. COMMITMENTS AND CONTINGENCIES

Securities Class Action Lawsuit

On September 9, 2014, a purported stockholder class action lawsuit consisting of purchasers of the Company’s common stock during the periods between April 18, 2013 to August 13, 2014, captioned Baker v. SeaWorld Entertainment, Inc., et al., Case No. 14-CV-02129-MMA (KSC), was filed in the U.S. District Court for the Southern District of California against the Company, the Chairman of the Company’s Board, certain of its executive officers and Blackstone. On February 27, 2015, Court-appointed Lead Plaintiffs, Pensionskassen For Børne- Og Ungdomspædagoger and Arkansas Public Employees Retirement System, together with additional plaintiffs, Oklahoma City Employee Retirement System and Pembroke Pines Firefighters and Police Officers Pension Fund (collectively, “Plaintiffs”), filed an amended complaint against the Company, the Company’s Board, certain of its executive officers, Blackstone, and underwriters of the initial public offering and secondary public offerings. The amended complaint alleges, among other things, that the prospectus and registration statements filed contained materially false and misleading information in violation of the federal securities laws and seeks unspecified compensatory damages and other relief. Plaintiffs contend that defendants knew or were reckless in not knowing that Blackfish was impacting SeaWorld’s business at the time of each public statement. On May 29, 2015, the Company and the other defendants filed a motion to dismiss the amended complaint. The Plaintiffs filed an opposition to the motion to dismiss on July 31, 2015. The Company and the other defendants filed a reply in further support of their motion to dismiss on September 18, 2015. On March 31, 2016, the Court granted the motion to dismiss the amended complaint, in its entirety, without prejudice. On May 31, 2016, Plaintiffs filed a second amended consolidated class action complaint, which, among other things, no longer names the Company’s Board or underwriters as defendants. On June 29, 2016, the remaining defendants filed a motion to dismiss the complaint. Plaintiffs filed an opposition to the motion to dismiss on July 27, 2016 and defendants’ reply in further support of their motion to dismiss is due on August 10, 2016. The Company believes that the class action lawsuit is without merit and intends to defend the lawsuit vigorously; however, there can be no assurance regarding the ultimate outcome of this lawsuit.

Shareholder Derivative Lawsuit

On December 8, 2014, a putative derivative lawsuit captioned Kistenmacher v. Atchison, et al., Civil Action No. 10437, was filed in the Court of Chancery of the State of Delaware against, among others, the Chairman of the Board, certain of the Company’s executive officers, directors and shareholders, and Blackstone. The Company is a “Nominal Defendant” in the lawsuit. On March 30, 2015, the plaintiff filed an amended complaint against the same set of defendants. The amended complaint alleges, among other things, that the defendants breached their fiduciary duties, aided and abetted breaches of fiduciary duties, violated Florida Blue Sky laws and were unjustly enriched by (i) including materially false and misleading information in the prospectus and registration statements; and (ii) causing the Company to repurchase certain shares of its common stock from certain shareholders at an alleged artificially inflated price. The Company does not maintain any direct exposure to loss in connection with this shareholder derivative lawsuit as the lawsuit does not assert any claims against the Company. The Company’s status as a “Nominal Defendant” in the action reflects the fact that the lawsuit is maintained by the named plaintiff on behalf of the Company and that the plaintiff seeks damages on the Company’s behalf. On May 21, 2015, the defendants filed a motion to stay the lawsuit pending resolution of the Company’s securities class action lawsuit. On September 21, 2015, the Court granted the motion and ordered that the derivative action to be stayed in favor of the securities class action captioned Baker v. SeaWorld Entertainment, Inc., et al., Case No. 14-CV-02129-MMA (KSC).

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Consumer Class Action Lawsuits

On March 25, 2015, a purported class action was filed in the United States District Court for the Southern District of California against the Company, captioned Holly Hall v. SeaWorld Entertainment, Inc., Case No. 3:15-cv-00600-CAB-RBB (the “Hall Matter”). The complaint identifies three putative classes consisting of all consumers nationwide who at any time during the four-year period preceding the filing of the original complaint, purchased an admission ticket, a membership or a SeaWorld “experience” that includes an “orca experience” from the SeaWorld amusement park in San Diego, California, Orlando, Florida or San Antonio, Texas respectively. The complaint alleges causes of action under California Unfair Competition Law, California Consumers Legal Remedies Act (“CLRA”), California False Advertising Law, California Deceit statute, Florida Unfair and Deceptive Trade Practices Act, Texas Deceptive Trade Practices Act, as well as claims for Unjust Enrichment. Plaintiffs’ claims are based on their allegations that the Company misrepresented the physical living conditions and care and treatment of its orcas, resulting in confusion or misunderstanding among ticket purchasers, and omitted material facts regarding its orcas with intent to deceive and mislead the plaintiff and purported class members. The complaint further alleges that the specific misrepresentations heard and relied upon by Holly Hall in purchasing her SeaWorld tickets concerned the circumstances surrounding the death of a SeaWorld trainer. The complaint seeks actual damages, equitable relief, attorney’s fees and costs. Plaintiffs claim that the amount in controversy exceeds \$5,000, but the liability exposure is speculative until the size of the class is determined (if certification is granted at all).

In addition, four other purported class actions were filed against the Company and its affiliates. The first three actions were filed on April 9, 2015, April 16, 2015 and April 17, 2015, respectively, in the following federal courts: (i) the United States District Court for the Middle District of Florida, captioned Joyce Kuhl v. SeaWorld LLC et al., 6:15-cv-00574-ACC-GJK (the “Kuhl Matter”), (ii) the United States District Court for the Southern District of California, captioned Jessica Gaab, et. al. v. SeaWorld Entertainment, Inc., Case No. 15-cv-842-CAB-RBB (the “Gaab Matter”), and (iii) the United States District Court for the Western District of Texas, captioned Elaine Salazar Browne v. SeaWorld of Texas LLC et al., 5:15-cv-00301-XR (the “Browne Matter”). On May 1, 2015, the Kuhl Matter and Browne Matter were voluntarily dismissed without prejudice by the respective plaintiffs. On May 7, 2015, plaintiffs Kuhl and Browne re-filed their claims, along with a new plaintiff, Valerie Simo, in the United States District Court for the Southern District of California in an action captioned Valerie Simo et al. v. SeaWorld Entertainment, Inc., Case No. 15-cv-1022-CAB-RBB (the “Simo Matter”). All four of these cases, in essence, reiterate the claims made and relief sought in the Hall Matter.

On August 7, 2015, the Gaab Matter and Simo Matter were consolidated with the Hall Matter, and the plaintiffs filed a First Consolidated Amended Complaint (“FAC”) on August 21, 2015. The FAC pursued the same seven causes of action as the original Hall complaint, and added a request for punitive damages pursuant to the California CLRA.

The Company moved to dismiss the FAC in its entirety, and its motion was granted on December 24, 2015. The Court granted dismissal with prejudice as to the California CLRA claim, the portion of California Unfair Competition Law claim premised on the CLRA claim, all claims for injunctive relief, and on all California claims premised solely on alleged omissions by the Company. The Court granted leave to amend as to the remainder of the complaint. On January 25, 2016, plaintiffs filed their Second Consolidated Amended Complaint (“SAC”). The SAC pursues the same causes of action as the FAC, except for the California CLRA, which, as noted above, was dismissed with prejudice. The Company filed a motion to dismiss the entirety of the SAC with prejudice on February 25, 2016. The Court granted the Company’s motion to dismiss the entire SAC with prejudice and entered judgment for the Company on May 13, 2016. Plaintiffs filed their notice of appeal to the United States Court of Appeals for the Ninth Circuit (the “Ninth Circuit”) on June 10, 2016. The Ninth Circuit briefing is scheduled to occur from September-November 2016.

On April 13, 2015, a purported class action was filed in the Superior Court of the State of California for the City and County of San Francisco against SeaWorld Parks & Entertainment, Inc., captioned Marc Anderson, et. al., v. SeaWorld Parks & Entertainment, Inc., Case No. CGC-15-545292 (the “Anderson Matter”). The putative class consists of all consumers within California who, within the past four years, purchased tickets to SeaWorld San Diego. On May 11, 2015, the plaintiffs filed a First Amended Class Action Complaint (the “First Amended Complaint”). The First Amended Complaint alleges causes of action under the California False Advertising Law, California Unfair Competition Law and California CLRA. Plaintiffs’ claims are based on their allegations that the Company misrepresented the physical living conditions and care and treatment of its orcas, resulting in confusion or misunderstanding among ticket purchasers, and omitted material facts regarding its orcas with intent to deceive and mislead the plaintiff and purported class members. The First Amended Complaint seeks actual damages, equitable relief, attorneys’ fees and costs. Based on plaintiffs’ definition of the class, the amount in controversy exceeds \$5,000, but the liability exposure is speculative until the size of the class is determined (if certification is granted at all). On May 14, 2015, the Company removed the case to the United States District Court for the Northern District of California, Case No. 15:cv-2172-SC.

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On May 19, 2015, the plaintiffs filed a motion to remand. On September 18, 2015, the Company filed a motion to dismiss the First Amended Complaint in its entirety. The motion is fully briefed. On September 24, 2015, the district court denied plaintiffs' motion to remand. On October 5, 2015, plaintiffs filed a motion for leave to file a motion for reconsideration of this order, and contemporaneously filed a petition for permission to appeal to the Ninth Circuit, which the Company opposed. On October 14, 2015, the district court granted plaintiffs' motion for leave. Plaintiffs' motion for reconsideration was fully briefed. On January 12, 2016 the district court granted in part and denied in part the motion for reconsideration, and refused to remand the case. On January 22, 2016, plaintiffs filed a petition for permission to appeal the January 12, 2016 order to the Ninth Circuit, which the Company opposed. On April 7, 2016, the Ninth Circuit denied both of plaintiffs' petitions for permission to appeal and the plaintiffs filed a motion for leave to file a Second Amended Class Action Complaint ("Second Amended Complaint"), seeking to add two additional plaintiffs and make various pleading adjustments. The Company opposed the motion. On August 1, 2016, the district court issued an order granting in part the Company's motion to dismiss and granting plaintiffs leave to file an amended complaint by August 22, 2016.

The Company believes that these consumer class action lawsuits are without merit and intends to defend these lawsuits vigorously; however, there can be no assurance regarding the ultimate outcome of these lawsuits.

Other Matters

The Company is a party to various other claims and legal proceedings arising in the normal course of business. From time to time, third-party groups may also bring lawsuits against the Company. Matters where an unfavorable outcome to the Company is probable and which can be reasonably estimated are accrued. Such accruals, which are not material for any period presented, are based on information known about the matters, the Company's estimate of the outcomes of such matters, and the Company's experience in contesting, litigating and settling similar matters. Matters that are considered reasonably possible to result in a material loss are not accrued for, but an estimate of the possible loss or range of loss is disclosed, if such amount or range can be determined. At this time, management does not expect any known claims or legal proceedings to have a material adverse effect on the Company's consolidated financial position, results of operations or cash flows.

11. EQUITY-BASED COMPENSATION

In accordance with ASC 718, *Compensation-Stock Compensation*, the Company measures the cost of employee services rendered in exchange for share-based compensation based upon the grant date fair market value. The cost, net of estimated forfeitures, is recognized over the requisite service period, which is generally the vesting period unless service or performance conditions require otherwise. The Company has granted stock options, time-vesting restricted share awards and performance-vesting restricted share awards. The Company used the Black-Scholes Option Pricing Model to value its stock options and the closing stock price on the date of grant to value its time-vesting restricted share awards granted in 2013 and subsequent years and its performance-vesting restricted share awards granted in 2015 and subsequent years.

Total equity compensation expense was \$2,461 and \$32,051 for the three and six months ended June 30, 2016 and includes \$27,516 recorded in the first quarter related to certain of the Company's performance-vesting restricted shares (the "2.25x Performance Restricted shares") which became probable of vesting during the first quarter and vested on April 1, 2016. See *2.25x and 2.75x Performance Restricted Shares and Equity Plan Modifications* section which follows for further details. Total equity compensation expense was \$1,398 and \$3,251 for the three and six months ended June 30, 2015. Equity compensation expense is included in selling, general and administrative expenses and in operating expenses in the accompanying unaudited condensed consolidated statements of comprehensive income (loss). Total unrecognized equity compensation expense for all equity compensation awards probable of vesting as of June 30, 2016 was approximately \$30,630 which is expected to be recognized over the respective service periods.

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The activity related to the Company's time-vesting and performance-vesting share awards during the six months ended June 30, 2016 is as follows:

	Performance-Vesting Restricted shares									
	Time-Vesting Restricted shares		Bonus Performance Restricted shares		Long-Term Incentive Performance Restricted shares		2.25x Performance Restricted shares		2.75x Performance Restricted shares	
	Shares	Weighted Average Grant Date Fair Value per Share	Shares	Weighted Average Grant Date Fair Value per Share	Shares	Weighted Average Grant Date Fair Value per Share	Shares	Weighted Average Grant Date Fair Value per Share	Shares	Weighted Average Grant Date Fair Value per Share
Outstanding at December 31, 2015	883,270	\$ 18.66	415,995	\$ 19.00	62,365	\$ 18.88	1,370,821	\$ 20.35	1,370,821	\$ 10.93
Granted	527,007	\$ 17.29	466,677	\$ 18.17	187,578	\$ 18.74	—	—	—	—
Vested	(162,194)	\$ 18.51	—	—	—	—	(1,370,821)	\$ 20.07	—	—
Forfeited	(42,983)	\$ 17.77	(435,197)	\$ 18.96	(30,374)	\$ 19.39	—	—	(29,200)	\$ 15.40
Outstanding at June 30, 2016	<u>1,205,100</u>	\$ 18.10	<u>447,475</u>	\$ 18.17	<u>219,569</u>	\$ 18.69	<u>—</u>	\$ —	<u>1,341,621</u>	\$ 8.90

The activity related to the Company's stock option awards during the six months ended June 30, 2016 is as follows:

	Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (in years)	Aggregate Intrinsic Value	
				Outstanding at December 31, 2015	Granted
Outstanding at December 31, 2015	2,274,385	\$ 19.21	—	—	—
Granted	1,366,973	\$ 18.11	—	35.11%	—
Forfeited	(147,132)	\$ 18.73	—	—	—
Expired	(6,552)	\$ 18.96	—	—	—
Exercised	(4,331)	\$ 18.96	—	—	—
Outstanding at June 30, 2016	<u>3,483,343</u>	\$ 18.80	9.14	\$ —	—
Exercisable at June 30, 2016	<u>446,972</u>	\$ 19.60	8.73	\$ —	—

The weighted average grant date fair value of stock options granted during the six months ended June 30, 2016 was \$3.74. Key weighted-average assumptions utilized in the Black-Scholes Option Pricing Model for stock options granted during the six months ended June 30, 2016 were:

Risk-free interest rate	1.50%
Expected volatility (a)	35.11%
Expected dividend yield	4.64%
Expected life (in years) (b)	6.25

- (a) Due to the Company's limited history as a public company, the volatility for the Company's stock at the date of each grant was estimated using the average volatility calculated for a peer group, which is based upon daily price observations over the estimated term of options granted.
- (b) The expected life was estimated using the simplified method, as the Company does not have sufficient historical exercise data due to the limited period of time its common stock has been publicly traded.

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Omnibus Incentive Plan

The Company has reserved 15,000,000 shares of common stock for issuance under the Company's 2013 Omnibus Incentive Plan (the "Omnibus Incentive Plan"). The Omnibus Incentive Plan is administered by the Compensation Committee of the Board, and provides that the Company may grant equity incentive awards to eligible employees, directors, consultants or advisors in the form of stock options, stock appreciation rights, restricted stock, restricted stock units, and other stock-based and performance compensation awards. If an award under the Omnibus Incentive Plan terminates, lapses, or is settled without the payment of the full number of shares subject to the award, the undelivered shares may be granted again under the Omnibus Incentive Plan.

As of June 30, 2016, there were 8,784,166 shares of common stock available for future issuance under the Company's Omnibus Incentive Plan.

Bonus Performance Restricted Shares

As part of the Company's annual compensation-setting process and in accordance with the Company's Equity Award Grant Policy (the "Equity Grant Policy"), on February 22, 2016, the Company's Compensation Committee (the "Compensation Committee") approved an annual bonus plan (the "2016 Bonus Plan") for the fiscal year ending December 31, 2016 (the "Fiscal 2016") under which certain employees are eligible to receive a bonus with respect to Fiscal 2016 payable 50% in cash and 50% in performance-vesting restricted shares (the "Bonus Performance Restricted shares") based upon the Company's achievement of specified performance goals with respect to Adjusted EBITDA. Pursuant to the Equity Grant Policy, the Bonus Performance Restricted shares related to the 2016 Bonus Plan were granted on March 1, 2016. Subsequent grants were made on July 1 and may be made on October 1, 2016 to newly hired bonus-eligible employees based on their hire date and/or to certain newly promoted employees.

In accordance with ASC 718, equity compensation expense is not recorded until the performance condition is probable of being achieved. Based on the Company's progress toward the Adjusted EBITDA performance goal for Fiscal 2016, the Bonus Performance Restricted shares are not considered probable of vesting as of June 30, 2016; therefore, no equity compensation expense has been recorded related to these shares. If the performance condition is considered probable of being achieved in a subsequent period, all equity compensation expense that would have been recorded over the requisite service period had the condition been considered probable from inception, will be recorded as a cumulative catch-up at such subsequent date. Total unrecognized equity compensation expense related to the Bonus Performance Restricted shares not considered probable of vesting was approximately \$8,200 as of June 30, 2016.

Long-Term Incentive Awards

As part of the Company's annual compensation-setting process and in accordance with the Equity Grant Policy, on February 22, 2016, the Compensation Committee approved a long-term incentive plan grant (the "2016 Long-Term Incentive Grant") for Fiscal 2016 comprised of nonqualified stock options ("Long-Term Incentive Options"), time-vesting restricted shares ("Long-Term Incentive Time Restricted shares") and performance-vesting restricted shares ("Long-Term Incentive Performance Restricted shares") to certain members of the Company's management and executive officers (collectively, "Long-Term Incentive Awards"). Pursuant to the Equity Grant Policy, the Long-Term Incentive Awards related to the 2016 Long-Term Incentive Grant were granted on March 1, 2016. Long-Term Incentive Awards were also granted in 2015 with similar terms (the "2015 Long-Term Incentive Plan"). Subsequent grants were made on July 1 and may be made on October 1, 2016 to newly hired employees based on their hire date and/or to certain promoted management and executive officers.

Long-Term Incentive Options

The Long-Term Incentive Options vest ratably over four years from the date of grant (25% per year), subject to continued employment through the applicable vesting date and will expire 10 years from the date of grant or earlier if the employee's service terminates. The options have an exercise price per share equal to the closing price of the Company's common stock on the date of grant. Equity compensation expense is recognized using the straight line method for each tranche over the four year vesting period.

Long-Term Incentive Time Restricted Shares

The Long-Term Incentive Time Restricted shares vest ratably over four years from the date of grant (25% per year), subject to continued employment through the applicable vesting date. Equity compensation expense is recognized using the straight line method over the four year vesting period.

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Long-Term Incentive Performance Restricted Shares

The Long-Term Incentive Performance Restricted shares vest following the end of a three-year performance period beginning on January 1 of the fiscal year in which the award was granted and ending on December 31 of the third fiscal year based upon the Company's achievement of certain performance goals with respect to Adjusted EBITDA for each fiscal year performance period. The total number of shares eligible to vest is based on the level of achievement of the Adjusted EBITDA target for each fiscal year in the performance period which ranges from 0% (if below threshold performance), to 50% (for threshold performance), to 100% (for target performance), and up to 200% (at or above maximum performance). For actual performance between the specified threshold, target, and maximum levels, the resulting vesting percentage is adjusted on a linear basis. Total shares earned (approximately 33% are eligible to be earned per year), based on the actual performance percentage for each performance year, will vest on the date the Company's Compensation Committee determines the actual performance percentage for the third fiscal year ("Determination Date") in the performance period if the employee has not terminated prior to the last day of such fiscal year. Additionally, all unearned shares will forfeit immediately as of the Determination Date. The Adjusted EBITDA target for each fiscal year is set in the first quarter of each respective year, at which time the grant date and the grant-date fair value for accounting purposes related to that performance year is established based on the closing price of the Company's stock on such date plus any accumulated dividends earned since the date of the initial award. Equity compensation expense is recognized ratably for each fiscal year, if the performance condition is probable of being achieved, beginning on the date of grant and through December 31 of the third fiscal year in the performance period.

