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, 2017

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)

27-1220297
(I.R.S. Employer Identification No.)

Delaware
(State or other jurisdiction of incorporation or organization)

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, smaller reporting company, or an emerging growth company.  See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth 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 ☐

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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 90,549,373 shares of Common Stock, par value $0.01 per share as of August 3, 2017.
### SEAWORLD ENTERTAINMENT, INC. AND SUBSIDIARIES

**FORM 10-Q**

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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,” “targeted” 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, 2016 (the “Annual Report on Form 10-K”), 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:

• complex federal and state regulations governing the treatment of animals, which can change, and claims and lawsuits by activist groups;
• various factors beyond our control adversely affecting attendance and guest spending at our theme parks, including the potential spread of travel-related health concerns including pandemics and epidemics such as Ebola, Zika, Influenza H1N1, avian bird flu, SARS and MERS;
• 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, and any risks affecting such markets, such as natural disasters, severe weather and travel-related disruptions or incidents;
• seasonal fluctuations;
• inability to compete effectively in the highly competitive theme park industry;
• 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 and employee health and welfare benefits;
• 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 or the violation of laws and regulations;
• loss of key personnel;
• unionization activities or labor disputes;
• inability to meet workforce needs;
• inability to maintain certain commercial licenses;

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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;
delays or restrictions in obtaining permits;
policies of the recently elected U.S. president and his administration;
actions of activist shareholders;
the ability of affiliates of Zhonghong Zhuoye Group Co., Ltd. to significantly influence our decisions;
changes or declines in our stock price, as well as the risk that securities analysts could downgrade our stock or our sector; and
risks associated with our capital allocation plans and share repurchases, including the risk that our share repurchase program could increase volatility and fail to enhance stockholder value.

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

**Current assets:**

- Cash and cash equivalents: $33,834, $68,958
- Accounts receivable, net: 54,398, 36,726
- Inventories: 38,211, 28,684
- Prepaid expenses and other current assets: 17,373, 19,324

**Total current assets:** 143,816, 153,692

- Property and equipment, at cost: 2,926,585, 2,828,446
- Accumulated depreciation: (1,219,271), (1,161,631)

**Property and equipment, net:** 1,707,314, 1,666,815

- Goodwill: 66,278, 335,610
- Trade names/trademarks, net: 160,533, 161,264
- Other intangible assets, net: 16,350, 18,008
- Deferred tax assets, net: 59,663, 22,114
- Other assets: 19,887, 21,268

**Total assets:** $2,173,841, $2,378,771

### Liabilities and Stockholders' Equity

**Current liabilities:**

- Accounts payable: $127,487, $87,680
- Current maturities of long-term debt: 63,707, 51,713
- Accrued salaries, wages and benefits: 12,806, 21,010
- Deferred revenue: 145,754, 78,891
- Dividends payable: 665, 908
- Other accrued expenses: 19,141, 23,410

**Total current liabilities:** 369,560, 263,612

**Long-term debt, net of debt issuance costs of $10,466 and $9,702 as of June 30, 2017 and December 31, 2016, respectively:** 1,513,117, 1,531,069

**Deferred tax liabilities, net:** —, 70,033

**Other liabilities:** 51,930, 52,842

**Total liabilities:** 1,934,607, 1,917,556

### 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, 2017 and December 31, 2016: —, —
- Common stock, $0.01 par value—authorized, 1,000,000,000 shares; 92,521,688 and 91,861,054 shares issued at June 30, 2017 and December 31, 2016, respectively: 925, 919
- Additional paid-in capital: 634,616, 621,343
- Accumulated other comprehensive loss: (11,996), (13,694)
- (Accumulated deficit) retained earnings: (229,440), 7,518
- Treasury stock, at cost (6,519,773 shares at June 30, 2017 and December 31, 2016): (154,871), (154,871)

**Total stockholders’ equity:** 239,234, 461,215

**Total liabilities and stockholders’ equity:**

<table>
<thead>
<tr>
<th></th>
<th>June 30, 2017</th>
<th>December 31, 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current assets</td>
<td>$33,834</td>
<td>$68,958</td>
</tr>
<tr>
<td>Total assets</td>
<td>$2,173,841</td>
<td>$2,378,771</td>
</tr>
</tbody>
</table>

See accompanying notes to unaudited condensed consolidated financial statements.
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net revenues:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Admissions</td>
<td>$224,951</td>
<td>$223,979</td>
<td>$340,040</td>
<td>$360,905</td>
</tr>
<tr>
<td>Food, merchandise and other</td>
<td>148,799</td>
<td>147,157</td>
<td>220,067</td>
<td>230,472</td>
</tr>
<tr>
<td>Total revenues</td>
<td>373,750</td>
<td>371,136</td>
<td>560,107</td>
<td>591,377</td>
</tr>
<tr>
<td><strong>Costs and expenses:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost of food, merchandise and other revenues</td>
<td>29,061</td>
<td>28,913</td>
<td>43,544</td>
<td>45,914</td>
</tr>
<tr>
<td>Operating expenses (exclusive of depreciation and amortization shown separately below and includes equity compensation of $3,918 and $526 for the three months ended June 30, 2017 and 2016, respectively, and $4,854 and $9,866 for the six months ended June 30, 2017 and 2016, respectively)</td>
<td>189,269</td>
<td>191,433</td>
<td>346,593</td>
<td>371,726</td>
</tr>
<tr>
<td>Selling, general and administrative (includes equity compensation of $7,988 and $1,935 for the three months ended June 30, 2017 and 2016, respectively and $11,166 and $22,185 for the six months ended June 30, 2017 and 2016, respectively)</td>
<td>69,152</td>
<td>72,032</td>
<td>121,570</td>
<td>139,386</td>
</tr>
<tr>
<td>Goodwill impairment charges</td>
<td>269,332</td>
<td>—</td>
<td>269,332</td>
<td>—</td>
</tr>
<tr>
<td>Restructuring and other related costs</td>
<td></td>
<td>—</td>
<td>—</td>
<td>112</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>39,500</td>
<td>40,708</td>
<td>78,367</td>
<td>115,756</td>
</tr>
<tr>
<td>Total costs and expenses</td>
<td>596,314</td>
<td>333,086</td>
<td>859,406</td>
<td>672,894</td>
</tr>
<tr>
<td>Operating (loss) income</td>
<td>(222,564)</td>
<td>38,050</td>
<td>(299,299)</td>
<td>(81,517)</td>
</tr>
<tr>
<td>Other expense (income), net</td>
<td>83</td>
<td>118</td>
<td>(3)</td>
<td>(24)</td>
</tr>
<tr>
<td>Interest expense</td>
<td>19,452</td>
<td>14,579</td>
<td>37,713</td>
<td>29,160</td>
</tr>
<tr>
<td>Loss on early extinguishment of debt and write-off of discounts and debt issuance costs</td>
<td>123</td>
<td>—</td>
<td>8,143</td>
<td>—</td>
</tr>
<tr>
<td>(Loss) income before income taxes</td>
<td>(242,222)</td>
<td>23,353</td>
<td>(345,152)</td>
<td>(110,653)</td>
</tr>
<tr>
<td>(Benefit from) provision for income taxes</td>
<td>(66,372)</td>
<td>5,585</td>
<td>(108,173)</td>
<td>(44,372)</td>
</tr>
<tr>
<td><strong>Net (loss) income</strong></td>
<td>$175,850</td>
<td>$17,768</td>
<td>$236,979</td>
<td>$66,281</td>
</tr>
<tr>
<td><strong>Other comprehensive (loss) income:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unrealized (loss) gain on derivatives, net of tax</td>
<td>(706)</td>
<td>(4,471)</td>
<td>1,698</td>
<td>(13,721)</td>
</tr>
<tr>
<td><strong>Comprehensive (loss) income</strong></td>
<td>$169,154</td>
<td>$13,297</td>
<td>$235,281</td>
<td>$80,002</td>
</tr>
<tr>
<td><strong>(Loss) income per share:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net (loss) income per share, basic</td>
<td>$2.05</td>
<td>0.21</td>
<td>(2.77)</td>
<td>(0.78)</td>
</tr>
<tr>
<td>Net (loss) income per share, diluted</td>
<td>(2.05)</td>
<td>0.21</td>
<td>(2.77)</td>
<td>(0.78)</td>
</tr>
<tr>
<td><strong>Weighted average common shares outstanding:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic</td>
<td>85,745</td>
<td>85,226</td>
<td>85,560</td>
<td>84,533</td>
</tr>
<tr>
<td>Diluted</td>
<td>85,745</td>
<td>85,358</td>
<td>85,560</td>
<td>84,533</td>
</tr>
<tr>
<td><strong>Cash dividends declared per share:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash dividends declared per share</td>
<td>$</td>
<td>0.21</td>
<td>$</td>
<td>0.63</td>
</tr>
</tbody>
</table>

See accompanying notes to unaudited condensed consolidated financial statements.
SEAWORLD ENTERTAINMENT, INC. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE SIX MONTHS ENDED JUNE 30, 2017
(In thousands, except per share and share amounts)

<table>
<thead>
<tr>
<th>Shares of Common Stock Issued</th>
<th>Common Stock</th>
<th>Additional Paid-In Capital</th>
<th>Retained Earnings (Accumulated Deficit)</th>
<th>Accumulated Other Comprehensive Loss</th>
<th>Treasury Stock, at Cost</th>
<th>Total Stockholders' Equity</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Balance at December 31, 2016</strong></td>
<td>91,861,054</td>
<td>$919</td>
<td>$621,343</td>
<td>$7,518</td>
<td>$(13,694)</td>
<td>$(154,871)</td>
</tr>
<tr>
<td>Equity-based compensation</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Unrealized gain on derivatives, net of tax expense of $1,130</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Vesting of restricted shares</td>
<td>743,275</td>
<td>7</td>
<td>(7)</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Shares withheld for tax withholdings</td>
<td>(83,231)</td>
<td>(1)</td>
<td>(1,469)</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Exercise of stock options</td>
<td>590</td>
<td>—</td>
<td>11</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Accumulated cash dividends related to performance shares which vested during the period</td>
<td>—</td>
<td>—</td>
<td>(1,270)</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Adjustments to previous dividend declarations</td>
<td>—</td>
<td>—</td>
<td>(12)</td>
<td>21</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Net loss</td>
<td>—</td>
<td>—</td>
<td>(236,979)</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td><strong>Balance at June 30, 2017</strong></td>
<td>92,521,688</td>
<td>$925</td>
<td>$634,616</td>
<td>$(229,440)</td>
<td>$(11,996)</td>
<td>$(154,871)</td>
</tr>
</tbody>
</table>

See accompanying notes to unaudited condensed consolidated financial statements.
<table>
<thead>
<tr>
<th>Cash Flows From Operating Activities:</th>
<th>For the Six Months Ended June 30,</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2017</td>
<td>2016</td>
<td></td>
</tr>
<tr>
<td>Net loss</td>
<td>$ (236,979)</td>
<td>$ (66,281)</td>
<td></td>
</tr>
<tr>
<td>Adjustments to reconcile net loss to net cash provided by operating activities:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Goodwill impairment charges</td>
<td>269,332</td>
<td>—</td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>78,367</td>
<td>115,756</td>
<td></td>
</tr>
<tr>
<td>Amortization of debt issuance costs and discounts</td>
<td>2,467</td>
<td>2,668</td>
<td></td>
</tr>
<tr>
<td>Loss on early extinguishment of debt and write-off of discounts and debt issuance costs</td>
<td>8,143</td>
<td>—</td>
<td></td>
</tr>
<tr>
<td>Loss on sale or disposal of assets</td>
<td>1,948</td>
<td>6,719</td>
<td></td>
</tr>
<tr>
<td>Loss on derivatives</td>
<td></td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Deferred income tax benefit</td>
<td>(108,173)</td>
<td>(44,372)</td>
<td></td>
</tr>
<tr>
<td>Equity-based compensation</td>
<td>16,020</td>
<td>32,051</td>
<td></td>
</tr>
<tr>
<td>Changes in assets and liabilities:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>(23,037)</td>
<td>(23,460)</td>
<td></td>
</tr>
<tr>
<td>Inventories</td>
<td>(9,544)</td>
<td>(10,821)</td>
<td></td>
</tr>
<tr>
<td>Prepaid expenses and other current assets</td>
<td>2,674</td>
<td>228</td>
<td></td>
</tr>
<tr>
<td>Accounts payable</td>
<td>25,755</td>
<td>18,179</td>
<td></td>
</tr>
<tr>
<td>Accrued salaries, wages and benefits</td>
<td>(8,204)</td>
<td>(639)</td>
<td></td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>72,278</td>
<td>76,991</td>
<td></td>
</tr>
<tr>
<td>Other accrued expenses</td>
<td>(4,800)</td>
<td>4,301</td>
<td></td>
</tr>
<tr>
<td>Other assets and liabilities</td>
<td>2,056</td>
<td>416</td>
<td></td>
</tr>
<tr>
<td>Net cash provided by operating activities</td>
<td>88,303</td>
<td>111,737</td>
<td></td>
</tr>
<tr>
<td>Cash Flows From Investing Activities:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital expenditures</td>
<td>(103,175)</td>
<td>(103,224)</td>
<td></td>
</tr>
<tr>
<td>Change in restricted cash</td>
<td>(800)</td>
<td>198</td>
<td></td>
</tr>
<tr>
<td>Net cash used in investing activities</td>
<td>(103,975)</td>
<td>(103,026)</td>
<td></td>
</tr>
<tr>
<td>Cash Flows From Financing Activities:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proceeds from the issuance of debt</td>
<td>998,306</td>
<td>—</td>
<td></td>
</tr>
<tr>
<td>Repayment of long-term debt</td>
<td>(1,015,056)</td>
<td>(8,425)</td>
<td></td>
</tr>
<tr>
<td>Proceeds from draw on revolving credit facility</td>
<td>80,649</td>
<td>70,000</td>
<td></td>
</tr>
<tr>
<td>Repayment of revolving credit facility</td>
<td>(65,000)</td>
<td>(20,000)</td>
<td></td>
</tr>
<tr>
<td>Debt issuance costs</td>
<td>(15,390)</td>
<td>—</td>
<td></td>
</tr>
<tr>
<td>Dividends paid to stockholders</td>
<td>(1,502)</td>
<td>(38,781)</td>
<td></td>
</tr>
<tr>
<td>Payment of tax withholdings on equity-based compensation through shares withheld</td>
<td>(1,470)</td>
<td>(1,324)</td>
<td></td>
</tr>
<tr>
<td>Exercise of stock options</td>
<td>11</td>
<td>82</td>
<td></td>
</tr>
<tr>
<td>Net cash (used in) provided by financing activities</td>
<td>(19,452)</td>
<td>1,552</td>
<td></td>
</tr>
<tr>
<td>Change in Cash and Cash Equivalents</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and Cash Equivalents—Beginning of period</td>
<td>68,958</td>
<td>18,971</td>
<td></td>
</tr>
<tr>
<td>Cash and Cash Equivalents—End of period</td>
<td>$ 33,834</td>
<td>$ 29,234</td>
<td></td>
</tr>
<tr>
<td>Supplemental Disclosures of Noncash Investing and Financing Activities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital expenditures in accounts payable</td>
<td>$ 33,132</td>
<td>$ 26,375</td>
<td></td>
</tr>
<tr>
<td>Dividends declared, but unpaid</td>
<td>$ 665</td>
<td>$ 18,849</td>
<td></td>
</tr>
</tbody>
</table>

See accompanying notes to unaudited condensed consolidated financial statements.
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 “Seller”), ultimately owned by affiliates of The Blackstone Group L.P. (“Blackstone”) and certain co-investors.

On May 8, 2017 an affiliate of Zhonghong Zhuoye Group Co., Ltd. (“ZHG Group”), Sun Wise (UK) Co., LTD (“ZHG” or “Buyer”) acquired approximately 21% of the outstanding shares of common stock of the Company (the “Sale”) from Seller, pursuant to a Stock Purchase Agreement between ZHG and Seller (the “Stock Purchase Agreement”). See further discussion in Note 9–Related-Party Transactions and Note 12–Stockholders’ Equity.

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 theme park offering interaction with marine animals in Orlando, Florida (Discovery Cove) and a seasonal park in Langhorne, Pennsylvania (Sesame Place).

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, 2016 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, 2016 was 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, 2017 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.

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

During the first quarter of 2016, the Company made a decision to remove 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 (loss) income. 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.

Revenue Recognition

The Company recognizes revenue upon admission into a park for single day tickets and when products are received by customers for merchandise, culinary or other in-park spending. For season passes and other multi-use admission products, deferred revenue is recorded and the related revenue is recognized over the terms of the admission product and its estimated usage. Deferred revenue includes a current and long-term portion and is included in deferred revenue and other liabilities, respectively, in the accompanying unaudited condensed consolidated balance sheets. As of June 30, 2017 and December 31, 2016, other liabilities also includes $10,000 in deferred revenue related to nonrefundable funds received from a partner in connection with a potential project in the Middle East (the “Middle East Project”) to provide certain services pertaining to the planning and design of the Middle East Project, with funding received expected to offset internal expenses. Approximately $2,700 of costs incurred related to the Middle East Project are recorded in other assets in the accompanying unaudited condensed consolidated balance sheet as of June 30, 2017. The Middle East Project is subject to various conditions, including, but not limited to, the parties completing the design development and there is no assurance that the Middle East Project will be completed or advance to the next stages.

On March 24, 2017, the Company entered into a Park Exclusivity and Concept Design Agreement (the “ECDA”) and a Center Concept & Preliminary Design Support Agreement (the “CDSA”) (collectively, the “ZHG Agreements”) with Zhonghong Holding, Co. Ltd. (“Zhonghong Holding”), an affiliate of ZHG Group, to provide design, support and advisory services for various potential projects and granting exclusive rights in China, Taiwan, Hong Kong and Macau (the “Territory”). Under the terms of the ECDA, the Company will work with Zhonghong Holding and a top theme park design company, to create and produce concept designs and development analysis for theme parks, water parks and interactive parks in the Territory. Under the terms of the CDSA, the Company will provide guidance, support, input, and expertise relating to the initial strategic planning, concept and preliminary design of Zhonghong Holding’s family entertainment and other similar centers. The Company recognizes revenue under the ZHG Agreements on a straight-line basis over the contractual term of the agreement including approximately $1,300 in the six months ended June 30, 2017. See further discussion in Note 9—Related-Party Transactions.

The Company has also entered into agreements with certain external theme park, zoo and other attraction operators to jointly market and sell single and multi-use admission products. These joint products allow admission to both a Company park and an external park, zoo or other attraction. The agreements with the external partners specify the allocation of revenue to the Company from any jointly sold products. Whether the Company or the external partner sells the product, the Company’s portion of revenue is deferred until the first time the product is redeemed at one of its parks and recognized over its related use in a manner consistent with the Company’s own admission products. The Company barters theme park admission products and sponsorship opportunities for advertising, employee recognition awards, and various other services. The fair value of the products or services is recognized into admissions revenue and related expenses at the time of the exchange and approximates the estimated fair value of the goods or services received or provided, whichever is more readily determinable.

Goodwill and Other Indefinite-Lived Intangible Assets

Goodwill and other indefinite-lived intangible assets are not amortized, but instead reviewed for impairment at least annually on December 1, and as of an interim date should factors or indicators become apparent that would require an interim test, with ongoing recoverability based on applicable reporting unit overall financial performance and consideration of significant events or changes in the overall business environment or macroeconomic conditions. Such events or changes in the overall business environment could include, but are not limited to, significant negative trends or unanticipated changes in the competitive or macroeconomic environment.

As of January 1, 2017, the Company elected to adopt Accounting Standards Update (“ASU”) 2017-04, Intangible–Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment, for any interim or annual goodwill impairment tests. See further discussion in Note 2—Recent Accounting Pronouncements.
In assessing goodwill for impairment, the Company may choose to initially evaluate qualitative factors to determine if it is more likely than not that the fair value of a reporting unit is less than its carrying amount. The Company considers several factors, including macroeconomic conditions, industry and market conditions, overall financial performance of the reporting unit, changes in management, strategy or customers, and relevant reporting unit specific events such as a change in the carrying amount of net assets, a more-likely-than-not expectation of selling or disposing all, or a portion, of a reporting unit, and the testing of recoverability of a significant asset group within a reporting unit. If the qualitative assessment is not conclusive, then a quantitative impairment analysis for goodwill is performed at the reporting unit level. The Company may also choose to perform this quantitative impairment analysis instead of the qualitative analysis. The quantitative impairment analysis compares the fair value of the reporting unit, determined using the income and/or market approach, to its recorded amount. If the recorded amount exceeds the fair value, then a goodwill impairment charge is recorded for the difference up to the recorded amount of goodwill.

The determination of fair value in the Company’s goodwill impairment analysis is based on an estimate of fair value for each reporting unit utilizing known and estimated inputs at the evaluation date. Some of those inputs include, but are not limited to, estimates of future revenue and expense growth, estimated market multiples, expected capital expenditures, income tax rates, and costs of invested capital.

As of June 30, 2017, due to financial performance particularly late in the second quarter of 2017 at the Company’s SeaWorld Orlando park, driven primarily by a decline in U.S. domestic and international attendance at the park, the Company determined a triggering event occurred that required an interim goodwill impairment test for its SeaWorld Orlando reporting unit. Based on recent financial performance and the resulting impact on projections of future cash flows for this reporting unit, the Company concluded that the reporting unit’s goodwill was fully impaired and recorded a non-cash goodwill impairment charge of $269,332 in its unaudited condensed consolidated statement of comprehensive (loss) income during the three months ended June 30, 2017. Fair value for the SeaWorld Orlando reporting unit was determined using the income approach and represents a Level 3 fair value measurement measured on a non-recurring basis in the fair value hierarchy due to the Company’s use of internal projections and unobservable measurement inputs.

The remaining goodwill balance of $66,278 as of June 30, 2017 on the accompanying unaudited condensed consolidated balance sheets relates to the Company’s Discovery Cove reporting unit. The Company determined that an interim impairment test of its Discovery Cove reporting unit was not necessary as of June 30, 2017 as a triggering event had not occurred for this reporting unit and the estimated fair value as of December 1, 2016, the most recent annual impairment test for this reporting unit, substantially exceeded its carrying value.