As of June 30, 2016, the Company had awarded 371,548 Long-Term Incentive Performance Restricted shares, net of forfeitures, under the 2016 Long-Term Incentive Plan which represents the total shares that could be earned under the maximum performance level of achievement for all three performance periods combined, with approximately one-third related to each respective performance period (Fiscal 2016, Fiscal 2017 and Fiscal 2018). For accounting purposes, the performance goals for the respective performance periods must be established for a grant date to be determined. As such, since the performance goal for Fiscal 2016 was established as of the award date, for accounting purposes, 123,837 of the Long-Term Incentive Performance Restricted shares under the 2016 Long-Term Incentive Plan have a grant date in 2016 and grant-date fair value determined using the closing price of the Company's common stock on the date of grant. The performance targets for the subsequent performance periods, Fiscal 2017 and Fiscal 2018, have not yet been set and will be determined by the Compensation Committee during the first quarter of each respective fiscal year, at which time, for accounting purposes, the grant date and respective grant-date fair value will be determined for those related shares.

As of June 30, 2016, the Company had awarded 143,625 Long-Term Incentive Performance Restricted shares, net of forfeitures, under its 2015 Long-Term Incentive Plan which represented the total shares that could be earned under the maximum performance level of achievement for all three performance periods combined under the 2015 Long-Term Incentive Plan (Fiscal 2015, Fiscal 2016 and Fiscal 2017). Of these Long-Term Incentive Performance Restricted Shares, 47,866, net of forfeitures, relate to the Fiscal 2015 performance period and were considered granted for accounting purposes in 2015. As the Fiscal 2016 performance target was established during the first quarter of 2016, 47,866 Long-Term Incentive Performance Restricted shares, net of forfeitures, were considered granted for accounting purposes during the six months ended June 30, 2016 and the grant-date fair value was determined using the close price on the date the performance target was established plus accumulated dividends earned since the date of the initial award.

As the Long-Term Incentive Performance Restricted shares have both a service and a performance condition, the requisite service period over which equity compensation expense is recognized once the performance condition is probable of achievement begins on the date of grant and extends through December 31 of the third fiscal year in the respective performance period (Fiscal 2017 under the 2015 Long-Term Incentive Plan and Fiscal 2018 under the 2016 Long-Term Incentive Plan). Based on the Company's progress toward the Adjusted EBITDA performance goal for Fiscal 2016, the target performance level for Fiscal 2016 is not considered probable; as such all 171,703 Long-Term Incentive Performance Restricted shares granted in Fiscal 2016, net of forfeitures, under both the 2015 and the 2016 Long-Term Incentive Plan are not considered probable of vesting as of June 30, 2016. Total unrecognized equity compensation expense related to the Fiscal 2015 performance period expected to be recognized over the remaining vesting term was approximately \$156 as of June 30, 2016. Unrecognized equity compensation expense related to the maximum performance level for the Fiscal 2016 performance period on shares not probable of vesting is \$2,900 as of June 30, 2016. Total unrecognized equity compensation expense related to the subsequent performance periods have not been determined as the grant date and grant-date fair value for these awards have not yet occurred for accounting purposes, as such no expense has been recorded related to the subsequent performance periods.

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Other

2.25x and 2.75x Performance Restricted Shares and Equity Plan Modifications

The Company has awarded under both its Omnibus Incentive Plan and its previous incentive plan (the “Pre-IPO Incentive Plan”) certain performance-vesting restricted shares (the “2.25x and 2.75x Performance Restricted shares”). During the six months ended June 30, 2016, conditions for eligibility on 361,906 2.25x and 2.75x Performance Restricted shares were modified to allow those participants holding such shares who were separating from the Company to vest in their respective shares if the performance conditions are achieved after their employment ends with the Company, subject to their continued compliance with applicable post-termination restrictive covenants. As the 2.25x and 2.75x Performance Restricted shares were not considered probable of vesting before the modifications, the Company used the respective modification date fair value to calculate any related equity compensation expense.

Based on cash proceeds previously received by certain investment funds affiliated with Blackstone from the Company’s initial public offering and subsequent secondary offerings of stock, the Company’s repurchases of shares and the cumulative dividends paid by the Company through April 1, 2016, the vesting conditions on the Company’s previously outstanding 2.25x Performance Restricted shares were satisfied with the Company’s dividend payment to such investment funds affiliated with Blackstone on April 1, 2016. Accordingly, during the three months ended March 31, 2016, upon declaration of the dividend, the 2.25x Performance Restricted shares were considered probable of vesting and all of the related equity compensation expense and accumulated dividends were recognized in the accompanying unaudited condensed consolidated financial statements. On April 1, 2016, upon payment of the dividend to such investment funds affiliated with Blackstone, all previously outstanding 1,370,821 2.25x Performance Restricted shares vested and the related accumulated dividends of \$3,400 were paid.

The 2.75x Performance Restricted shares will vest if the employee is employed by the Company when and if such investment funds affiliated with Blackstone receive cash proceeds (not subject to any clawback, indemnity or similar contractual obligation) in respect of their Partnerships units equal to (x) a 15% annualized effective compounded return rate on such funds’ investment and (y) a 2.75x multiple on such funds’ investment. As receipt of these future cash proceeds will be primarily related to a liquidity event, such as secondary offerings of stock or additional dividends paid to such funds, the 2.75x Performance Restricted shares are not considered probable of vesting until such events are consummated. The additional future cash proceeds necessary to trigger the vesting of the 2.75x Performance Restricted shares under the terms of the original award is approximately \$422,000 as of June 30, 2016. Total unrecognized equity compensation expense as of June 30, 2016, was approximately \$11,900 for the 2.75x Performance Restricted shares. No equity compensation expense has been recorded during the three and six months ended June 30, 2016 and 2015 related to the 2.75x Performance Restricted shares as their vesting was not considered probable as of June 30, 2016.

Other Grants

In accordance with the Company’s Second Amended and Restated Outside Director Compensation Policy, on June 15, 2016, 53,333 time-vesting restricted shares were granted to the non-employee directors of the Company’s Board of which 7,619 of these shares represented the grant of an initial award, which vests ratably over three years from the date of grant, subject to the outside director’s continued service on the Board through such vesting date and 45,714 of these shares vest 100% on the day before the next Annual Stockholders Meeting, subject to the outside director’s continued service on the Board through such vesting date.

12. STOCKHOLDERS’ EQUITY

As of June 30, 2016, 91,792,095 shares of common stock were issued on the accompanying unaudited condensed consolidated balance sheet, which excludes 3,509,369 unvested shares of common stock held by certain participants in the Company’s equity compensation plans (see Note 11—Equity-Based Compensation) and includes 6,519,773 shares of treasury stock held by the Company.

Dividends

The Board has adopted a policy to pay, subject to legally available funds, regular quarterly dividends. The payment and timing of cash dividends is within the discretion of the Board and depends on many factors, including, but not limited to, the Company’s results of operations, financial condition, level of indebtedness, capital requirements, contractual restrictions, restrictions in its debt agreements and in any preferred stock, business prospects and other factors that the Board may deem relevant. See Note 6—Long-Term Debt for further details on debt covenants that could restrict the Company’s ability to make certain restricted payments, including dividend payments.

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During the six months ended June 30, 2016, the Board declared or paid quarterly cash dividends to all common stockholders of record as follows:

<u>Record Date</u>	<u>Payment Date</u>	<u>Cash Dividend per Common Share</u>
January 15, 2016	January 22, 2016	\$ 0.21
March 14, 2016 (a)	April 1, 2016	\$ 0.21
June 20, 2016 (a)	July 1, 2016	\$ 0.21

- (a) As the Company had an accumulated deficit at the time these dividends were declared, these dividends were accounted for as a return of capital and recorded as a reduction to additional paid-in capital on the accompanying unaudited condensed statement of changes in stockholders' equity.

Dividends paid to common stockholders were \$38,781 in the six months ended June 30, 2016. The Company expects that for tax purposes, a portion of these dividends, if not all, will be treated as a return of capital to stockholders. Distributions that qualify as a return of capital are not considered "dividends" for tax purposes only.

As of June 30, 2016, the Company had \$18,849 of cash dividends recorded as dividends payable in the unaudited condensed consolidated balance sheet, of which approximately \$17,900 was paid on July 1, 2016. The remainder relates to unvested time restricted shares and unvested performance restricted shares with a performance condition considered probable of being achieved. These shares carry dividend rights and therefore the dividends will be paid as the shares vest in accordance with the underlying equity compensation grants. These dividend rights will be forfeited if the shares do not vest.

On April 1, 2016, the Company's 2.25x Performance Restricted shares held by certain participants in the Company's Omnibus Incentive Plan and Pre-IPO Incentive Plan vested and accumulated dividends were paid (see Note 11—Equity-Based Compensation for further details). Accumulated dividends on the 2.75x Performance Restricted shares are approximately \$3,600 and will be paid only if and to the extent these 2.75x Performance Restricted shares vest in accordance with their terms. Accumulated dividends on the Bonus Performance Restricted shares were approximately \$188 and will be paid only if these shares vest in accordance with their terms. Accumulated dividends on the Long-Term Incentive Performance Restricted shares were approximately \$173, of which approximately \$56 was recorded related to the portion of the shares considered probable of vesting. The remainder will be paid only if the respective shares vest in accordance with their terms. The Company does not record a dividend payable when the performance conditions on the related unvested shares are not considered probable of being achieved.

Share Repurchase Program

In 2014, the Board authorized the repurchase of up to \$250,000 of the Company's common stock (the "Share Repurchase Program"). Under the Share Repurchase Program, the Company is authorized to repurchase shares through open market purchases, privately-negotiated transactions or otherwise in accordance with applicable federal securities laws, including through Rule 10b5-1 trading plans and under Rule 10b-18 of the Exchange Act. The Share Repurchase Program has no time limit and may be suspended or discontinued completely at any time. The number of shares to be purchased and the timing of purchases will be based on the level of the Company's cash balances, general business and market conditions, and other factors, including legal requirements, debt covenant restrictions and alternative investment opportunities.

The Company has remaining authorization for up to \$190,000 for future repurchases under the Share Repurchase Program as of June 30, 2016. There were no share repurchases during the three and six months ended June 30, 2016.

All of the repurchased shares from the Share Repurchase Program and shares repurchased directly from the selling stockholders concurrently with the previous secondary offerings were recorded as treasury stock at a total cost of \$154,871 as of June 30, 2016 and December 31, 2015 and are reflected as a reduction to stockholders' equity on the accompanying unaudited condensed consolidated balance sheets.

Item 2. 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 the unaudited condensed consolidated financial statements and the related notes thereto included elsewhere in this Quarterly Report on Form 10-Q. 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 our Annual Report on Form 10-K, as such risk factors may be updated from time to time in our periodic filings with the SEC. Actual results may differ materially from those contained in any forward-looking statements. You should carefully read "Special Note Regarding Forward-Looking Statements" in this Quarterly Report on Form 10-Q.

Business Overview

We are a leading theme park and entertainment company providing experiences that matter and inspiring guests to protect animals and the wild wonders of our world. We own or license a portfolio of globally recognized brands, including SeaWorld, Busch Gardens and Sea Rescue. Over our more than 50-year history, we have built a diversified portfolio of 12 destination and regional theme parks that are grouped in key markets across the United States, many of which showcase our one-of-a-kind zoological collection of more than 800 species of animals. Our theme parks feature a diverse array of rides, shows and other attractions with broad demographic appeal which deliver memorable experiences and a strong value proposition for our guests.

During the three months ended June 30, 2016, we hosted approximately 6.0 million guests in our theme parks, including approximately 0.7 million international guests, generated total revenues of \$371.1 million and net income of \$17.8 million. During the six months ended June 30, 2016, we hosted approximately 9.3 million guests in our theme parks, including approximately 1.2 million international guests, generated total revenues of \$591.4 million and incurred a net loss of \$66.3 million.

In November 2015, we announced our roadmap to stabilize our business to drive sustainable growth. This plan encompasses five key points which include (i) providing experiences that matter; (ii) delivering distinct guest experiences that are fun and meaningful; (iii) pursuing organic and strategic revenue growth; (iv) addressing the challenges we face; and (v) financial discipline. The plan is intended to build on our strong business fundamentals by evolving the guest experience to align with consumer preferences for experiences that matter. Through family entertainment and distinct experiences and attractions, we provide our guests an opportunity to explore and to learn more about the natural world and the plight of animals in the wild, to be inspired and to act to make a better world. The plan includes a new approach to in-park activities as well as "turning parks inside out" by taking our guests behind the scenes to provide a better understanding of our veterinary care and animal rescue operations. Other elements of the plan include implementing a simplified pricing model, targeted capital investments in new attractions across our parks, and an ongoing focus on cost control as part of a larger commitment to overall financial discipline. Additionally, we announced a new resort strategy that will include evaluating opportunities which could include purchasing or developing resort properties in or near some of our parks.

In March 2016, we converted Aquatica San Antonio into a stand-alone, separate admission park that guests can access through an independent gate without the need to purchase admission to SeaWorld San Antonio. Prior to 2016, Aquatica San Antonio was only accessible to SeaWorld San Antonio guests for an additional fee. This separate gate has provided incremental attendance; however, we have also seen a shift in guests from SeaWorld San Antonio to Aquatica San Antonio. On a net basis, our Texas park locations increased by 154,000 guests for the six months ended June 30, 2016 and 79,000 guests for the second quarter of 2016 when compared to the prior year periods.

Key Business Metrics Evaluated by Management

Attendance

We define attendance as the number of guest visits to our theme parks. Attendance drives admissions revenue 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, competitive offerings, weather, global and regional economic conditions, and overall consumer confidence in the economy.

Total Revenue Per Capita

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

- *Admission Per Capita* . We calculate admission per capita for any period as total admissions revenue divided by total attendance. Theme park admissions accounted for approximately 60% and 61% of our total revenue for the three and six months ended June 30, 2016, respectively. For the three months ended June 30, 2016, we reported \$37.43 in admission per capita, representing an increase of 1.7% from the three months ended June 30, 2015. For the six months ended June 30, 2016, we reported \$38.89 in admission per capita, representing an increase of 0.4% from the six months ended June 30, 2015. Admission per capita is driven by ticket pricing, the admissions product mix and the park attendance mix. The admissions product mix is defined as the mix of tickets purchased such as single day, multi-day or annual passes and the park attendance mix is defined as the mix of theme parks visited. The mix of theme parks visited can impact admission per capita based on the theme park's respective pricing.
- *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 three and six months ended June 30, 2016, food, merchandise and other revenue accounted for approximately 40% and 39% of our total revenue, respectively. For the three months ended June 30, 2016, we reported \$24.59 of in-park per capita spending, an increase of 4.0% from the three months ended June 30, 2015. For the six months ended June 30, 2016, we reported \$24.83 of in-park per capita spending, an increase of 4.2% from the six months ended June 30, 2015. In-park per capita spending is driven by pricing changes, penetration levels (percentage of guests purchasing), new product offerings, the mix of guests (such as local, passholders, domestic or international guests) and the mix of in-park spending.

Trends Affecting Our Results of Operations

Our ability to attract and retain customers depends, in part, upon the external perceptions of our brands and reputation. Adverse publicity concerning our business generally could harm our brands, reputation and results of operations. The considerable expansion in the use of social media over recent years has amplified the impact of negative publicity. Our SeaWorld-branded parks have been the target of negative media attention concerning the killer whales – or orcas – in our care, particularly in the state of California, and we believe we experienced demand pressures in 2014 and 2015 in California, due to such media attention. We introduced a number of initiatives, including new marketing and reputation campaigns to address public perceptions, share facts and correct misinformation. We believe our efforts have had a positive impact on public perceptions and on our reputation as we have seen improvement in our attendance trends in California in 2016.

On March 17, 2016, we announced that we have ended all orca breeding and the orcas currently in our care will be the last generation of orcas at SeaWorld (the “Orca Announcement”). We also announced that we will introduce new, inspiring, natural orca encounters and phase out our current theatrical shows, as part of our ongoing commitment to education, marine science research, and rescue of marine animals. These programs will focus on orca enrichment, exercise, and overall health. This change will start in our SeaWorld San Diego park in 2017, and will be at all three SeaWorld parks by 2019. In conjunction with the Orca Announcement, the orca habitat expansion we previously disclosed (the “Blue World Project”), as originally designed and planned, will not move forward and we will spend significantly less capital than the originally proposed Blue World Project. The “new” SeaWorld will maintain our unique value proposition of providing experiences that matter, and inspiring guests to protect animals and the wild wonders of our world. We have implemented an integrated marketing plan designed to attract new and repeat guests to the “new” SeaWorld with its unique blend of compelling animal experiences and new rides and attractions for the whole family.

Attendance declined in the first half of 2016 by 411,000 guests, or 4.2%, primarily due to weakness at our Florida park locations. Excluding Florida, total attendance at all other park locations increased by 67,000 guests. The weakness in Florida can be attributed to the following factors: (i) a decline in international attendance, particularly from the Latin America market which decreased by approximately 235,000 guests, or 39%, when compared to the prior year period; (ii) an overall softness in demand in the Orlando market as evidenced by a decline in local and passholder attendance at our Orlando parks in the first half of 2016 and reduced hotel occupancy at Orlando-area hotels in the latter half of June; and (iii) adverse weather impacts due to Tropical Storm Colin in June. We believe the decline in passholder attendance for SeaWorld Orlando results from less discounting on season pass products for 2016 when compared to the first half of 2015. To address this issue, we introduced strategic season pass promotions along with other ticket offers and have kicked off a new summer event at SeaWorld Orlando to help drive demand for this park for the third quarter. In addition, two highly anticipated new attractions, Mako and Cobra’s Curse, opened in mid-June. On a company-wide basis, we are expanding on our fall and holiday special events and will be introducing an aggressive season pass promotion starting in the fourth quarter.

We believe the decline in international attendance results from the strengthening of the U.S. dollar against a variety of foreign currencies. Our internal indicators show the majority of the international shortfall is coming from Brazil, which is currently facing political instability and an economic recession. The decline from Latin America that we experienced in the first quarter of 2016 accelerated during the second quarter of 2016. Fluctuations in foreign currency exchange rates impact our business due to the effect a strong dollar has on international tourist spending. To manage this impact going forward, we have modified our international marketing to reflect more appropriate ticket offers in light of the foreign currency exchange rate pressures and we have also shifted portions of our marketing spend from Latin America to domestic markets. The June announcement of the Referendum of the United Kingdom's Membership of the European Union (referred to as Brexit) has introduced additional volatility and uncertainty in global stock markets and currency exchange rates which could also have an impact on our future international attendance from the United Kingdom in particular. Historically, attendance from the United Kingdom represents approximately 5% of our total annual attendance.

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

Recent Developments

Regulatory Developments

On July 16, 2015, Senator Dianne Feinstein (D-CA) offered an amendment to the Fiscal Year 2016 Agriculture, Rural Development, Food and Drug Administration, and Related Agencies spending bill during consideration of the bill by the full Committee on Appropriations. The amendment directed the U.S. Department of Agriculture's Animal and Plant Health Inspection Service ("APHIS") to issue updated regulations for the display of marine mammals in domestic zoos and aquaria within six months of enactment. While that amendment was not included in the final Fiscal Year 2016 Omnibus Appropriations Bill, APHIS released a proposed rule on February 3, 2016 to amend the Animal Welfare Act regulations concerning the humane handling, care and treatment of marine mammals in captivity (the "Proposed APHIS Regulations"). The Proposed APHIS Regulations were subject to public comment which ended on May 4, 2016. We submitted a comment letter to APHIS on the final date for comments, expressing our views on the Proposed APHIS Regulations. The full impact of the Proposed APHIS Regulations on our business will not be known until the Proposed APHIS Regulations are finalized.

On October 8, 2015, the California Coastal Commission approved the Blue World Project in San Diego, but attached certain conditions to its approval. Those conditions included, among other things, a prohibition against breeding orcas or transporting orcas to or from the habitat. On December 29, 2015, we filed a lawsuit against the California Coastal Commission on the grounds that the California Coastal Commission decision was outside the scope of its authority in imposing such conditions because it does not have jurisdiction over orcas, which are regulated under federal law. As a result of the Orca Announcement, on April 18, 2016, we sent a letter to the California Coastal Commission requesting to formally withdraw our coastal development permit application for the Blue World Project habitat and discuss dismissal of the pending litigation since our legal challenge to the proposed conditions is no longer warranted. On July 27, 2016, we filed a request for dismissal to dismiss our lawsuit against the California Coastal Commission.

On November 16, 2015, Representative Adam Schiff (D-CA) introduced the Orca Responsibility and Care Advancement Act (the "ORCA Act"). The bill has been referred to the Natural Resources and Agriculture Committees. It is unclear whether this bill will be enacted into law, but if enacted, this bill would amend the Marine Mammal Protection Act of 1972 and the Animal Welfare Act to prohibit the breeding, the taking (wild capture), and the import or export of orcas for the purposes of public display.

On April 5, 2016, following the Orca Announcement, a California lawmaker reintroduced the California Orca Protection Act which is a bill that he originally proposed in March 2014. The bill proposed in 2014 would have ended all captive breeding and display of orcas in California. Additionally that bill would have required that all orcas in California be retired to sea pens and/or sanctuaries. That bill was referred to interim study after its first public hearing in 2014. The reintroduced bill proposed in April 2016 seeks to primarily codify the Orca Announcement in California. It is unclear whether this reintroduced bill will be enacted into law, but if enacted, this bill would (i) codify the end of captive breeding programs and the export and import of genetic materials for orcas in California, (ii) prohibit the import or export of new orcas into or out of California, (iii) permit the transfer of orcas currently in California among existing SeaWorld facilities and (iv) require educational presentations of orcas in California.

On February 8, 2016, the San Diego City Council decided to put a proposal on the June 7, 2016 primary ballot for voters to decide whether the city of San Diego should have a higher minimum wage than the \$10 per hour required by the State of California. The proposal was approved by San Diego voters and, beginning on July 11, 2016, the city's minimum wage was increased to \$10.50 and will be increased again to \$11.50 on January 1, 2017. Two years later in January 2019, annual increases to the San Diego minimum wage based on the consumer price index will start to be implemented. For a discussion of certain risks associated with the San Diego minimum wage increases, see "Risk Factors" in our Annual Report on Form 10-K, including "Risks Related to Our Business and Our Industry—Increased labor costs and employee health and welfare benefits may negatively impact our operations."

For a discussion of certain risks associated with federal and state regulations governing the treatment of animals, see “Risk Factors” in our Annual Report on Form 10-K, including “Risks Related to Our Business and Our Industry—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.”

International Development Strategy

We believe that in addition to the growth potential that exists domestically, our brands can also have significant appeal in certain international markets. We are currently assessing these opportunities while maintaining a conservative and disciplined approach towards the execution of our international development strategy. Thus far, we have identified our international market priorities as well as our international partners within select markets. The market priorities were developed based on a specific set of criteria to ensure we expand our brands into the most attractive markets. On February 17, 2016, we moved to the next phase of our international development strategy with our partner in the Middle East (the “Middle East Project”) by (i) extending the exclusive negotiating period and (ii) entering into an Advisory Services Agreement pursuant to which we will commence certain advisory services pertaining to the planning and design of the Middle East Project, with funding from our partner in the Middle East offsetting our internal expenses. The Middle East Project is subject to, among other things, the parties completing the design development phase of such project and the mutual agreement of definitive documents.

Seasonality

The theme park industry is seasonal in nature. Historically, we generate the highest revenues in the second and third quarters of each year, in part because seven of our theme parks are 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 and spring break holidays 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 is to continue to generate cash flow throughout the year to maximize profitability and minimize the effects of seasonality, in particular at our theme parks that are open year-round. In recent years, we have begun to drive attendance during non-peak times by offering a variety of seasonal programs and events, such as shows for kids, special concert series and festivals, and Halloween and Christmas events. In addition, during seasonally slow times, operating costs are controlled by reducing operating hours and show schedules. Employment levels required for peak operations are met largely through part-time and seasonal hiring.

Principal Factors Affecting Our Results of Operations

Revenues

Our revenues are driven primarily by attendance in our theme parks and the level of per capita spending for admission to the theme parks and per capita spending inside the theme parks for culinary, merchandise and other in-park experiences. The level of attendance in our theme parks is a function of many factors, including the opening of new attractions and shows, competitive offerings, weather, fluctuations in foreign exchange rates and global and regional economic conditions, travel patterns of both our domestic and international guests and consumer confidence. Admission per capita is driven by ticket pricing, the admissions product mix and the park attendance mix. In-park per capita spending is driven by pricing changes, penetration levels (percentage of guests purchasing), new product offerings, the mix of guests (such as local, domestic or international guests) and the mix of in-park spending. For other factors affecting our revenues, see the “Risk Factors” section of our Annual Report on Form 10-K, as such risk factors may be updated from time to time in our periodic filings with the SEC.

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.

Costs and Expenses

The principal costs of our operations are employee salaries and benefits, advertising, maintenance, animal care, utilities and insurance. Factors that affect our costs and expenses include minimum wage legislation, competitive wage pressures, commodity prices, costs for construction, repairs and maintenance, other inflationary pressures and attendance levels. A large portion of our expenses is relatively fixed because the costs for full-time employees, advertising, maintenance, animal care, utilities and insurance do not vary significantly with attendance. For factors affecting our costs and expenses, see the “Risk Factors” section of our Annual Report on Form 10-K, as such risk factors may be updated from time to time in our periodic filings with the SEC.

During the first quarter of 2016, we removed deep-water lifting floors from the orca habitats at each of our three SeaWorld-branded theme parks. The deep-water lifting floors were intended as another safety tool for conducting in-water training in the deeper pools. The lifting floors located in the medical pools, where our orca in-water training currently takes place, were not affected. That training will continue as an essential part of our overall safety program. Having safely and successfully conducted in-water training in the medical pools for almost 4 years, our safety and zoological professionals determined that the deep-water lifting floors in the deeper pools were no longer needed. This change provides more space for the animals, and increases the time that the deep-water pool is available by eliminating downtime for maintenance and cleaning. As a result, during the first quarter of 2016, we recorded \$33.7 million of accelerated depreciation related to the disposal of these lifting floors, which is included in depreciation and amortization expense in the accompanying unaudited condensed consolidated statement of comprehensive income (loss) for the six months ended June 30, 2016. During the six months ended June 30, 2016, we also recorded approximately \$6.4 million in asset write-offs associated with the Blue World Project.

On February 22, 2016, the Board declared a cash dividend of \$0.21 per share to all common stockholders of record at the close of business on March 14, 2016, which was paid on April 1, 2016. Based on this dividend payment, certain performance-vesting restricted shares (the “2.25x Performance Restricted shares”) held by some of our equity plan participants vested on April 1, 2016. During the six months ended June 30, 2016, we recognized \$27.5 million of equity compensation expense and recorded approximately \$3.4 million of accumulated dividends related to these 2.25x Performance Restricted shares. See Note 11—Equity-Based Compensation in our notes to the unaudited condensed consolidated financial statements.

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

Results of Operations

The following discussion provides an analysis of our operating results for the three months ended June 30, 2016 and 2015. This data should be read in conjunction with our unaudited condensed consolidated financial statements and the notes thereto included elsewhere in this Quarterly Report on Form 10-Q.

Comparison of the Three Months Ended June 30, 2016 and 2015

The following table presents key operating and financial information for the three months ended June 30, 2016 and 2015:

	For the Three Months Ended June 30,		Variance	
	2016	2015	\$	%
Summary Financial Data:				
Net revenues:				
Admissions	\$ 223,979	\$ 238,451	\$ (14,472)	(6.1%)
Food, merchandise and other	147,157	153,165	(6,008)	(3.9%)
Total revenues	<u>371,136</u>	<u>391,616</u>	<u>(20,480)</u>	<u>(5.2%)</u>
Costs and expenses:				
Cost of food, merchandise and other revenues	28,913	31,112	(2,199)	(7.1%)
Operating expenses (exclusive of depreciation and amortization shown separately below and includes equity compensation of \$526 and \$259 for the three months ended June 30, 2016 and 2015, respectively)	191,433	191,202	231	0.1%
Selling, general and administrative (includes equity compensation of \$1,935 and \$1,139 for the three months ended June 30, 2016 and 2015, respectively)	72,032	73,320	(1,288)	(1.8%)
Restructuring and other related costs	—	122	(122)	(100.0%)
Depreciation and amortization	40,708	50,110	(9,402)	(18.8%)
Total costs and expenses	<u>333,086</u>	<u>345,866</u>	<u>(12,780)</u>	<u>(3.7%)</u>
Operating income	38,050	45,750	(7,700)	(16.8%)
Other expense, net	118	209	(91)	(43.5%)
Interest expense	14,579	15,732	(1,153)	(7.3%)
Loss on early extinguishment of debt and write-off of discounts and debt issuance costs	—	20,348	(20,348)	(100.0%)
Income before income taxes	23,353	9,461	13,892	146.8%
Provision for income taxes	5,585	3,652	1,933	52.9%
Net income	\$ 17,768	\$ 5,809	\$ 11,959	205.9%
Other data:				
Attendance	5,984	6,478	(494)	(7.6%)
Total revenue per capita	<u>\$ 62.02</u>	<u>\$ 60.45</u>	<u>\$ 1.57</u>	<u>2.6%</u>

NM-Not meaningful.

Admissions revenue. Admissions revenue for the three months ended June 30, 2016 decreased \$14.5 million, or 6.1%, to \$224.0 million as compared to \$238.5 million for the three months ended June 30, 2015. The decrease in admissions revenue was primarily a result of a decline in attendance of 494,000 guests, or 7.6%, offset slightly by an increase of 1.7% in admissions per capita when compared to the second quarter of 2015. The decrease in attendance results primarily from a decline at our Florida park locations. Second quarter attendance was also negatively impacted, as expected, by the earlier timing of Easter and the later timing of Memorial Day in 2016 which reduced operating days for our seasonal parks. The decrease in attendance at our Florida park locations can be attributed to the following factors: (i) a decline in international attendance, particularly from the Latin America market which decreased by approximately 127,000 guests, or 47%, compared to the second quarter of 2015; (ii) an overall softness in demand in the Orlando market as evidenced by a decline in local attendance at our Orlando parks in the second quarter and reduced hotel occupancy at Orlando-area hotels in the latter half of June; and (iii) adverse weather impacts due to the effects of Tropical Storm Colin in June. Excluding Florida, total attendance at all other park locations decreased by 202,000 guests due almost entirely to a decline at our Virginia park locations, which are seasonal parks, resulting from the calendar shift mentioned above. Admission per capita increased by 1.7% to \$37.43 for the second quarter of 2016 compared to \$36.81 in the prior year quarter. The improvement results from price increases along with additional admissions revenue from barter transactions, which are offset in expenses, and was largely offset by the impact of an unfavorable park attendance mix and fewer international guests compared to the second quarter of 2015.

Food, merchandise and other revenue. Food, merchandise and other revenue for the three months ended June 30, 2016 decreased by \$6.0 million, or 3.9%, to \$147.2 million as compared to \$153.2 million for the three months ended June 30, 2015. The decrease relates to the decline in attendance and was offset by a 4.0% increase in in-park per capita spending to \$24.59 in the second quarter of 2016 compared to \$23.64 in the second quarter of 2015. In-park per capita spending improved primarily due to increased sales of in-park products, such as all day dining packages and front of the line “Quick Queue” access .

Costs of food, merchandise and other revenues. Costs of food, merchandise and other revenues for the three months ended June 30, 2016 decreased \$2.2 million, or 7.1%, to \$28.9 million as compared to \$31.1 million for the three months ended June 30, 2015. These costs represent 19.6% and 20.3% of the related revenue earned for the three months ended June 30, 2016 and 2015, respectively. The decrease as a percentage of revenue relates to ongoing cost savings initiatives.

Operating expenses. Operating expenses for the three months ended June 30, 2016 increased \$0.2 million, or 0.1%, to \$191.4 million as compared to \$191.2 million for the three months ended June 30, 2015. The increase primarily relates to an increase in other direct labor and benefit costs resulting from wage and merit increases largely offset by the impact of a decline in volume during the period. Operating expenses were 51.6% of total revenues for the three months ended June 30, 2016 compared to 48.8% for the three months ended June 30, 2015.

Selling, general and administrative . Selling, general and administrative expenses for the three months ended June 30, 2016 decreased \$1.3 million, or 1.8%, to \$72.0 million as compared to \$73.3 million for the three months ended June 30, 2015. The decrease primarily relates to reductions in marketing and reputation costs largely offset by an increase in barter expense. As a percentage of total revenue, selling, general and administrative expenses were 19.4% in the three months ended June 30, 2016 compared to 18.7% in the three months ended June 30, 2015.

Restructuring and other related costs. Restructuring and other related costs for the three months ended June 30, 2015 represent salaries and severance for individuals with continuing service obligations, which were impacted by the restructuring program announced in December 2014.

Depreciation and amortization. Depreciation and amortization expense for the three months ended June 30, 2016 decreased \$9.4 million, or 18.8%, to \$40.7 million as compared to \$50.1 million for the three months ended June 30, 2015. The decrease in depreciation and amortization expense is primarily a result of the impact of fully depreciated assets and asset retirements partially offset by new asset additions.

Interest expense. Interest expense for the three months ended June 30, 2016 decreased \$1.2 million, or 7.3%, to \$14.6 million as compared to \$15.7 million for the three months ended June 30, 2015 due to the redemption of the 11.0% Senior Notes in April 2015 which were replaced with new Term B-3 loans at a lower interest rate (effective rate of 4.33% as of June 30, 2016). See Note 6—Long-Term Debt to our unaudited condensed consolidated financial statements and the “Our Indebtedness” section which follows for further details.

Provision for income taxes. The Company reported a provision for income taxes in the three months ended June 30, 2016 of \$5.6 million compared to a provision of \$3.7 million for the three months ended June 30, 2015. The increase primarily resulted from a larger decrease in the year to date pretax loss between the first and second quarter of 2016 compared to the change in the year to date pretax loss between the first and second quarter of 2015 as well as an increase in the estimated state annual effective tax rate and other permanent items, offset in part by the impact of various permanent items primarily related to equity-based compensation .

Comparison of the Six Months Ended June 30, 2016 and 2015

The following table presents key operating and financial information for the six months ended June 30, 2016 and 2015:

	For the Six Months Ended June 30,		Variance	
	2016	2015	\$	%
Summary Financial Data:				
Net revenues:				
Admissions	\$ 360,905	\$ 375,291	\$ (14,386)	(3.8%)
Food, merchandise and other	230,472	230,917	(445)	(0.2%)
Total revenues	<u>591,377</u>	<u>606,208</u>	<u>(14,831)</u>	<u>(2.4%)</u>
Costs and expenses:				
Cost of food, merchandise and other revenues	45,914	47,015	(1,101)	(2.3%)
Operating expenses (exclusive of depreciation and amortization shown separately below and includes equity compensation of \$9,866 and \$328 for the six months ended June 30, 2016 and 2015, respectively)	371,726	345,013	26,713	7.7%
Selling, general and administrative (includes equity compensation of \$22,185 and \$2,923 for the six months ended June 30, 2016 and 2015, respectively)	139,386	124,398	14,988	12.0%
Restructuring and other related costs	112	267	(155)	(58.1%)
Depreciation and amortization	<u>115,756</u>	<u>93,964</u>	<u>21,792</u>	<u>23.2%</u>
Total costs and expenses	<u>672,894</u>	<u>610,657</u>	<u>62,237</u>	<u>10.2%</u>
Operating loss	(81,517)	(4,449)	(77,068)	NM
Other (income) expense, net	(24)	470	(494)	(105.1%)
Interest expense	29,160	35,910	(6,750)	(18.8%)
Loss on early extinguishment of debt and write-off of discounts and debt issuance costs	—	20,348	(20,348)	(100.0%)
Loss before income taxes	(110,653)	(61,177)	(49,476)	(80.9%)
Benefit from income taxes	(44,372)	(23,388)	(20,984)	(89.7%)
Net loss	\$ (66,281)	\$ (37,789)	\$ (28,492)	(75.4%)
Other data:				
Attendance	9,281	9,692	(411)	(4.2%)
Total revenue per capita	<u>\$ 63.72</u>	<u>\$ 62.55</u>	<u>\$ 1.17</u>	<u>1.9%</u>

NM-Not meaningful.

Admissions revenue. Admissions revenue for the six months ended June 30, 2016 decreased \$14.4 million, or 3.8%, to \$360.9 million as compared to \$375.3 million for the six months ended June 30, 2015. The decrease in admissions revenue was primarily a result of a decline in attendance of 4.2%, slightly offset by an increase of 0.4% in admissions per capita when compared to the first half of 2015. Attendance declined in the first half of 2016 primarily due to weakness at our Florida park locations. Excluding Florida, total attendance at all other park locations increased by 67,000 guests. The weakness in Florida can be attributed to the following factors: (i) a decline in international attendance, particularly from Latin America which decreased by approximately 235,000 guests, or 39%, when compared to the prior year period; (ii) an overall softness in demand in the Orlando market as evidenced by a decline in local and passholder attendance at our Orlando parks in the first half of 2016 and reduced hotel occupancy at Orlando-area hotels in the latter half of June; and (iii) adverse weather impacts due to Tropical Storm Colin in June. We believe the decline in passholder attendance for SeaWorld Orlando results from less discounting on season pass products for 2016 when compared to the first half of 2015. Admission per capita increased by 0.4% to \$38.89 in the six months ended June 30, 2016 compared to \$38.72 in the six months ended June 30, 2015.

Food, merchandise and other revenue. Food, merchandise and other revenue for the six months ended June 30, 2016 decreased \$0.4 million, or 0.2%, to \$230.5 million as compared to \$230.9 million for the six months ended June 30, 2015. This decrease results from the decline in attendance largely offset by a 4.2% increase in in-park per capita spending to \$24.83 in the six months ended June 30, 2016 compared to \$23.83 in the six months ended June 30, 2015. In-park per capita spending improved primarily due to increased sales of in-park products, such as all day dining packages and front of the line “Quick Queue” access.

Costs of food, merchandise and other revenues. Costs of food, merchandise and other revenues for the six months ended June 30, 2016 decreased \$1.1 million, or 2.3%, to \$45.9 million as compared to \$47.0 million for the six months ended June 30, 2015. These costs represent 19.9% and 20.4% of the related revenue earned for the six months ended June 30, 2016 and 2015, respectively.

Operating expenses. Operating expenses for the six months ended June 30, 2016 increased \$26.7 million, or 7.7%, to \$371.7 million as compared to \$345.0 million for the six months ended June 30, 2015, primarily related to an increase in equity compensation expense, an increase in other direct labor and benefit costs and an increase in asset write-offs largely related to \$6.4 million associated with the Blue World Project. The additional equity compensation expense relates to an incremental \$9.0 million associated with the 2.25x Performance Restricted shares, which vested on April 1, 2016 (see Note 11—Equity-Based Compensation in our notes to the unaudited condensed consolidated financial statements for further details). The increase in other direct labor and benefit costs resulted from wage and merit increases offset by the impact of a decline in volume during the period. Operating expenses were 62.9% of total revenues for the six months ended June 30, 2016 compared to 56.9% for the six months ended June 30, 2015.

Selling, general and administrative. Selling, general and administrative expenses for the six months ended June 30, 2016 increased \$15.0 million, or 12.0%, to \$139.4 million as compared to \$124.4 million for the six months ended June 30, 2015. The increase primarily relates to an increase of \$19.3 million in equity compensation expense primarily related to the 2.25x Performance Restricted shares which vested on April 1, 2016 (see Note 11—Equity-Based Compensation in our notes to the unaudited condensed consolidated financial statements for further details). Excluding equity compensation expenses, selling, general and administrative expenses decreased by a net of \$4.3 million, which primarily related to a reduction in marketing and reputation costs, partially offset by an increase in barter expenses. As a percentage of total revenue, selling, general and administrative expenses were 23.6% in the six months ended June 30, 2016 compared to 20.5% in the six months ended June 30, 2015.