The Company’s other indefinite-lived intangible assets consist of certain trade names/trademarks and other intangible assets which, after considering legal, regulatory, contractual, and other competitive and economic factors, are determined to have indefinite lives and are valued annually using the relief from royalty method. Significant estimates required in this valuation method include estimated future revenues impacted by the trade names/trademarks, royalty rate by park, and appropriate discount rates. Projections are based on management’s best estimates given recent financial performance, market trends, strategic plans, brand awareness, operating characteristics by park, and other available information. As of June 30, 2017, based on recent financial performance, an interim impairment assessment of certain trade names/trademarks with a combined balance of $93,000 related to the SeaWorld brand was performed and the Company calculated that the estimated fair value of the trade names/trademarks exceeded their carrying values by 12% to 19%. Based on these assessments, the Company determined there was no impairment as the estimated fair values of these trade names/trademarks were in excess of their carrying values.

Given the current macroeconomic environment and the uncertainties regarding the related impact on financial performance, there can be no assurance that the estimates and assumptions made for purposes of the interim impairment testing will prove to be accurate predictions of the future. If the Company’s assumptions particularly concerning its SeaWorld Orlando and SeaWorld San Diego reporting units, including its projections of future cash flows and financial performance, assumed royalty rates, as well as the economic outlook are not achieved, the Company may be required to record impairment charges on its indefinite-lived intangible assets in future periods, whether in connection with the Company’s next annual impairment testing in the fourth quarter of 2017, or on an interim basis, if any such change constitutes a triggering event outside of the quarter when the Company regularly performs its annual indefinite-lived intangible assets impairment test. It is not possible at this time to determine if any such additional future impairment charge would result or, if it does, whether such charge would be material.
The changes in the carrying amount of goodwill for the six months ended June 30, 2017 are as follows:

<table>
<thead>
<tr>
<th></th>
<th>SeaWorld Orlando</th>
<th>Discovery Cove</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross carrying amount at December 31, 2016</td>
<td>$269,332</td>
<td>$66,278</td>
<td>$335,610</td>
</tr>
<tr>
<td>Accumulated impairment loss at December 31, 2016</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Net carrying amount at December 31, 2016</td>
<td>269,332</td>
<td>66,278</td>
<td>335,610</td>
</tr>
<tr>
<td>Goodwill impairment charge</td>
<td>(269,332)</td>
<td>—</td>
<td>(269,332)</td>
</tr>
<tr>
<td>Net carrying amount at June 30, 2017</td>
<td>—</td>
<td>$66,278</td>
<td>$66,278</td>
</tr>
</tbody>
</table>

Impairment of Long-Lived Assets

All long-lived assets are reviewed for impairment upon the occurrence of events or changes in circumstances that would indicate that the carrying value of the assets may not be recoverable. An impairment loss may be recognized when estimated undiscounted future cash flows expected to result from the use of the asset, including disposition, are less than the carrying value of the asset. The measurement of the impairment loss to be recognized is based upon the difference between the fair value and the carrying amounts of the assets. Fair value is generally determined based upon a discounted cash flow analysis. In order to determine if an asset has been impaired, assets are grouped and tested at the lowest level for which identifiable independent cash flows are available (generally a theme park). During the three months ended June 30, 2017, the Company considered the goodwill impairment of its SeaWorld Orlando reporting unit as an indicator of impairment related to the long-lived assets associated with this park. Accordingly, these assets were evaluated for impairment prior to completing the goodwill impairment analysis and the Company concluded that no impairment of other long-lived assets had occurred for its SeaWorld Orlando park as of June 30, 2017.

2. RECENT ACCOUNTING PRONOUNCEMENTS

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

Recently Implemented Accounting Standards

In January 2017, the FASB issued Accounting Standards Update (“ASU”) 2017-04, Intangible—Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment. This ASU removes step two from the goodwill impairment test, which requires a hypothetical purchase price allocation. A goodwill impairment charge would now be determined based on the comparison of the fair value of a reporting unit to its carrying value, not to exceed the carrying amount of goodwill. This guidance is effective starting with a company’s interim or annual goodwill impairment tests in fiscal years beginning after December 15, 2019 and must be applied on a prospective basis. Early adoption is permitted for interim or annual impairment tests performed after January 1, 2017. The Company elected to adopt ASU 2017-04 as of January 1, 2017 and followed this guidance during its interim impairment test performed during the second quarter of 2017. See Note 1—Description of the Business and Basis of Presentation for further discussion.

In March 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. This guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2016. The Company adopted this ASU effective January 1, 2017. ASU 2016-09 requires a policy election to either estimate the number of awards that are expected to vest or account for forfeitures as they occur. The Company elected to change its policy to recognize the impact of forfeitures as they occur and determined the cumulative impact of this change was not material as of January 1, 2017. ASU 2016-09 also requires cash paid by an employer when directly withholding shares for tax withholding purposes to be classified as a financing activity and excess tax benefits to be classified as an operating activity in the accompanying unaudited condensed consolidated statement of cash flows, which does not differ from the Company’s historical treatment of these items. Additionally, ASU 2016-09 requires the tax effects of exercised or vested awards to be treated as discrete items in the reporting period in which they occur, which was applied prospectively, beginning January 1, 2017 by the Company.
Recently Issued Accounting Standards

In May 2017, the FASB issued ASU 2017-09, Compensation—Stock Compensation (Topic 718). This ASU was issued to provide clarity and reduce diversity in practice regarding the application of guidance on the modification of equity awards. The ASU states that an entity should account for the effects of a modification unless all of the following are met: the fair value, vesting conditions and the classification of the instrument as equity or liability of the modified award is the same as that of the original award immediately before such award is modified. The guidance is effective for annual reporting periods beginning after December 15, 2017, and interim periods within those annual reporting periods with early adoption permitted and should be applied prospectively to an award modified on or after the adoption date. The Company does not expect a material impact upon adoption of this ASU to its unaudited condensed consolidated financial statements as the Company historically has accounted for all modifications in accordance with Topic 718 and has not been subject to the exception described under this ASU.

In November 2016, the FASB issued ASU 2016-18, Restricted Cash—a Consensus of the FASB Emerging Issues Task Force. This ASU aims to reduce the diversity in practice of the presentation of changes or transfers in restricted cash flows on the statement of cash flows. Amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling beginning and ending total amounts on the statement of cash flows for the period. The guidance is effective for annual reporting periods beginning after December 15, 2017, and interim periods within those annual reporting periods with early adoption permitted and should be applied using a retrospective transition method. The Company does not expect a material impact upon adoption of this ASU to its unaudited condensed consolidated statements of cash flows or unaudited condensed consolidated balance sheets.

In October 2016, the FASB issued ASU 2016-16, Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory. ASU 2016-16 simplifies the income tax accounting of intra-entity transfers of an asset other than inventory by requiring an entity to recognize the income tax effect when the transfer occurs. The guidance is effective for annual reporting periods beginning after December 15, 2017, including interim reporting periods within those annual reporting periods and early adoption is permitted. The Company does not expect a material impact upon adoption of this ASU on its unaudited condensed consolidated financial statements.

In August 2016, the FASB issued ASU 2016-15, Classification of Certain Cash Receipts and Cash Payments. This ASU provides guidance on the presentation and classification of eight specific cash flow issues that previously resulted in diversity in practice. The ASU will be effective for annual periods beginning after December 15, 2017 and interim periods therein, with early adoption permitted and should be applied using a retrospective transition method. The Company has not yet adopted this ASU but does not expect a material impact to its unaudited condensed consolidated statements of cash flows.

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. Under this ASU, an entity is required to recognize right-of-use assets and lease liabilities on its balance sheet and disclose key information about leasing arrangements. Lessees and lessors are required to disclose qualitative and quantitative information about leasing arrangements to enable financial statement users to assess the amount, timing and uncertainty of cash flows arising from 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 has not yet adopted this ASU and is currently evaluating the impact of this ASU on its unaudited condensed consolidated financial statements. Upon adoption of this ASU, the Company expects its San Diego land lease, among other operating leases, to be recorded as a right-of-use asset with a corresponding lease liability.

In May 2017, the FASB issued ASU 2017-09, 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 transition methods, either retrospective or a modified retrospective transition method which calculates a cumulative-effect adjustment as of the date of adoption, with earlier adoption permitted for annual periods beginning after December 15, 2016. During 2016, the FASB issued four 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, ASU 2016-12, Narrow-Scope Improvements and Practical Expedients and ASU 2016-20, Technical Corrections and Improvements. The Company plans to adopt this guidance in the first quarter of 2018 using a modified retrospective transition method. The Company has been closely monitoring developments related to this new standard and continues to evaluate its accounting and disclosure requirements on its unaudited condensed consolidated financial statements.
The Company has reviewed current accounting policies and its key revenue drivers to identify changes that would result from applying the requirements under the new standards. The Company has performed an initial assessment and based on its ongoing analysis to date, it does not anticipate a material impact, if any, on the timing of revenue recognition upon adoption; however, the Company expects an impact on the classification of certain admission or in-park items between admissions revenue and food merchandise and on its revenue. The Company is continuing to evaluate the impact, if any, on its licensing and international agreements. Once adopted, the Company’s revenue recognition disclosures will include additional detail in accordance with the new requirements.

3. (LOSS) EARNINGS PER SHARE

(Loss) earnings per share is computed as follows (in thousands, except per share data):

<table>
<thead>
<tr>
<th></th>
<th>For the Three Months Ended June 30,</th>
<th></th>
<th>For the Six Months Ended June 30,</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2017</td>
<td>2016</td>
<td></td>
<td>2016</td>
</tr>
<tr>
<td>Basic (loss) earnings per share</td>
<td>$(175,850)</td>
<td>85,745</td>
<td>$(2.05)</td>
<td>$(236,979)</td>
</tr>
<tr>
<td>Effect of dilutive incentive-based awards</td>
<td>—</td>
<td>132</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Diluted (loss) earnings per share</td>
<td>$(175,850)</td>
<td>85,745</td>
<td>$(2.05)</td>
<td>$(236,979)</td>
</tr>
</tbody>
</table>

In accordance with the Earnings Per Share Topic of the Accounting Standards Codification (“ASC”), basic (loss) earnings per share is computed by dividing net (loss) income 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 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 (loss) earnings 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 per share until the performance measure criteria is met as of the end of the reporting period. During the three months ended June 30, 2017, there were approximately 5,435,000 potentially dilutive shares excluded from the computation of diluted loss per share as their effect would have been anti-dilutive due to the Company’s net loss during the period. During the three months ended June 30, 2016, there were approximately 3,942,000 anti-dilutive shares of common stock excluded from the computation of diluted earnings per share. During the six months ended June 30, 2017 and 2016, the Company excluded potentially dilutive shares of approximately 5,178,000 and 4,841,000, respectively, as their effect would have been anti-dilutive due to the Company’s net loss during those periods.

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, 2017 was 27.4% and 31.3%, respectively, and differs from the statutory federal income tax rate primarily due to state income taxes and other permanent items, primarily related to non-deductible goodwill impairment and equity-based compensation. 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 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 (benefit) provision in the applicable period.
During the three months ended June 30, 2017, an ownership shift of more than 50 percent as defined by the Internal Revenue Code (“IRC”) Section 382 occurred. The Company determined that, while an ownership shift occurred and limits were determined under Section 382 and the regulations and guidance thereunder, the applicable limits would not impair the value or anticipated use of the Company’s federal and state net operating losses. Although realization is not assured, management believes it is more likely than not that all of the deferred income tax assets related to federal and state tax net operating carryforwards will be realized.

5. OTHER ACCRUED EXPENSES

Other accrued expenses at June 30, 2017 and December 31, 2016, consisted of the following:

<table>
<thead>
<tr>
<th></th>
<th>June 30, 2017</th>
<th>December 31, 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accrued property taxes</td>
<td>$7,788</td>
<td>$2,193</td>
</tr>
<tr>
<td>Accrued interest</td>
<td>351</td>
<td>13,631</td>
</tr>
<tr>
<td>Self-insurance reserve</td>
<td>7,184</td>
<td>7,191</td>
</tr>
<tr>
<td>Other</td>
<td>3,818</td>
<td>951</td>
</tr>
<tr>
<td><strong>Total other accrued expenses</strong></td>
<td><strong>$19,141</strong></td>
<td><strong>$23,410</strong></td>
</tr>
</tbody>
</table>

As of December 31, 2016, accrued interest above includes $12,904 relating to the Company’s fourth quarter 2016 interest payable on its Term B-2 Loans, Term B-3 Loans and Terminated Revolving Credit Facility, which was paid on January 3, 2017. See further discussion in Note 6–Long-Term Debt.

6. LONG-TERM DEBT

Long-term debt as of June 30, 2017 and December 31, 2016 consisted of the following:

<table>
<thead>
<tr>
<th></th>
<th>June 30, 2017</th>
<th>December 31, 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Term B-5 Loans (effective interest rate of 3.19% at June 30, 2017)</td>
<td>$995,810</td>
<td>—</td>
</tr>
<tr>
<td>Term B-2 Loans (effective interest rate of 3.26% at June 30, 2017 and December 31, 2016)</td>
<td>561,089</td>
<td>1,327,850</td>
</tr>
<tr>
<td>Term B-3 Loans (effective interest rate of 4.33% at December 31, 2016)</td>
<td>—</td>
<td>245,800</td>
</tr>
<tr>
<td>Revolving credit facility</td>
<td>40,000</td>
<td>24,351</td>
</tr>
<tr>
<td><strong>Total long-term debt</strong></td>
<td><strong>1,596,899</strong></td>
<td><strong>1,598,001</strong></td>
</tr>
<tr>
<td>Less discounts</td>
<td>(9,609)</td>
<td>(5,517)</td>
</tr>
<tr>
<td>Less debt issuance costs</td>
<td>(10,466)</td>
<td>(9,702)</td>
</tr>
<tr>
<td>Less current maturities</td>
<td>(63,707)</td>
<td>(51,713)</td>
</tr>
<tr>
<td><strong>Total long-term debt, net</strong></td>
<td><strong>$1,513,117</strong></td>
<td><strong>$1,531,069</strong></td>
</tr>
</tbody>
</table>

Subsequent to June 30, 2017, SEA repaid $40,000 on its revolving credit facility.

SEA is the borrower under the senior secured credit facilities, as amended pursuant to a credit agreement (the “Existing Credit Agreement”) dated as of December 1, 2009, as the same may be amended, restated, supplemented or modified from time to time (the “Senior Secured Credit Facilities”). On March 31, 2017, SEA entered into a refinancing amendment, Amendment No. 8 (the “Amendment”), to its Existing Credit Agreement. In connection with the Amendment, SEA borrowed $998,306 of additional term loans (the “Term B-5 Loans”) of which the proceeds, along with cash on hand, were used to redeem all of the then outstanding principal of the Term B-3 loans (the “Term B-3 Loans”), with a principal amount equal to $244,713 and a portion of the outstanding principal of the Term B-2 loans (the “Term B-2 Loans”), with a principal amount equal to $753,593, and pay other fees, costs and expenses in connection with the Amendment and related transactions. Additionally, pursuant to the Amendment, SEA terminated the existing revolving credit commitments (the “Terminated Revolving Credit Facility”) and replaced them with a new tranche with an aggregate commitment amount of $210,000 (the “New Revolving Credit Facility”).
In connection with the issuance of the Term B-5 Loans, SEA recorded a discount of $4,992 and debt issuance costs of $44 during the six months ended June 30, 2017. Additionally, SEA wrote-off debt issuance costs of $7,987, which is included in loss on early extinguishment of debt and write-off of discounts and debt issuance costs in the accompanying unaudited condensed consolidated statements of comprehensive (loss) income during the six months ended June 30, 2017. Such loss on early extinguishment of debt and write-off of discounts and debt issuance costs also includes $33 related to a write-off of discounts and debt issuance costs resulting from a voluntary prepayment of debt on March 30, 2017 and $123 related to a write-off of discounts and debt issuance costs resulting from a voluntary prepayment of debt during the three months ended June 30, 2017. See discussion in the Senior Secured Credit Facilities section which follows for further information.

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.

Senior Secured Credit Facilities

As of June 30, 2017, the Senior Secured Credit Facilities consisted of $561,089 in Term B-2 Loans which will mature on May 14, 2020, $995,810 in Term B-5 Loans which will mature on March 31, 2024 and a $210,000 New Revolving Credit Facility, of which $40,000 was outstanding as of June 30, 2017. The New Revolving Credit Facility will mature on the earlier of (a) March 31, 2022 and (b) the 91st day prior to the earlier of (1) the maturity of the Term B-2 Loans with an aggregate principal amount greater than $50,000 and (2) the maturity date of any indebtedness incurred to refinance the Term B-2 loans with an aggregate principal amount greater than $50,000. The outstanding balances under the New Revolving Credit Facility and the Terminated Revolving Credit Facility, as applicable, are included in current maturities of long-term debt in the accompanying unaudited condensed consolidated balance sheet as of June 30, 2017 due to the Company’s intent to repay the borrowings within the following twelve month period.

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. Beginning with the fiscal quarter ended June 30, 2017, the Term B-5 Loans amortize in equal quarterly installments in an aggregate annual amount equal to 1.0% of the original principal amount of the Term B-5 Loans on March 31, 2017, with the balance due on the final maturity date of March 31, 2024. SEA may voluntarily repay amounts outstanding under the Senior Secured Credit Facilities at any time without premium or penalty, other than a prepayment premium on voluntary prepayments of the Term B-5 Loans in connection with certain repricing transactions on or prior to September 30, 2017 and customary “breakage” costs with respect to LIBOR loans.

SEA is required to prepay the outstanding Term B-2 Loans and Term B-5 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 secured 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. During the first quarter of 2017, the Company made a mandatory prepayment of approximately $6,300 based on its excess cash flow calculation as of December 31, 2016. Approximately $3,500 of the mandatory prepayment was accepted by the lenders and applied ratably to the Term B-2 and Term B-3 Loans prior to the Amendment on March 31, 2017, and the remainder of $2,800 was applied as a voluntary prepayment to the Term B-2 Loans in the three months ended June 30, 2017.

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 New 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.

**Term B-5 Loans**

The Term B-5 Loans were initially borrowed in an aggregate principal amount of $998,306 on March 31, 2017 in connection with the Amendment. Borrowings of Term B-5 Loans under the Senior Secured Credit Facilities bear interest, at SEA’s option, at a rate equal to an applicable 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 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-5 Loans is 2.00%, in the case of base rate loans, and 3.00%, 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, 2017, SEA selected the LIBOR rate (interest rate of 4.30% at June 30, 2017).

**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 based on 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-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, 2017, SEA selected the LIBOR rate (interest rate of 3.55% at June 30, 2017).

**New Revolving Credit Facility**

Borrowings of loans in the New Revolving Credit Facility under the Senior Secured Credit Facilities bear interest at a rate equal to an applicable margin over either, at SEA’s option, (a) a base rate determined by reference 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”, in each case, plus an applicable margin equal to 1.75% or (b) a 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 (provided in no event shall such LIBOR rate with respect to the borrowings be less than 0.0% per annum). The applicable margin for borrowings under the New 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 for borrowings under the New Revolving Credit Facility are subject to one 25 basis point step-down upon achievement by SEA of certain corporate credit ratings, which the Company did not achieve as of June 30, 2017. At June 30, 2017, SEA selected the LIBOR rate (interest rate of 3.94% at June 30, 2017).

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 New 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, 2017, SEA had approximately $19,050 of outstanding letters of credit and $40,000 outstanding on the New Revolving Credit Facility, leaving $150,950 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 capital expenditures; 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.

The Company’s ability to comply with these and other provisions of its existing debt agreements is dependent on its future performance, which is subject to many factors, some of which are beyond the Company’s control. Although the Company is currently in compliance with its debt covenants, its declining performance has resulted in leverage ratios closer to the ratios established in its debt agreements. As a result, there is an increased risk regarding future compliance should the Company’s operating performance continue to deteriorate. The breach of any of these covenants or non-compliance with any of the financial ratios and tests could result in an event of default under the existing debt agreements, which, if not cured or waived, could result in acceleration of the related debt and the acceleration of debt under other instruments evidencing indebtedness that may contain cross-acceleration or cross-default provisions.

The Senior Secured Credit Facilities permit restricted payments in an aggregate amount per annum equal to the sum of (A) $25,000 plus (B) an amount, if any, equal to (1) if the total net leverage ratio on a pro forma basis after giving effect to the payment of any such restricted payment, is no greater than 3.50 to 1.00, an unlimited amount, (2) if the total net leverage ratio on a pro forma basis after giving effect to the payment of any such restricted payment is no greater than 4.00 to 1.00 and greater than 3.50 to 1.00, the greater of (a) $95,000 and (b) 7.50% of market capitalization (as defined in the Senior Secured Credit Facilities), (3) if the total net leverage ratio on a pro forma basis after giving effect to the payment of any such restricted payment is no greater than 4.50 to 1.00 and greater than 4.00 to 1.00, $95,000 and (4) if the total net leverage ratio on a pro forma basis after giving effect to the payment of any such restricted payment is no greater than 5.00 to 1.00 and greater than 4.50 to 1.00, $65,000.

As of June 30, 2017, the total net leverage ratio as calculated under the Senior Secured Credit Facilities was 4.77 to 1.00, which results in the Company having a $90,000 capacity for restricted payments in 2017, provided that the total net leverage ratio does not exceed 5.75 to 1.00, measured quarterly on a pro forma basis after giving effect to any such restricted payment. However, the amount available for 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, 2017, SEA was in compliance with all covenants contained in the documents governing the Senior Secured Credit Facilities.

Long-term debt as of June 30, 2017 is repayable as follows. The outstanding balance under the New Revolving Credit Facility is included in current maturities of long-term debt in the accompanying unaudited condensed consolidated balance sheet as of June 30, 2017, due to the Company’s intent to repay the borrowings within the following twelve month period.

<table>
<thead>
<tr>
<th>Years Ending December 31</th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>51,853</td>
</tr>
<tr>
<td>2018</td>
<td>23,707</td>
</tr>
<tr>
<td>2019</td>
<td>23,707</td>
</tr>
<tr>
<td>2020</td>
<td>536,763</td>
</tr>
<tr>
<td>2021</td>
<td>9,983</td>
</tr>
<tr>
<td>Thereafter</td>
<td>950,886</td>
</tr>
<tr>
<td>Total</td>
<td>1,596,899</td>
</tr>
</tbody>
</table>

Interest Rate Swap Agreements

As of June 30, 2017, the Company has five interest rate swap agreements (“the Interest Rate Swap Agreements”) which 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 Interest Rate Swap Agreements became effective on 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; the Company receives 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 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 $50,208 and $28,301 in the six months ended June 30, 2017 and 2016, respectively. Cash paid for interest in the six months ended June 30, 2017 includes $12,904 relating to the Company’s fourth quarter 2016 interest payable on its Senior Secured Credit Facilities which was paid on January 3, 2017.