Restructuring and other related costs. Restructuring and other related costs for the six months ended June 30, 2016 represent severance associated with certain positions that were eliminated in the first quarter of 2016. Restructuring and other related costs for the six months ended June 30, 2015 represent salaries and severance for individuals with continuing service obligations, which were impacted by the restructuring program announced in December 2014.

Depreciation and amortization. Depreciation and amortization expense for the six months ended June 30, 2016 increased \$21.8 million, or 23.2%, to \$115.8 million as compared to \$94.0 million for the six months ended June 30, 2015. The increase in depreciation and amortization expense is primarily a result of \$33.7 million in accelerated depreciation incurred in the first quarter of 2016 due to the disposal of deep-water lifting floors from our orca habitats along with new asset additions, partially offset by fully depreciated assets and asset retirements.

Interest expense. Interest expense for the six months ended June 30, 2016 decreased \$6.8 million, or 18.8%, to \$29.2 million as compared to \$35.9 million for the six months ended June 30, 2015 due to the redemption of the 11.0% Senior Notes in April 2015 which were replaced with new Term B-3 loans at a lower interest rate (effective rate of 4.33% as of June 30, 2016). See Note 6—Long-Term Debt to our unaudited condensed consolidated financial statements and the “Our Indebtedness” section which follows for further details.

Benefit from income taxes. The Company reported a benefit from income taxes in the six months ended June 30, 2016 of \$44.4 million compared to a benefit of \$23.4 million for the six months ended June 30, 2015. The increase primarily resulted from a higher pretax loss in the first half of 2016 compared to the first half of 2015 as well as an increase in the estimated annual effective tax rate due to a significant decrease in projected annual pretax income year over year, permanent items and an increase in projected annual state tax expense. The impact of the increase to the annual effective tax rate is partially offset by certain permanent items related to equity-based compensation .

Liquidity and Capital Resources

Overview

Our principal sources of liquidity are cash generated from operations, funds from borrowings and existing cash on hand. Our principal uses of cash include the funding of working capital obligations, debt service, investments in theme parks (including capital projects), common stock dividends and share repurchases. As of June 30, 2016, we had a working capital deficit of approximately \$247.1 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 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, defined below. 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 among current or future syndicate members, any such purchases may result in our acquiring and retiring a substantial amount of any particular series, with the attendant reduction in the trading liquidity of any such series. Depending on conditions in the credit and capital markets and other factors, we will, from time to time, consider other financing transactions, the proceeds of which could be used to refinance our indebtedness or for other purposes.

Dividends

The Board has adopted a policy to pay, subject to legally available funds, a regular quarterly dividend. Dividends paid to stockholders were \$38.8 million in the six months ended June 30, 2016, related primarily to dividend declarations to stockholders of record as of January 15 and March 14, 2016. On July 1, 2016, an additional \$17.9 million in dividends were paid primarily related to a dividend declaration to stockholders of record as of June 20, 2016. The amount and timing of any future dividends payable on our common stock is within the sole discretion of the Board. The Company expects that for tax purposes, a portion of the dividends, if not all, paid in 2016 will be treated as a return of capital to stockholders.

Due to the March 14, 2016 dividend declaration, certain performance-vesting restricted shares (the “2.25x Performance Restricted shares”) held by some of our equity plan participants vested on April 1, 2016. We recognized \$27.5 million of equity compensation expense and recorded and paid approximately \$3.4 million of accumulated dividends related to these 2.25x Performance Restricted shares during the six months ended June 30, 2016.

Approximately \$0.9 million of dividends declared through June 30, 2016 relate to unvested time restricted shares and unvested performance-vesting restricted shares with a performance condition considered probable of being achieved and will be paid if the awards vest in accordance with their terms. Accumulated dividends on certain performance-vesting restricted share awards that are not considered probable of vesting as of June 30, 2016 were approximately \$3.9 million and will be paid only if and to the extent the shares vest in accordance with their terms.

See Note 11—Equity-Based Compensation and Note 12—Stockholders’ Equity in our notes to the unaudited condensed consolidated financial statements for further details on our dividend activity and the “Covenant Compliance” section which follows for further details on covenants that could restrict our ability to make certain restricted payments, including dividend payments and share repurchases.

Share Repurchases

Our Board has authorized a share repurchase program of up to \$250.0 million of our common stock (the “Share Repurchase Program”). Under the Share Repurchase Program, we are authorized to repurchase shares through open market purchases, privately-negotiated transactions or otherwise in accordance with applicable federal securities laws, including through Rule 10b5-1 trading plans and under Rule 10b-18 of the Exchange Act. The Share Repurchase Program has no time limit and may be suspended or discontinued completely at any time. The number of shares to be purchased and the timing of purchases will be based on the level of our cash balances, general business and market conditions, and other factors, including legal requirements, debt covenant restrictions and alternative investment opportunities.

Pursuant to the Share Repurchase Program, we have approximately up to \$190.0 million authorized and available for future repurchases as of June 30, 2016. There were no share repurchases during the three and six months ended June 30, 2016. See Note 12—Stockholders’ Equity in our notes to the unaudited condensed consolidated financial statements for further details.

Other

We believe that existing cash and cash equivalents, cash flow from operations, and available borrowings under the Revolving Credit Facility 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 Six Months Ended June 30,	
	2016	2015
	(In thousands)	
Net cash provided by operating activities	\$ 111,737	\$ 142,082
Net cash used in investing activities	(103,026)	(83,713)
Net cash provided by (used in) financing activities	1,552	(49,344)
Net increase in cash and cash equivalents	<u>\$ 10,263</u>	<u>\$ 9,025</u>

Cash Flows from Operating Activities

Net cash provided by operating activities was \$111.7 million during the six months ended June 30, 2016 as compared to \$142.1 million during the six months ended June 30, 2015. The change in net cash provided by operating activities was primarily impacted by a decline in revenue along with an increase in operating expenses, primarily direct labor and benefit costs.

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 six months ended June 30, 2016 consisted primarily of capital expenditures of \$103.2 million largely related to future attractions.

Net cash used in investing activities during the six months ended June 30, 2015 consisted primarily of \$83.5 million of capital expenditures largely related to attractions that opened later in 2015.

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 2016 capital expenditures through our operating cash flow.

Cash Flows from Financing Activities

Net cash provided by financing activities during the six months ended June 30, 2016 was primarily attributable to a net of \$50.0 million in proceeds from borrowings on our revolving credit facility, offset by \$38.8 million in cash dividends paid to common stockholders and \$8.4 million paid on our Term B-2 and Term B-3 Loans under the Senior Secured Credit Facilities, as defined below. Subsequent to June 30, 2016, we repaid a net of \$65.0 million under the Revolving Credit Facility.

Net cash used in financing activities during the six months ended June 30, 2015 was primarily attributable to \$267.7 million in repayment of long-term debt, which included the early redemption of \$260.0 million of our Senior Notes, \$36.3 million in cash dividends paid to common stockholders, \$14.3 million paid as a redemption premium related to the Senior Notes, \$5.7 million used for treasury stock purchases from December 2014 that settled in January 2015, and \$4.6 million paid in debt issuance costs related to the new Term B-3 Loans, offset by \$280.0 million in proceeds from the issuance of the Term B-3 Loans under the Senior Secured Credit Facilities, as defined below.

Our Indebtedness

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

Senior Secured Credit Facilities

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

As of June 30, 2016, our Senior Secured Credit Facilities consisted of a \$1,331.4 million senior secured term loan facility (the “Term B-2 Loans”), and \$246.5 million in additional term loans (the “Term B-3 Loans”) which will mature on May 14, 2020 along with a \$192.5 million senior secured revolving credit facility (the “Revolving Credit Facility”), of which \$65.0 million was outstanding as of June 30, 2016. The Revolving Credit Facility will mature on the earlier of (a) April 24, 2018 and (b) the 91st day prior to the maturity date of any indebtedness incurred to refinance any of the term loans, and includes borrowing capacity available for letters of credit and for short-term borrowings referred to as the swing line borrowings. As of June 30, 2016, SEA had approximately \$17.2 million of outstanding letters of credit and \$65.0 million outstanding under the Revolving Credit Facility, leaving approximately \$110.3 million available for borrowing. The outstanding balance under the Revolving Credit Facility fluctuates each quarter based on working capital needs and is included in current maturities on long-term debt on the accompanying unaudited condensed consolidated balance sheet as of June 30, 2016. Subsequent to June 30, 2016, SEA borrowed an additional \$15.0 million under the Revolving Credit Facility for general working capital purposes and repaid \$80.0 million.

See Note 6—Long-Term Debt in our notes to the unaudited condensed consolidated financial statements for further details concerning our long-term debt.

Covenant Compliance

The credit agreement governing the Senior Secured Credit Facilities provide for certain events of default which, if any of them were to occur, would permit or require the principal of and accrued interest, if any, on the loans under the Senior Secured Credit Facilities to become or be declared due and payable (subject, in some cases, to specified grace periods).

Under the credit agreement governing the Senior Secured Credit Facilities, our ability to engage in activities such as incurring additional indebtedness, making investments, refinancing certain indebtedness, paying dividends and entering into certain merger transactions is governed, in part, by our ability to satisfy tests based on covenant Adjusted EBITDA. Adjusted EBITDA is not a recognized term under accounting principles generally accepted in the United States of America (“GAAP”). See further discussion in Adjusted EBITDA section which follows.

The Senior Secured Credit Facilities generally defines “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 Senior Secured Credit Facilities. Adjusted EBITDA as defined in the Senior Secured Credit Facilities is consistent with our reported Adjusted EBITDA.

The Senior Secured Credit Facilities contain a number of covenants that, among other things, restrict our ability and the ability of our restricted subsidiaries to, among other things, make certain restricted payments (as defined in the Senior Secured Credit Facilities), including dividend payments and share repurchases. See Note 6—Long-Term Debt in our notes to the unaudited condensed consolidated financial statements for further details concerning the calculation of the Total Leverage Ratio (as defined in the Senior Secured Credit Facilities). As of June 30, 2016, the Total Leverage Ratio as calculated under the Senior Secured Credit Facilities was 4.71 to 1.00, which results in a \$90.0 million capacity for restricted payments in the year ending December 31, 2016. During the six months ended June 30, 2016, we have used approximately \$57.0 million of our available restricted payments capacity. As a result, we currently have the ability to declare dividends or make certain other restricted payments in an aggregate amount of up to approximately \$33.0 million for the remainder of calendar year 2016, provided that the Total Leverage Ratio does not exceed 5.00 to 1.00, measured quarterly on a Pro Forma Basis after giving effect to any such restricted payment. However, the amount available for dividend declarations, share repurchases and certain other restricted payments under the covenant restrictions in the debt agreements adjusts at the beginning of each quarter as set forth in Note 6—Long-Term Debt to the unaudited condensed consolidated financial statements.

As of June 30, 2016, we were in compliance with all covenants in the credit agreement governing the Senior Secured Credit Facilities.

Adjusted EBITDA

We believe that the presentation of Adjusted EBITDA is appropriate as it eliminates the effect of certain non-cash and other items not necessarily indicative of a company’s underlying operating performance. We use Adjusted EBITDA in connection with certain components of our executive compensation program. In addition, investors, lenders, analysts and rating agencies have historically used EBITDA related measures in our industry, such as Adjusted EBITDA, along with other measures, to estimate the value of a company, to make informed investment decisions and to evaluate a company’s ability to meet its debt service requirements. The presentation of Adjusted EBITDA also provides additional information to investors about the calculation of, and compliance with, certain financial covenants in the Senior Secured Credit Facilities.

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 financial 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 financial performance or liquidity. Adjusted EBITDA, as presented by us, may not be comparable to similarly titled measures of other companies due to varying methods of calculation.

The following table reconciles Adjusted EBITDA to net income (loss) for the periods indicated:

SEAWORLD ENTERTAINMENT, INC. AND SUBSIDIARIES
UNAUDITED RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2016	2015	2016	2015
(Unaudited, in thousands)				
Net income (loss)	\$ 17,768	\$ 5,809	\$ (66,281)	\$ (37,789)
Provision for (benefit from) income taxes	5,585	3,652	(44,372)	(23,388)
Loss on early extinguishment of debt and write-off of discounts and debt issuance costs (a)	—	20,348	—	20,348
Interest expense	14,579	15,732	29,160	35,910
Depreciation and amortization	40,708	50,110	115,756	93,964
Equity-based compensation expense (b)	2,461	1,398	32,051	3,251
Other non-cash expenses (c)	140	3,120	6,644	4,030
Other business optimization costs (d)	961	—	1,836	—
Other adjusting items (e)	1,419	—	2,822	—
Other items (f)	170	—	233	—
Adjusted EBITDA (g)	\$ 83,791	\$ 100,169	\$ 77,849	\$ 96,326

- (a) Reflects a \$14.3 million premium paid for the early redemption in April 2015 of \$260.0 million of our then-existing Senior Notes, along with a write-off of approximately \$6.0 million in related discounts and debt issuance costs in the three and six months ended June 30, 2015.
- (b) Reflects non-cash equity compensation expenses associated with the grants of equity compensation and includes \$27.5 million in the six months ended June 30, 2016 associated with the 2.25x Performance Restricted shares, which vested on April 1, 2016 (see Note 11—Equity-Based Compensation in our notes to the unaudited condensed consolidated financial statements for further details).
- (c) Reflects non-cash expenses related to miscellaneous asset write-offs, including \$6.4 million in the six months ended June 30, 2016 associated with the Blue World Project, and non-cash losses on derivatives.
- (d) Reflects business optimization and other strategic initiative costs primarily composed of \$1.0 million and \$1.5 million of third party consulting costs incurred in the three and six months ended June 30, 2016, respectively. Also for the six months ended June 30, 2016, includes \$0.4 million of restructuring and related costs associated with severance and other employment expenses for certain positions eliminated in the first quarter of 2016 as a result of cost saving initiatives. The Adjusted EBITDA calculations presented in the table above do not reflect certain 2015 other business optimization costs incurred due to limitations as described in footnote (f) below.
- (e) Reflects primarily \$1.3 million and \$2.7 million of product and intellectual property development costs incurred for the three and six months ended June 30, 2016, respectively, and approximately \$0.1 million of state franchise taxes paid in the three and six months ended June 30, 2016. State franchise taxes were not included in the prior year quarter and were not material. The Adjusted EBITDA calculations presented in the table above do not reflect certain 2015 other adjusting items incurred due to limitations as described in footnote (f) below.
- (f) Reflects the impact of certain items during the three and six months ended June 30, 2016, which we are permitted to exclude, net of tax, under the credit agreement governing our Senior Secured Credit Facilities due to the unusual nature of the items. The items are presented net of related taxes of approximately \$0.1 million in the three and six months ended June 30, 2016.

- (g) For covenant calculation purposes under our credit agreement, the amount which we are able to add back to Adjusted EBITDA for other business optimization costs and certain other adjusting items, including restructuring costs and product and intellectual property development costs, is limited to \$10.0 million for any four consecutive quarters (with certain unused amounts carried over from the prior fiscal year). Due to these limitations, the Adjusted EBITDA calculations presented in the table above do not reflect \$0.1 million and \$0.3 million related to restructuring and other related costs in the three and six months ended June 30, 2015, respectively, and \$0.6 million and \$1.2 million of product and intellectual property development costs incurred in the three and six months ended June 30, 2015, respectively.

Contractual Obligations

There have been no material changes to our contractual obligations from those previously disclosed in our Annual Report on Form 10-K.

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 and revenue recognition. Actual results could differ from those estimates. The critical accounting estimates associated with these policies are described in our Annual Report on Form 10-K under "Management's Discussion and Analysis of Financial Condition and Results of Operations." These critical accounting policies include property and equipment, impairment of long-lived assets, goodwill and other indefinite-lived intangible assets, accounting for income taxes, self-insurance reserves, and revenue recognition. There have been no material changes to our significant accounting policies as compared to the significant accounting policies described in our Annual Report on Form 10-K, filed on February 26, 2016.

Off-Balance Sheet Arrangements

We had no off-balance sheet arrangements as of June 30, 2016.

Recently Issued Financial Accounting Standards

Refer to Note 2—Recently Issued Accounting Pronouncements in our notes to the unaudited condensed consolidated financial statements for further details.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Inflation

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

Interest Rate Risk

We are exposed to market risks from fluctuations in interest rates, and to a lesser extent on currency exchange rates, from time to time, on imported rides and equipment. The objective of our financial risk management is to reduce the potential negative impact of interest rate and foreign currency exchange rate fluctuations to acceptable levels. We do not acquire market risk sensitive instruments for trading purposes.

We manage interest rate risk through the use of a combination of fixed-rate long-term debt and interest rate swaps that fix a portion of our variable-rate long-term debt.

The effective portion of changes in the fair value of derivatives designated and that qualify as cash flow hedges is recorded in accumulated other comprehensive loss and is subsequently reclassified into earnings in the period that the hedged forecasted transaction affects earnings. The ineffective portion of the change in fair value of the derivatives is recognized directly in earnings. Amounts reported in accumulated other comprehensive loss 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 \$13.5 million will be reclassified as an increase to interest expense.

After considering the impact of interest rate swap agreements, at June 30, 2016, approximately \$1,250.0 million of our outstanding long-term debt represents fixed-rate debt and approximately \$327.9 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 3 month LIBOR on our variable- rate debt would lead to an increase of approximately \$3.4 million in annual cash interest costs due to the impact of our fixed-rate swap agreements.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Regulations under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), require public companies, including us, to maintain “disclosure controls and procedures,” which are defined in Rule 13a-15(e) and Rule 15d-15(e) of the Exchange Act to mean a company’s controls and other procedures that are designed to ensure that information required to be disclosed in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in our reports filed under the Exchange Act is accumulated and communicated to management, including our principal executive officer and principal financial officer, or persons performing similar functions, as appropriate to allow timely decisions regarding required or necessary disclosures. In designing and evaluating our disclosure controls and procedures, management recognizes that disclosure controls and procedures, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the disclosure controls and procedures are met. Additionally, in designing disclosure controls and procedures, our management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible disclosure controls and procedures. Our principal executive officer and principal financial officer have concluded, based on the evaluation of the effectiveness of the disclosure controls and procedures by our management as of the end of the fiscal quarter covered by this Quarterly Report, that our disclosure controls and procedures were effective to accomplish their objectives at a reasonable assurance level.

Changes in Internal Control over Financial Reporting

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

PART II — OTHER INFORMATION

Item 1. Legal Proceedings

See Note 10—Commitments and Contingencies in our notes to the unaudited condensed consolidated financial statements for further details concerning our legal proceedings.

Item 1A. Risk Factors

There have been no material changes to the risk factors set forth in Item 1A. to Part I of our Annual Report on Form 10-K, as filed on February 26, 2016, except to the extent factual information disclosed elsewhere in this Quarterly Report on Form 10-Q relates to such risk factors.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The Company had no unregistered sales of equity securities during the second quarter of 2016. The following table sets forth information with respect to shares of our common stock purchased by the Company during the periods indicated:

Period Beginning	Period Ending	Total Number of Shares Purchased (1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs (2)
April 1, 2016	April 30, 2016	46,924	\$ 21.02	—	\$ 190,000,035
May 1, 2016	May 31, 2016	—	—	—	190,000,035
June 1, 2016	June 30, 2016	—	—	—	190,000,035
		46,924		—	\$ 190,000,035

- (1) All purchases were made pursuant to the Company's Omnibus Incentive Plan, under which participants may satisfy tax withholding obligations incurred upon the vesting of restricted stock by requesting the Company to withhold shares with a value equal to the amount of the withholding obligation.
- (2) In 2014, the Company announced a share repurchase program approved by the Board authorizing the repurchase of up to \$250.0 million of the Company's common stock (the "Share Repurchase Program"). Under the Share Repurchase Program, the Company is authorized to repurchase shares through open market purchases, privately-negotiated transactions or otherwise in accordance with applicable federal securities laws, including through Rule 10b5-1 trading plans and under Rule 10b-18 of the Exchange Act. The Share Repurchase Program has no time limit and may be suspended or discontinued completely at any time.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Committee Membership Changes

On July 13, 2016, the Company's Board of Directors (the "Board") appointed Ronald Benson and Donald C. Robinson, each current independent members of the Board, to the Audit Committee of the Board, and William Gray, a current independent member of the Board, was appointed to the Regulatory & Governmental Affairs Committee of the Board. In connection with the appointment of Messrs. Benson and Robinson to the Audit Committee, Judith McHale resigned from the Audit Committee of the Board.

Rule 10b5-1 Plans

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

Iran Threat Reduction and Syria Human Rights Act of 2012

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

Item 6. Exhibits

See Exhibit Index immediately following signature page hereto, which is incorporated herein by reference.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SEAWORLD ENTERTAINMENT, INC.
(Registrant)

Date: August 5, 2016

By: /s/ Peter J. Crage

Peter J. Crage

Chief Financial Officer

(Principal Financial Officer)

Date: August 5, 2016

By: /s/ Marc G. Swanson

Marc G. Swanson

Chief Accounting Officer

(Principal Accounting Officer)

EXHIBIT INDEX

The following is a list of all exhibits filed or furnished as part of this report:

<u>Exhibit No.</u>	<u>Description</u>
3.1	Amended and Restated Certificate of Incorporation of SeaWorld Entertainment, Inc. (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed on April 24, 2013) (No. 001-35883)
3.2	Certificate of Amendment of Amended and Restated Certificate of Incorporation of SeaWorld Entertainment, Inc., effective June 15, 2016 (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed on June 17, 2016)(No. 001-35883)
3.3	Second Amended and Restated Bylaws of SeaWorld Entertainment, Inc. (incorporated by reference to Exhibit 3.2 to the Registrant's Current Report on Form 8-K filed on December 11, 2014) (No. 001-35883)
3.4	Amendment No. 1 to the Second Amended and Restated Bylaws of SeaWorld Entertainment, Inc., effective June 15, 2016 (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed on June 17, 2016) (No. 001-35883)
10.1* †	Employment Agreement, dated June 14, 2016, between SeaWorld Entertainment, Inc. and Jack Roddy
10.2* †	Third Amended and Restated Outside Director Compensation Policy
10.3* †	Form of Restricted Stock Award Agreement (Outside Director Annual Award)
10.4 †	Amendment No.1 to the Separation and Consulting Agreement, dated as of April 13, 2016, by and between SeaWorld Entertainment, Inc. and James Atchison (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on April 15, 2016) (No. 001-35883)
31.1*	Certification of Periodic Report by Chief Executive Officer under Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification of Periodic Report by Chief Financial Officer under Section 302 of the Sarbanes-Oxley Act of 2002
32.1*	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2*	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
99.1*	Section 13(r) Disclosure
101.INS*	XBRL Instance Document.
101.SCH*	XBRL Taxonomy Extension Schema Document.
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document.

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

* Filed herewith.

The agreements and other documents filed as exhibits to this report are not intended to provide factual information or other disclosure other than with respect to the terms of the agreements or other documents themselves, and you should not rely on them for that purpose. In particular, any representations and warranties made by us in these agreements or other documents were made solely within the specific context of the relevant agreement or document and may not describe the actual state of affairs as of the date they were made or at any other time.

EXECUTIVE EMPLOYMENT AGREEMENT

This EMPLOYMENT AGREEMENT (this “Agreement”) is made and entered into as of this 14th day of June 2016, by and between SeaWorld Entertainment, Inc., a Delaware corporation (the “Company”), and Jack Roddy (the “Executive”).

WITNESSETH:

WHEREAS, the Company desires to employ Executive and to enter into this Agreement embodying the terms of such employment, and Executive desires to enter into this Agreement and to be employed by the Company, subject to the terms and provisions of this Agreement.

NOW, THEREFORE, in consideration of the promises and mutual covenants contained herein and for other good and valuable consideration, the receipt and sufficiency of which are mutually acknowledged, the Company and Executive hereby agree as follows:

Section 1. Definitions. Capitalized terms not otherwise defined in this Agreement shall have the meaning set forth on Appendix A, attached hereto.

Section 2. Acceptance and Term of Employment.

(a) The Company agrees to employ Executive, and Executive agrees to serve the Company, on the terms and conditions set forth herein. The Term of Employment shall commence on June 20, 2016 (the “Commencement Date”) and continue until the third anniversary of the Commencement Date, unless earlier terminated as provided in Section 7 hereof (the “Term of Employment”).

(b) Notwithstanding the foregoing and for the avoidance of doubt, if the Executive continues employment with the Company following the expiration of the Term of Employment, (i) such employment shall constitute “at will” employment and may be terminated at any time by either party upon written notice and, notwithstanding Section 22 hereof, the provisions of Section 7 shall not apply to such “at-will” employment and no longer be of further force or effect, and (ii) Executive shall become a participant in the Company’s Key Employee Severance Plan (or a successor plan) and be subject to terms and conditions of such plan.

Section 3. Position, Duties, and Responsibilities; Place of Performance.

(a) Position, Duties, and Responsibilities. During the Term of Employment, Executive shall be employed and serve as the Chief Human Resources & Culture Officer of the Company (together with such other position or positions consistent with Executive’s title as the Chief Executive Officer shall specify from time to time) and shall have such duties and responsibilities commensurate with such title and as the Chief Executive Officer may designate from time to time. If requested by the Company, Executive also agrees to serve as an officer and/or director of any other member of the Company Group, in each case without additional compensation. The Executive shall be based at the Company’s corporate headquarters in Orlando, Florida.

(b) Performance. Executive shall devote his full business time, attention, skill, and best efforts to the performance of his duties under this Agreement and shall not engage in any other business or occupation during the Term of Employment, including, without limitation, any activity that (x) conflicts with the interests of the Company or any other member of the Company Group, (y) interferes with the proper and efficient performance of Executive’s duties for the Company, or (z) interferes with Executive’s exercise of judgment in the Company’s best interests. Notwithstanding the foregoing, nothing herein shall preclude Executive from (i) serving as a member of the boards of directors or advisory boards (or their equivalents in the case of a non-corporate entity) of charitable organizations or, with the prior written consent of the Board following a recommendation from the Nominating and Governance Committee of the Board, of noncompeting businesses, (ii) engaging in charitable activities and community affairs, and (iii) managing his personal investments and affairs; *provided, however,* that the activities set out in clauses (i), (ii), and (iii) shall be limited by Executive so as not to materially interfere, individually or in the aggregate, with the performance of his duties and responsibilities hereunder.

Section 4. Compensation.

During the Term of Employment, Executive shall be entitled to the following compensation:

(a) Base Salary. Executive shall initially be paid an annualized Base Salary, payable in accordance with the regular payroll practices of the Company, of \$420,000. No less frequently than annually, the Executive's Base Salary shall be reviewed by the Compensation Committee who may (but is not obligated to) adjust such Base Salary in its sole discretion; *provided* that Base Salary shall not be decreased. Any such increased Base Salary shall be the Executive's "Base Salary" for all purposes under this Agreement.

(b) Annual Bonus. Commencing with fiscal year 2017, Executive shall be eligible to participate in the annual bonus plan adopted by the Company from time to time (the " Annual Bonus Plan "), pursuant to which Executive shall be eligible to receive an annual incentive bonus award for fiscal year 2017, and for each subsequent fiscal year during the Term of Employment (the " Annual Bonus "). The target Annual Bonus for each such fiscal year (the " Target Annual Bonus ") shall be not less than 100% of Base Salary, with the actual Annual Bonus payable under the Annual Bonus Plan being based upon the level of achievement of Company and/or individual performance objectives for such fiscal year, as established by the Compensation Committee and communicated to Executive. The Annual Bonus shall otherwise be subject to the terms and conditions of the Annual Bonus Plan. Any earned Annual Bonus for a fiscal year shall be paid to the Executive at the same time as annual bonuses are generally payable to other senior executives of the Company, subject to Executive's continuous employment through the applicable performance period, but in no event later than the 15th day of the third month following the close of such fiscal year, unless the Executive shall elect to defer the receipt of such Annual Bonus pursuant to an arrangement that meets the requirements of Section 409A of the Internal Revenue Code of 1986, as amended (the " Code ").

(c) Annual Equity Awards. During the Term of Employment, (i) Executive will be eligible to participate in the long-term equity incentive plan(s) adopted by the Company from time to time, including without limitation, under the Company's 2013 Omnibus Incentive Plan (as applicable, the " Equity Plan ") and (ii) commencing with fiscal year 2016 and for each fiscal year thereafter, the Executive shall be a participant in the Company's long term equity compensation program with a long term equity award target value equal to \$300,000 (based on grant date fair market value of the Company's common stock (" Common Stock ") underlying such awards) subject to such vesting and other terms and conditions as the Compensation Committee shall determine and otherwise, in all respects, subject to the Compensation Committee's annual compensation review discretion and in accordance with the Company's Equity Award Grant Policy, in effect from time to time.

(d) Sign-On Restricted Stock Grant. As soon as practicable following the Commencement Date, Executive shall receive a one-time grant (the " Sign-On Restricted Stock Grant ") of restricted shares of Common Stock with a value on the Commencement Date equal to \$1,800,000. The Sign-On Restricted Stock Grant shall vest in four equal annual (25%) installments over the first four anniversaries of the date of grant so long as the Executive remains employed by the Company through such dates.

(e) Sign-On Cash Bonus. Executive shall receive a one-time cash bonus in an amount equal to \$200,000 payable (i) 50% on the Company's first regularly scheduled payroll date following the Commencement Date and (ii) 50% on the first anniversary of the Commencement Date, in each case, subject to Executive's continued employment with the Company through the applicable payment date.

Section 5. Employee Benefits; Vacation .

(a) During the Term of Employment, Executive shall be entitled to participate in health, insurance, retirement, annual leave and time-off, and other benefits provided generally to similarly situated executive officers of the Company. Executive shall also be entitled to the same number of holidays, vacation days, and sick days, as well as any other benefits, in each case as are generally allowed to similarly situated executive officers of the Company in accordance with the Company policy as in effect from time to time. Nothing contained herein shall be construed to limit the Company's ability to amend, suspend, or terminate any employee benefit plan or policy at any time without providing Executive notice, and the right to do so is expressly reserved.

(b) Notwithstanding anything to the contrary in Section 5(a), during the Term of Employment, Executive shall be entitled to four (4) weeks of annual paid vacation days, which shall accrue and be usable in accordance with Company policy, as in effect from time to time; *provided* that for fiscal year 2016, Executive's annual paid vacation shall be prorated based on the Commencement Date and portion of the fiscal year Executive is employed with the Company.

Section 6. Reimbursement of Expenses .

(a) Business Expenses. Executive is authorized to incur reasonable business expenses in carrying out his duties and responsibilities under this Agreement, and the Company shall promptly reimburse him for all such reasonable business expenses, subject to documentation in accordance with the Company's policies, as in effect from time to time.

(b) Relocation Expenses. The Company will reimburse Executive for (i) reasonable and documented travel expenses (including air travel, hotel or corporate apartment and rental car) incurred during the first six months following the Commencement Date and (ii) customary buyer's closing costs associated with Executive's purchase of a residence in Orlando, Florida and reasonable and documented searching, relocation and moving expenses in connection with such purchase, in each case, in accordance with the Company's executive relocation policy, in effect from time to time.

Section 7. Termination of Employment.

(a) General. The Term of Employment shall terminate earlier than as provided in Section 2 hereof upon the earliest to occur of (i) Executive's death, (ii) a termination by reason of a Disability, (iii) a termination by the Company with or without Cause, and (iv) a termination by Executive with or without Good Reason. Upon any termination of Executive's employment for any reason, except as may otherwise be requested by the Company in writing and agreed upon in writing by Executive, Executive shall resign from any and all directorships, committee memberships, and any other positions Executive holds with the Company or any other member of the Company Group. Notwithstanding anything herein to the contrary, other than the requirements of Section 13 hereof, the payment (or commencement of a series of payments) hereunder of any nonqualified deferred compensation (within the meaning of Section 409A of the Code) upon a termination of employment shall be delayed until such time as Executive has also undergone a "separation from service" as defined in Treas. Reg. 1.409A-1(h), at which time such nonqualified deferred compensation (calculated as of the date of Executive's termination of employment hereunder) shall be paid (or commence to be paid) to Executive on the schedule set forth in this Section 7 as if Executive had undergone such termination of employment (under the same circumstances) on the date of his ultimate "separation from service."

(b) Termination Due to Death or Disability. Executive's employment shall terminate automatically upon his death. The Company may terminate Executive's employment immediately upon the occurrence of a Disability, such termination to be effective upon Executive's receipt of written notice of such termination. Upon Executive's death or in the event that Executive's employment is terminated due to his Disability, Executive or his estate or his beneficiaries, as the case may be, shall be entitled to the Accrued Obligations. Following Executive's death or a termination of Executive's employment by reason of a Disability, except as set forth in this Section 7(b), Executive shall have no further rights to any compensation or any other benefits under this Agreement.

(c) Termination by the Company for Cause.

(i) The Company may terminate Executive's employment at any time for Cause, effective upon Executive's receipt of written notice of such termination; *provided, however*, that with respect to any Cause termination relying on clauses (i), (ii), (vi) or (vii) of the definition of Cause, to the extent that such act or acts or failure or failures to act are curable, Executive shall be given not less than fifteen (15) days' written notice by the Board of the Company's intention to terminate him for Cause, such notice to state in detail the particular act or acts or failure or failures to act that constitute the grounds on which the proposed termination for Cause is based, and such termination shall be effective at the expiration of such fifteen (15) day notice period unless Executive has fully cured such act or acts or failure or failures to act that give rise to Cause during such period.

(ii) In the event that the Company terminates Executive's employment for Cause, he shall be entitled only to the Accrued Obligations. Following such termination of Executive's employment for Cause, except as set forth in this Section 7(c)(ii), Executive shall have no further rights to any compensation or any other benefits under this Agreement.

(d) Termination by the Company without Cause. The Company may terminate Executive's employment at any time without Cause, effective upon Executive's receipt of written notice of such termination. In the event that Executive's employment is terminated by the Company without Cause (other than due to death or Disability), Executive shall be entitled to:

(i) The Accrued Obligations;

(ii) An amount equal to the Severance Factor multiplied by the sum of (x) Base Salary and (y) the Target Annual Bonus, such amount to be paid in a lump sum within 15 days following the date of termination;

(iii) Full accelerated vesting and immediately lapse of restrictions on the Sign-On Restricted Stock Grant; and

(iv) Subject to Executive's election of COBRA continuation coverage under the Company's group health plan, payment, on the first regularly scheduled payroll date of each month during the Severance Term, of an amount equal to the difference between the monthly COBRA premium cost and the monthly contribution paid by active employees for the same coverage; *provided*, that the payments described in this clause (iv) shall cease earlier than the expiration of the Severance Term in the event that Executive becomes eligible to receive any health benefits as a result of subsequent employment or service during the Severance Term.

Notwithstanding the foregoing, the payments and benefits described in clauses (ii), (iii) and (iv) above shall immediately terminate, and the Company shall have no further obligations to Executive with respect thereto, in the event that Executive breaches any provision of the Restrictive Covenants contained in Appendix B attached hereto. Following such termination of Executive's employment by the Company without Cause, except as set forth in this Section 7(d), Executive shall have no further rights to any compensation or any other benefits under this Agreement. For the avoidance of doubt, Executive's sole and exclusive remedy upon a termination of employment by the Company without Cause shall be receipt of the Severance Benefits.

(e) Termination by Executive with Good Reason. Executive may terminate his employment with Good Reason by providing the Company fifteen (15) days' written notice setting forth in reasonable specificity the event that constitutes Good Reason, which written notice, to be effective, must be provided to the Company within sixty (60) days of the Executive's knowledge (whether actual or constructive, including, without limitation, knowledge that Executive would have reasonably obtained after making due and appropriate inquiry) of such event. During such fifteen (15) day notice period, the Company shall have a cure right (if curable), and if not cured within such period, Executive's termination will be effective upon the expiration of such cure period, and Executive shall be entitled to the same payments and benefits as provided in Section 7(d) hereof for a termination by the Company without Cause, subject to the same conditions on payment and benefits as described in Section 7(d) hereof. Following such termination of Executive's employment by Executive with Good Reason, except as set forth in this Section 7(e) and Section 15, Executive shall have no further rights to any compensation or any other benefits under this Agreement. For the avoidance of doubt, Executive's sole and exclusive remedy upon a termination of employment with Good Reason shall be receipt of the Severance Benefits.

(f) Termination by Executive without Good Reason. Executive may terminate his employment without Good Reason by providing the Company thirty (30) days' written notice of such termination. In the event of a termination of employment by Executive under this Section 7(f), Executive shall be entitled only to the Accrued Obligations. In the event of termination of Executive's employment under this Section 7(f), the Company may, in its sole and absolute discretion, by written notice accelerate such date of termination without changing the characterization of such termination as a termination by Executive without Good Reason. Following such termination of Executive's employment by Executive without Good Reason, except as set forth in this Section 7(f), Executive shall have no further rights to any compensation or any other benefits under this Agreement.

(g) Release. Notwithstanding any provision herein to the contrary, the payment of any amount or provision of any benefit pursuant to subsection (d) or (e) of this Section 7 (other than the Accrued Obligations) (collectively, the "Severance Benefits") shall be conditioned upon Executive's execution, delivery to the Company, and non-revocation of the Release of Claims (and the expiration of any revocation period contained in such Release of Claims) within sixty (60) days following the date of Executive's termination of employment hereunder. If Executive fails to execute the Release of Claims in such a timely manner so as to permit any revocation period to expire prior to the end of such sixty (60) day period, or timely revokes his acceptance of such release following its execution, Executive shall not be entitled to any of the Severance Benefits. Further, to the extent that any of the Severance Benefits constitutes "nonqualified deferred compensation" for purposes of Section 409A of the Code, any payment of any amount or provision of any benefit otherwise scheduled to occur prior to the sixtieth (60th) day following the date of Executive's termination of employment hereunder, but for the condition on executing the Release of Claims as set forth herein, shall not be made until the first regularly scheduled payroll date following such sixtieth (60th) day, after which any remaining Severance Benefits shall thereafter be provided to Executive according to the applicable schedule set forth herein.

(h) Notice of Termination. Any written notice of termination given under Section 7 of this Agreement shall be provided to the other party in accordance with Section 19 of this Agreement. In addition, any written notice pertaining to a termination by the Company for Cause or by Executive for Good Reason shall meet the requirements of a Notice of Termination (as defined in this paragraph). For purposes of this Agreement, a "Notice of Termination" means a written notice which (i) indicates the specific termination provision in this Agreement relied upon, (ii) to the extent applicable, sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated and (iii) the Date of Termination (as defined below).

(i) Date of Termination. “Date of Termination” means (i) if the Executive’s employment is terminated by the Company for Cause, the date of expiration of the cure period set forth in Section 7(c), (ii) if the Executive’s employment is terminated by the Executive for Good Reason, the date of expiration of the cure period specified in Section 7(e), (iii) if the Executive’s employment is terminated by the Company other than for Cause or Disability, the date on which the Company notifies the Executive of such termination or such later date specified by the Company, (iv) if the Executive voluntarily resigns without Good Reason, the date at least thirty (30) days after the Executive notifies the Company, subject to the Company’s right to accelerate such date of termination without changing the characterization of such termination as a termination by the Executive without Good Reason as provided in Section 7(f), (v) if the Executive’s employment is terminated by reason of death, the date of death of the Executive, or (vi) if the Executive’s employment is terminated by the Company due to Disability, the date specified by the Company.

Section 8. Certain Payments .

(a) In the event that any payment or benefit received or to be received by the Executive pursuant to this Agreement or otherwise (“Payments”) would (i) constitute a “parachute payment” within the meaning of Section 280G of the Internal Revenue Code of 1986, as amended (the “Code”) and (ii) but for this section, be subject to the excise tax imposed by Section 4999 of the Code, any successor provisions, or any comparable federal, state, local or foreign excise tax (“Excise Tax”), then, subject to the provisions of this Section 8, such Payments shall be either (A) provided in full pursuant to the terms of this Agreement or any other applicable agreement, or (B) provided as to such lesser extent which would result in no portion of such Payments being subject to the Excise Tax (“Reduced Amount”), whichever of the foregoing amounts, taking into account the applicable federal, state, local and foreign income, employment and other taxes and the Excise Tax (including, without limitation, any interest or penalties on such taxes), results in the receipt by the Executive, on an after-tax basis, of the greatest amount of payments and benefits provided for hereunder or otherwise, notwithstanding that all or some portion of such Payments may be subject to the Excise Tax.