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, 2017 and December 31, 2016, 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, 2017 and 2016, such derivatives were used to hedge the variable cash flows associated with existing variable-rate debt. On September 30, 2016, the Company’s four Interest Rate Swap Agreements with a combined notional value of $1,250,000 matured in accordance with their terms and the five interest rate forward swap agreements with a combined notional value of $1,000,000 became effective. The interest rate swap agreements 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, 2017, there was no ineffectiveness on cash flow hedges. 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 consolidated statements of comprehensive (loss) income. 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 $10,122 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, 2017 and December 31, 2016:

<table>
<thead>
<tr>
<th>Derivatives designated as hedging instruments:</th>
<th>Liability Derivatives As of June 30, 2017</th>
<th>Liability Derivatives As of December 31, 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest rate swap agreements</td>
<td>Other liabilities $ 19,980</td>
<td>Other liabilities $ 22,808</td>
</tr>
<tr>
<td>Total derivatives designated as hedging instruments</td>
<td>$ 19,980</td>
<td>$ 22,808</td>
</tr>
</tbody>
</table>
Tabular Disclosure of the Effect of Derivative Instruments on the Statements of Comprehensive (Loss) Income

The table below presents the pretax effect of the Company’s derivative financial instruments on the unaudited condensed consolidated statements of comprehensive (loss) income for the three and six months ended June 30, 2017 and 2016:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Gain (loss) related to effective portion of derivatives recognized in accumulated other comprehensive loss</td>
<td>$2,130</td>
<td></td>
<td></td>
<td>$9,768</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Loss) gain related to effective portion of derivatives reclassified from accumulated other comprehensive loss to interest expense</td>
<td>$(3,305)</td>
<td></td>
<td></td>
<td>$834</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loss related to ineffective portion of derivatives recognized in other expense (income), net</td>
<td>$—</td>
<td></td>
<td></td>
<td>$—</td>
<td></td>
<td>$1,667</td>
</tr>
</tbody>
</table>

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, 2017, 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 $20,842. As of June 30, 2017, the Company has posted no collateral related to these agreements. If the Company had breached any of these provisions at June 30, 2017, it could have been required to settle its obligations under the agreements at their termination value of $20,842.

Changes in Accumulated Other Comprehensive Loss

The following table reflects the changes in accumulated other comprehensive loss for the six months ended June 30, 2017, net of tax:

<table>
<thead>
<tr>
<th>Accumulated other comprehensive loss:</th>
<th>(Losses) Gains on Cash Flow Hedges</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accumulated other comprehensive loss at December 31, 2016</td>
<td>$(13,694)</td>
</tr>
<tr>
<td>Other comprehensive income before reclassifications</td>
<td>5,865</td>
</tr>
<tr>
<td>Amounts reclassified from accumulated other comprehensive loss to interest expense</td>
<td>$(4,167)</td>
</tr>
<tr>
<td>Unrealized gain on derivatives, net of tax</td>
<td>1,698</td>
</tr>
<tr>
<td>Accumulated other comprehensive loss at June 30, 2017</td>
<td>$(11,996)</td>
</tr>
</tbody>
</table>

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. The standard describes three levels of inputs that may be used to measure fair value:

- **Level 1** - Quoted prices for identical instruments in active markets.
- **Level 2** - Quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets.
- **Level 3** – Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.
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-5 Loans are classified in Level 2 of the fair value hierarchy as of June 30, 2017 and the Term B-2 and Term B-3 Loans were classified in Level 2 of the fair value hierarchy as of December 31, 2016. The fair value of the term loans as of June 30, 2017 and December 31, 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.

There were no transfers between Levels 1, 2 or 3 during the three and six months ended June 30, 2017. The Company did not have any assets measured on a recurring basis at fair value as of June 30, 2017. The following table presents the Company’s estimated fair value measurements and related classifications for liabilities measured on a recurring basis as of June 30, 2017:

<table>
<thead>
<tr>
<th>Liabilities:</th>
<th>Quoted Prices in Active Markets for Identical Assets and Liabilities (Level 1)</th>
<th>Significant Other Observable Inputs (Level 2)</th>
<th>Significant Unobservable Inputs (Level 3)</th>
<th>Balance at June 30, 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Derivative financial instruments (a)</td>
<td>$ —</td>
<td>$ 19,980</td>
<td>$ —</td>
<td>$ 19,980</td>
</tr>
<tr>
<td>Long-term obligations (b)</td>
<td>$ —</td>
<td>$ 1,596,899</td>
<td>$ —</td>
<td>$ 1,596,899</td>
</tr>
</tbody>
</table>

(a) Reflected at fair value in the unaudited condensed consolidated balance sheet as other liabilities of $19,980.

(b) Reflected at carrying value, net of unamortized debt issuance costs and discounts, in the unaudited condensed consolidated balance sheet as current maturities of long-term debt of $63,707 and long-term debt of $1,513,117 as of June 30, 2017.

There were no transfers between Levels 1, 2 or 3 during the year ended December 31, 2016. The Company did not have any assets measured on a recurring basis at fair value as of December 31, 2016. The following table presents the Company’s estimated fair value measurements and related classifications for liabilities measured on a recurring basis as of December 31, 2016:

<table>
<thead>
<tr>
<th>Liabilities:</th>
<th>Quoted Prices in Active Markets for Identical Assets and Liabilities (Level 1)</th>
<th>Significant Other Observable Inputs (Level 2)</th>
<th>Significant Unobservable Inputs (Level 3)</th>
<th>Balance at December 31, 2016</th>
</tr>
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<tbody>
<tr>
<td>Derivative financial instruments (a)</td>
<td>$ —</td>
<td>$ 22,808</td>
<td>$ —</td>
<td>$ 22,808</td>
</tr>
<tr>
<td>Long-term obligations (b)</td>
<td>$ —</td>
<td>$ 1,598,001</td>
<td>$ —</td>
<td>$ 1,598,001</td>
</tr>
</tbody>
</table>

(a) Reflected at fair value in the unaudited condensed consolidated balance sheet as other liabilities of $22,808.

(b) Reflected at carrying value, net of unamortized debt issuance costs and discounts, in the unaudited condensed consolidated balance sheet as current maturities of long-term debt of $51,713 and long-term debt of $1,531,069 as of December 31, 2016.
9. RELATED-PARTY TRANSACTIONS

ZHG Agreements
In connection with the Sale, which closed on May 8, 2017, during the three months ended June 30, 2017, Sellers reimbursed the Company for approximately $4,000 of related costs and expenses incurred by the Company.

On March 24, 2017 the Company entered into the ZHG Agreements with Zhonghong Holding, an affiliate of ZHG Group. In exchange for providing services under the ZHG Agreements, the Company is expected to receive fees as well as a travel stipend per year through 2019. The Company recognizes revenue under the ZHG Agreements on a straight-line basis over the contractual term of the agreements. Revenue recognized in the six months ended June 30, 2017 was approximately $1,300 related to these agreements. See further discussion regarding the Sale in Note 1–Description of the Business and Basis of Presentation and Note 12–Stockholders’ Equity.

Debt and Interest Payments
As of December 31, 2016, approximately $25,000 aggregate principal amount of Term B-2 Loans were owned by affiliates of Blackstone. The Company makes voluntary and mandatory principal repayments as well as periodic principal and interest payments on such debt in accordance with its terms from time to time. On March 31, 2017, SEA entered into a refinancing amendment, Amendment No. 8 (the “Amendment”), to its existing Senior Secured Credit Facilities. See Note 6–Long-Term Debt for further discussion.

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 Chairman of 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 motions to dismiss the amended complaint. On March 31, 2016, the Court granted the motions to dismiss the amended complaint, in its entirety, without prejudice. On May 31, 2016, Plaintiffs filed a second amended consolidated class action complaint (“Second Amended 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 Second Amended Complaint. On September 30, 2016, the Court denied the motion to dismiss. On October 28, 2016, defendants filed their Answer to the Second Amended Complaint. Written discovery has been propounded by both sides but no depositions have been scheduled to date. On March 2, 2017, following a case management conference held on March 1, 2017, the Court entered a scheduling order, which provided that fact discovery be completed by October 20, 2017. The scheduling order also provided deadlines for expert discovery and other pretrial deadlines, with a trial date of September 18, 2018. On March 6, 2017, the Court entered an amended scheduling order providing that Plaintiff must file its motion for class certification by May 19, 2017. On March 31, 2017, Plaintiffs filed a motion to compel discovery against the Company and Blackstone. A hearing on the motion was held on April 18, 2017. Following the hearing, Plaintiff’s motion was granted in part and denied in part. On May 19, 2017, Plaintiffs filed their motion for class certification and on July 27, 2017 defendants filed a brief in opposition to the motion. 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 Company’s 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 15, 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). On October 31, 2019, plaintiff moved to lift the stay entered by the court on September 21, 2015. Defendants filed a brief in opposition to plaintiff’s motion on May 23, 2017.

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 United States District Court for the Southern District of California 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 United States District Court for the Southern District of California 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 United States District Court for the Southern District of California 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 appeal has been fully briefed and is awaiting an oral argument date.
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. CG C-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.

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 was fully briefed. On September 24, 2015, the United States District Court for the Northern District of California 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 United States District Court for the Northern District of California granted plaintiffs’ motion for leave. Plaintiffs’ motion for reconsideration was fully briefed. On January 12, 2016 the United States District Court for the Northern District of California 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 United States District Court for the Northern District of California 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, which they filed.

The Second Amended Complaint likewise asserted causes of action based on the California False Advertising Law, California Unfair Competition Law and California CLRA. Essentially plaintiffs allege there were fraudulent representations made by the Company about the health of its orcas that ultimately induced consumers to purchase admission tickets to SeaWorld parks and in some cases, plush toys while in the parks. The Company moved to dismiss this on various grounds.

On November 7, 2016, the United States District Court for the Northern District of California issued an order granting in part, and denying in part, the Company’s motion to dismiss. The United States District Court for the Northern District of California found that one named plaintiff failed to allege reliance on any specific statements so those claims, in their entirety, have been dismissed. In addition, the United States District Court for the Northern District of California determined that plaintiffs did not allege any misrepresentations made about the plush toy purchases, which disposes of the CLRA claims based on the toys. The United States District Court for the Northern District of California also found that certain plaintiff’s conversation with SeaWorld’s trainers was not “advertising,” and dismissed the false advertising claim and Unfair Competition Law claim premised on it.

Plaintiffs filed a Third Amended Class Action Complaint on November 22, 2016. The Company moved to dismiss portions of that pleading, but the motion to dismiss was denied. What remains at this point are plaintiff's claims under California's Unfair Competition Law, False Advertising Law and the CLRA based on the purchase of tickets; plaintiff's California Unfair Competition Law and False Advertising Law claims based on the purchase of plush toys; and plaintiff's claims under California's Unfair Competition Law based on the purchase of plush toys. The case is in the preliminary stages of discovery, with briefing on class certification currently scheduled for October through December 2017.

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.
EZPay Plan Class Action Lawsuit

On December 3, 2014, a purported class action lawsuit was filed in the United States District Court for the Middle District of Florida, Tampa Division against SeaWorld Parks & Entertainment, Inc., captioned Jason Herman, Joey Kratt, and Christina Lancaster, as individuals and on behalf of all others similarly situated, v. SeaWorld Parks & Entertainment, Inc. Case no: 8:14-cv-03028-MSS-JSS. The complaint alleges a single breach of contract claim involving the Company’s EZPay Plan which affords customers the ability to pay for annual passes through monthly installments. The plaintiff alleges the Company automatically renewed passes beyond the initial term in violation of the terms and conditions of the parties’ contract which provided in part: “Except for any passes paid in less than twelve months, THIS CONTRACT WILL RENEW AUTOMATICALLY ON A MONTH-TO-MONTH BASIS until I terminate it.” On January 21, 2015, plaintiffs amended their complaint to include claims for breach of contract, unjust enrichment and violation of federal Electronic Funds Transfer Act, 15 U.S.C. section 1693 et seq. on behalf of three individual plaintiffs as well as on behalf of a two classes: (i) individuals in the states of Florida, Texas, Virginia and California who paid for an annual pass in “less than twelve months,” had their passes automatically renewed and did not use the renewed passes after the first year or were not issued a full refund of payments made after the twelfth payment; and (ii) all of these same individuals who used debit cards.

The Company has always considered the plaintiffs’ argument to be without merit and believes it has defenses to the action. The parties engaged in significant discovery and a motion was filed by the plaintiffs for certification of the class. In addition, plaintiffs filed a motion for summary judgment and defendant in turn filed for motion for partial summary judgment. The Company anticipated the United States District Court for the Middle District of Florida would schedule a hearing on class certification first, determine whether a class should be certified, send notice to the certified class, and then entertain the respective motions for summary judgment.

However, on March 10, 2017, the United States District Court for the Middle District of Florida issued an order granting plaintiffs' motion for certification of the class without a hearing and included in the order findings that the contract is unambiguous and that it means that the Company could not auto-renew the contract term if the customer paid in less than 365 days.

On March 17, 2017, the United States District Court for the Middle District of Florida issued another order, this time granting plaintiff’s motion for summary judgment as to liability and denying the Company’s motion for partial summary judgment. The United States District Court for the Middle District of Florida decided that the Company breached the contract by failing to terminate the contract once the passes were paid in full. No determination of damages was made nor has the court entered any final judgment. With regard to the order granting certification, the Company filed a Rule 23(f) petition with the United States Court of Appeals for the Eleventh Circuit and that is pending. In the meantime, pending the appeal, the United States District Court for the Middle District of Florida has granted an order staying the underlying case. The Company intends to continue to defend the lawsuit vigorously; however, there can be no assurance regarding the ultimate outcome of this lawsuit.

Other Matters

The Company is a party to various other claims and legal proceedings arising in the normal course of business. In addition, from time to time the Company is subject to audits, inspections and investigations by, or receives requests for information from, various federal and state regulatory agencies, including, but not limited to, the U.S. Department of Agriculture’s Animal and Plant Health Inspection Service (APHIS), the U.S. Department of Labor’s Occupational Safety and Health Administration (OSHA), the California Occupational Safety and Health Administration (Cal-OSHA), the Florida Fish & Wildlife Commission (FWC), the Equal Employment Opportunity Commission (EEOC), the Internal Revenue Service (IRS) and the Securities and Exchange Commission (SEC). For example, in June 2017, the Company received a subpoena in connection with an investigation by the U.S. Department of Justice concerning disclosures and public statements made by the Company and certain executives and/or individuals on or before August 2014, including those regarding the impact of the “Blackfish” documentary, and trading in the Company’s securities. The Company also has received subpoenas from the staff of the U.S. Securities and Exchange Commission in connection with these matters. On June 16, 2017, the Company’s Board of Directors formed a Special Committee comprised of independent directors with respect to these inquiries. The Special Committee has engaged counsel to advise and assist the Committee. The Company has cooperated with these government inquiries and intends to continue to cooperate with any government requests or inquiries.

From time to time, various parties 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, legal proceedings or regulatory matters to have a material adverse effect on the Company’s consolidated financial position, results of operations or cash flows.
License Agreement

On May 16, 2017, SEA entered into a License Agreement (the “License Agreement”) with Sesame Workshop (“Sesame”), a New York not-for-profit corporation. The License Agreement supersedes the previous two license agreements and extends SEA’s status as Sesame’s exclusive theme park partner in the United States, Puerto Rico and the U.S. Virgin Islands (the “Territory”), and provides for the payment of certain royalty payments based on gross receipts for stand-alone theme parks (“Standalone Parks”) and license fees and merchandise royalties for Sesame themed areas within SEA theme parks (“Sesame Lands”). Sesame will retain the right to develop certain family entertainment centers subject to certain restrictions including size, number, types of attractions and geographic location. SEA’s principal commitments pursuant to the License Agreement include: (i) opening a new Sesame Place theme park no later than mid-2021 in a location to be determined within the Territory; (ii) building a new Sesame Land in SeaWorld Orlando by fall 2022; (iii) investing in minimum annual capital and marketing thresholds; and (iv) providing support for agreed upon sponsorship and charitable initiatives, including Sesame’s annual gala event. The Company estimates the combined obligations for these commitments could be approximately $130,000 over the term of the agreement. After the opening of the second Standalone Park (counting the existing Sesame Place Standalone Park in Langhorne, Pennsylvania), SEA will have the option to build additional Standalone Parks in the Territory within agreed upon timelines. The License Agreement has an initial term through December 31, 2031, with an automatic additional 15 year extension plus a five year option added to the term of the License Agreement from December 31st of the year of each new Standalone Park opening.

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 is recognized over the requisite service period, which is generally the vesting period unless service or performance conditions require otherwise. Effective January 1, 2017, in accordance with its adoption of ASU 2016-09, Improvements to Employee Share-Based Payment Accounting, the Company elected to recognize the impact of forfeitures as they occur (see further discussion in Note 2–Recent Accounting Pronouncements). 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 $11,906 and $16,020 for the three and six months ended June 30, 2017. Total equity compensation expense was $2,461 and $32,051 for the three and six months ended June 30, 2016. Equity compensation expense for the three and six months ended June 30, 2017 includes approximately $8,400 related to certain of the Company’s performance-vesting restricted shares (the “2.75x Performance Restricted shares”) for which a portion vested on May 8, 2017 with the closing of the Sale. Equity compensation expense for the six months ended June 30, 2016 includes $27,516 related to certain of the Company’s performance-vesting restricted shares (the “2.25x Performance Restricted shares”) which became probable of vesting and vested on April 1, 2016. See 2.25x and 2.75x Performance Restricted Shares and Equity Plan Modification section which follows for further details. Equity compensation expense is included in selling, general and administrative expenses and in operating expenses in the accompanying unaudited condensed consolidated statements of comprehensive (loss) income. Total unrecognized equity compensation expense for all equity compensation awards probable of vesting as of June 30, 2017 was approximately $38,100 which is expected to be recognized over the respective service periods.
The activity related to the Company’s time-vesting and performance-vesting share awards during the six months ended June 30, 2017 is as follows:

<table>
<thead>
<tr>
<th>Time-Vesting Restricted shares</th>
<th>Performance-Vesting Restricted shares</th>
<th>Long-Term Incentive Performance Restricted shares</th>
<th>2.75x Performance Restricted shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shares</td>
<td>Weighted Average Grant Date Fair Value per Share</td>
<td>Shares</td>
<td>Weighted Average Grant Date Fair Value per Share</td>
</tr>
<tr>
<td>Outstanding at December 31, 2016</td>
<td>1,323,025</td>
<td>$17.47</td>
<td>451,289</td>
</tr>
<tr>
<td>Granted</td>
<td>970,696</td>
<td>$18.21</td>
<td>888,235</td>
</tr>
<tr>
<td>Vested</td>
<td>(288,127)</td>
<td>$18.16</td>
<td>—</td>
</tr>
<tr>
<td>Forfeited</td>
<td>(55,416)</td>
<td>$18.45</td>
<td>(467,468)</td>
</tr>
<tr>
<td>Outstanding at June 30, 2017</td>
<td>1,950,178</td>
<td>$17.71</td>
<td>872,056</td>
</tr>
</tbody>
</table>

The activity related to the Company’s stock option awards during the six months ended June 30, 2017 is as follows:

<table>
<thead>
<tr>
<th>Options</th>
<th>Weighted Average Exercise Price</th>
<th>Weighted Average Remaining Contractual Life (in years)</th>
<th>Aggregate Intrinsic Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outstanding at December 31, 2016</td>
<td>3,441,900</td>
<td>$18.67</td>
<td>—</td>
</tr>
<tr>
<td>Forfeited</td>
<td>(181,923)</td>
<td>$18.32</td>
<td>—</td>
</tr>
<tr>
<td>Expired</td>
<td>(37,592)</td>
<td>$18.84</td>
<td>—</td>
</tr>
<tr>
<td>Execised</td>
<td>(590)</td>
<td>$18.67</td>
<td>—</td>
</tr>
<tr>
<td>Outstanding at June 30, 2017</td>
<td>3,221,795</td>
<td>$18.69</td>
<td>8.17</td>
</tr>
<tr>
<td>Execisable at June 30, 2017</td>
<td>1,175,043</td>
<td>$19.11</td>
<td>8.01</td>
</tr>
</tbody>
</table>

Omnibus Incentive Plan

Prior to June 14, 2017, the Company had reserved 15,000,000 shares of common stock for issuance under the Company’s 2013 Omnibus Incentive Plan (the “2013 Omnibus Incentive Plan”). On June 14, 2017 (the “Approval Date”), the stockholders of the Company approved the 2017 Omnibus Incentive Plan (the “2017 Omnibus Incentive Plan”) and all shares that were previously available for issuance under the 2013 Omnibus Incentive Plan transferred to the 2017 Omnibus Incentive Plan and were authorized for future issuance. No new awards may be granted under the 2013 Omnibus Incentive Plan (although awards made under the 2013 Omnibus Incentive Plan prior to the Approval Date will remain outstanding in accordance with their terms) and no new or additional shares of common stock were authorized under the 2017 Omnibus Incentive Plan.

The 2017 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. In the event any award expires or is canceled, forfeited, or terminated, without issuance to the participant, the unissued shares may be granted again under the 2017 Omnibus Incentive Plan. In no event will shares (i) tendered or withheld for the payment of the exercise price or withholding taxes, (ii) not issued upon the settlement of a stock appreciation right that settle (or could settle) in shares of common stock or (iii) shares purchased on the open market with cash proceeds from the exercise of options again become available for other awards under the 2017 Omnibus Incentive Plan.

As of June 30, 2017, there were 7,048,625 shares of common stock available for future issuance under the Company’s 2017 Omnibus Incentive Plan.
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 December 7, 2016 the Compensation Committee approved an annual bonus plan (the “2017 Bonus Plan”) for the fiscal year ending December 31, 2017 (“Fiscal 2017”).

**Bonus Performance Restricted Shares**

The 2017 Bonus Plan provides for bonus awards 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 Fiscal 2017 Adjusted EBITDA (weighted at 50%), Total Revenue (weighted at 30%) and Adjusted EBITDA Margin (weighted at 20%). The total number of shares eligible to vest is based on the level of achievement of the targets for Fiscal 2017 which ranges from 0% (if below threshold performance), to 30% (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 weighted payment will be adjusted on a linear basis. Pursuant to the Equity Grant Policy, on March 3, 2017, the Company granted 888,235 Bonus Performance Restricted shares under its 2017 Bonus Plan which represented the total shares that could be earned under the maximum performance level of achievement. Subsequent grants were made on July 11, 2017 and will be made in October 2017 to newly hired bonus-eligible employees based on their hire date and/or to certain newly promoted employees.