(b) Unless the Company and the Executive otherwise agree in writing, any determination required under this Section 8 shall be made by an independent advisor designated by the Company and reasonably acceptable to the Executive (“Independent Advisor”), whose determination shall be conclusive and binding upon the Executive and the Company for all purposes. For purposes of making the calculations required under this Section, Independent Advisor may make reasonable assumptions and approximations concerning applicable taxes and may rely on reasonable, good faith interpretations concerning the application of Sections 280G and 4999 of the Code; provided that Independent Advisor shall assume that the Executive pays all taxes at the highest marginal rate. The Company and the Executive shall furnish to Independent Advisor such information and documents as Independent Advisor may reasonably request in order to make a determination under this Section. The Company shall bear all costs that Independent Advisor may incur in connection with any calculations contemplated by this Section. The reduction of the Payments payable hereunder, if applicable, shall be made by first reducing the cash payments under Section 7(d)(ii) and then by reducing any other Payments in a manner determined by the Company, in consultation with the Executive.

(c) If, notwithstanding any reduction described in Section 8 (or in the absence of any such reduction), the Internal Revenue Service (“IRS”) determines that the Executive is liable for the Excise Tax as a result of the receipt of one or more Payments, then the Executive shall be obligated to surrender or pay back to the Company, within 120 days after a final IRS determination, an amount of such payments or benefits equal to the “Repayment Amount.” The Repayment Amount with respect to such Payments shall be the smallest such amount, if any, as shall be required to be surrendered or paid to the Company so that the Executive’s net proceeds with respect to such Payments (after taking into account the payment of the excise tax imposed on such Payments) shall be maximized. Notwithstanding the foregoing, the Repayment Amount with respect to such Payments shall be zero if a Repayment Amount of more than zero would not eliminate the Excise Tax imposed on such Payments or if a Repayment Amount of more than zero would not maximize the net amount received by the Executive from the Payments. If the Excise Tax is not eliminated pursuant to this Section 8, the Executive shall pay the Excise Tax.

Section 9. Restrictive Covenants .

Executive acknowledges and recognizes the highly competitive nature of the businesses of the Company Group and accordingly agrees, as a condition of Executive's continued employment with the Company, to be bound by and comply with the Restrictive Covenants contained in Appendix B attached hereto and incorporated by reference herein . Executive acknowledges and agrees that the Company's remedies at law for a breach or threatened breach of any of the provisions of Section 1 of Appendix B (or a material breach or material threatened breach of any of the provisions of Section 2 of Appendix B of this Agreement) would be inadequate and the Company would suffer irreparable damages as a result of such breach or threatened breach. In recognition of this fact, Executive agrees that, in the event of such a breach or threatened breach, in addition to any remedies at law and in addition to cessation of payments described in the last paragraph of Section 7(d), the Company, without posting any bond, shall be entitled to obtain equitable relief in the form of specific performance, temporary restraining order, temporary or permanent injunction or any other equitable remedy which may then be available. Any action for by the Company for equitable relief shall be brought exclusively in the courts of the State of Florida, and the parties hereto irrevocably agree to submit to the jurisdiction and venue of the courts of the State of Florida for any such action or proceeding. For the avoidance of doubt, the Restrictive Covenants contained in Appendix B shall be in addition to, and not in lieu of, any other similar restrictive covenants contained in any other agreement between Executive and any member of the Company Group.

Section 10. Representations and Warranties of Executive .

Executive represents and warrants to the Company that:

- (a) Executive has had the opportunity to consult with, and is represented by, his own tax and legal advisor(s) in connection with the negotiation and preparation of this Agreement;
- (b) Executive is entering into this Agreement voluntarily and that his employment hereunder and compliance with the terms and conditions hereof will not conflict with or result in the breach by him of any agreement to which he is a party or by which he may be bound;
- (c) Executive has not violated, and in connection with his employment with the Company will not violate, any non-solicitation, non-competition, or other similar covenant or agreement of a prior employer by which he is or may be bound; and
- (d) in connection with his employment with the Company, Executive will not use any confidential or proprietary information he may have obtained in connection with employment with any prior employer.

Section 11. Taxes .

The Company may withhold from any payments made under this Agreement all applicable taxes, including but not limited to income, employment, and social insurance taxes, as shall be required by law. Executive acknowledges and represents that the Company has not provided any tax advice to him in connection with this Agreement and that he has been advised by the Company to seek tax advice from his own tax advisors regarding this Agreement and payments that may be made to him pursuant to this Agreement, including specifically, the application of the provisions of Section 409A of the Code to such payments.

Section 12. Set Off; Mitigation .

The Company's obligation to pay Executive the amounts provided and to make the arrangements provided hereunder shall not be subject to set-off, counterclaim, or recoupment of amounts owed by Executive to the Company or its affiliates. Executive shall not be required to mitigate the amount of any payment provided pursuant to this Agreement by seeking other employment or otherwise, and except as provided in Section 7(d)(iv) hereof, the amount of any payment provided for pursuant to this Agreement shall not be reduced by any compensation earned as a result of Executive's other employment or otherwise.

Section 13. Additional Section 409A Provisions .

Notwithstanding any provision in this Agreement to the contrary:

(a) Any payment otherwise required to be made hereunder to Executive at any date as a result of the termination of Executive's employment shall be delayed for such period of time as may be necessary to meet the requirements of Section 409A(a)(2)(B)(i) of the Code (the "Delay Period"). On the first business day following the expiration of the Delay Period, Executive shall be paid, in a single cash lump sum, an amount equal to the aggregate amount of all payments delayed pursuant to the preceding sentence, and any remaining payments not so delayed shall continue to be paid pursuant to the payment schedule set forth herein.

(b) Each payment in a series of payments hereunder shall be deemed to be a separate payment for purposes of Section 409A of the Code.

(c) To the extent that any right to reimbursement of expenses or payment of any benefit in-kind under this Agreement constitutes nonqualified deferred compensation (within the meaning of Section 409A of the Code), (i) any such expense reimbursement shall be made by the Company no later than the last day of the taxable year following the taxable year in which such expense was incurred by Executive, (ii) the right to reimbursement or in-kind benefits shall not be subject to liquidation or exchange for another benefit, and (iii) the amount of expenses eligible for reimbursement or in-kind benefits provided during any taxable year shall not affect the expenses eligible for reimbursement or in-kind benefits to be provided in any other taxable year; *provided*, that the foregoing clause shall not be violated with regard to expenses reimbursed under any arrangement covered by Section 105(b) of the Code solely because such expenses are subject to a limit related to the period the arrangement is in effect.

(d) While the payments and benefits provided hereunder are intended to be structured in a manner to avoid the implication of any penalty taxes under Section 409A of the Code, in no event whatsoever shall any member of the Company Group be liable for any additional tax, interest, or penalties that may be imposed on Executive as a result of Section 409A of the Code or any damages for failing to comply with Section 409A of the Code (other than for withholding obligations or other obligations applicable to employers, if any, under Section 409A of the Code). If any provision of this Agreement (or of any award of compensation, including equity compensation or benefits) would cause Executive to incur any additional tax or interest under Section 409A of the Code, the Company shall, after consulting with and receiving the approval of Executive, reform such provision in a manner intended to avoid the incurrence by Executive of any such additional tax or interest.

Section 14. Successors and Assigns; No Third-Party Beneficiaries .

(a) The Company. This Agreement shall inure to the benefit of the Company and its respective successors and assigns. Neither this Agreement nor any of the rights, obligations, or interests arising hereunder may be assigned by the Company to a Person (other than another member of the Company Group, or its or their respective successors) without Executive's prior written consent (which shall not be unreasonably withheld, delayed, or conditioned); *provided, however*, that in the event of a sale of all or substantially all of the assets of the Company or any direct or indirect division or subsidiary thereof to which Executive's employment primarily relates, the Company may provide that this Agreement will be assigned to, and assumed by, the acquiror of such assets, division or subsidiary, as applicable, without Executive's consent.

(b) Executive. Executive's rights and obligations under this Agreement shall not be transferable by Executive by assignment or otherwise, without the prior written consent of the Company; *provided, however*, that if Executive shall die, all amounts then payable to Executive hereunder shall be paid in accordance with the terms of this Agreement to Executive's devisee, legatee, or other designee, or if there be no such designee, to Executive's estate.

(c) No Third-Party Beneficiaries. Except as otherwise set forth in Section 7(b) or Section 14(b) hereof, nothing expressed or referred to in this Agreement will be construed to give any Person other than the Company, the other members of the Company Group, and Executive any legal or equitable right, remedy, or claim under or with respect to this Agreement or any provision of this Agreement.

Section 15. Disputes; Arbitration.

Subject to the Company's right to seek equitable relief for any violations of the Restrictive Covenants contained in Appendix B (as set forth in Section 9), any dispute or controversy arising under or in connection with this Agreement or Executive's employment with the Company shall be settled exclusively through the Company's Dispute Resolution Program that is in effect from time to time and which includes final and binding arbitration of covered claims.

Section 16 . Waiver and Amendments .

Any waiver, alteration, amendment, or modification of any of the terms of this Agreement shall be valid only if made in writing and signed by each of the parties hereto; *provided*, *however*, that any such waiver, alteration, amendment, or modification must be consented to on the Company's behalf by the Compensation Committee and the Board. No waiver by either of the parties hereto of their rights hereunder shall be deemed to constitute a waiver with respect to any subsequent occurrences or transactions hereunder unless such waiver specifically states that it is to be construed as a continuing waiver.

Section 17 . Severability.

If any covenants or such other provisions of this Agreement are found to be invalid or unenforceable by a final determination of a court of competent jurisdiction, (a) the remaining terms and provisions hereof shall be unimpaired, and (b) the invalid or unenforceable term or provision hereof shall be deemed replaced by a term or provision that is valid and enforceable and that comes closest to expressing the intention of the invalid or unenforceable term or provision hereof.

Section 18 . Governing Law; Waiver of Jury Trial.

THIS AGREEMENT IS GOVERNED BY AND IS TO BE CONSTRUED UNDER THE LAWS OF THE STATE OF FLORIDA WITHOUT GIVING EFFECT TO THE PRINCIPLES OF CONFLICTS OF LAWS. THIS AGREEMENT CONTAINS A BINDING ARBITRATION CLAUSE. EACH PARTY TO THIS AGREEMENT ALSO HEREBY WAIVES ANY RIGHT TO TRIAL BY JURY IN CONNECTION WITH ANY SUIT, ACTION, OR PROCEEDING UNDER OR IN CONNECTION WITH THIS AGREEMENT.

Section 19 . Notices.

(a) Place of Delivery. Every notice or other communication relating to this Agreement shall be in writing, and shall be mailed to or delivered to the party for whom or which it is intended at such address as may from time to time be designated by it in a notice mailed or delivered to the other party as herein provided; *provided*, that unless and until some other address be so designated, all notices and communications by Executive to the Company shall be mailed or delivered to the Company at its principal executive office to the attention of the General Counsel, and all notices and communications by the Company to Executive may be given to Executive personally or may be mailed to Executive at Executive's last known address, as reflected in the Company's records.

(b) Date of Delivery. Any notice so addressed shall be deemed to be given (i) if delivered by hand, on the date of such delivery, (ii) if mailed by courier or by overnight mail, on the first business day following the date of such mailing, and (iii) if mailed by registered or certified mail, on the third business day after the date of such mailing.

Section 20 . Section Headings.

The headings of the sections and subsections of this Agreement are inserted for convenience only and shall not be deemed to constitute a part thereof or affect the meaning or interpretation of this Agreement or of any term or provision hereof.

Section 21 . Entire Agreement.

This Agreement, together with any exhibits and appendices attached hereto and any equity award grants referenced herein to be made by the Company to the Executive, constitutes the entire understanding and agreement of the parties hereto regarding the employment of Executive. This Agreement supersedes all prior negotiations, discussions, correspondence, communications, understandings, and agreements between the parties relating to the subject matter of this Agreement.

Section 22 . Survival of Operative Sections.

Upon any termination of Executive's employment, the provisions of Section 7 through Section 22 of this Agreement (together with any related definitions set forth in Section 1 hereof) shall survive to the extent necessary to give effect to the provisions thereof.

Section 23 . Counterparts.

This Agreement may be executed in two or more counterparts, each of which shall be deemed to be an original but all of which together shall constitute one and the same instrument. The execution of this Agreement may be by actual or facsimile signature.

Section 24. Background Check.

Notwithstanding anything to the contrary in this Agreement, Executive shall not become employed by the Company if Executive fails the Company's background check of the Executive or the pre-employment substance test and this Agreement shall be terminated.

* **

[Signatures to appear on the following page.]

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date first above written.

SEAWORLD ENTERTAINMENT, INC.

/s/ G. Anthony (Tony) Taylor

By: G. Anthony (Tony) Taylor

Title: Chief Legal Officer, General Counsel and Corporate Secretary

EXECUTIVE

/s/ Jack Roddy

Jack Roddy

APPENDIX A
Definitions

(a) “Accrued Obligations” shall mean (i) all accrued but unpaid Base Salary through the date of termination of Executive’s employment, (ii) any accrued but unpaid Annual Bonus that is required to be paid in accordance with the terms of the Annual Bonus Plan, (iii) any unpaid or unreimbursed expenses incurred in accordance with Section 6 hereof, and (iv) any benefits provided under the Company’s employee benefit plans or any incentive plans upon a termination of employment, including rights with respect to Company equity (or equity derivatives), in accordance with the terms contained therein.

- (b) “Agreement” shall have the meaning set forth in the preamble hereto.
- (c) “Annual Bonus” shall have the meaning set forth in Section 4 (b) hereof.
- (d) “Base Salary” shall mean the salary provided for in Section 4(a) hereof.
- (e) “Board” shall mean the Board of Directors of the Company.

(f) “Cause” shall mean (i) Executive’s act(s) of gross negligence or willful misconduct in the course of Executive’s employment hereunder, (ii) willful failure or refusal by Executive (or Executive’s inability, as a result of circumstances described in clause (v) of this definition) to perform in any material respect his duties or responsibilities, (iii) misappropriation (or attempted misappropriation) by Executive of any assets or business opportunities of the Company or any other member of the Company Group, (iv) embezzlement or fraud committed (or attempted) by Executive, or at his direction, (v) Executive’s conviction of, indictment for, or pleading “guilty” or “no contest” to, (x) a felony or (y) any other criminal charge involving moral turpitude or financial dishonesty that has, or could be reasonably expected to have, an adverse impact on the performance of Executive’s duties to the Company or any other member of the Company Group or otherwise result in injury to the reputation or business of the Company or any other member of the Company Group, (vi) any violation by Executive of the policies of the Company, including but not limited to those relating to sexual harassment or business conduct, and those otherwise set forth in the manuals or statements of policy of the Company, which causes material harm to the Company, or (vii) Executive’s material breach of this Agreement or breach of the Restrictive Covenants contained in Appendix B or any other similar restrictive covenants contained in any other agreement between Executive and any member of the Company Group; *provided*, that, for the avoidance of doubt, the adverse performance of the Company alone (other than as a result of, arising out of or in connection with circumstances described in clauses (i) through (vii), inclusive, of this definition) shall not constitute grounds for a termination of Executive’s employment for Cause.

For purposes of this Section (f), no act or failure to act by the Executive shall be considered “willful” unless it is done, or omitted to be done, in bad faith and without reasonable belief that the Executive’s action or omission was in the best interests of the Company. Any action or inaction of the Executive taken in reliance on the advice of the Company’s legal counsel shall be considered to have been taken or not taken in good faith, and not in bad faith.

- (g) “Code” shall mean the Internal Revenue Code of 1986, as amended, and the rules and regulations promulgated thereunder.
 - (h) “Company” shall have the meaning set forth in the preamble hereto.
 - (i) “Company Group” shall mean the Company together with any of its direct or indirect subsidiaries.
 - (j) “Compensation Committee” shall mean the committee of the Board designated to make compensation decisions relating to senior executive officers of the Company Group.
 - (k) “Delay Period” shall have the meaning set forth in Section 13 hereof.
-

(l) “Disability” shall mean any physical or mental disability or infirmity of Executive that prevents , with reasonable accommodation to the extent required by applicable law, the performance of Executive’s duties for a period of (i) one hundred twenty (120) consecutive days or (ii) one hundred eighty (180) non-consecutive days during any twelve (12) month period. Any question as to the existence, extent, or potentiality of Executive’s Disability upon which Executive and the Company cannot agree shall be determined by a qualified, independent physician selected by the Company and approved by Executive (which approval shall not be unreasonably withheld). If Executive is unable to make such approval, then such approval shall be made by Executive’s legal representative, or if there is no legal representative, then by an adult member of Executive’s immediate family. The determination of any such physician shall be final and conclusive for all purposes of this Agreement.

(m) “Executive” shall have the meaning set forth in the preamble hereto.

(n) “Excise Tax” shall have the meaning set forth in Section 8 hereto.

(o) “Good Reason” shall mean, without Executive’s consent, (i) a material diminution in Executive’s title, duties, or responsibilities as set forth in Section 3 hereof or having to report to any person other than the Chief Executive Officer of the Company, (ii) a material reduction in Base Salary set forth in Section 4(a) hereof or Target Annual Bonus opportunity set forth in Section 4(b) hereof (other than pursuant to an across-the-board reduction applicable to all similarly situated executives), (iii) the relocation of Executive’s principal place of employment by more than fifty (50) miles from the Company’s headquarters in Orlando, Florida, or (iv) any other material breach of a provision of this Agreement by the Company (other than a provision that is covered by clause (i), (ii), or (iii) above). Executive acknowledges and agrees that his exclusive remedy in the event of any breach of this Agreement shall be to assert Good Reason pursuant to the terms and conditions of Section 7(e) hereof. Notwithstanding the foregoing, during the Term of Employment, in the event that the Board reasonably believes that Executive may have engaged in conduct that could constitute Cause hereunder, the Board may, in its sole and absolute discretion, suspend Executive from performing his duties hereunder, and in no event shall any such suspension constitute an event pursuant to which Executive may terminate employment with Good Reason or otherwise constitute a breach hereunder; *provided*, that no such suspension shall alter the Company’s obligations under this Agreement during such period of suspension.

(p) “Independent Advisor” shall have the meaning set forth in Section 8 hereto.

(q) “IRS” shall have the meaning set forth in Section 8 hereto.

(r) “Notice of Termination” shall have the meaning set forth in Section 7(h) hereto.

(s) “Payments” shall have the meaning set forth in Section 8 hereto.

(t) “Person” shall mean any individual, corporation, partnership, limited liability company, joint venture, association, joint-stock company, trust (charitable or non-charitable), unincorporated organization, or other form of business entity.

(u) “Reduced Amount” shall have the meaning set forth in Section 8 hereto.

(v) “Release of Claims” shall mean the Release of Claims in substantially the same form attached hereto as Exhibit A (as the same may be revised from time to time by the Company upon the advice of counsel).

(w) “Repayment Amount” shall have the meaning set forth in Section 8 hereto.

(x) “Restrictive Covenants” shall mean the restrictive covenants contained in Appendix B attached hereto.

(y) “Severance Benefits” shall have the meaning set forth in Section 7(g) hereof.

- (z) “Severance Factor” shall mean, during the Term of Employment, 2.0 .
- (aa) “Severance Term” shall mean the number of months following Executive’s termination by the Company without Cause (other than by reason of death or Disability) or by Executive for Good Reason equal to the product of (i) the Severance Factor multiplied by (ii) twelve (12) months.
- (bb) “Target Annual Bonus” shall have the meaning set forth in 4(b) hereof.
- (cc) “Term of Employment” shall mean the period specified in Section 2 hereof.

APPENDIX B

Restrictive Covenants

1. Non-Competition; Non-Solicitation.

(a) Executive acknowledges and recognizes the highly competitive nature of the businesses of the Company and its affiliates and accordingly agrees as follows:

(i) During Executive's employment with the Company or its subsidiaries (the “Employment Term”) and for a period of the greater of (x) one year following the date Executive ceases to be employed by the Company or its subsidiaries and (y) the Severance Term (the “Restricted Period”), Executive will not, whether on Executive's own behalf or on behalf of or in conjunction with any person, firm, partnership, joint venture, association, corporation or other business organization, entity or enterprise whatsoever (“Person”), directly or indirectly solicit or assist in soliciting in competition with the Restricted Group in the Business, the business of any then current or prospective client or customer with whom Executive (or his direct reports) had personal contact or dealings on behalf of the Company during the one-year period preceding Executive's termination of employment.