The Company also had an annual bonus plan (the “2016 Bonus Plan”) for the fiscal year ended December 31, 2016 (“Fiscal 2016”), under which certain employees were eligible to receive a bonus with respect to Fiscal 2016, payable 50% in cash and 50% in Bonus Performance Restricted shares based upon the Company’s achievement of Fiscal 2016 Adjusted EBITDA. Based on the Company’s actual Fiscal 2016 Adjusted EBITDA results, no equity compensation expense was recorded in 2016 related to the 2016 Bonus Plan and all of the outstanding shares were forfeited in the first quarter of 2017.

In accordance with ASC 718, Compensation–Stock Compensation, equity compensation expense is recorded on shares probable of vesting. Based on the Company’s progress during the six months ended June 30, 2017 towards its performance goals for Fiscal 2017, a portion of the outstanding Bonus Performance Restricted shares were considered probable of vesting as of June 30, 2017; therefore, equity compensation expense has been recorded related to shares considered probable of vesting. If the probability of vesting related to these shares changes in a subsequent period, equity compensation expense that would have been recorded over the requisite service period had the shares been considered probable at the new percentage from inception, will be recorded as a cumulative catch-up at such subsequent date.

**Long-Term Incentive Awards**

The 2017 Long-Term Incentive Grant is comprised of time-vesting restricted shares (the “Long-Term Incentive Time Restricted shares”) and performance-vesting restricted shares (the “Long-Term Incentive Performance Restricted shares”) (collectively, the “Long-Term Incentive Awards”). The 2017 Long-Term Incentive Grant did not include nonqualified stock options (the “Long-Term Incentive Options”). Additionally, in order to address the lack of retention value of outstanding equity awards held by certain of the Company’s executives, the Compensation Committee also approved an early grant of the time-vesting restricted shares portion of the 2018 annual equity award in the first quarter of Fiscal 2017 (the “Early 2018 Grant”). Pursuant to the Equity Grant Policy, the Long-Term Incentive Awards related to the 2017 Long-Term Incentive Grant and the time-vesting restricted shares related to the Early 2018 Grant were granted on March 3, 2017.

The Board had also approved long-term incentive plan grants (the “2016 Long-Term Incentive Grant” and the “2015 Long-Term Incentive Grant”) for Fiscal 2016 and Fiscal 2015, respectively, comprised of Long-Term Incentive Options, Long-Term Incentive Time Restricted shares and Long-Term Incentive Performance Restricted shares to certain of the Company’s management and executive officers.

**Long-Term Incentive Time Restricted Shares**

For certain executives, the Long-Term Incentive Time Restricted shares granted under the 2017 Long-Term Incentive Grant and the time-vesting restricted shares granted under the Early 2018 Grant vest over five years, with one-third vesting on each of the third, fourth and fifth anniversaries of the date of grant, subject to continued employment through the applicable vesting date. Equity compensation expense for these shares is recognized using the straight line method with one-third recognized over the initial three year vesting period and the remaining two-thirds recognized over the remaining vesting period.
For other employees, the Long-Term Incentive Time Restricted shares granted under the 2017 Long-Term Incentive Grant vest over three years, with all of the shares vesting on the third anniversary of the date of grant, subject to continued employment through the applicable vesting date. Equity compensation expense for these shares is recognized using the straight line method over the three year vesting period.

The Long-Term Incentive Time Restricted shares granted under the 2016 and 2015 Long-Term Incentive Grant 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.

**Long-Term Incentive Performance Restricted Shares**

The Long-Term Incentive Performance Restricted shares granted under the 2017 Long-Term Incentive Plan are expected to vest following the end of the three-year performance period beginning on January 1, 2017 and ending on December 31, 2019 based upon the Company’s achievement of pre-established performance goals with respect to Adjusted EBITDA (weighted at 50%), Total Revenue (weighted at 30%) and Return on Invested Capital (weighted at 20%) for the three-year performance period, as defined by the 2017 Long-Term Incentive Grant. The total number of Long-Term Incentive Performance Restricted shares eligible to vest will be based on the level of achievement of the performance goals and ranges from 0% (if below threshold performance), to 50% (for threshold performance), to 100% (for target performance), and up to 200% (for at or above maximum performance). For actual performance between the specified threshold, target and maximum levels, the resulting vesting percentage will be adjusted on a linear basis. Pursuant to the Equity Grant Policy, on March 3, 2017, the Company granted 637,289 Long-Term Incentive Performance Restricted shares under its 2017 Long-Term Incentive Plan which represented the total shares that could be earned under the maximum performance level of achievement. Equity compensation expense is recognized ratably over the three-year performance period, if the performance condition is probable of being achieved, beginning on the date of grant and through December 31, 2019. Based on the Company’s progress towards its respective performance goals for Fiscal 2017, none of the Long-Term Incentive Performance Restricted shares related to the Fiscal 2017 performance period are considered probable of vesting as of June 30, 2017; therefore, no equity compensation expense has been recorded related to these shares. If probability of vesting related to these shares changes in a subsequent period, all equity compensation expense related to those shares that would have been recorded over the requisite service period had the shares been considered probable at the new percentage from inception, will be recorded as a cumulative catch-up at such subsequent date.

The Long-Term Incentive Performance Restricted shares granted under the 2016 and 2015 Long-Term Incentive Grant 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 respective 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 (the “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, 2017, the Company had awarded 444,568 Long-Term Incentive Performance Restricted shares, net of forfeitures, under the 2016 and 2015 Long-Term Incentive Plans which represents the total shares that could be earned under the maximum performance level of achievement for all three performance periods combined. 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 2017 was established in the first quarter of 2017, for accounting purposes, 148,190 of the Long-Term Incentive Performance Restricted shares awarded under the 2016 and 2015 Long-Term Incentive Plans, net of forfeitures, have a grant date in 2017. As of June 30, 2017, 117,076 Long-Term Incentive Performance Restricted shares, net of forfeitures, which were awarded under the 2016 Long-Term Incentive Plan relate to the fiscal year ending December 31, 2018 (“Fiscal 2018”) performance period. The performance target for the Fiscal 2018 performance period has not yet been set and will be determined by the Compensation Committee during the first quarter of 2018, at which time, for accounting purposes, the grant date and respective grant-date fair value will be determined for these shares.

Based on the Company’s Adjusted EBITDA for Fiscal 2016 and 2015, the threshold performance level for Fiscal 2016 and the maximum performance level for Fiscal 2015 was not met; as such all of the Long-Term Incentive Performance Restricted shares related to Fiscal 2016 and a portion related to Fiscal 2015 are not considered probable of vesting as of June 30, 2017 and are expected to forfeit on their respective Determination Date. Total unrecognized equity compensation expense related to the Fiscal 2018 performance period has 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 this performance period.

**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.

**Other**

**2.25x and 2.75x Performance Restricted Shares and Equity Plan Modification**

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”).

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.

During the first quarter of 2017, the Company modified the 2.75x Performance Restricted shares to vest 60% upon the closing of the Sale, and eight of the Company’s senior executives and the Company’s Chairman of the Board, individually agreed to forfeit the remaining 40% of their outstanding 2.75x Performance Restricted shares at such time. In addition, in accordance with his Separation and Consulting Agreement which contractually obligates the Company to apply any modifications to his outstanding 2.75x Performance Restricted shares, the Company’s former President and Chief Executive Officer’s outstanding 2.75x Performance Restricted shares were also modified to vest in 60% of his 2.75x Performance Restricted shares upon closing of the sale and forfeit the other 40% at such time. Under the terms of the Stock Purchase Agreement, if in certain circumstances the Buyer acquires a majority of the Company’s then outstanding common shares prior to the one-year anniversary of the closing of the Sale, then the Buyer is required as a condition to the closing of the acquisition that results in such majority ownership, to pay to the Seller, in respect of each share of common stock sold to the Buyer at the closing of the Sale, the excess, if any, of the highest price per share paid by the Buyer for shares of the Company’s common stock over $23.00 (the “Additional Payment”). As such, for all other plan participants, any outstanding unvested 2.75x Performance Restricted shares will continue to be eligible to vest in accordance with their terms if Seller receives an Additional Payment from the Buyer sufficient to satisfy the 2.75x cumulative return multiple in the twelve month period following the closing of the Sale.
The Sale was considered a liquidity event and was subject to customary closing conditions (including expiration of the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act). As the modification discussed above was based on a liquidity event, for accounting purposes, the 2.75x Performance Restricted shares were not considered probable of vesting until such time the Sale was consummated. In accordance with the guidance in ASC 718, Compensation-Stock Compensation, as the 2.75x Performance Restricted shares were not considered probable of vesting before or after the date of modification, the Company used the respective modification date fair value to record equity compensation expenses related to the modified shares when the liquidity event occurred. As a result, the Company recognized non-cash equity compensation expense related to all of the 2.75x Performance Restricted shares of approximately $8,400 upon closing of the Sale on May 8, 2017 and paid cash accumulated dividends of approximately $1,300 in the second quarter of 2017.

Other Grants
In accordance with the Company’s Fourth Amended and Restated Outside Director Compensation Policy, on June 14, 2017, 56,232 time-vesting restricted shares were granted to the non-employee directors of the Company’s Board of which vest 100% on the day before the next Annual Stockholders Meeting, subject to the outside directors’ continued service on the Board through such vesting date.

12. STOCKHOLDERS’ EQUITY
As of June 30, 2017, 92,521,688 shares of common stock were issued on the accompanying unaudited condensed consolidated balance sheet, which excludes 4,532,384 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
Prior to September 19, 2016, the Board had a policy to pay, subject to legally available funds, regular quarterly dividends. The payment and timing of cash dividends was within the discretion of the Board and depended 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 deemed relevant. On September 19, 2016, the Board suspended the Company’s quarterly dividend policy to allow greater flexibility to deploy capital to opportunities that offer the greatest long term returns to shareholders, such as, but not limited to, share repurchases, investments in new attractions or debt repayments.

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

<table>
<thead>
<tr>
<th>Record Date</th>
<th>Payment Date</th>
<th>Cash Dividend per Common Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>January 15, 2016</td>
<td>January 22, 2016</td>
<td>$0.21</td>
</tr>
<tr>
<td>March 14, 2016 (a)</td>
<td>April 1, 2016</td>
<td>$0.21</td>
</tr>
<tr>
<td>June 20, 2016 (a)</td>
<td>July 1, 2016</td>
<td>$0.21</td>
</tr>
</tbody>
</table>

(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 in the accompanying unaudited condensed consolidated statement of changes in stockholders’ equity.

As of June 30, 2017, the Company had $665 of cash dividends recorded as dividends payable in the accompanying unaudited condensed consolidated balance sheet, which relates to unvested time restricted shares and unvested performance restricted shares with a performance condition considered probable of being achieved as of June 30, 2017. These shares carry dividend rights and therefore the dividends accumulate and 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.

During the six months ended June 30, 2017, accumulated cash dividends of $1,502 related to previous dividend declarations were paid to certain equity plan participants upon vesting of restricted shares, including approximately $1,300 related to certain 2.75x Performance Restricted shares which vested upon closing of the Sale on May 8, 2017 (see Note 11–Equity-Based Compensation for further details). The Company expects that for tax purposes all of these dividends 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.
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, 2017. There were no share repurchases during the three and six months ended June 30, 2017 and 2016.

Other

On March 24, 2017, the Company announced that an affiliate of ZHG Group entered into an agreement to acquire approximately 21% of the outstanding shares of common stock of the Company from Seller, pursuant to a Stock Purchase Agreement. On May 8, 2017, upon closing of the Sale, ZHG paid Seller $23.00 per share for the Company’s common stock acquired by ZHG in accordance with the terms of the Stock Purchase Agreement. The Company is not a party to the Stock Purchase Agreement, has no obligations thereunder and did not independently verify any arrangements between Seller and ZHG, but is a party to certain other agreements, a Park Exclusivity and Concept Design Agreement and a Center Concept & Preliminary Design Support Agreement, entered into in connection with the Sale (see Note 1–Description of the Business and Basis of Presentation and Note 9–Related-Party Transactions).

13. RESTRUCTURING PROGRAM

In December 2016, the Company committed to and implemented a restructuring program in an effort to reduce costs, increase efficiencies, reduce duplication of functions and improve the Company’s operations (the “2016 Restructuring Program”). The 2016 Restructuring Program involved the elimination of approximately 320 positions across all of the Company’s theme parks and corporate headquarters. As a result, the Company recorded $8,904 in pre-tax restructuring and other related costs associated with the 2016 Restructuring Program during the three months ended December 31, 2016. The Company does not expect to incur any additional costs associated with the 2016 Restructuring Program as all continuing service obligations were completed as of December 31, 2016.

The 2016 Restructuring Program activity for the six months ended June 30, 2017 was as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Liability as of December 31, 2016</td>
<td>$7,842</td>
</tr>
<tr>
<td>Reduction in estimated expenses</td>
<td>(572)</td>
</tr>
<tr>
<td>Payments made</td>
<td>(6,941)</td>
</tr>
<tr>
<td>Liability as of June 30, 2017</td>
<td>$329</td>
</tr>
</tbody>
</table>

The remaining liability as of June 30, 2017 relates to restructuring and other related costs to be paid as contractually obligated by December 31, 2017 and is included in accrued salaries, wages and benefits in the accompanying unaudited condensed consolidated balance sheet.
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. 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, 2017, we hosted approximately 6.1 million guests in our theme parks, including approximately 0.6 million international guests, generated total revenues of $373.8 million and incurred a net loss of $175.9 million, which included a non-cash goodwill impairment charge of $269.3 million. During the six months ended June 30, 2017, we hosted approximately 8.9 million guests in our theme parks, including approximately 1.0 million international guests, generated total revenues of $560.1 million and incurred a net loss of $237.0 million, inclusive of a non-cash goodwill impairment charge of $269.3 million. See Note 1–Description of the Business and Basis of Presentation for further discussion on our non-cash goodwill impairment charge.

Our results for the first half of 2017 reflect an overall decline in U.S. domestic (defined as guests outside of a 300 mile radius to our parks) and international attendance, which was largely concentrated at our SeaWorld parks in Orlando and San Diego. In addition, SeaWorld San Diego was further impacted by a decline in attendance from the Southern California markets. These factors were partially offset by improved attendance from guests within a 300 mile radius for our Orlando, Tampa and San Antonio markets. See further discussion in the “— Trends Affecting Our Results of Operations” section below.

In November 2015 we introduced a three-year, five-point plan to stabilize our business and to drive sustainable growth. This strategic 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.

During the first half of 2017, we have seen some success in certain elements of our plan as attendance from our 300 mile and in guests has increased in our Orlando, Tampa and San Antonio markets and season pass sales to date are up in all major markets outside of California. However, based on recent business trends, we are adjusting our five-point plan to specifically address current challenges, particularly in our Orlando and San Diego parks. These adjustments include increasing our investment in national advertising, developing a new national marketing campaign emphasizing our distinct experiences and reinvesting in our reputation campaign to target public perceptions particularly in our California markets. Additionally, while our cost optimization efforts for the first half of the year have been meaningful and we are on schedule to achieve our targeted $40.0 million in net cost savings by the end of 2018, given our current financial performance, we are actively engaged in identifying an additional $25.0 million in cost savings opportunities.

Separately, we continue to work on our partnership with Miral Asset Management LLC (“Miral”) to develop SeaWorld Abu Dhabi and with Zhonghong Holding Co., Ltd. (“Zhonghong Holding”) to provide design, support and advisory services for various potential projects in China, Taiwan, Hong Kong and Macau. See the “—Recent Developments—International Development Strategy” section below. We have also entered into a new license agreement with Sesame Workshop to extend our status as Sesame Workshop’s exclusive theme park partner in the United States, Puerto Rico, and the U.S. Virgin Islands (the “Territory”), with the second Sesame Place theme park scheduled to open no later than mid-2021. After the opening of the second Sesame Place, we will have the option to build additional Sesame Place theme parks in the Territory (see the “—Recent Developments—License Agreement” section below).
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, fluctuations in foreign exchange rates and global and regional economic conditions, travel patterns of both our U.S. domestic and international guests, consumer confidence and other factors beyond our control including the potential spread of contagious diseases. Attendance patterns have significant seasonality, driven by holidays, school vacations and weather conditions. Attendance consists of local guests and other guests who live within 300 miles from our respective park locations, U.S. domestic guests outside of the 300 mile radius to the park locations and international guests.

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, 2017, respectively. For the three months ended June 30, 2017, we reported $36.74 in admission per capita, representing a decrease of 1.8% from the three months ended June 30, 2016. For the six months ended June 30, 2017, we reported $38.09 in admission per capita, representing a decrease of 2.1% from the six months ended June 30, 2016. 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 which on average is lower for our water parks compared to our other theme parks.

- **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, 2017, food, merchandise and other revenue accounted for approximately 40% and 39% of our total revenue, respectively. For the three months ended June 30, 2017, we reported $24.31 of in-park per capita spending, a decrease of 1.2% from the three months ended June 30, 2016. For the six months ended June 30, 2017, we reported $24.65 of in-park per capita spending, a slight decrease of 0.7% from the six months ended June 30, 2016. 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, U.S. domestic or international guests) and the mix of in-park spending. As an example, international guests tend to drive higher in-park per capita spending when compared to other guests. See further discussion in the “Results of Operations” section which follows.

Trends Affecting Our Results of Operations

In March 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 began in our SeaWorld San Diego park in May of 2017, and is planned to 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.

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 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 marketing and reputation campaigns to address public perceptions, share facts and correct misinformation. We believe those efforts had a positive impact on public perceptions and on our reputation as we saw improvement in our attendance and revenue trends in California in 2016. Towards the latter half of 2016, we largely reduced our reputation campaigns as we believed public perceptions had improved. However, attendance in 2017 at our SeaWorld San Diego park has since deteriorated.
We believe the decline in attendance at our SeaWorld San Diego park partly results from public perception issues which have resurfaced since we have reduced marketing spend on our reputation campaign. We are addressing these challenges by relaunching our reputation campaign and increasing our marketing efforts particularly in our Southern California markets to once again address public perceptions, share facts and correct misinformation.

Total attendance for the first six months of 2017 declined by approximately 353,000 guests, or 3.8%, compared to the first six months of 2016. Attendance was primarily impacted by an overall decline in U.S. domestic and international attendance, which was largely concentrated at our SeaWorld parks in Orlando and San Diego. In addition, SeaWorld San Diego was further impacted by a decline in attendance from the Southern California markets we believe partly due to public perception issues as discussed above. These factors were partially offset by improved attendance from guests within a 300 mile radius for our Orlando, Tampa and San Antonio markets which we believe is due to the success of our new attractions and favorable weather when compared to the prior year period. We believe the decline in U.S. domestic attendance, particularly in Orlando, results primarily from the combined impact of reduced national advertising and competitive pressures. To address the decline in U.S. domestic attendance, we have launched a new national media campaign, introduced targeted national offers and reinvested our summer messaging to increase emphasis on our new attractions to the U.S. domestic market.

We have experienced a decline in international attendance from historical levels due partly to the strengthening of the U.S. dollar against a variety of foreign currencies. The decline from Latin America that we experienced in 2016 has stabilized in the second quarter, but is still down from historical levels. Economic factors, particularly in Brazil, indicate that the Latin America market may not rebound in the near future. Furthermore, the June 2016 announcement of the Referendum of the United Kingdom's Membership of the European Union (referred to as Brexit) introduced additional volatility and uncertainty in global stock markets and currency exchange rates which has also had an impact on our international attendance from the United Kingdom. For the first half of 2017, we have seen a decline in attendance from the United Kingdom of 13%. Historically, attendance from the United Kingdom represents approximately 5% of our total annual attendance. Fluctuations in foreign currency exchange rates impact our business due to the effect a strong dollar has on international tourist spending.

Looking ahead to the last half of 2017, we are adjusting our five-point plan to address current challenges, particularly in our Orlando and San Diego parks. These adjustments include increasing our investment in national advertising, developing a new national marketing campaign emphasizing our distinct experiences and reinvesting in our reputation messaging to target public perceptions particularly in our California markets. Additionally, while our cost optimization efforts for the first half of the year have been meaningful and we are on schedule to achieve our targeted $40.0 million in net cost savings by the end of 2018, given our current financial performance, we are actively engaged in identifying an additional $25.0 million in cost savings opportunities.

We also continue to work with a leading consulting firm in an effort to enhance our pricing capabilities and capitalize on what we believe are meaningful total revenue per capita opportunities. We plan to work together on revenue enhancement and pricing with a goal of increasing our total revenue per capita.

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

License Agreement

On May 16, 2017, SeaWorld Parks and Entertainment, Inc., a wholly-owned subsidiary of the Company, entered into a License Agreement (the “License Agreement”) with Sesame Workshop (“Sesame”), a New York not-for-profit corporation. The License Agreement extends our status as Sesame Workshop’s exclusive theme park partner in the Territory, with the second Sesame Place theme park scheduled to open no later than mid 2021 in a U.S. location to be determined. After the opening of the second Sesame Place, we will have the option to build additional Sesame Place theme parks in the Territory. The agreement also makes it possible for Sesame Street characters to continue to appear at the existing Sesame Street lands inside our two Busch Gardens theme parks and SeaWorld theme parks in San Diego and San Antonio, as well as a new Sesame Street land to be built in SeaWorld Orlando by fall 2022.
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 October 17, 2016, we sent a letter to the California Coastal Commission objecting to the approval of the proposed revised findings for the Blue World Project. We stated that the adoption of the revised findings was not warranted or needed because of the Orca Announcement and recent changes in California law. On November 4, 2016 the California Coastal Commission voted in the affirmative to reverse findings on the Blue World Project.

On November 16, 2015, Representative Adam Schiff (D-CA) introduced the Orca Responsibility and Care Advancement Act (the “ORCA Act”) and reintroduced the ORCA Act on March 23, 2017. The reintroduced bill has been referred to the House 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. The reintroduced bill would prohibit the transport of orcas from one park to another but does allow for transport to a “marine mammal sanctuary” and attempts to officially define the term “sanctuary” in law.

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. On August 26, 2016 this bill was enacted into law and (i) codified the end of captive breeding programs and the export and import of genetic materials for orcas in California, (ii) prohibits the import or export of new orcas into or out of California, (iii) permits the transfer of orcas currently in California among existing SeaWorld facilities and (iv) requires educational presentations of orcas in California. As discussed above, the new orca programs we are developing will be consistent with these standards and began in our San Diego park in 2017 and will be in our other SeaWorld parks by 2019. On November 4, 2016, the California Coastal Commission granted approval to permit the renovation of the existing backdrop at the orca habitat at our San Diego park. This approval allows us to continually develop our new orca program in our San Diego park.

On February 8, 2016, the San Diego City Council 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 was 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.

In December 2016, we announced our partnership with Miral to develop SeaWorld Abu Dhabi, a first-of-its-kind marine life themed park on Yas Island (the “Middle East Project”). As part of this partnership, we are providing certain services pertaining to the planning and design of the Middle East Project, with funding received from our partner in the Middle East expected to offset our internal expenses.

This next generation SeaWorld Abu Dhabi will also introduce the United Arab Emirates’ (“UAE”) first dedicated marine life research, rescue, rehabilitation and return center with world-class facilities and resources for the care and conservation of local marine life. Planned to open ahead of the marine life themed park, the facility will provide an important resource for UAE nationals and residents looking to develop or enhance expertise in marine life sciences and will serve as a hub for collaboration with local and international environmental organizations and projects.

SeaWorld Abu Dhabi will be the first new SeaWorld theme park without orcas, and will integrate up-close animal experiences, mega attractions and a world class aquarium, bringing the latest technology in visitor engagement. SeaWorld Abu Dhabi is expected to open by 2022. The Middle East Project is subject to various conditions, including, but not limited to, the parties completing the design development and there is no assurance that the Middle East Project will be completed or advance to the next stage.

On March 24, 2017, we announced that an affiliate of Zhonghong Zhuoye Group Co., Ltd. (“ZHG Group”) entered into an agreement to acquire approximately 21% of the outstanding shares of common stock of the Company (the “Sale”) from affiliates of The Blackstone Group L.P. (“Seller”), pursuant to a Stock Purchase Agreement between ZHG and Seller (the “Stock Purchase Agreement”). The Sale closed on May 8, 2017. Also on March 24, 2017, we entered into a Park Exclusivity and Concept Design Agreement (the “ECDA”) and a Center Concept & Preliminary Design Support Agreement (the “CDSA”) with Zhonghong Holding, an affiliate of ZHG Group, to provide design, support and advisory services for various potential projects and granting exclusive rights in China, Taiwan, Hong Kong and Macau (the “Territory”). Under the terms of the ECDA, we will work with Zhonghong Holding and a top theme park design company, to create and produce concept designs and development analysis for theme parks, water parks and interactive parks in the Territory. Under the terms of the CDSA, we will provide guidance, support, input, and expertise relating to the initial strategic planning, concept and preliminary design of Zhonghong Holding’s family entertainment and other similar centers.

For a discussion of certain risks associated with our international development strategy, 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, and in Part II, Item 1A. “Risk Factors” in this report.

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 only open for a portion of the year. Approximately two-thirds of our attendance and revenues are generated in the second and third quarters of the year and we typically incur a net loss in the first and fourth quarters. The percent mix of revenues by quarter is relatively constant each year, but revenues can shift between the first and second quarters due to the timing of Easter and spring break holidays or between the first and fourth quarters due to the timing of Christmas and New Year. 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 food and concert series, and Halloween and Christmas events. In addition, during seasonally slow times, operating costs are controlled by reducing operating hours and show schedules. Employment levels required for peak operations are met largely through part-time and seasonal hiring.
**Principal Factors Affecting Our Results of Operations**

**Revenues**

Our revenues are driven primarily by attendance in our theme parks and the level of per capita spending for admission to the theme parks and per capita spending inside the theme parks for culinary, merchandise and other in-park experiences. The level of attendance in our theme parks is a function of many factors, including the opening of new attractions and shows, competitive offerings, weather, fluctuations in foreign exchange rates and global and regional economic conditions, travel patterns of both our U.S. domestic and international guests, consumer confidence and other factors beyond our control, including the potential spread of contagious diseases. 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, U.S. 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, and in Part II, Item 1A. “Risk Factors” in this report.

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, and in Part II, Item 1A. “Risk Factors” in this report.

As of June 30, 2017, due to financial performance particularly late in the second quarter of 2017 at our SeaWorld Orlando park which was driven primarily by a decline in U.S. domestic and international attendance at that park, we determined a triggering event had occurred that required an interim goodwill impairment test for our SeaWorld Orlando reporting unit. Based on the results of the interim goodwill impairment test as of June 30, 2017, we determined that the SeaWorld Orlando reporting unit’s goodwill was fully impaired and recorded a non-cash goodwill impairment charge of $269.3 million in our unaudited condensed consolidated statement of comprehensive (loss) income during the three months ended June 30, 2017. See Note 1–Description of the Business and Basis of Presentation to our unaudited condensed consolidated financial statements.

Following a fundamental review of our cost structure, in 2016, we announced a comprehensive cost optimization program that was expected to reduce costs by approximately $65.0 million, with a targeted $40.0 million in net savings by the end of 2018. As part of this program, in December 2016, we committed to and implemented a restructuring program in an effort to reduce costs, increase efficiencies, reduce duplication of functions and improve operations (the “2016 Restructuring Program”). The 2016 Restructuring Program involved the elimination of approximately 320 positions by the end of the fourth quarter of fiscal year 2016 across our theme parks and our headquarters. See Note 13–Restructuring Program to our unaudited condensed consolidated financial statements.

While our cost optimization efforts for the first half of the year have been meaningful and we are on schedule to achieve our targeted $40.0 million in net cost savings by the end of 2018, given our current financial performance, we are actively engaged in identifying an additional $25.0 million in cost savings opportunities.

During the six months ended June 30, 2017, we recognized $8.4 million of equity compensation expense related to certain performance-vesting restricted shares (the “2.75x Performance Restricted shares”) which partially vested on May 8, 2017 with the closing of the Sale. During the six months ended June 30, 2016, we recognized $27.5 million of equity compensation expense related to certain performance-vesting restricted shares (the “2.25x Performance Restricted shares”) which vested in April 2016. See Note 11–Equity-Based Compensation in our notes to the unaudited condensed consolidated financial statements.
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 half 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 (loss) income 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.

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, 2017 and 2016. 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, 2017 and 2016

The following table presents key operating and financial information for the three months ended June 30, 2017 and 2016:

<table>
<thead>
<tr>
<th>Summary Financial Data:</th>
<th>For the Three Months Ended June 30,</th>
<th>Variance</th>
<th>$</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net revenues:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Admissions</td>
<td>$224,951</td>
<td>$223,979</td>
<td>$972</td>
<td>0.4%</td>
</tr>
<tr>
<td>Food, merchandise and other</td>
<td>148,799</td>
<td>147,157</td>
<td>1,642</td>
<td>1.1%</td>
</tr>
<tr>
<td>Total revenues</td>
<td>373,750</td>
<td>371,136</td>
<td>2,614</td>
<td>0.7%</td>
</tr>
<tr>
<td><strong>Costs and expenses:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost of food, merchandise and other revenues</td>
<td>29,061</td>
<td>28,913</td>
<td>148</td>
<td>0.5%</td>
</tr>
<tr>
<td>Operating expenses (exclusive of depreciation and amortization shown separately below and includes equity compensation of $3,918 and $526 for the three months ended June 30, 2017 and 2016, respectively)</td>
<td>189,269</td>
<td>191,433</td>
<td>(2,164)</td>
<td>(1.1%)</td>
</tr>
<tr>
<td>Selling, general and administrative (includes equity compensation of $7,988 and $1,935 for the three months ended June 30, 2017 and 2016, respectively)</td>
<td>69,152</td>
<td>72,032</td>
<td>(2,880)</td>
<td>(4.0%)</td>
</tr>
<tr>
<td>Goodwill impairment charges</td>
<td>269,332</td>
<td>—</td>
<td>269,332</td>
<td>ND</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>39,500</td>
<td>33,086</td>
<td>6,414</td>
<td>30.0%</td>
</tr>
<tr>
<td>Total costs and expenses</td>
<td>596,314</td>
<td>333,086</td>
<td>263,228</td>
<td>79.0%</td>
</tr>
<tr>
<td>Operating (loss) income</td>
<td>(222,564)</td>
<td>38,050</td>
<td>(260,614)</td>
<td>NM</td>
</tr>
<tr>
<td>Other expense, net</td>
<td>83</td>
<td>118</td>
<td>(35)</td>
<td>(29.7%)</td>
</tr>
<tr>
<td>Interest expense</td>
<td>19,452</td>
<td>14,579</td>
<td>4,873</td>
<td>33.4%</td>
</tr>
<tr>
<td>Loss on early extinguishment of debt and write-off of discounts and debt issuance costs</td>
<td>123</td>
<td>—</td>
<td>123</td>
<td>ND</td>
</tr>
<tr>
<td>(Loss) income before income taxes</td>
<td>(242,222)</td>
<td>23,353</td>
<td>(265,575)</td>
<td>NM</td>
</tr>
<tr>
<td>(Benefit from) provision for income taxes</td>
<td>(66,372)</td>
<td>5,585</td>
<td>(71,957)</td>
<td>NM</td>
</tr>
<tr>
<td><strong>Net (loss) income</strong></td>
<td>$ (175,850)</td>
<td>$17,768</td>
<td>$ (193,618)</td>
<td>NM</td>
</tr>
<tr>
<td><strong>Other data:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Attendance</td>
<td>6,122</td>
<td>5,984</td>
<td>138</td>
<td>2.3%</td>
</tr>
<tr>
<td>Total revenue per capita</td>
<td>$61.05</td>
<td>$62.02</td>
<td>$ (0.97)</td>
<td>(1.6%)</td>
</tr>
</tbody>
</table>
Admissions revenue. Admissions revenue for the three months ended June 30, 2017 increased $1.0 million, or 0.4%, to $225.0 million as compared to $224.0 million for the three months ended June 30, 2016. The increase in admissions revenue was primarily a result of a decrease in attendance for the second quarter of 2017 compared to the second quarter of 2016, primarily as a result of targeted cost savings.

Food, merchandise and other revenue. Food, merchandise and other revenue for the three months ended June 30, 2017 increased $1.6 million, or 1.1%, to $148.8 million as compared to $147.2 million for the three months ended June 30, 2016. The increase relates to an increase in the unit price of merchandise and the Easter shift, and was slightly offset by a decline in in-park per capita spending. In-park per capita spending declined slightly by 1.2% to $24.31 in the second quarter of 2017 compared to $24.59 in the second quarter of 2016.

Cost of food, merchandise and other revenues. Costs of food, merchandise and other revenues for the three months ended June 30, 2017 increased slightly by $0.1 million, or 0.5%, to $29.1 million as compared to $28.9 million for the three months ended June 30, 2016. These costs represent 19.5% and 19.6% of the related revenue earned for the three months ended June 30, 2017 and 2016, respectively.

Operating expenses. Operating expenses for the three months ended June 30, 2017 decreased $2.2 million, or 1.1%, to $189.3 million as compared to $191.4 million for the three months ended June 30, 2016. The decrease primarily relates to a decline in direct labor costs partly related to cost savings initiatives which included a reduction in headcount resulting from the 2016 Restructuring Program somewhat offset by an increase in equity compensation expense largely related to the 2.75x Performance Restricted shares which partially vested on May 8, 2017 (see Note 11–Equity-Based Compensation in our notes to the unaudited condensed consolidated financial statements for further details). Operating expenses were 50.6% of total revenues for the three months ended June 30, 2017 compared to 51.6% for the three months ended June 30, 2016.

Selling, general and administrative. Selling, general and administrative expenses for the three months ended June 30, 2017 decreased $2.9 million, or 4.0%, to $69.2 million as compared to $72.0 million for the three months ended June 30, 2016. The decline primarily relates to a decrease of approximately $8.0 million in marketing costs due to a reduction in reputation and national media campaigns, reduced barter expense and reduced labor and benefit costs. These factors were partially offset by an increase of $6.1 million in equity compensation expense and an increase in other professional expenses primarily related to legal costs. The increase in equity compensation expense largely related to the 2.75x Performance Restricted shares which partially vested on May 8, 2017 (see Note 11–Equity-Based Compensation in our notes to the unaudited condensed consolidated financial statements for further details). As a percentage of total revenue, selling, general and administrative expenses were 18.5% in the three months ended June 30, 2017 compared to 19.4% in the three months ended June 30, 2016 primarily as a result of targeted cost savings.

Goodwill impairment charges. Goodwill impairment charges for the three months ended June 30, 2017 relates to the full impairment of the goodwill related to our SeaWorld Orlando reporting unit. As of June 30, 2017, due to financial performance particularly late in the second quarter of 2017 which was driven primarily by a decline in U.S. domestic and international attendance in the Orlando market, we determined a triggering event had occurred that required an interim goodwill impairment test for our SeaWorld Orlando reporting unit. See Note 1 –Description of the Business and Basis of Presentation in our notes to the unaudited condensed consolidated financial statements.

Depreciation and amortization. Depreciation and amortization expense for the three months ended June 30, 2017 decreased $1.2 million, or 3.0%, to $39.5 million as compared to $40.7 million for the three months ended June 30, 2016. The decrease in depreciation and amortization expense is primarily a result of the impact of asset retirements and fully depreciated assets, partially offset by new asset additions.

Interest expense. Interest expense for the three months ended June 30, 2017 increased $4.9 million, or 33.4%, to $19.5 million as compared to $14.6 million for the three months ended June 30, 2016. The increase primarily relates to the impact of interest rate swap agreements which became effective in September of 2016. These interest rate swap agreements effectively fixed the interest rate at 2.45% on $1.0 billion of variable-rate long-term debt.
Loss on early extinguishment of debt and write-off of discounts and debt issuance costs. Loss on early extinguishment of debt and write-off of discounts and debt issuance costs of $ 0.1 million for the three months ended June 30, 2017 primarily relates to a write-off of discounts and debt issuance costs resulting from a voluntary prepayment of debt. See Note 6–Long-Term Debt in our notes to the unaudited condensed consolidated financial statements and the “Our Indebtedness” section which follows for further details.

Benefit from income taxes. The benefit from income taxes in the three months ended June 30, 2017 was $66.4 million compared to a provision for income taxes of $5.6 million for the three months ended June 30, 2016. The change primarily resulted from a significant decrease in pretax income in the second quarter of 2017, due primarily to the goodwill impairment charge. Our consolidated effective tax rate was 27.4% for the three months ended June 30, 2017 compared to 23.9% for the three months ended June 30, 2016. The estimated annual effective tax rate increased due to a significant decrease in projected annual pretax income year over year, changes in permanent items primarily related to nondeductible goodwill impairment and equity-based compensation and changes in projected annual state tax expense.

Comparison of the Six Months Ended June 30, 2017 and 2016

The following table presents key operating and financial information for the six months ended June 30, 2017 and 2016:

<table>
<thead>
<tr>
<th>For the Six Months Ended</th>
<th>June 30,</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2017</td>
<td>2016</td>
</tr>
<tr>
<td><strong>Summary Financial Data:</strong> (In thousands, except per capita data and %)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Net revenues:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Admissions</td>
<td>$ 340,040</td>
<td>$ 360,905</td>
</tr>
<tr>
<td>Food, merchandise and other</td>
<td>$ 220,067</td>
<td>$ 230,472</td>
</tr>
<tr>
<td>Total revenues</td>
<td>$ 560,107</td>
<td>$ 591,377</td>
</tr>
<tr>
<td><strong>Costs and expenses:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost of food, merchandise and other revenues</td>
<td>43,544</td>
<td>45,914</td>
</tr>
<tr>
<td>Operating expenses (exclusive of depreciation and amortization shown separately below and includes equity compensation of $4,854 and $9,866 for the six months ended June 30, 2017 and 2016, respectively)</td>
<td>34,593</td>
<td>37,126</td>
</tr>
<tr>
<td>Selling, general and administrative (includes equity compensation of $11,166 and $22,185 for the six months ended June 30, 2017 and 2016, respectively)</td>
<td>121,570</td>
<td>139,386</td>
</tr>
<tr>
<td>Goodwill impairment charges</td>
<td>269,332</td>
<td>—</td>
</tr>
<tr>
<td>Restructuring and other related costs</td>
<td>—</td>
<td>112</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>78,367</td>
<td>115,756</td>
</tr>
<tr>
<td>Total costs and expenses</td>
<td>859,406</td>
<td>672,894</td>
</tr>
<tr>
<td>Operating loss</td>
<td>(299,299)</td>
<td>(81,517)</td>
</tr>
<tr>
<td>Other income, net</td>
<td>(3)</td>
<td>(24)</td>
</tr>
<tr>
<td>Interest expense</td>
<td>37,713</td>
<td>29,160</td>
</tr>
<tr>
<td>Loss on early extinguishment of debt and write-off of discounts and debt issuance costs</td>
<td>8,143</td>
<td>—</td>
</tr>
<tr>
<td>Loss before income taxes</td>
<td>(345,152)</td>
<td>(110,653)</td>
</tr>
<tr>
<td>Benefit from income taxes</td>
<td>(108,173)</td>
<td>(44,372)</td>
</tr>
<tr>
<td><strong>Net loss</strong></td>
<td>$ (236,979)</td>
<td>$ (66,281)</td>
</tr>
<tr>
<td><strong>Other data:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Attendance</td>
<td>8,928</td>
<td>9,281</td>
</tr>
<tr>
<td>Total revenue per capita</td>
<td>$ 62.74</td>
<td>$ 63.72</td>
</tr>
</tbody>
</table>

ND-Not Determinable.
NM-Not Meaningful.
Admissions revenue. Admissions revenue for the six months ended June 30, 2017 decreased $20.9 million, or 5.8%, to $340.0 million as compared to $360.9 million for the six months ended June 30, 2016. The decrease in admissions revenue was primarily a result of a decline in attendance of 3.8%, along with a decrease of 2.1% in admissions per capita when compared to the first six months of 2016. Total attendance for the first half of 2017 declined by approximately 353,000 guests compared to the first half of 2016. Attendance was primarily impacted by a decrease in U.S. domestic and international attendance, which was largely concentrated at our SeaWorld parks in Orlando and San Diego. In addition, SeaWorld San Diego was further impacted by a decline in attendance from the Southern California market. These factors were partially offset by improved attendance from guests within a 300 mile radius for our Orlando, Tampa and San Antonio markets which we believe is due to the success of our new attractions and favorable weather when compared to the prior year period. We believe the decline in U.S. domestic attendance, particularly in Orlando, results primarily from the combined impact of reduced national advertising and competitive pressures along with our reduced spend on a national marketing campaign. We believe the decline in attendance at our SeaWorld San Diego park partly results from public perception issues which have resurfaced since we have reduced marketing spend on our reputation campaign. Admission per capita decreased by 2.1% to $38.09 in the six months ended June 30, 2017 compared to $38.89 in the six months ended June 30, 2016. The decrease primarily results from a decline in U.S. domestic and international attendance, increased utilization of season pass products and associated free promotion of ticket offerings and the park attendance mix when compared to the first half of 2016. These factors were partially offset by price increases in our admission products.

Food, merchandise and other revenue. Food, merchandise and other revenue for the six months ended June 30, 2017 decreased $10.4 million, or 4.5%, to $220.1 million as compared to $230.5 million for the six months ended June 30, 2016. This decrease results from the decline in attendance and, to a lesser extent, a 0.7% decrease in in-park per capita spending to $24.65 in the six months ended June 30, 2017 compared to $24.83 in the six months ended June 30, 2016. In-park per capita spending decreased primarily due to the decline in U.S. domestic and international attendance.

Costs of food, merchandise and other revenues. Costs of food, merchandise and other revenues for the six months ended June 30, 2017 decreased $2.4 million, or 5.2%, to $43.5 million as compared to $45.9 million for the six months ended June 30, 2016. These costs represent 19.8% and 19.9% of the related revenue earned for the six months ended June 30, 2017 and 2016, respectively.

Selling, general and administrative. Selling, general and administrative expenses for the six months ended June 30, 2017 decreased $17.8 million, or 12.8%, to $121.6 million as compared to $139.4 million for the six months ended June 30, 2016. The decrease primarily relates to a decline in equity compensation expense of $11.0 million along with a decrease of approximately $6.0 million in marketing costs due to a reduction in reputation and national media campaigns. The decline in equity compensation expense largely relates to $18.5 million of incremental expense in the first quarter of 2016 associated with the 2.25x Performance Restricted shares which partially vested on April 1, 2016 compared to incremental equity compensation expense recorded in the second quarter of 2017 of $2.8 million associated with the 2.75x Performance Restricted shares which partially vested on May 8, 2017 (see Note 11–Equity-Based Compensation in our notes to the unaudited condensed consolidated financial statements). The prior year period also included $6.4 million in asset write-offs associated with the canceled Blue World Project (see Note 1—Description of the Business and Basis of Presentation in our notes to the unaudited condensed consolidated financial statements). Operating expenses were 61.9% of total revenues for the six months ended June 30, 2017 compared to 62.9% for the six months ended June 30, 2016.

Goodwill impairment charges. Goodwill impairment charges for the six months ended June 30, 2017 relates to the full impairment of the goodwill related to our SeaWorld Orlando reporting unit. As of June 30, 2017, due to financial performance particularly late in the second quarter of 2017 which was driven primarily by a decline in U.S. domestic and international attendance in the Orlando market, we determined a triggering event had occurred that required an interim goodwill impairment test for our SeaWorld Orlando reporting unit. See Note 1—Description of the Business and Basis of Presentation in our notes to the unaudited condensed consolidated financial statements for further details.

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. During the six months ended June 30, 2017, there were no additional restructuring and other related costs associated with the 2016 Restructuring Program.

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Debt and amortization. Depreciation and amortization expense for the six months ended June 30, 2017 decreased $37.4 million, or 32.3%, to $78.4 million, as compared to $115.8 million for the six months ended June 30, 2016. The decrease is primarily related to $33.7 million in accelerated depreciation incurred in the first half of 2016 due to the disposal of deep-water lifting floors from our orca habitats (see Note 1—Description of the Business and Basis of Presentation in our notes to the unaudited condensed consolidated financial statements for further details). The remaining decrease relates to the impact of asset retirements and fully depreciated assets, partially offset by new asset additions.

Interest expense. Interest expense for the six months ended June 30, 2017 increased $8.6 million, or 29.3%, to $37.7 million as compared to $29.2 million for the six months ended June 30, 2016. The increase primarily relates to the impact of interest rate swap agreements which became effective in September of 2016. These interest rate swap agreements effectively fixed the interest rate at 2.45% on $1.0 billion of variable-rate long-term debt.

Loss on early extinguishment of debt and write-off of discounts and debt issuance costs. Loss on early extinguishment of debt and write-off of discounts and debt issuance costs of $8.1 million for the six months ended June 30, 2017 primarily relates to a write-off of discounts and debt issuance costs resulting from Amendment 8 to our Senior Secured Credit Facilities entered into on March 31, 2017. See Note 6—Long-Term Debt in our notes to the unaudited condensed consolidated financial statements and the “Our Indebtedness” section which follows for further details.