(ii) During the Restricted Period, Executive will not directly or indirectly:

(A) engage in the Business in any geographical area that is within 100 miles of any geographical area where the Restricted Group engages in the Business, including the greater metropolitan areas of Orlando, Florida, San Diego, California, San Antonio, Texas, Williamsburg, Virginia and Philadelphia/Langhorne, Pennsylvania;

(B) enter the employ of, or render any services to, a Core Competitor, except where such employment or services do not relate in any manner to the Business;

(C) acquire a financial interest in, or otherwise become actively involved with, any Person engaged in the Business, directly or indirectly, as an individual, partner, shareholder, officer, director, principal, agent, trustee or consultant; or

(D) intentionally and adversely interfere with, or attempt to adversely interfere with, business relationships between the members of the Restricted Group and any of their clients, customers, suppliers, partners, members, or investors.

(iii) Notwithstanding anything to the contrary in this Appendix B, Executive may, directly or indirectly own, solely as an investment, securities of any Person engaged in a Business (including, without limitation, a Core Competitor) which are publicly traded on a national or regional stock exchange or on the over-the-counter market if Executive (i) is not a controlling person of, or a member of a group which controls, such person and (ii) does not, directly or indirectly, own 2% or more of any class of securities of such Person.

(iv) During the Employment Term and for a period of the greater of (x) two years from the date Executive ceases to be employed by the Company or its subsidiaries and (y) the Severance Term, Executive will not, whether on Executive's own behalf or on behalf of or in conjunction with any Person, directly or indirectly:

(A) solicit or encourage any employee of the Restricted Group to leave the employment of the Restricted Group;

(B) hire any Senior Employee who was employed by the Restricted Group as of the date of Executive's termination of employment with the Company or who left the employment of the Restricted Group coincident with, or within one year prior to or after, the termination of Executive's employment with the Company; or

(C) encourage any material consultant of the Restricted Group to cease working with the Restricted Group.

(v) For purposes of this Appendix B:

(A) "Restricted Group" shall mean, collectively, the Company and its subsidiaries and, to the extent engaged in the Business, their respective affiliates.

(B) "Business" shall mean the entertainment and theme park business.

(C) "Core Competitor" shall mean Walt Disney Parks and Resorts, Universal Studios, Six Flags, Inc., Cedar Fair Entertainment Company and Merlin Entertainments Group Ltd., Herschend Family Entertainment and each of their respective affiliates.

(D) "Senior Employee" shall mean any employee of the Company or any of its subsidiaries with the title of Vice President or above.

(b) Non-Disparagement. Executive will not at any time (whether during or after Executive's Employment Term) make public statements or public comments intended to be (or having the effect of being) of defamatory or disparaging nature regarding (including, without limitation, any statements or comments, whether in person, radio, television, film, social media or otherwise, that are (i) likely to be harmful to the business, business reputation or personal reputation of and (ii) for, on behalf of or in association with any trade, industry, activist or other advocacy group that has, at any time, made adverse or critical statements in relation to) the Company or any of its subsidiaries or affiliates or any of their respective businesses, shareholders, members, partners, employees, agents, officers, directors or contractors (it being understood that comments made in Executive's good faith performance of his duties hereunder shall not be deemed disparaging or defamatory for purposes of this paragraph). The Company (via any official statement) shall not, and shall instruct its officers and directors to not, at any time make any public statements or public release which is intended to be (or having the effect of being) of defamatory or disparaging nature regarding Executive's reputation in the business community (it being understood that comments made by the Company in the good faith and in ordinary course of business shall not be deemed disparaging or defamatory for purposes of this paragraph). Notwithstanding anything in this Section 1(b), either the Executive or the Company (including its officers and directors) shall be permitted to (x) provide a reasonable and truthful response to or statement to defend itself or him/herself against any public statement made by the Company or the Executive, as applicable, that is incorrect or disparages such person, to the extent necessary to correct or refute such public statement and (y) provide truthful testimony in any legal proceeding or process.

(c) It is expressly understood and agreed that although Executive and the Company consider the restrictions contained in this Section 1 to be reasonable, if determination is made by a court of competent jurisdiction that the time or territory or any other restriction contained in this Appendix B is an unenforceable restriction against Executive, the provisions of this Appendix B shall not be rendered void but shall be deemed amended to apply as to such maximum time and territory and to such maximum extent as such court may judicially determine or indicate to be enforceable. Alternatively, if any court of competent jurisdiction finds that any restriction contained in this Appendix B is unenforceable, and such restriction cannot be amended so as to make it enforceable, such finding shall not affect the enforceability of any of the other restrictions contained herein.

(d) The period of time during which the provisions of this Section 1 shall be in effect shall be extended by the length of time during which Executive is in breach of the terms hereof as determined by any court of competent jurisdiction on the Company's application for injunctive relief.

(e) The provisions of Section 1 hereof shall survive the termination of Executive's employment for any reason, including but not limited to, any termination other than for Cause (except as otherwise set forth in Section 1 hereof).

2. Confidentiality; Intellectual Property.

(a) Confidentiality.

(i) Executive will not at any time (whether during or after Executive's Employment Term) (x) retain or use for the benefit, purposes or account of Executive or any other Person; or (y) disclose, divulge, reveal, communicate, share, transfer or provide access to any Person outside the Company (other than its professional advisers who are bound by confidentiality obligations or otherwise in performance of Executive's duties under Executive's employment and pursuant to customary industry practice), any non-public, proprietary or confidential information -- including without limitation trade secrets, know-how, research and development, software, databases, inventions, processes, formulae, technology, designs and other intellectual property, information concerning finances, investments, profits, pricing, costs, products, services, vendors, customers, clients, partners, investors, personnel, compensation, recruiting, training, advertising, sales, marketing, promotions, government and regulatory activities and approvals, safety, zoological and/or animal training or care practices, protocols, policies or procedures -- concerning the past, current or future business, activities and operations of the Company, its subsidiaries or affiliates and/or any third party that has disclosed or provided any of same to the Company on a confidential basis ("Confidential Information") without the prior written authorization of the Board. Executive understands and acknowledges that nothing contained in this Appendix B is intended to or should in fact prevent Executive from (x) reporting possible violations of federal or state law or regulation to any government agency or entity, including but not limited to the Department of Justice, the Securities and Exchange Commission, Congress, any agency Inspector General, the Equal Employment Opportunity Commission, or the National Labor Relations Board, or (y) making other disclosures that are protected under state or federal whistleblower laws or regulations.

(ii) "Confidential Information" shall not include any information that is (a) generally known to the industry or the public other than as a result of Executive's breach of this covenant; (b) made legitimately available to Executive by a third party without breach of any confidentiality obligation of which Executive has knowledge; or (c) required by law to be disclosed; *provided*, that with respect to subsection (c) Executive shall give prompt written notice to the Company of such requirement, disclose no more information than is so required, and reasonably cooperate with any attempts by the Company to obtain a protective order or similar treatment.

(iii) Except as required by law, Executive will not disclose to anyone, other than Executive's family (it being understood that, in this Agreement, the term "family" refers to Executive, Executive's spouse, children, parents and spouse's parents) and advisors, the existence or contents of this Agreement; provided that Executive may disclose to any prospective future employer the provisions of this Appendix B. This Section 2(a)(iii) shall terminate if the Company publicly discloses a copy of this Agreement (or, if the Company publicly discloses summaries or excerpts of this Agreement, to the extent so disclosed).

(iv) Upon termination of Executive's employment with the Company for any reason, Executive shall (x) cease and not thereafter commence use of any Confidential Information or intellectual property (including without limitation, any patent, invention, copyright, trade secret, trademark, trade name, logo, domain name or other source indicator) owned or used by the Company, its subsidiaries or affiliates; and (y) immediately destroy, delete, or return to the Company, at the Company's option, all originals and copies in any form or medium (including memoranda, books, papers, plans, computer files, letters and other data) in Executive's possession or control (including any of the foregoing stored or located in Executive's office, home, laptop or other computer, whether or not Company property) that contain Confidential Information, except that Executive may retain only those portions of any personal notes, notebooks and diaries that do not contain any Confidential Information.

(b) Intellectual Property.

(i) If Executive has created, invented, designed, developed, contributed to or improved any works of authorship, inventions, intellectual property, materials, documents, or other work product (including without limitation, research, reports, software, databases, systems, applications, presentations, textual works, content, or audiovisual materials) (“Works”), either alone or with third parties, prior to Executive’s employment by the Company, that are relevant to or implicated by such employment (“Prior Works”), Executive hereby grants the Company a perpetual, non-exclusive, royalty-free, worldwide, assignable, sublicensable license under all rights and intellectual property rights (including rights under patent, industrial property, copyright, trademark, trade secret, unfair competition and related laws) therein for all purposes in connection with the Company’s current and future business.

(ii) If Executive creates, invents, designs, develops, contributes to or improves any Works, either alone or with third parties, at any time during Executive’s employment by the Company and within the scope of such employment and with the use of any the Company resources (“Company Works”), Executive shall promptly and fully disclose same to the Company and hereby irrevocably assigns, transfers and conveys, to the maximum extent permitted by applicable law, all rights and intellectual property rights therein (including rights under patent, industrial property, copyright, trademark, trade secret, unfair competition and related laws) to the Company to the extent ownership of any such rights does not vest originally in the Company.

(iii) Executive shall take all reasonably requested actions and execute all reasonably requested documents (including any licenses or assignments required by a government contract) at the Company’s expense (but without further remuneration) to assist the Company in validating, maintaining, protecting, enforcing, perfecting, recording, patenting or registering any of the Company’s rights in the Prior Works and Company Works. If the Company is unable for any other reason, after reasonable attempt, to secure Executive’s signature on any document for this purpose, then Executive hereby irrevocably designates and appoints the Company and its duly authorized officers and agents as Executive’s agent and attorney in fact, to act for and in Executive’s behalf and stead to execute any documents and to do all other lawfully permitted acts required in connection with the foregoing.

(iv) Executive shall not improperly use for the benefit of, bring to any premises of, divulge, disclose, communicate, reveal, transfer or provide access to, or share with the Company any confidential, proprietary or non-public information or intellectual property relating to a former employer or other third party without the prior written permission of such third party. Executive shall comply with all relevant policies and guidelines of the Company that are from time to time previously disclosed to Executive, including regarding the protection of Confidential Information and intellectual property and potential conflicts of interest. Executive acknowledges that the Company may amend any such policies and guidelines from time to time, and that Executive remains at all times bound by their most current version from time to time previously disclosed to Executive.

(v) The provisions of Section 2 hereof shall survive the termination of Executive’s employment for any reason (except as otherwise set forth in Section 2(a)(iii) hereof).

RELEASE OF CLAIMS

As used in this Release of Claims (this “Release”), the term “claims” will include all claims, covenants, warranties, promises, undertakings, actions, suits, causes of action, obligations, debts, accounts, attorneys’ fees, judgments, losses, and liabilities, of whatsoever kind or nature, in law, in equity, or otherwise.

For and in consideration of the Severance Benefits (as defined in my Employment Agreement, dated _____, 2016, with SeaWorld Entertainment, Inc. (the “Employment Agreement”)), and other good and valuable consideration, I, Jack Roddy for and on behalf of myself and my heirs, administrators, executors, and assigns, effective the date on which this release becomes effective pursuant to its terms, do fully and forever release, remise, and discharge each of the Company and each of its direct and indirect subsidiaries and affiliates, together with their respective past and present officers, directors, partners, shareholders, employees, and agents (collectively, the “Group”) from any and all claims whatsoever up to the date hereof that I had, may have had, or now have against the Group, for or by reason of any matter, cause, or thing whatsoever, including any claim arising out of or attributable to my employment or the termination of my employment with the Company, whether for tort, breach of express or implied employment contract, intentional infliction of emotional distress, wrongful termination, unjust dismissal, defamation, libel, or slander, or under any federal, state, or local law dealing with discrimination based on age, race, sex, national origin, handicap, religion, disability, or sexual orientation. This release of claims includes, but is not limited to, all claims arising under the Age Discrimination in Employment Act (“ADEA”), Title VII of the Civil Rights Act, the Americans with Disabilities Act, the Civil Rights Act of 1991, the Family Medical Leave Act, and the Equal Pay Act, each as may be amended from time to time, and all other federal, state, and local laws, the common law, and any other purported restriction on an employer’s right to terminate the employment of employees. The release contained herein is intended to be a general release of any and all claims to the fullest extent permissible by law.

I acknowledge and agree that as of the date I execute this Release, I have no knowledge of any facts or circumstances that give rise or could give rise to any claims under any of the laws listed in the preceding paragraph.

By executing this Release, I specifically release all claims relating to my employment and its termination under ADEA, a United States federal statute that, among other things, prohibits discrimination on the basis of age in employment and employee benefit plans.

Notwithstanding any provision of this Release to the contrary, by executing this Release, I am not releasing (i) any claims relating to my rights under Section 7 of the Employment Agreement, (ii) any claims that cannot be waived by law, (iii) my right of indemnification as provided by, and in accordance with the terms of, the Company’s by-laws or a Company insurance policy providing such coverage, as any of such may be amended from time to time, or (iv) my accrued and vested benefits, rights or payments under any employee benefit, incentive or equity plan or program of the Company.

I expressly acknowledge and agree that I –

§ Am able to read the language, and understand the meaning and effect, of this Release;

§ Have no physical or mental impairment of any kind that has interfered with my ability to read and understand the meaning of this Release or its terms, and that I am not acting under the influence of any medication, drug, or chemical of any type in entering into this Release;

§ Am specifically agreeing to the terms of the release contained in this Release because the Company has agreed to pay me the Severance Benefits in consideration for my agreement to accept it in full settlement of all possible claims I might have or ever had, and because of my execution of this Release;

§ Acknowledge that, but for my execution of this Release, I would not be entitled to the Severance Benefits;

§ Understand that, by entering into this Release, I do not waive rights or claims under ADEA that may arise after the date I execute this Release;

§ Had or could have [twenty-one (21)][forty-five (45)]¹ days from the date of my termination of employment (the “Release Expiration Date”) in which to review and consider this Release, and that if I execute this Release prior to the Release Expiration Date, I have voluntarily and knowingly waived the remainder of the review period;

§ Have not relied upon any representation or statement not set forth in this Release or my Employment Agreement made by the Company or any of its representatives;

§ Was advised to consult with my attorney regarding the terms and effect of this Release; and

§ Have signed this Release knowingly and voluntarily.

I represent and warrant that I have not previously filed, and to the maximum extent permitted by law agree that I will not file, a complaint, charge, or lawsuit against any member of the Group regarding any of the claims released herein. I acknowledge and agree that nothing in this Release is intended to or shall limit, restrict, or interfere with my right under federal, state and local laws to file an administrative charge or to participate in any governmental investigation. Notwithstanding, if a federal, state or local administrative agency were to pursue any claims relating to my employment with Company, I agree that I shall not be entitled to recover any monetary damages or any other remedies or benefits as a result and that this Release and the Severance Benefits will control as the exclusive remedy and full settlement of all such claims by me.

I hereby agree to waive any and all claims to re-employment with the Company or any other member of the Company Group (as defined in my Employment Agreement) affirmatively agree not to seek further employment with the Company or any other member of the Company Group.

Notwithstanding anything contained herein to the contrary, this Release will not become effective or enforceable prior to the expiration of the period of seven (7) calendar days following the date of its execution by me (the “Revocation Period”), during which time I may revoke my acceptance of this Release by notifying the Company and the Board of Directors of the Company, in writing, delivered to the Company at its principal executive office, marked for the attention of its General Counsel. To be effective, such revocation must be received by the Company no later than 11:59 p.m. on the seventh (7th) calendar day following the execution of this Release. Provided that the Release is executed and I do not revoke it during the Revocation Period, the eighth (8th) day following the date on which this Release is executed shall be its effective date. I acknowledge and agree that if I revoke this Release during the Revocation Period, this Release will be null and void and of no effect, and neither the Company nor any other member of the Company will have any obligations to pay me the Severance Benefits.

To the extent reasonably requested by the Board, I shall cooperate with the Company in connection with matters arising out of or related to my employment with the Company.

The provisions of this Release shall be binding upon my heirs, executors, administrators, legal personal representatives, and assigns. If any provision of this Release shall be held by any court of competent jurisdiction to be illegal, void, or unenforceable, such provision shall be of no force or effect. The illegality or unenforceability of such provision, however, shall have no effect upon and shall not impair the enforceability of any other provision of this Release.

11 To be selected based on whether applicable termination was “in connection with an exit incentive or other employment termination program” (as such phrase is defined in the Age Discrimination in Employment Act of 1967).

EXCEPT WHERE PREEMPTED BY FEDERAL LAW, THIS RELEASE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH FEDERAL LAW AND THE LAWS OF THE STATE OF FLORIDA, APPLICABLE TO AGREEMENTS MADE AND TO BE PERFORMED IN THAT STATE WITHOUT GIVING EFFECT TO THE PRINCIPLES OF CONFLICTS OF LAWS. I HEREBY WAIVE ANY RIGHT TO TRIAL BY JURY IN CONNECTION WITH ANY SUIT, ACTION, OR PROCEEDING UNDER OR IN CONNECTION WITH THIS RELEASE.

Capitalized terms used, but not defined herein, shall have the meanings ascribed to such terms in my Employment Agreement.

Jack Roddy

Date:

SEAWORLD ENTERTAINMENT, INC.

OUTSIDE DIRECTOR COMPENSATION POLICY

Effective March 4, 2014

Amended and Restated April 3, 2014

Amended and Restated as of March 3, 2015

Amended and Restated as of April 13, 2016

SeaWorld Entertainment, Inc. (the “Company”) believes that the granting of equity and cash compensation to its members of the Board of Directors (the “Board,” and members of the Board, “Directors”) represents a powerful tool to attract, retain and reward Directors who are not employees of the Company or The Blackstone Group L.P. (“Outside Directors”). This Outside Director Compensation Policy (this “Policy”) is intended to formalize the Company’s policy regarding cash compensation and grants of equity to its Outside Directors. The cash compensation and equity grants described in this Policy will be paid or made, as applicable, automatically and without further action of the Board, to each Outside Director. Unless otherwise defined herein, capitalized terms used in this Policy will have the meaning given such terms in the Company’s 2013 Omnibus Incentive Plan (the “Plan”). Outside Directors will be solely responsible for any tax obligations they incur as a result of the equity and cash payments received under this Policy.

I. CASH COMPENSATION.

A. Annual Fee. Subject to Section I.B. below, the Company will pay each Outside Director an annual fee of \$60,000 for serving on the Board (the “Annual Fee”). At the election of the Outside Director, the Annual Fee will be paid, in arrears, either (a) in twelve equal installments on a monthly basis with each monthly payment paid on the last day of the applicable month or (b) in four equal installments on a quarterly basis with each quarterly payment paid on the last day of the applicable quarter.

B. Annual Board Chairperson Fee. In lieu of the Annual Fee, the Company will pay the Outside Director who serves as the Chairperson of the Board an annual fee of \$200,000 for such service (the “Annual Board Chairperson Fee”). At the election of the Outside Director, the Annual Board Chairperson Fee will be paid, in arrears, either (a) in twelve equal installments on a monthly basis with each monthly payment paid on the last day of the applicable month or (b) in four equal installments on a quarterly basis with each quarterly payment paid on the last day of the applicable quarter.

C. Annual Lead Director Fee. In addition to the Annual Fee, the Company will pay any Outside Director who serves as the Lead Director (as defined in the Company’s Corporate Governance Guidelines) an annual fee of \$25,000 for such service (the “Annual Lead Director Fee”). At the election of the Outside Director, the Lead Director Fee will be paid, in arrears, either (a) in twelve equal installments on a monthly basis with each monthly payment paid on the last day of the applicable month or (b) in four equal installments on a quarterly basis with each quarterly payment paid on the last day of the applicable quarter.