Benefit from income taxes. The benefit from income taxes in the six months ended June 30, 2017 was $108.2 million compared to a benefit of $44.4 million for the six months ended June 30, 2016. The change primarily resulted from a higher pretax loss in the first six months of 2017 compared to the first six months of 2016 as well as an increase in the estimated annual effective tax rate. Our consolidated effective tax rate was 31.3% for the six months ended June 30, 2017 compared to 40.1% for the six months ended June 30, 2016. The estimated annual effective tax rate decreased due to a significant decrease in projected annual pretax income year over year, primarily due to the goodwill impairment charge, partially offset by a decrease in permanent items primarily related to non-deductible goodwill impairment and equity-based compensation and a decrease in projected annual state tax expense.

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, 2017, we had a working capital deficit of approximately $225.7 million. Partially as a result of the seasonal nature of our business, 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 ZHG Group 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
Prior to September 2016, the Board had a policy to pay, subject to legally available funds, a regular quarterly dividend. The payment and timing of cash dividends was within the discretion of the Board and depended on many factors, including, but not limited to, our results of operations, financial condition, level of indebtedness, capital requirements, contractual restrictions, restrictions in our debt agreements and in any preferred stock, business prospects and other factors that the Board deemed relevant. In September 2016, the Board suspended the Company’s quarterly dividend policy to allow greater flexibility to deploy capital to opportunities that offer the greatest long-term returns to shareholders such as, but not limited to, share repurchases, investments in new attractions or debt repayments.
During the six months ended June 30, 2017, accumulated cash dividends of $1.5 million related to previous dividend declarations were paid to certain equity plan participants upon vesting of restricted shares, including approximately $1.3 million related to certain performance-vesting restricted shares (the “2.75x Performance Restricted shares”) which vested upon the closing of the Sale on May 8, 2017. The Company expects that for tax purposes, all of these dividends 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.

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, 2017. There were no share repurchases during the three and six months ended June 30, 2017 and 2016. See Note 12–Stockholders’ Equity in our notes to the unaudited condensed consolidated financial statements for further details.

**Other**

As of June 30, 2017, the Company has five interest rate swap agreements (“the Interest Rate Swap Agreements”) which effectively fix the interest rate on the three month LIBOR-indexed interest payments associated with $1.0 billion of SEA’s outstanding long-term debt. The Interest Rate Swap Agreements became effective on September 30, 2016; have a total notional amount of $1.0 billion; and mature on May 14, 2020. See Note 6 – Long-Term Debt and Note 7 – Derivative Instruments and Hedging Activities to our unaudited condensed consolidated financial statements for further details.

We believe that existing cash and cash equivalents, cash flow from operations, and available borrowings under our revolving credit facility will be adequate to meet the capital expenditures 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:

<table>
<thead>
<tr>
<th>For the Six Months Ended June 30, 2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net cash provided by operating activities</td>
<td>$88,303</td>
</tr>
<tr>
<td>Net cash used in investing activities</td>
<td>$103,975</td>
</tr>
<tr>
<td>Net (used in) provided by financing activities</td>
<td>$(19,452)</td>
</tr>
<tr>
<td>Net (decrease) increase in cash and cash equivalents</td>
<td>$(35,124)</td>
</tr>
</tbody>
</table>

**Cash Flows from Operating Activities**

Net cash provided by operating activities was $88.3 million during the six months ended June 30, 2017 as compared to $111.7 million during the six months ended June 30, 2016. The change in net cash provided by operating activities was primarily impacted by a decline in operating performance.

**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, 2017 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, 2016 consisted primarily of $103.2 million of capital expenditures largely related to attractions that opened in later in 2016.

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 capital expenditures through our operating cash flow.

**Cash Flows from Financing Activities**

Net cash used in financing activities during the six months ended June 30, 2017 results primarily from net repayments on long-term debt of $16.8 million, $15.4 million of debt issuance costs paid in connection with Amendment No. 8 to our Senior Secured Credit Facilities, as defined below and $1.5 million in cash dividends paid, partially offset by net draws of $15.6 million on our revolving credit facility. See Note 6–Long-term Debt in our notes to the unaudited condensed consolidated financial statements for further details.

Net cash used in 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.

**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. On March 31, 2017, SEA entered into a refinancing amendment, Amendment No. 8 (the “Amendment”), to the existing Senior Secured Credit Facilities.

In connection with the Amendment, SEA borrowed $998.3 million of additional term loans (the “Term B-5 Loans”) of which the proceeds, along with cash on hand, were used to redeem all of the then outstanding principal of the Term B-3 Loans, with a principal amount equal to $244.7 million, and a portion of the then outstanding principal of the Term B-2 Loans, with a principal amount equal to $753.6 million, and pay other fees, costs and expenses in connection with the Amendment and related transactions. Additionally, pursuant to the Amendment, SEA terminated the existing revolving credit commitments (the “Terminated Revolving Credit Facility”) and replaced them with a new tranche with an aggregate commitment amount of $210.0 million (the “New Revolving Credit Facility”). In connection with the Amendment, SEA recorded discounts and debt issuance costs of approximately $5.0 million. Additionally, SEA wrote-off debt issuance costs of approximately $8.0 million, which is included in the accompanying unaudited condensed consolidated statements of comprehensive (loss) income as loss on extinguishment of debt and write-off of discounts and debt issuances costs during the six months ended June 30, 2017. Such loss on early extinguishment of debt and write-off of discounts and debt issuance costs also includes approximately $0.1 million related to a write-off of discount and debt issuance costs resulting from a voluntary prepayment of debt during the six months ended June 30, 2017.

As of June 30, 2017, our Senior Secured Credit Facilities consisted of $561.1 million in Term B-2 Loans which will mature on May 14, 2020 and $995.8 million in Term B-5 Loans which will mature on March 31, 2024 along with a $210.0 million senior secured New Revolving Credit Facility, of which $40.0 million was outstanding as of June 30, 2017. The New Revolving Credit Facility will mature on the earlier of (a) March 31, 2022 and (b) the 91st day prior to the earlier of (1) the maturity of the Term B-2 Loans with an aggregate principal amount greater than $50.0 million and (2) the maturity date of any indebtedness incurred to refinance the Term B-2 Loans with an aggregate principal amount greater than $50.0 million. Subsequent to June 30, 2017, SEA repaid $40.0 million on the New Revolving Credit Facility. As of June 30, 2017, SEA had approximately $19.0 million of outstanding letters of credit, leaving approximately $151.0 million available for borrowing.

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 provides for certain events of default which, if any of them were to occur, would permit or require the principal of and accrued interest, if any, on the 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 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 defines “Adjusted EBITDA” as net income before interest expense, income tax expense, 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 is consistent with our reported Adjusted EBITDA.

On March 31, 2017, the Amendment amended the definition of Adjusted EBITDA to (i) increase the cap on add-backs to Adjusted EBITDA for severance costs and other restructuring charges from $10.0 million in any period of four consecutive fiscal quarters to $15.0 million in any fiscal year and (ii) remove the $30.0 million aggregate cap for add-backs to Adjusted EBITDA for cost savings and other synergies in connection with initiatives that do not result from acquisitions or dispositions.

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, 2017, the Total Leverage Ratio as calculated under the Senior Secured Credit Facilities was 4.77 to 1.00, which results in a $90.0 million capacity for restricted payments in the year ending December 31, 2017. The amount available for 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, 2017, we were in compliance with all covenants in the credit agreement governing the Senior Secured Credit Facilities. Our ability to comply with these and other provisions of our existing debt agreements is dependent on our future performance, which is subject to many factors, some of which are beyond our control. The breach of any of these covenants or non-compliance with any of the financial ratios and tests could result in an event of default under our existing debt agreements, which, if not cured or waived, could result in acceleration of the related debt and the acceleration of debt under other instruments evidencing indebtedness that may contain cross-acceleration or cross-default provisions.

**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, financial analysts and rating agencies have historically used EBITDA related measures in our industry, along with other measures, to estimate the value of a company, to make informed investment decisions and to evaluate companies in the industry. In addition, 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 a material component of these covenants.

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. 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 (loss) income for the periods indicated:

### SEAWORLD ENTERTAINMENT, INC. AND SUBSIDIARIES

**UNAUDITED RECONCILIATION OF NON-GAAP FINANCIAL MEASURES**

<table>
<thead>
<tr>
<th></th>
<th>For the Three Months Ended June 30, 2017 (Unaudited, in thousands)</th>
<th>For the Six Months Ended June 30, 2017 (Unaudited, in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net (loss) income</td>
<td>$175,850</td>
<td>$ (236,979)</td>
</tr>
<tr>
<td>(Benefit from) provision for income taxes</td>
<td>$5,585</td>
<td>$108,173</td>
</tr>
<tr>
<td>Loss on early extinguishment of debt and write-off of discounts and debt issuance costs (a)</td>
<td>123</td>
<td>8,143</td>
</tr>
<tr>
<td>Interest expense</td>
<td>$19,452</td>
<td>$37,713</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>$39,500</td>
<td>$78,367</td>
</tr>
<tr>
<td>Goodwill impairment charges (b)</td>
<td>$269,332</td>
<td>—</td>
</tr>
<tr>
<td>Equity-based compensation expense (c)</td>
<td>$11,906</td>
<td>$16,020</td>
</tr>
<tr>
<td>Other non-cash expenses (d)</td>
<td>$696</td>
<td>$913</td>
</tr>
<tr>
<td>Other business optimization costs (e)</td>
<td>$985</td>
<td>$3,102</td>
</tr>
<tr>
<td>Other adjusting items (f)</td>
<td>$2,337</td>
<td>$3,308</td>
</tr>
<tr>
<td>Other items (g)</td>
<td>$2,112</td>
<td>$2,112</td>
</tr>
<tr>
<td><strong>Adjusted EBITDA</strong></td>
<td><strong>$104,221</strong></td>
<td><strong>$73,858</strong></td>
</tr>
</tbody>
</table>

(a) Reflects primarily the write-off of $8.0 million in debt issuance costs incurred on the Term B-5 Loans during the six months ended June 30, 2017. See Note 6–Long-Term Debt in our notes to the unaudited condensed consolidated financial statements for further details.

(b) Reflects non-cash goodwill impairment charges incurred in the three and six months ended June 30, 2017 related to the full impairment of goodwill for our SeaWorld Orlando reporting unit. As of June 30, 2017, due to financial performance particularly late in the second quarter of 2017, driven primarily by a decline in U.S. domestic and international attendance in the Orlando market, we determined a triggering event had occurred that required an interim goodwill impairment test for our SeaWorld Orlando reporting unit. See Note 1–Description of the Business and Basis of Presentation in our notes to the unaudited condensed consolidated financial statements.

(c) Reflects non-cash equity compensation expenses associated with the grants of equity compensation. For the three and six months ended June 30, 2017, includes $8.4 million associated with the 2.75x Performance Restricted shares, a portion of which vested upon closing of the Sale on May 8, 2017 (see Note 11–Equity-Based Compensation in our notes to the unaudited condensed consolidated financial statements for further details). For the six months ended June 30, 2016, includes $27.5 million incurred in the first quarter of 2016 associated with the 2.25x Performance Restricted shares, which vested on April 1, 2016.

(d) Reflects non-cash expenses related to miscellaneous asset write-offs, including $6.4 million in the first quarter of 2016 associated with the Blue World Project, and non-cash losses on derivatives.

(e) Reflects business optimization and other strategic initiative costs primarily composed of $1.0 million and $2.7 million of third party consulting costs incurred in the three and six months ended June 30, 2017, respectively and $1.0 million and $1.5 million in the three and six months ended June 30, 2016, respectively. Also, as a result of changes to our Adjusted EBITDA covenant calculations from Amendment No. 8 to our Senior Secured Credit Facilities, for the six months ended June 30, 2017, includes a net $0.4 million of separation costs for certain positions eliminated not related to a formal restructuring program or cost saving initiative. For the six months ended June 30, 2016, also 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.

(f) Reflects costs incurred of $2.2 million and $3.2 million related to product and intellectual property development costs for the three and six months ended June 30, 2017, respectively, and approximately $0.1 million of state franchise taxes paid in the three and six months ended June 30, 2017. 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.

(g) Reflects the impact of certain items which we are permitted to exclude under the credit agreement governing our Senior Secured Credit Facilities due to the unusual nature of the items. The credit agreement allows these items to be excluded on an after-tax basis only, and accordingly, these items are presented net of related taxes of approximately $1.3 million in the three and six months ended June 30, 2017 and $0.1 million in the three and six months ended June 30, 2016.
Contractual Obligations

There have been no material changes to our contractual obligations from those previously disclosed in our Annual Report on Form 10-K other than the long-term debt, interest obligations and other contractual obligations pursuant to Amendment No. 8 to our Senior Secured Credit Facilities entered into on March 31, 2017. As a result of these changes, our long-term debt obligations as of June 30, 2017, not including any possible prepayments are as follows for the less than one year, 1-3 year, and 3-5 year periods, and over 5 years, respectively (in thousands): $63,707; $567,331; $19,966; and $945,895. Our estimated future interest payments for our Senior Secured Credit Facilities based on interest rates in effect at June 30, 2017 are as follows for the less than one year, 1-3 year, 3-5 year periods, and over 5 years, respectively (in thousands): $59,549; $99,771; $57,428; and $49,266. Interest obligations also include letter of credit and commitment fees for the used and unused portions of our New Revolving Credit Facility. See Note 6-Long-Term Debt to our unaudited condensed consolidated financial statements therein for further discussion.

In connection with the License Agreement, the Company has also committed to the following: (i) opening a new Sesame Place theme park no later than mid-2021 in a location to be determined within the Territory; (ii) building a new Sesame Land in SeaWorld Orlando by fall 2022; (iii) investing in minimum annual capital and marketing thresholds; and (iv) providing support for agreed upon sponsorship and charitable initiatives, including Sesame’s annual gala event. As a result, obligations as of June 30, 2017 related to this agreement, are estimated to be the following for the less than one year, 1-3 year, and 3-5 year periods, and over 5 years, respectively (in thousands): $10,000; $50,000; $50,000; and $20,000. Refer to Note 10-Commitments and Contingencies in our notes to the unaudited condensed consolidated financial statements for further details.

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 March 1, 2017, except as noted below.

Goodwill and Other Indefinite-Lived Intangible Assets

Goodwill and other indefinite-lived intangible assets are reviewed for impairment annually, and as of an interim date should factors or indicators become apparent that would require an interim test, for ongoing recoverability based on applicable reporting unit performance and consideration of significant events or changes in the overall business environment or macroeconomic conditions. Such events or changes in the overall business environment could include, but are not limited to, significant negative trends or unanticipated changes in the competitive or macroeconomic environment.

In assessing goodwill for impairment, we may choose to initially evaluate qualitative factors to determine if it is more likely than not that the fair value of a reporting unit is less than its carrying amount. We consider several factors, including macroeconomic conditions, industry and market conditions, overall financial performance of the reporting unit, changes in management, strategy or customers, and relevant reporting unit specific events such as a change in the carrying amount of net assets, a more-likely-than-not expectation of selling or disposing all, or a portion, of a reporting unit, and the testing of recoverability of a significant asset group within a reporting unit. If the qualitative assessment is not conclusive, then a quantitative impairment analysis for goodwill is performed at the reporting unit level. We may also choose to perform this quantitative impairment analysis instead of the qualitative analysis. The quantitative impairment analysis compares the fair value of the reporting unit, determined using the income and market approach, to its recorded amount. If the recorded amount exceeds the fair value, then a goodwill impairment charge is recorded for the difference up to the recorded amount of goodwill.

Significant judgments required in this testing process may include projecting future cash flows, determining appropriate discount rates and other assumptions. Projections are based on management’s best estimates given recent financial performance, market trends, strategic plans and other available information which in recent years have been materially accurate. Although not currently anticipated, changes in these estimates and assumptions could materially affect the determination of fair value or impairment. It is possible that our assumptions about future performance, as well as the economic outlook and related conclusions regarding the valuation of our assets, could change adversely, which may result in impairment that would have a material effect on our financial position and results of operations in future periods.
Interim Impairment Test — As of June 30, 2017, due to financial performance particularly late in the second quarter of 2017 at our SeaWorld Orlando park, driven primarily by a decline in U.S. domestic and international attendance at the park, we determined a triggering event occurred that required an interim goodwill impairment test for our SeaWorld Orlando reporting unit, which has goodwill recorded of $269.3 million. Based on the results of the interim goodwill impairment test as of June 30, 2017, we determined that the SeaWorld Orlando reporting unit goodwill was fully impaired. A key assumption utilized in the goodwill analysis was a weighted average cost of capital of 9%.

Our other indefinite-lived intangible assets consist of certain trade names/trademarks and other intangible assets which, after considering legal, regulatory, contractual, and other competitive and economic factors, are determined to have indefinite lives and are valued annually using the relief from royalty method. Significant estimates required in this valuation method include estimated future revenues impacted by the trade names/trademarks, royalty rate by park, and appropriate discount rates. Projections are based on management’s best estimates given recent financial performance, market trends, strategic plans, brand awareness, operating characteristics by park, and other available information which in recent years have been materially accurate. Changes in these estimates and assumptions could materially affect the fair value determination used in the assessment of impairment. As of June 30, 2017, based on recent financial performance, an interim impairment assessment of certain trade names/trademarks related to the SeaWorld brand was performed. Based on these assessments, there was no impairment as the estimated fair value of trade names/trademarks exceeded their carrying values by 12% to 19%. Key assumptions utilized in the analysis were a discount rate of 11.0% and an estimated royalty rate of 3%.

Impairment of Long-Lived Assets

All long-lived assets, including property and equipment and finite-lived intangible assets, are reviewed for impairment upon the occurrence of events or changes in circumstances that would indicate that the carrying value of the assets may not be recoverable. Assets are grouped and tested at the lowest level for which identifiable, independent cash flows are available.

The impairment indicators considered important that may trigger an impairment review, if significant, include the following:

- underperformance relative to historical or projected future operating results;
- changes in the manner of use, sale or disposal of assets;
- decreases in the market value of assets;
- adverse change in legal factors or business climate; and
- other macroeconomic conditions.

An impairment loss may be recognized when estimated undiscounted future cash flows expected to result from the use of the asset, including disposition, are less than the carrying value of the asset. The measurement of the impairment loss to be recognized is based upon the difference between the fair value and the carrying amounts of the assets. Fair value is generally determined based upon a discounted cash flow analysis. In order to determine if an asset has been impaired, the determination of both undiscounted and discounted future cash flows requires management to make significant estimates and consider an anticipated course of action as of the balance sheet date. Subsequent changes in estimated undiscounted and discounted future cash flows arising from changes in anticipated actions could impact the determination of whether impairment exists. During the three months ended June 30, 2017, we considered the goodwill impairment of our SeaWorld Orlando reporting unit as an indicator of impairment related to the long-lived assets associated with this park. Accordingly, these assets were evaluated for impairment prior to completing the goodwill valuation and we concluded that no impairment of other long-lived assets had occurred for our SeaWorld Orlando park as of June 30, 2017.

Off-Balance Sheet Arrangements

We had no off-balance sheet arrangements as of June 30, 2017.

Recently Issued Financial Accounting Standards

Refer to Note 2–Recent 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 $10.1 million will be reclassified as an increase to interest expense.

After considering the impact of interest rate swap agreements, at June 30, 2017, approximately $1.0 billion of our outstanding long-term debt represents fixed-rate debt and approximately $556.9 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 $6.0 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.
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 March 1, 2017, except as set forth in our Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2017, as filed on May 9, 2017, and as noted below and except to the extent factual information disclosed elsewhere in this Quarterly Report on Form 10-Q relates to such risk factors.

We could be adversely impacted by actions of activist stockholders, and such activism could impact the value of our securities.

We have recently seen certain investors increase their ownership positions in our common stock and the frequency and scope of their communications with us regarding our business, and there can be no assurance that these stockholders’ interests align with our business or the interests of our other stockholders. For example, Hill Path Capital LP and affiliated entities filed with the SEC an Amendment No. 3 to its Schedule 13D reporting that such persons had accumulated a total of 11,951,787 shares of the Company’s common stock, which represents approximately 13.2% of the Company’s total outstanding shares of common stock. In the Schedule 13D, Hill Path Capital LP stated, among other things, that they may suggest changes in the Company’s business, operations, capital structure, capital allocation, corporate governance and other strategic matters. While we continually and actively engage with stockholders and consider their views on business and strategy, stockholder activism consumes a significant amount of management’s attention and other company resources and diverts the attention of management and our employees from our business. Actions of activist stockholders, including potential proxy contests, could be costly and time consuming, and have a potential to disrupt our operations. Such activities could also interfere with our ability to execute our strategic plan and our long term growth. The perceived uncertainties as to our future direction caused by activist actions could affect the market price of our securities, result in the loss of potential business opportunities and make it more difficult to attract and retain qualified personnel, board members and business partners. In addition, any interference with our annual meeting process, including but not limited to a proxy contest for the election of directors at our annual meeting, could require us to incur significant legal and other advisory fees and proxy solicitation expenses and require significant time and attention by management and our board of directors.

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

We are subject to allegations, claims and legal actions arising in the ordinary course of our business, which may include claims by third parties, including guests who visit our theme parks, our employees or regulators. We are currently subject to securities litigation. The Company is also subject to audits, inspections and investigations by, or receives requests for information from, various federal and state regulatory agencies, including, but not limited to, the U.S. Department of Agriculture’s Animal and Plant Health Inspection Service (APHIS), the U.S. Department of Labor’s Occupational Safety and Health Administration (OSHA), the California Occupational Safety and Health Administration (Cal-OSHA), state departments of labor, the Florida Fish & Wildlife Commission (FWC), the Equal Employment Opportunity Commission (EEOC), the Internal Revenue Service (IRS), the U.S. Department of Justice (DOJ) and the Securities and Exchange Commission (SEC). From time to time, various parties may also bring lawsuits against the Company. For example, in June 2017, the Company received a subpoena in connection with an investigation by the DOJ concerning disclosures and public statements made by the Company and certain executives and/or individuals on or before August 2014, including those regarding the impact of the “Blackfish” documentary, and trading in the Company’s securities. The Company also has received subpoenas from the staff of the SEC in connection with these matters. The Company has cooperated with these government inquiries and intends to continue to cooperate with any government requests or inquiries.