D. Annual Committee Chairperson Fee. In addition to the Annual Fee, the Annual Board Chairperson Fee and the Annual Lead Director Fee, as applicable, the Company will pay each Outside Director who serves as the Chairperson of the Audit Committee, Compensation Committee, Nominating and Corporate Governance Committee or Regulatory & Governmental Affairs Committee of the Board the applicable annual fee set forth in the table below for such service (the “Annual Committee Chairperson Fee”). At the election of the Outside Director, the Annual Committee Chairperson Fee will be paid, in arrears, either (a) in twelve equal installments on a monthly basis with each monthly payment paid on the last day of the applicable month or (b) in four equal installments on a quarterly basis with each quarterly payment paid on the last day of the applicable quarter.

<u>Committee</u>	<u>Annual Committee Chairperson Fee</u>
Audit Committee	\$20,000
Compensation Committee	*\$15,000
Nominating and Corporate Governance	*\$15,000
Regulatory & Governmental Affairs	*\$15,000

* Prior to the 2016 Annual Stockholders Meeting of the Company, (i) the Annual Committee Chairperson Fee for each of the Compensation Committee and the Nominating and Corporate Governance Committee will remain at \$10,000 and (ii) the Chairperson of the Regulatory & Governmental Affairs Committee will not receive an Annual Committee

Chairperson Fee . Effective as of the 2016 Annual Stockholders Meeting of the Company, (x) the Annual Committee Chairperson Fee for each of the Compensation Committee and the Nominating and Corporate Governance Committee will be increased to \$15,000 and such increased fees will be prorated for fiscal year 2016 and (y) the Chairperson of the Regulatory & Governmental Affairs Committee will receive an Annual Committee Chairperson Fee of \$15,000 and such fee will be prorated for fiscal year 2016.

E. Committee Members. Prior to the 2016 Annual Stockholder Meeting of the Company, there will be no additional fees for a non-Chairperson's service as a member of the Audit Committee, Compensation Committee, Nominating and Corporate Governance Committee or Regulatory & Governmental Affairs Committee of the Board. Effective as of the 2016 Annual Stockholders Meeting of the Company, the Company will pay each Outside Director who serves as a non-Chairperson member of the Audit Committee, Compensation Committee, Nominating and Corporate Governance Committee or Regulatory & Governmental Affairs Committee of the Board the applicable annual fee set forth in the table below for such service (the " Annual Committee Member Fee ") and such fee will be prorated for fiscal year 2016. At the election of the Outside Director, the Annual Committee Member Fee will be paid, in arrears, either (a) in twelve equal installments on a monthly basis with each monthly payment paid on the last day of the applicable month or (b) in four equal installments on a quarterly basis with each quarterly payment paid on the last day of the applicable quarter.

<u>Committee</u>	<u>Annual Committee Member Fee</u>
Audit Committee	\$15,000
Compensation Committee	\$10,000
Nominating and Corporate Governance	\$10,000
Regulatory & Governmental Affairs	\$10,000

F. Meetings of the Board or Committees. There are no per meeting attendance fees for attending Board meetings or meetings of the Audit Committee, Compensation Committee, Nominating and Corporate Governance Committee or Regulatory & Governmental Affairs Committee of the Board.

G. Special Committees. In the event that the Board appoints any Outside Director to a special committee of the Board, the Board will determine the amount and terms of any fees payable to such Outside Director for service on such special committee at the time of appointment.

H. Newly Elected or Appointed Outside Director; Ceasing Board Service. The Company will pay each individual who is first elected or appointed as an Outside Director after the effective date of this Policy a prorated portion of the applicable annual fees set forth in this Section I based on the number of days that the Outside Director provided partial service during the year of election or appointment. If any Outside Director ceases to serve on the Board for any reason, the Company will pay such Outside Director a prorated portion of the monthly or quarterly installment due to such Outside Director under this Section I based on the number of days that such Outside Director provided partial service during the applicable month or quarter. Subject to Section I.I. below, after payment of the aforementioned prorated monthly or quarterly installment to any Outside Director that ceases to serve on the Board, the Company will have no further obligations to such Outside Director under this Section I.

I. Reimbursement of Expenses. The Company will reimburse each Outside Director for all reasonable and documented travel and lodging expenses associated with attendance at Board and committee meetings in accordance with the Company's then current policies.

J. Stock Election with respect to Cash Compensation. Notwithstanding anything to the contrary in this Section I, an Outside Director may elect (an “Election”) to receive shares of Common Stock in lieu of all or a portion of the Annual Fee, the Annual Board Chairperson Fee, the Annual Lead Director Fee, the Annual Committee Chairperson Fee, the Annual Committee Member Fee, and/or the fees payable in respect of service on a special committee (if any), in each case, to the extent applicable (the “Election Amount”). An Outside Director must make any such Election in writing to the Company at least 15 days prior to the applicable payment date of the cash fee(s). If a timely Election made, the Outside Director will receive a number of shares of Common Stock (rounded down to the nearest whole number) with a Fair Market Value equal to the Election Amount, measured as of the date such fee(s) would normally be paid to the Outside Director. Any remaining portion of the Election Amount which would have resulted in the delivery of fractional shares of Common Stock to the Outside Director will be paid to the Outside Director in cash on the normal payment date of such fee(s).

II. EQUITY COMPENSATION.

Outside Directors will be entitled to receive all types of Awards (except Incentive Stock Options) under the Plan, including discretionary Awards not covered under this Policy. All grants of Awards to Outside Directors pursuant to this Section II will be automatic and will be made in accordance with the following provisions:

A. Initial Award. Each individual who is first elected or appointed as an Outside Director after the effective date of this Policy, will automatically be granted, on the date of such initial election or appointment, an Award (“Initial Award”) of Restricted Stock with an aggregate Fair Market Value of \$120,000.

B. Annual Award. On the date of each Annual Stockholders Meeting of the Company, beginning with the 2014 Annual Stockholders Meeting of the Company, but after any stockholder votes are taken on such date, each Outside Director who is to continue to serve as such will automatically be granted an Award (“Annual Award”) of Restricted Stock with an aggregate Fair Market Value of \$120,000, provided that such Outside Director has served on the Board for at least the preceding six (6) months.

C. Vesting. Each Initial Award and each Annual Award granted prior to the 2016 Annual Stockholders Meeting of the Company will vest in three equal installments, with one-third vesting on each of the first, second and third anniversaries of the date of grant, subject to the Outside Director’s continued service on the Board through each such vesting date. Each Annual Award granted on or after the 2016 Annual Stockholders Meeting of the Company will vest 100% on the day before the next Annual Stockholders Meeting of the Company occurring after the date of grant, subject to the Outside Director’s continued service on the Board through each such vesting date. For clarification purposes, each Initial Award granted on or after the 2016 Annual Stockholders Meeting of the Company will continue to vest in three equal installments consistent with the Company’s past practices. In addition, each Initial Award and Annual Award will become fully vested upon the occurrence of a Change in Control (as defined in the Plan) provided that the Outside Director serves on the Board through the date of such Change in Control.

D. Award Agreement. Each Initial Award and Annual Award granted pursuant to this Policy will be made solely by and subject to the terms set forth in a written agreement in a form, consistent with the terms of the Plan, approved by the Board (or the Compensation Committee of the Board) and duly executed by an executive officer of the Company.

III. AMENDMENT, MODIFICATION AND TERMINATION.

This Policy may be amended, modified or terminated by the Board in the future at its sole discretion.

RESTRICTED STOCK AWARD AGREEMENT

(Outside Director Award)

THIS RESTRICTED STOCK AGREEMENT (the “Agreement”), is made effective as of the date set forth on the signature page (the “Signature Page”) attached hereto (the “Date of Grant”), between SeaWorld Entertainment, Inc., a Delaware corporation (the “Company”), and the participant identified on the Signature Page attached hereto (the “Participant”).

RECITALS:

WHEREAS, the Company has adopted the SeaWorld Entertainment, Inc. 2013 Omnibus Incentive Plan (the “Plan”), the terms of which Plan are incorporated herein by reference and made a part of this Agreement, and capitalized terms not otherwise defined herein shall have the same meanings as in the Plan; and

WHEREAS, the Committee has determined that it would be in the best interests of the Company and its stockholders to grant the restricted stock award provided for herein (the “Restricted Stock Award”) to the Participant pursuant to the Company’s Outside Director Compensation Policy (as amended and/or restated from time to time, the “Outside Director Policy”), the Plan and the terms set forth herein;

NOW THEREFORE, in consideration of the mutual covenants hereinafter set forth, the parties agree as follows:

1. The Restricted Shares.

(a) Subject to the terms and conditions of the Plan and the additional terms and conditions set forth in this Agreement, the Company hereby grants to the Participant a Restricted Stock Award consisting of a number of shares of Common Stock (the “Shares” and such Shares subject to the vesting and other restrictions contained in this Agreement, the “Restricted Shares”) set forth on the Signature Page. The Restricted Shares shall vest and become nonforfeitable in accordance with Section 2 hereof.

2. Vesting of the Restricted Shares.

(a) Subject to the Participant’s continued employment with the Company, 100% of the Restricted Shares shall vest and become nonforfeitable on the Vesting Reference Date (as defined below). Notwithstanding the foregoing, immediately prior to and following the occurrence of a Change in Control that occurs prior to the date of termination of Participant’s employment with the Company and its subsidiaries for any reason (such date, a “Termination Date”), all of the Restricted Shares, to the extent then unvested, shall vest and become nonforfeitable. For purposes of this paragraph, “Vesting Reference Date” means the day before the next Annual Stockholders Meeting of the Company occurring after the Date of Grant.

(b) Termination of Employment. If the Participant’s employment with the Company is terminated for any reason, the Restricted Shares shall, to the extent not then vested or previously forfeited, immediately become forfeited without any further action by the Company or the Participant, and without any payment of consideration therefor. Notwithstanding anything to the contrary in this Agreement, if Participant is a non-employee director of the Company, the terms “employed” or “employment” shall refer to Participant’s service on the Company’s board of directors and “termination of employment” shall refer to termination of such board service.

3. Full Satisfaction. The Participant acknowledges that this Restricted Stock Award is in full satisfaction of the Participant’s entitlement (if any) to an *annual* equity award relating to the year in which the Date of Grant occurs under the terms of the Outside Director Policy.

4. Book Entry; Certificates. The Company shall recognize the Participant’s ownership through uncertificated book entry. If elected by the Company, certificates evidencing the Shares may be issued by the Company and any such certificates shall be registered in the Participant’s name on the stock transfer books of the Company promptly after the date hereof, but shall remain in the physical custody of the Company or its designee at all times prior to the later of (x) the vesting of Restricted Shares pursuant to this Agreement and (y) the expiration of any transfer restrictions set forth in this Agreement or otherwise applicable to the Shares. As soon as practicable following such time, any certificates for the Shares shall be delivered to the Participant or to the Participant’s legal guardian or representative along with the stock powers relating thereto. No certificates shall be issued for fractional Shares. To the extent required by the Company, the Participant shall deliver to the Company a stock power, duly endorsed in blank, relating to the Restricted Shares that have not previously vested. However, the Company shall not be liable to the Participant for damages relating to any delays in issuing the certificates (if any) to the Participant, any loss by the Participant of the certificates, or any mistakes or errors in the issuance of the certificates or in the certificates themselves.

5. Rights as a Stockholder. The Participant shall be the record owner of the Shares until or unless such Shares are forfeited pursuant to the terms of this Agreement, and as record owner shall be entitled to all rights of a common stockholder of the Company, including, without limitation, voting rights with respect to the Restricted Shares; provided that (i) any cash or in-kind dividends paid with respect to the Restricted Shares shall be accumulated by the Company and shall be paid to the Participant only when, and if, such Restricted Shares shall become vested pursuant to the terms of this Agreement, and (ii) the Restricted Shares shall be subject to the limitations on transfer and encumbrance set forth in Section 8.

6. Legend. To the extent applicable, all book entries (or certificates, if any) representing the Shares delivered to the Participant as contemplated by Section 1 above shall be subject to the rules, regulations, and other requirements of the Securities and Exchange Commission, any stock exchange upon which such Shares are listed, and any applicable Federal or state laws, and the Committee may cause notations to be made next to the book entries (or a legend or legends put on certificates, if any) to make appropriate reference to such restrictions. Any such book entry notations (or legends on certificates, if any) shall include a description to the effect of the restrictions set forth in Section 8 below.

7. No Right to Continued Employment. Neither the Plan nor this Agreement nor the granting of the Restricted Shares hereunder shall impose any obligation on the Company or any Affiliate to continue the employment or engagement of the Participant. Further, the Company or any Affiliate (as applicable) may at any time terminate the employment or engagement of such Participant, free from any liability or claim under the Plan or this Agreement, except as otherwise expressly provided herein.

8. Transfer Restrictions; Lock-up.

(a) The Restricted Shares may not, at any time prior to becoming vested pursuant to the terms of this Agreement, be Transferred and any such purported Transfer shall be void and unenforceable against the Company or any Affiliate; provided that the designation of a beneficiary shall not constitute an assignment, alienation, pledge, attachment, sale, transfer or encumbrance.

(b) “Transfer” shall mean (in either the noun or the verb form, including with respect to the verb form, all conjugations thereof within their correlative meanings) with respect to any security, the gift, sale, assignment, transfer, pledge, hypothecation or other disposition (whether for or without consideration, whether directly or indirectly, and whether voluntary, involuntary or by operation of law) of such security or any interest therein.

9. Withholding.

(a) The Participant shall be required to pay to the Company or any Affiliate and the Company shall have the right and is hereby authorized to withhold, from any Shares or from any compensation (including from payroll or any other amounts payable to the Participant) the amount (in cash, Shares, or other property) of any required withholding taxes in respect of this Restricted Stock Award, and to take such other action as may be necessary in the opinion of the Committee or the Company to satisfy all obligations for the payment of such withholding and taxes; provided, however, that no amounts shall be withheld in excess of the Company’s statutory minimum withholding liability.

(b) Without limiting the generality of the foregoing, to the extent permitted by the Committee, the Participant may satisfy, in whole or in part, the foregoing withholding liability by delivery of Shares held by the Participant (which are fully vested and not subject to any pledge or other security interest) or by having the Company withhold from the number of Shares otherwise deliverable to the Participant hereunder Shares with a fair market value not in excess of the statutory minimum withholding liability. The Participant agrees to make adequate provision for any sums required to satisfy all applicable federal, state, local and foreign tax withholding obligations of the Company which may arise in connection with this Restricted Stock Award.

10. Securities Laws; Cooperation. Upon the vesting of any Restricted Shares, the Participant will make or enter into such written representations, warranties and agreements as the Committee may reasonably request in order to comply with applicable securities laws, the Plan or with this Agreement. Participant further agrees to cooperate with the Company in taking any action reasonably necessary or advisable to consummate the transactions contemplated by this Agreement.

11. Notices. Any notice necessary under this Agreement shall be addressed to the Company in care of its Secretary at the principal executive office of the Company and to the Participant at the address appearing in the personnel records of the Company for such Participant or to either party at such other address as either party hereto may hereafter designate in writing to the other. Any such notice shall be deemed effective upon receipt thereof by the addressee.

12. Choice of Law; Jurisdiction; Venue. This Restricted Stock Award shall be governed by and construed in accordance with the laws of the state of Delaware without regard to conflicts of laws. Any suit, action or proceeding with respect to this Agreement (or any provision incorporated by reference), or any judgment entered by any court in respect of any thereof, shall be brought in any court of competent jurisdiction in the State of New York or the State of Delaware, and each of the Participant, the Company, and any transferees who hold Shares pursuant to a Transfer, hereby submits to the exclusive jurisdiction of such courts for the purpose of any such suit, action, proceeding, or judgment. Each of the Participant, the Company, and any transferees who hold Shares pursuant to a Transfer hereby irrevocably waives (a) any objections which it may now or hereafter have to the laying of the venue of any suit, action, or proceeding arising out of or relating to this Agreement (or any provision incorporated by reference) brought in any court of competent jurisdiction in the state of Delaware, (b) any claim that any such suit, action, or proceeding brought in any such court has been brought in any inconvenient forum and (c) any right to a jury trial.

13. Shares Subject to Plan. By entering into this Agreement, the Participant agrees and acknowledges that the Participant has received and read a copy of the Plan. The Shares granted hereunder are subject to the Plan. The terms and provisions of the Plan, as it may be amended from time to time, are hereby incorporated herein by reference. In the event of a conflict between any term or provision contained herein and a term or provision of the Plan, the applicable terms and provisions of the Plan will govern and prevail.

14. Amendment. The Committee may waive any conditions or rights under, amend any terms of, or alter, suspend, discontinue, cancel or terminate this Agreement, but no such waiver, amendment, alteration, suspension, discontinuance, cancellation or termination shall materially adversely affect the rights of the Participant hereunder without the consent of the Participant.

15. Signature in Counterparts. This Agreement may be signed in counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

[*Signatures on next page.*]

IN WITNESS WHEREOF, the parties have caused this Agreement to be effective as of the date set forth on the Company's signature page.

Participant

Name: [*Participant Name*]

Acknowledged and Agreed:

SEAWORLD ENTERTAINMENT, INC.

Name:
Title:

Dated: [*Date of Grant*]

Restricted Shares	[<i>No. of Restricted Shares</i>]
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**CERTIFICATION OF PERIODIC REPORT UNDER SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002**

I, Joel K. Manby, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2016 of SeaWorld Entertainment, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 5, 2016

Signature: /s/ Joel K. Manby
 Joel K. Manby
President and Chief Executive Officer, Director
 (Principal Executive Officer)

**CERTIFICATION OF PERIODIC REPORT UNDER SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002**

I, Peter J. Crage, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2016 of SeaWorld Entertainment, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 5, 2016

Signature: /s/ Peter J. Crage

Peter J. Crage
Chief Financial Officer
 (Principal Financial Officer)

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of SeaWorld Entertainment, Inc. (the "Company") on Form 10-Q for the quarterly period ended June 30, 2016 filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Joel K. Manby, President and Chief Executive Officer of the Company, do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company for the periods presented therein.

Date: August 5, 2016

/s/ Joel K. Manby

Joel K. Manby

*President and Chief Executive Officer, Director
(Principal Executive Officer)*

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of SeaWorld Entertainment, Inc. (the "Company") on Form 10-Q for the quarterly period ended June 30, 2016 filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Peter J. Crage, Chief Financial Officer of the Company, do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company for the periods presented therein.

Date: August 5, 2016

/s/ Peter J. Crage

Peter J. Crage
Chief Financial Officer
(Principal Financial Officer)

SECTION 13(r) DISCLOSURE

The disclosure reproduced below was included in the quarterly reports filed with the Securities and Exchange Commission in accordance with Section 13(r) of the Securities Exchange Act of 1934, as amended, by The Blackstone Group L.P. (“Blackstone”) and NCR Corporation (“NCR”) with respect to the fiscal quarter ended June 30, 2016. NCR may be considered an affiliate of Blackstone, and, therefore, an affiliate of SeaWorld Entertainment, Inc. SeaWorld Entertainment, Inc. did not independently verify or participate in the preparation of the disclosure.

NCR included the following disclosure in its Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2016:

Pursuant to Section 13(r)(1)(D)(iii) of the Securities Exchange Act of 1934, as amended, we note that, during the period from April 1, 2016 through April 30, 2016, we continued to maintain a bank account and guarantees at the Commercial Bank of Syria (“CBS”), which was designated as a Specially Designated National pursuant to Executive Order 13382 (“EO 13382”) on August 10, 2011. This bank account and the guarantees at CBS were maintained in the normal course of business prior to the listing of CBS pursuant to EO 13382. We note that the last known account balance as of April 30, 2016 was approximately \$3,468. The bank account did not generate interest from April 1, 2016 through April 30, 2016, and the guarantees did not generate any revenue or profits for the Company. Pursuant to a license granted to the Company by OFAC on January 3, 2013, and subsequent licenses granted on April 29, 2013, July 12, 2013, February 28, 2014, November 12, 2014, and October 24, 2015, the Company had been engaged in winding down its past operations in Syria. The Company’s last such license expired on April 30, 2016. In addition, the Company’s application to renew its license to transact business with CBS, which was submitted to OFAC on May 18, 2015, was not acted upon prior to the expiration of the Company’s last such license. As a result, and in connection with the license expiration, the Company abandoned its remaining property in Syria, which, including the CBS account, was commercially insignificant, and ended the employment of its final two employees in Syria, who had remained employed by the Company to assist with the execution of the Company’s wind-down activities pursuant to authority granted by the OFAC licenses. The Company does not intend to engage in any further business activities with CBS.