We discuss the securities litigation and other litigation to which we are subject to in greater detail below under the caption “Item 3. Legal Proceedings” and Note 10–Commitments and Contingencies to our unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q. The outcome of many of these proceedings cannot be predicted. If any proceedings, audits, inspections or investigations were to be determined adversely against us or resulted in legal actions, claims, regulatory proceedings, enforcement actions, or judgments, fines, or settlements involving a payment of material sums of money, or if injunctive relief were issued against us, our business, financial condition and results of operations could be materially adversely affected. Even the successful defense of legal proceedings may cause us to incur substantial legal costs and may divert management’s attention and resources.
We may not realize the benefits of acquisitions or other strategic initiatives.

Our business strategy may include selective expansion, both domestically and internationally, through acquisitions of assets or other strategic initiatives, such as joint ventures, that allow us to profitably expand our business and leverage our brands. For example, on December 13, 2016, we announced our partnership with Miral Asset Management LLC (the “Miral Partnership”) to develop SeaWorld Abu Dhabi, a first-of-its-kind marine life themed park on Yas Island. In addition, on March 24, 2017, we entered into a Park Exclusivity and Concept Design Agreement (“ECDA”) and a Center Concept & Preliminary Design Support Agreement (“CDSA”) with an affiliate of ZHG Group to provide design, support and advisory services for various potential projects and granting exclusive rights in China, Taiwan, Hong Kong and Macau. There is no assurance that the Miral Partnership or any other expansion effort for our business, including without limitation the ECDA and the CDSA, will be successful. Any international transactions and partnerships are subject to additional risks, including foreign and U.S. regulations on the import and export of animals, the impact of economic fluctuations in economies outside of the United States, difficulties and costs of staffing and managing foreign operations due to distance, language and cultural differences, as well as political instability and lesser degree of legal protection in certain jurisdictions, currency exchange fluctuations and potentially adverse tax consequences of overseas operations. In addition, the success of any acquisitions depends on effective integration of acquired businesses and assets into our operations, which is subject to risks and uncertainties, including realization of anticipated synergies and cost savings, the ability to retain and attract personnel, the diversion of management’s attention from other business concerns, and undisclosed or potential legal liabilities of acquired businesses or assets.

In November 2015, we communicated 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. As part of our five point plan, on December 6, 2016, we committed to and implemented a restructuring program to reduce costs, increase efficiencies, reduce duplication of functions and improve the Company’s operations (the “2016 Restructuring Program”). The 2016 Restructuring Program was part of our previously announced comprehensive cost optimization program that was expected to reduce costs by approximately $65.0 million, with a targeted $40.0 million in net savings by the end of 2018. The 2016 Restructuring Program involved the elimination of approximately 320 positions by the end of the fourth quarter of fiscal year 2016 across our twelve theme parks and our headquarters. As a result of declining revenue in in first half of 2017, to address the challenges identified in the second quarter, we are adjusting our approach, particularly in our San Diego and Orlando markets. These adjustments include increasing our investment in national advertising, developing a new national marketing campaign emphasizing our distinct experiences, reinvesting in our reputation campaign to strengthen our voice in addressing public perceptions, particularly in our California markets, and repositioning our advertising to show the scope of our new attractions. While our cost optimization efforts for the first half of the year have been meaningful and we are on schedule to achieve our targeted $40.0 million in net cost savings by the end of 2018, given our current financial performance, we are actively engaged in identifying an additional $25.0 million in cost savings opportunities. Any of these strategies to drive sustainable growth in our business may be unsuccessful and we may not be able to achieve the targeted cost savings or grow our business.

Goodwill and other identifiable intangible assets represent a significant portion of our total assets, and we may never realize the full value of our intangible assets.

Our operations are capital intensive and require significant investment in long-lived assets, such as property, equipment and other long-lived assets and indefinite-lived intangible assets. Goodwill and other intangible assets represent a significant portion of our assets. We review goodwill and intangible assets at least annually for impairment. Impairment may result from, among other things, deterioration in park performance, adverse competitive conditions, adverse changes in applicable laws or regulations, including changes that restrict our activities or affect the services we offer, challenges to the validity of our intellectual property and a variety of other factors.

For example, as of June 30, 2017, due to financial performance particularly late in the second quarter of 2017 at our SeaWorld Orlando park, driven primarily by a decline in U.S. domestic and international attendance at the park, we determined a triggering event had occurred that required an interim goodwill impairment test for our SeaWorld Orlando reporting unit. Based on the results of our goodwill impairment test, we recorded a non-cash goodwill impairment charge of $269.3 million which negatively impacted our results of operations. We also evaluated certain long-lived assets and trade names/trademarks for impairment and determined that there was no impairment as of June 30, 2017. There is no assurance that we will not experience similar asset impairments in the future. Any impairment of goodwill or other intangible assets would result in a non-cash charge against earnings, which would adversely affect our results of operations.
Our existing debt agreements contain, and future debt agreements may contain, restrictions that may limit our flexibility in operating our business.

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

Failure to maintain our current credit ratings could adversely affect our cost of funds, related margins, liquidity, and access to capital markets.

Moody’s and Standard & Poor’s routinely evaluate our debt and have given us ratings on our senior secured debt. These ratings are based on a number of factors, which included their assessment of our financial strength, liquidity, capital structure, asset quality, and sustainability of cash flow and earnings. Due to changes in these factors and market conditions, we may not be able to maintain our current credit ratings, which could adversely affect our cost of funds and related margins, liquidity and access to capital markets.

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

Unregistered Sales of Equity Securities

On June 14, 2017, the Company issued 56,232 restricted shares of common stock to certain members of the Board of Directors in consideration for their service as directors in accordance with the Company’s Fourth Amended and Restated Outside Director Compensation Policy, which vest 100% on the day before the 2018 Annual Stockholders Meeting of the Company. The issuance of these restricted shares of common stock was exempt from registration under Section 4(a)(2) of the Securities Act of 1933, as amended, as a transaction not involving any public offering.

Issuer Purchases of Equity Securities

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

<table>
<thead>
<tr>
<th>Period Beginning</th>
<th>Period Ended</th>
<th>Total Number of Shares Purchased (1)</th>
<th>Average Price Paid per Share</th>
<th>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs</th>
<th>Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs (2)</th>
</tr>
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<tr>
<td>April 1, 2017</td>
<td>April 30, 2017</td>
<td>17,585</td>
<td>$16.73</td>
<td>—</td>
<td>$190,000,035</td>
</tr>
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<td>May 1, 2017</td>
<td>May 31, 2017</td>
<td>14,033</td>
<td>$17.55</td>
<td>—</td>
<td>190,000,035</td>
</tr>
<tr>
<td>June 1, 2017</td>
<td>June 30, 2017</td>
<td>11,575</td>
<td>$15.65</td>
<td>—</td>
<td>190,000,035</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>43,193</td>
</tr>
</tbody>
</table>

(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

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Leadership Changes

On July 26, 2017, Peter J. Crage gave notice of his resignation as Chief Financial Officer and Treasurer of the Company and as an officer and/or director of the Company’s subsidiaries. Mr. Crage resigned from all such positions effective as of August 1, 2017. Mr. Crage will remain as an employee of the Company through mid-August 2017, to assist with the transition of his roles to the interim Chief Financial Officer and interim Treasurer. On July 31, 2017, the Board of Directors appointed Marc G. Swanson, currently the Company’s Chief Accounting Officer, to serve as interim Chief Financial Officer and interim Treasurer of the Company, effective as of August 1, 2017.

On August 6, 2017, the Board approved the following organizational changes, effective August 7, 2017, (a) Marc G. Swanson will cease to be the Chief Accounting Officer of the Company and will become the Company’s Chief Financial Officer and Treasurer, offices in which he had been serving in an interim capacity since August 1, 2017 and (b) Elizabeth C. Gulacsy will cease to be Corporate Vice President, Financial Reporting of the Company and will become the Company’s Chief Accounting Officer.

Board of Director Changes

On June 14, 2017, effective immediately after our 2017 Annual Meeting, (i) Peter F. Wallace resigned from the Company’s Board of Directors (the “Board”), (ii) the size of the Board increased from 10 directors to 11 directors and (iii) Yoshikazu Maruyama and Yongli Wang, two director designees of the Zhonghong Group, were appointed to the Board. Mr. Maruyama was appointed to the newly-created directorship, with an initial term expiring at the Company’s 2018 Annual Meeting of Stockholders, and Mr. Wang was appointed to Mr. Wallace’s vacated directorship, the term of which expires at the Company’s 2019 Annual Meeting of Stockholders.

David F. D’Alessandro did not receive a majority of the votes cast at the 2017 Annual Meeting and, pursuant to the terms of the Company’s Bylaws, offered to tender his immediate resignation to the Board following the Annual Meeting. The Bylaws provide that the Nominating and Corporate Governance Committee (the “Committee”) of the Board must make a recommendation to the Board on whether to accept or reject such resignation, or whether other action should be taken, following which the Board must take action after considering the Committee’s recommendation. In their deliberations with respect to Mr. D’Alessandro’s offer to resign, the Committee and the Board considered a number of factors, including the background, experience (including his seven year tenure on the Board) and the perspective that Mr. D’Alessandro brings to the Board and to the Company more generally. In that context, the Committee and the Board took into account the potential impact of Mr. D’Alessandro’s immediate departure on the Board’s and the Company’s ability to successfully address certain challenges that the Company now faces. After consideration of all of these factors, on June 22, 2017, the Committee determined that it was in the best interest of the Company for Mr. D’Alessandro to continue to serve on the Board as its non-executive chairman through December 31, 2017 at which time he will step down from the Board. As a result, the Committee unanimously recommended that the Board reject Mr. D’Alessandro’s offered immediate resignation. The disinterested members of the Board thereafter unanimously resolved to reject Mr. D’Alessandro’s immediate resignation and agreed with him that he will step down on December 31, 2017.

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.
Item 6. Exhibits

See Exhibit Index immediately following signature page hereof, 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 9, 2017

By: /s/ Marc G. Swanson
Marc G. Swanson
Chief Financial Officer
(Principal Financial Officer)

Date: August 9, 2017

By: /s/ Elizabeth C. Gulacsy
Elizabeth C. Gulacsy
Chief Accounting Officer
(Principal Accounting Officer)

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EXHIBIT INDEX

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

<table>
<thead>
<tr>
<th>Exhibit No.</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.1</td>
<td>Third Amended and Restated Bylaws of SeaWorld Entertainment, Inc., effective June 14, 2017 (incorporated by reference to Exhibit 3.1 to the Company’s Current Report on Form 8-K filed on June 16, 2017 (File No. 001-35883))</td>
</tr>
<tr>
<td>10.1*</td>
<td>License Agreement, dated May 16, 2017, by and between Sesame Workshop and SeaWorld Parks &amp; Entertainment, Inc. ( Portions of this exhibit have been omitted pursuant to a request for confidential treatment)</td>
</tr>
<tr>
<td>10.2</td>
<td>SeaWorld Entertainment, Inc. 2017 Omnibus Incentive Plan (incorporated by reference to Exhibit 10.1 to the Company’s Current Report on Form 8-K filed on June 16, 2017 (File No. 001-35883))</td>
</tr>
<tr>
<td>10.3</td>
<td>Form of Amendment #1 to Restricted Stock Grant and Acknowledgment and Form of Restricted Stock Agreement (incorporated by reference to Exhibit 10.1 to the Company’s Current Report on Form 8-K filed on April 14, 2017 (File No. 001-35883))</td>
</tr>
<tr>
<td>31.1*</td>
<td>Certification of Periodic Report by Chief Executive Officer under Section 302 of the Sarbanes-Oxley Act of 2002</td>
</tr>
<tr>
<td>31.2*</td>
<td>Certification of Periodic Report by Chief Financial Officer under Section 302 of the Sarbanes-Oxley Act of 2002</td>
</tr>
<tr>
<td>32.1*</td>
<td>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</td>
</tr>
<tr>
<td>32.2*</td>
<td>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</td>
</tr>
<tr>
<td>101.INS*</td>
<td>XBRL Instance Document.</td>
</tr>
<tr>
<td>101.CAL*</td>
<td>XBRL Taxonomy Extension Calculation Linkbase Document.</td>
</tr>
<tr>
<td>101.DEF*</td>
<td>XBRL Taxonomy Extension Definition Linkbase Document.</td>
</tr>
<tr>
<td>101.LAB*</td>
<td>XBRL Taxonomy Extension Label Linkbase Document.</td>
</tr>
<tr>
<td>101.PRE*</td>
<td>XBRL Taxonomy Extension Presentation Linkbase Document.</td>
</tr>
</tbody>
</table>

† 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.
LICENSE AGREEMENT

BETWEEN

SESAME WORKSHOP

AND

SEAWORLD PARKS & ENTERTAINMENT, INC.

MAY 16, 2017
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This License Agreement ("Agreement") is dated May 16, 2017 ("Effective Date") and is made by and between SESAME WORKSHOP ("SW") and SEAWORLD PARKS & ENTERTAINMENT, INC. ("SEA", "Licensee" or "SeaWorld"). SW is a New York not-for-profit corporation located at 1900 Broadway, New York, New York 10023. SEA is a Delaware corporation located at 9205 SouthPark Center Loop, Orlando Florida 32819. SEA is a wholly owned subsidiary of the publicly traded Delaware corporation SeaWorld Entertainment, Inc. SW and SEA are each a "Party" and together are the "Parties."

In consideration for the mutual obligations described below, SW and SEA hereby agree as follows:

1. BACKGROUND

   Missions and Goals

   . SW enters into this Agreement to further SW’s mission to help children grow smarter, stronger, and kinder, and SW’s goals to maximize exposure of the Sesame Street® brand and mission and financial benefits to SW, through the development and operation of a coordinated portfolio of Standalone Parks and Sesame Lands in SEA-owned Theme Parks. SW confirms and covenants that one of the most significant primary vehicles for promoting such mission is and will continue to be the "Sesame Street®" show and/or brand, and that SW will, throughout the Term, invest significant resources in the "Sesame Street®" show and/or brand to maintain it as a core focus, during the Term and within the Territory. SEA enters into this Agreement to further and enhance SEA’s operation and promotion of its Theme Parks in the Territory and blending imagination with nature and enabling its guest to explore, inspire and act.

   Prior Agreements

   . SW and SEA’s Affiliate, SeaWorld Parks and Entertainment LLC ("SPE"), are parties to a license agreement dated August 24, 2006 (as amended) regarding the use of the Sesame Street Elements in Sesame Lands (such agreement and amendments are referred to collectively as the "2006 Agreement") and a license agreement dated April 1, 1983 (as amended) regarding the use of the Sesame Street Elements respecting the Langhorne Standalone Park (such agreement and amendments are referred to collectively as the "1983 Agreement"). The 2006 Agreement and 1983 Agreement are referred to collectively as the "Prior Agreements." SW and SEA agree that upon full execution of this Agreement, the Prior Agreements shall be terminated (and SEA shall cause SPE to execute this Agreement as indicated below to acknowledge such termination), and notwithstanding anything to the contrary in the Prior Agreements, SPE shall not have any rights (e.g., sell-off rights) upon termination, and all of SW’s and SPE’s obligations, responsibilities and liabilities with respect their acts and omissions under the Prior Agreements shall be governed by the terms of this Agreement.

2. GRANT OF RIGHTS

   Sesame Street Elements

   .

   (a) "Sesame Street Elements" shall mean all current and hereafter developed or owned titles, marks, names, characters (including any new Sesame Street® characters shown on Sesame Street® and owned in whole or controlled by SW), images, likenesses, audio, video, audiovisual, logos, themes, symbols, copyrights, trademarks, service marks, visual representations and designs, and other intellectual property (whether in two- or three-dimensional form and including animated and mechanical representations) owned or controlled by SW (or its Affiliates), and associated with the "Sesame Street®" television property, whether previously (unless retired) or currently on "Sesame Street®" or whether hereafter developed or owned and Sesame Street Elements will also include the names and marks "Sesame Place" and "Sesame Land," but expressly not include “Kermit the Frog.” For illustrative purposes, a non-exhaustive list of the characters represented in the Sesame Street Elements in existence as of the date of this Agreement includes, but is not limited to, those characters set forth on Exhibit H.
(b) If a character will be retired by SW (i.e., SW has made a final definitive decision to stop using and licensing such characters) and SEA has any theming that includes such retired character, then SEA will have one (1) year to replace such theming following written notice and actual retirement of such character; and provided further that SW’s right to retire a character with respect to SEA’s use will not include retirement of a major character, including without limitation Big Bird, Elmo, Cookie Monster, Bert, Ernie, Grover, Oscar the Grouch, Count von Count, Mr. Snuffleupagus, Abby Cadabby or Julia (if Julia becomes a major character).

(c) Notwithstanding anything to the contrary, any use of the “Sesame Workshop” name and logo (including any successor name or logo or any house or umbrella brand) including (i) to the extent necessary to perform or exercise the rights and obligations under this Agreement (e.g., if related to sponsorship or social outreach); or (ii) to the extent necessary to depict the ownership of the Sesame Street Elements, is nonexclusive and will be subject to SW’s prior written Approval (as defined in Section 9.01). However, both Parties will be permitted to use each other’s names and logos as required by law or regulators (including required public company filings by SeaWorld Entertainment, Inc.) and in connection with the identification or description of the relationship of the Parties. Where feasible, SW will Approve pre-agreed form references for the Sesame Workshop name and logo.

License to SEA

(a) Subject to all the provisions of this Agreement, SW grants SEA a license during the Term and within the Territory, to use the Sesame Street Elements, as agreed and Approved by SW:

(i) in connection with the design, building, installation, theming, promotion, and operation of the existing Standalone Park in Langhorne (“Langhorne Standalone Park”) and additional Standalone Parks as mutually Approved under this Agreement;

(ii) in connection with the design, building, installation, theming, promotion, and operation of its existing Sesame Lands (currently known as Sesame Street® Bay of Play at SeaWorld® San Antonio, Sesame Street® Bay of Play at SeaWorld® San Diego, Sesame Street® Safari of Fun at Busch Gardens® Tampa, and Sesame Street® Forest of Fun at Busch Gardens® Williamsburg) (“Existing Sesame Lands”) and additional Sesame Lands as mutually Approved under this Agreement, including the Orlando Sesame Land pursuant to Section 6.03 hereof (and otherwise at SeaWorld Orlando pursuant to Section 10.03 until the Orlando Sesame Land opens);

(iii) in connection with Licensed Products as set forth in Section 7;

(iv) in marketing and promotional activities related to the Standalone Parks and Sesame Lands, including without limitation, marketing, advertising and promotion, character appearances and live presentations (both in park and in off-site promotional activities such as schools, parades, conventions, etc.), and the Licensed Products; it being understood that such marketing and promotion shall include all forms of media including but limited to print, television, the Internet, social media and other digital or similar platforms now existing or hereafter created throughout the world; and/or

(v) to seek and to enter into sponsorship agreements for specific sponsorship of Sesame Street®-themed Attractions subject to SW’s prior written Approval of the identity of the sponsor, general nature of the sponsorship and sponsorship acknowledgement and benefits.

(b) (i) The initial term of this Agreement will be from the Effective Date of this Agreement through December 31, 2031 (“Initial Term”).

(ii) Upon the actual opening date (the date opened to the public) of each new Standalone Park (as defined below), the Term of this Agreement will automatically extend for a period ending fifteen (15) years from December 31 of the year of such actual opening on identical terms and conditions (“Fifteen Year Extension”).

(iii) The Parties will have a mutual option to extend the Term for an additional five (5) years beyond the Fifteen Year Extension for both the Standalone Parks and Sesame Lands on identical terms and conditions mutually exercisable by the last business day of the ninth (9th) year of the Fifteen Year Extension.
(iv) Additionally, during the period commencing not less than six (6) years prior to the then scheduled expiration of the Term (whether the Initial Term or any extension to the Term), the Parties will exclusively negotiate diligently and in good faith for a period of one (1) year (such 1-year period, or longer if extended by mutual agreement, is referred to as the “Exclusive Negotiation Period”) following notice by either Party regarding potential renewal or extension of this Agreement. In the event that such negotiations are not successful, after the Exclusive Negotiation Period, the Parties will be permitted to continue to negotiate on a non-exclusive basis. Each Party acknowledges and agrees that, absent breach or early termination in accordance with this Agreement, during the Exclusive Negotiation Period, neither Party will be permitted to seek or entertain proposals from or negotiate, directly or indirectly, with any other person or entity regarding the subject matter of this Agreement in the Territory.

(v) The “Term” shall mean the Initial Term, each Fifteen Year Extension and any other renewals or extensions under this Agreement. The “Opening Date” of a new Standalone Park or Sesame Land will be the earlier of the mutually agreed opening date stated or agreed to under Section 5 or Section 6.03(a) (“Mutually Agreed Opening Date”) or the actual opening date of such Standalone Park or Sesame Land.

(c) The territory in respect of SEA’s rights under this Agreement including the location and operation of Standalone Parks and Sesame Lands will be the United States of America, Puerto Rico and the U.S. Virgin Islands; except that the territory for marketing and promotion pursuant to Section 2.02(a)(iv) above is the world (the “Territory”).

(d) SEA will be entitled to use Sesame Street® walkaround characters for promotional appearances (e.g., Philadelphia Thanksgiving Parade, school visits, trade shows, hospitals, etc.) outside the Theme Parks operated by SEA that utilize the Sesame Street Elements under this Agreement (“SEA Theme Parks”), not to exceed fifty (50) miles from the promoted SEA Theme Park, to promote such SEA Theme Park in accordance with the following process: SEA will send SW a written request for Approval describing the specifics of the promotional appearance including dates, character, nature of the appearance and location, in an email with the subject line “SEAWORLD CHARACTER APPEARANCE OUTSIDE OF PARKS – URGENT” to the attention of SW’s Vice President, Strategic Partnerships, Sponsorship & Themed Entertainment and SW’s Senior Vice President & General Manager, North America Media & Licensing (or such other persons as designated by SW). If SW does not respond to the request within five (5) business days, the request will be deemed Approved. The foregoing does not prohibit SEA from requesting a walk-around character promotional appearance outside the fifty (50) mile radius which would be subject to SW Approval (and would not be deemed Approved pursuant to the process above). The Parties specifically agree that this is the only situation where non-response by SW is a deemed Approval under this Agreement.

(e) Use of the Sesame Street Elements at resorts or hotels owned or affiliated with SEA through SEA’s Official Hotel program (e.g., character breakfasts) will be subject to mutual Approval including good faith agreement on any applicable terms including financial terms.

New Characters

. During the Term, with respect to any new characters in any new SW owned or controlled television show or digital series (with the understanding that such show or digital series will not be a substantial equivalent of “Sesame Street®” or feature any of the “Sesame Street®” characters), SW agrees that it will not grant Theme Park rights to such characters or series in the Territory without giving SEA an exclusive negotiating period of at least ninety (90) days to make an offer for such rights including remuneration to SW for the addition of such characters or series to this Agreement. SW will present such opportunity in writing to SEA as soon as reasonably practicable. Notwithstanding the foregoing, such exclusive negotiating period and right to make an offer will not apply if SW has granted or is required to grant such Theme Park rights for such television show or digital series to a production, distribution or financing partner or other entity that has entered into an agreement for financing, distributing or broadcasting the show or series.

SW’s Reserved Rights

. SW reserves all rights not expressly granted to SEA and is free to exercise such rights (except for the restrictions expressly stated in this Agreement, including in Sections 3.02, 3.03, 3.04, 3.05, 3.08, 6.03(c) and 6.05(c)) at any time during the Term and within the Territory without obligation to SEA, commencing on the Effective Date of this Agreement. SW agrees that, unless expressly permitted by this Agreement, such rights will not be exercised in connection with a SEA Competitor Theme Park as stated in Section 3.01. SW’s reserved rights include without limitation the right to use or license the Sesame Street Elements in connection with live touring shows; museums; learning centers; schools; child care centers; after-school programs; walk-arounds; promotional events or tours; family shows, activities, events, and performances, and FECs (defined in Section 3.03(a)), and any limited engagement or other non-permanent venues or attractions, except to the extent of the restrictions expressly set forth in this Agreement, including in Sections 3.02, 3.03, 3.04, 3.05, 3.08, 6.03(c) and 6.05(c).
3. EXCLUSIVITY

Theme Park Definition

(a) “Theme Park” shall mean a type of visitor attraction that meets the following:

(i) is in a permanent physical location (or a travelling equivalent thereof that remains at the same location for more than fourteen (14) days in any calendar year);

(ii) occupies at least [*] acres [*];

(iii) is primarily made up of outdoor Attractions;

(iv) is designed for a family experience generally longer than approximately five (5) hours;

(v) has a single admission ticket (other than special shows);

(vi) is designed, controlled and managed primarily for the enjoyment, amusement, and/or entertainment of the visiting public;

(vii) is primarily engaged in operating some combination of a variety of attractions (and includes at least [*] such Attractions) such as trams, mechanical rides, computer/arcade games and other games; education/discovery zones; participative demonstrations; interactive play areas (dry and/or water); tidal touch pools, petting zoos, and/or aviaries; aquariums, shows, parades, themed exhibits, live character shows/interaction and/or character dining or photos with characters, restaurants, refreshment stands, retail stores and picnic grounds (“Attractions”); and

(viii) is commonly known as a theme park, adventure park, amusement park, zoo and/or wildlife attraction or park, and/or aquarium.

(b) In addition to Theme Parks currently operated by SEA, the following is a non-exhaustive list of examples of competitor Theme Parks in the United States as of the date of this Agreement (“Competitor Theme Parks”) (for avoidance of doubt, the term “Theme Park” includes Competitor Theme Parks): Disneyland®, Magic Kingdom, Epcot, Disney’s Typhoon Lagoon, Disney’s Animal Kingdom®, Disney’s California Adventure™ Park, Disney’s Hollywood Studios™, Legoland®, Six Flags®, Universal Studios™, Universal’s Islands of Adventure™, Dollywood®, Silver Dollar City®, Cedar Point®, King’s Island®, HersheyPark®, Orlando Thrill Park, San Diego Zoo®, Paramount Parks, California’s Great America, Nickelodeon Universe®, Knott’s Berry Farm®, Soak City®, Fun Spot™ America, Dutch Wonderland®, Knoebels Amusement Resort, San Diego Safari Park®, Holiday World & Splashin’ Safari®, Silverwood Theme Park, Adventureland, Lake Compounce, Bay Beach Amusement Park, Virginia Safari Park, and Hawaiian™ Falls. The Parties may by mutual agreement add to this list of Competitor Theme Parks.

Theme Park Exclusivity

. The license granted to SEA under Section 2.02 will be exclusive in the Territory during the Term in that SW will not use, license or transfer to any third parties any right to use any Sesame Street Elements in all or any part of any Theme Park (other than as expressly set forth herein), subject to any reduction in SEA’s exclusive Territory under Sections 5 and 6. There will be no other uses of the term “Sesame Place” during the Term in the Territory without SEA consent. During the Term, there will be no other uses of the Sesame Place Big Bird logo/trademark (big bird) anywhere in the world. In addition, during the Term and within the Territory, there will be no use of Big Bird alone (and in a group setting, no more prominent than other characters) in the name or logo for a Theme Park or FEC permitted under the terms of this Agreement. For the avoidance of doubt, the immediately preceding sentence does not restrict SW’s ability to use the trademark *Sesame Street®* street sign (street sign) for any purpose.
Family Entertainment Centers

(a) A family entertainment center ("FEC") shall mean a permanent physical facility that is not a Theme Park and that is designed and operated for the primary purpose of the entertainment (rather than education) of families and children, where the primary emphasis is on physical and interactive play, games, and activities.

(b) A “Small FEC” shall mean an FEC with the following characteristics:

(i) The total size of the Small FEC occupies less than [*]; and

(ii) The Sesame Street® Attractions in such Small FEC will not be designed for a family experience longer than approximately two (2) hours (except for special event bookings such as kids’ birthday parties); and

(iii) The Attractions in such Small FEC will not contain any roller coaster rides, water rides, carnival-type amusement rides or flat rides; and

(iv) No more than twenty-five percent (25%) of public space (including Attraction space) of such Small FEC will be outdoors.

(c) A “Standard FEC” shall mean an FEC with the following characteristics:

(i) The total size of the Standard FEC occupies [*]; and

(ii) The Sesame Street® Attractions in such Standard FEC will not be designed for a family experience longer than approximately three (3) hours (except for special event bookings such as kids’ birthday parties); and

(iii) The Attractions in such Standard FEC will not contain any roller coaster rides, water rides, or carnival-type amusement rides and no more than a total of two (2) flat rides; and

(iv) No more than twenty-five percent (25%) of public space (including Attraction space) of such Standard FEC will be outdoors.

(d) A “Large FEC” shall mean an FEC with the following characteristics:

(i) The total size of the Large FEC occupies [*]; and

(ii) The Sesame Street® Attractions in such Large FEC will not be designed for a family experience longer than approximately four (4) hours (except for special event bookings such as kids’ birthday parties); and

(iii) The Attractions in such Large FEC will not contain any roller coaster rides or water rides and no more than a total of three (3) carnival-type amusement rides and/or flat rides; and

(iv) No more than twenty-five percent (25%) of public space (including Attraction space) of such Large FEC will be outdoors.

3.04 FEC Restrictions.

(a) Subject to the carve-outs in Section 3.05 below, during the Term (but subject to Section 3.04(b)(ii)), SW agrees to the following restrictions regarding FECs (and SW is not restricted with respect to Small FECs, Standard FECs and Large FECs outside of the radius restrictions below) (with such radius restrictions measured by Google Earth or some similar mechanism to determine such distance “as the crow flies”):

(i) SW will not use, license or transfer the use of the Sesame Street Elements in any Small FEC that is located within a [*] radius of a Standalone Park (or a location where the Parties have mutually agreed to build a Standalone Park) or [*] radius of a Sesame Land (or a location where the Parties have mutually agreed to place a Sesame Land), and
(ii) SW will not use, license or transfer the use of the Sesame Street Elements in any Standard FEC that is located within a [*] radius of a Standalone Park (or a location where the Parties have mutually agreed to build a Standalone Park) or within a [*] radius of a Sesame Land (or a location where the Parties have mutually agreed to place a Sesame Land), and

(iii) SW will not use, license or transfer the use of the Sesame Street Elements in any Large FEC that is located within a [*] radius of a Standalone Park (or a location where the Parties have mutually agreed to build a Standalone Park subject to the Orlando Exception under Section 5.04(d) to the extent applicable) or within a [*] radius of a Sesame Land (or a location where the Parties have mutually agreed to place a Sesame Land).

(b) (i) Notwithstanding anything to the contrary, the restrictions in Section 3.04 and 3.05 do not apply to any authorized FECs that SW (or its FEC partner) has opened or that SW has contractually committed to open or authorized its FEC partner to open as permitted under this Agreement, prior to the Parties’ mutual agreement to build (and subject to SEA’s continuing diligent efforts to build in accordance with the terms of this Agreement) a new Standalone Park or Sesame Land in a specified location that creates the relevant radius restriction in Section 3.04(a) or 3.05. The Parties recognize that the FEC restrictions under this Agreement apply to the Langhorne Standalone Park and the existing Sesame Lands in existence on the Effective Date of this Agreement, the to-be-built Orlando Sesame Land and to any new Standalone Park and Sesame Land that the Parties mutually agree to build under this Agreement.

(ii) Notwithstanding anything to the contrary, following expiration of the Exclusive Negotiation Period in Section 2.02(b)(iv) without the Parties entering into an extension of the Term or new agreement, SW is free, during the remainder of the Term, to use, license or transfer the use of the Sesame Street Elements to develop and build FECs that are subject to restrictions (including mileage restrictions) on SW under this Agreement, so long as such FECs do not open until after the end of the Term.

(c) For the avoidance of doubt, in the event that SEA permanently closes or permanently ceases to operate any Standalone Park or Sesame Land or ceases to move forward with any new Sesame Land pursuant to Section 6.04, the FEC and other expressly stated restrictions in this Agreement associated with such Standalone Park or Sesame Land will no longer have any effect.

Carve-outs

To the extent that an FEC is restricted under Section 3.04, SW and SEA agree that notwithstanding such restrictions, SW reserves the right to use, license or transfer the use of the Sesame Street Elements in FECs (Small FECs, Standard FECs and/or Large FECs as specified below) in the following metropolitan areas in accordance with the following and Section 3.06. Except as expressly set forth in Section 3.05(c)(v), “Metropolitan Area” shall mean the area designated by the United States Office of Management and Budget as the “metropolitan statistical area.” The Approval standard for SEA referenced below in this Section 3.05 would include, among other things, good faith evaluation of data and other relevant information demonstrating any material negative or adverse consequences on the relevant Standalone Park or Sesame Land resulting from such FECs.

(a) Los Angeles (including Orange County, Long Beach, and Anaheim).

(i) SW may exercise such right immediately (or later as determined by SW) to build and open [*];

(ii) Starting five (5) years after the opening of such FEC in subsection (i) above, SW will have the right to propose to open up to [*] (the specific number requested will be at SW’s option) additional Small and/or Standard FECs, subject to SEA’s prior written Approval;

(iii) Other than the initial [*] FECs under (i) and (ii), additional FECs will be reviewed and Approved in groups of up to [*] FECs (the specific number requested will be at SW’s option);

(iv) Upon any such Approval of the additional FECs, SW will have the discretion to open some or all of the number of approved Small and/or Standard FECs upon notice to SEA; provided, however, that if good faith development of an Approved FEC has not started within five (5) years from the date of SEA’s Approval of the same (and continues to be diligently pursued), then SW shall be required to re-submit the request for such FEC to SEA (the Approval for the FECs that have begun development or have opened is not affected).
(b) Dallas.

(i) If SEA elects to build Standalone Park #2 in San Antonio (such decision will be made no later than [*] after the Effective Date of this Agreement), then

(A) From the date of SEA’s election and for [*] years starting from the Opening Date of Standalone Park #2 in San Antonio, SW will not open any FECs in the Dallas Metropolitan Area;

(B) After such period in (A) above, SW will have the right to propose to open up to [*] (the specific number requested will be at SW’s option) Small and/or Standard FECs in the Dallas Metropolitan Area, subject to SEA’s prior written Approval;

(C) Any additional Small and/or Standard FECs will be reviewed and Approved in groups of up to [*] FECs (the specific number requested will be at SW’s option);

(D) Upon any such Approval of the additional Small and/or Standard FECs, SW will have the discretion to open some or all of the number of approved Small and/or Standard FECs upon notice to SEA; provided, however, that if good faith development of an Approved FEC has not started within [*] years from the date of SEA’s Approval of the same (and continues to be diligently pursued), then SW shall be required to re-submit the request for such FEC to SEA (the Approval for the FECs that have begun development or have opened is not affected).

(ii) If SEA elects not to build Standalone Park #2 in San Antonio (such decision will be made no later than [*] after the Effective Date), SEA will inform SW promptly and upon such notice, SW will be free to exercise its reserved rights to build and open Small and/or Standard FECs in the Dallas Metropolitan Area at any time, upon notice to SEA but without the need for approval by SEA.

(iii) If SEA does not decide to open Standalone Park #2 in San Antonio (such decision being [*] after the Effective Date of this Agreement in San Antonio), but SEA elects to open a Standalone Park in San Antonio or Dallas after such [*] period, then the process set forth in Section 3.05(b) above would apply after SEA notifies SW of such decision to build a Standalone Park in San Antonio.

(c) New York City.

(i) Notwithstanding any restrictions in Section 3.04, starting on [*], SW will be free to use, license or transfer the use of the Sesame Street Elements to build and open [*] in the New York City Metropolitan Area;

(ii) Starting two (2) years after the opening of such FEC in subsection (i) above, SW will have the right to propose to open up to [*] (the specific number requested will be at SW’s option) additional Small and/or Standard FECs subject to SEA’s prior written Approval;

(iii) Other than the initial [*] Small and/or Standard FECs under (i) and (ii), additional FECs will be reviewed and Approved in groups of up to [*] FECs (the specific number requested will be at SW’s option);

(iv) Upon any such Approval of the additional Small and/or Standard FECs, SW will have the discretion to build and open some or all of the number of approved FECs upon notice to SEA; provided, however, that if good faith development of an Approved FEC has not started within five (5) years from the date of SEA’s Approval of the same (and continues to be diligently pursued), then SW shall be required to re-submit the request for such FEC to SEA (the Approval for the FECs that have begun development or have opened is not affected).

(v) New York City Metropolitan Area means within a 50-mile radius of SW’s offices at 1900 Broadway except that the boundary south and west of New York City will not include any location that is both west of Interstate 287 and south of Interstate 78 in New Jersey, as indicated in the map attached as Exhibit A.
(d) Washington D.C.

(i) At any time earlier than [*], if SEA elects to build a Standalone Park [*], SW will not open an FEC in the Washington, D.C. Metropolitan Area until after [*]. Thereafter, starting [*], SW will have the right to propose to open up to [*] in the Washington, D.C. Metropolitan Area, subject to SEA’s prior written Approval;

(ii) At any time earlier than [*], if SEA decides that neither Standalone Park #2 nor Standalone Park #3 will be [*], SEA will inform SW promptly and upon such notice, SW will have the right to propose to open up to [*] Small and/or Standard FECs in the Washington, D.C. Metropolitan Area, subject to SEA’s prior written Approval.

(iii) Other than the initial Small and/or Standard FECs Approved pursuant to subsections (i) and (ii) above, additional FECs will be reviewed and Approved in groups of up to [*] FECs (the specific number requested will be at SW’s option);

(iv) Upon any such Approval of the above-described Small and/or Standard FECs, SW will have the discretion to build and open some or all of the number of approved Small and/or Standard FECs; provided, however, that if good faith development of an Approved FEC has not started within five (5) years from the date of SEA’s Approval of the same (and continues to be diligently pursued), then SW shall be required to re-submit the request for such FEC to SEA (the Approval for the FECs that have begun development or have opened is not affected).

(e) Detroit.

(i) SW may exercise such right immediately to use, license or transfer the use of the Sesame Street Elements to build and open one Large FEC in the Detroit Metropolitan Area;

(ii) SW may propose to open additional Large FECs subject to SEA’s prior written Approval; provided, however, that if any SEA Approved FEC is not built and opened within five (5) years from the date of SEA’s approval of the same, then SW shall be required to re-submit such request to SEA.

(iii) If at any point SEA does not retain national exclusivity pursuant to Section 5, SW will have the right to build and open a Standalone Park in Detroit Metropolitan Area upon not less than ninety (90) days’ notice to SEA but without the need for approval by SEA.

(iv) For clarity, SW is free to immediately exercise its reserved right to build and open Small and/or Standard FECs in the Detroit Metropolitan Area without the need for Approval by SEA.

SW’s FEC Partner and SEA

With respect to FECs opened pursuant to the carve-outs under Sections 3.05, 6.03(c) or 6.05:

(a) provided that SW’s FEC partner is amenable to co-investment by SEA, SW (or the SW’s FEC partner) will use good faith efforts to provide SEA with not less than one hundred twenty (120) days to negotiate a mutually acceptable co-investment in such FEC based on co-investment metrics substantially similar to those metrics for SW Standalone Park co-investments in Section 5.04(b); and

(b) SW will make reasonable efforts to facilitate discussions between the FEC partner and SEA regarding cross-promotions with SEA’s Standalone Parks and Sesame Lands.

Additional Carveouts

With respect to new Standalone Parks and Sesame Lands that SEA will build and open under this Agreement, any additional cities (and specific FEC requests) that SW may seek to be added as carve-outs under Section 3.05 based on restrictions and criteria similar to those set forth in Section 3.05 will be subject to SEA’s prior written Approval.
Additional Restrictions on SW

(a) (i) Notwithstanding SW’s reserved rights under this Agreement, SW agrees that, during the Term (but subject to Section 3.09), it will not use, license, or transfer the use of the Sesame Street Elements in any visitor attraction that meets all of the following within the Territory of SEA’s exclusive rights:

(A) that is a permanent physical location that is designed primarily for enjoyment, amusement and/or entertainment (and not primarily for education or other purposes) (or a travelling equivalent thereof that remains at the same location for more than fourteen (14) days in any calendar year);

(B) that is larger than a Large FEC;

(C) that meets a substantial number but not all of the remaining criteria in the definition of a Theme Park; and

(D) that reasonably is or would be considered to be (under a reasonable person standard) materially competitive with a Standalone Park or Sesame Land and inconsistent with SEA’s rights pursuant to this Agreement.

[*]. For clarity, this is not intended to impact SW’s ability to undertake its travelling live shows or its rights to build and operate Small, Standard and Large FECs pursuant to the terms of this Agreement.

(ii) SW will notify SEA in writing, with sufficient detail regarding the visitor attraction, including its nature and scope so that the Parties can evaluate such visitor attraction against the criteria of this Section 3.08(a), of its intent to build (or license) and open a visitor attraction that meets the conditions under (A) and (B); and the Parties agree to evaluate such proposed visitor attraction in good faith within sixty (60) days after SW’s written notice (and if necessary utilize dispute resolution hereunder). SW will include in its notice to SEA any market study or similar study to the extent SW has elected to obtain such study. To the extent a market study or similar study is undertaken by or with a partner of SW and such partner or the party conducting such market study requires confidential treatment of such study, SW will use good faith commercially reasonable efforts to obtain consent from such partner or market study party to disclose such market study to SEA, and SEA would enter an appropriate confidentiality agreement in connection therewith.

(b) Subject to the carve-outs in Section 3.05, during the Term (but subject to Section 3.08(e) and Section 3.09), SW will not have the following Sesame Street ®-themed Attractions as permanent installations in any permanent physical location (or as a part of a travelling equivalent thereof that remains at the same location for more than fourteen (14) days in any calendar year) that is primarily for enjoyment, amusement and/or entertainment (but not for education or other purposes) and that is within one hundred (100) mile radius from a Standalone Park or a Sesame Land: water rides, carnival-type amusement rides or flat rides, and/or character dining.

(c) SW agrees that during the Term (but subject to Section 3.09), it will not have any Sesame Street ®-themed roller coaster anywhere that is within the Territory of SEA’s exclusive Theme Park rights under this Agreement, including Section 3.02.

(d) The Parties expressly agree that in no event will Sections 3.08(a) restrict SW with respect to any museum, learning center, school, child care center, after-school program, live show, Broadway-type show, cruise, hotel, resort or time-share (as such terms are commonly understood in the industry).

(e) Notwithstanding anything to the contrary, the restrictions in this Section 3.08 do not apply to any visitor attraction or Sesame Street ®-themed Attractions that have opened in accordance with the terms of this Agreement or that SW has contractually committed to open or authorized its licensee or partner to open as permitted under this Agreement, prior to the Parties’ mutual agreement to build (and subject to SEA’s continuing diligent efforts to build in accordance with the terms of this Agreement) a new Standalone Park or Sesame Land in a specified location that creates the relevant radius restriction in this Section 3.08.
Preparation for Post-Term

Notwithstanding anything to the contrary, following expiration of the Exclusive Negotiation Period in Section 2.02(b)(iv) without the Parties entering into an extension of the Term, (a) SW is free, during the remainder of the Term, to use, license or transfer the use of the Sesame Street Elements to develop and build visitor attractions (including Theme Parks and Attractions) that are within SEA’s exclusive rights or that are subject to restrictions on SW under this Agreement (and to enter into agreements with third parties), so long as such visitor attractions (including Theme Parks and Attractions) do not open until after the end of the Term and SW does not actively market (e.g., paid advertisement, sale of admission tickets, etc.) or permit active marketing of such visitor attractions sooner than six (6) months before the end of the Term; and (b) SEA is free, during the remainder of the Term, to design and build visitor attractions to replace or modify the Sesame Street®-themed Attractions (and to enter into agreement with third parties), so long as the Sesame Street-themed Attractions are not replaced or modified after the end of the Term.

Requests for Changes

To the extent that either Party requests to undertake any activities that are not otherwise permitted under this Agreement (due to the grant of rights, restrictions or exclusivity existing as of the date of this Agreement) and that will not adversely affect the rights granted to or retained by the other Party, the Parties agree to consider such request in good faith, but shall not be obligated to approve such request or undertake any action or activity not required or contemplated by this Agreement.

4. CREATIVE DEVELOPMENT

Production of Live Presentations

(a) The Attractions at the SEA Theme Parks include character appearances using the Sesame Street® characters in walk-around costumes (e.g., parades, character dining, photo opportunities) (in accordance with the Walkaround Costumed Character Guidelines in Exhibit B and the Costume Maintenance Guidelines in Exhibit C) and live shows featuring the Sesame Street® characters and other Sesame Street Elements (collectively, the “Live Presentations”), as Approved by SW. SEA may continue with the existing Live Presentations under the Prior Agreements as previously approved by SW without any additional SW Approval under this Agreement.

(b) The following will apply to all new Live Presentations developed by SEA under this Agreement. SW will be informed in the early pre-production stages of any proposed Live Presentation (including material changes to an existing Live Presentation) and be given the opportunity to provide its feedback on the applicable production team and show concept. SW will be forwarded production updates and script drafts during the pre-production and production processes of the Live Presentation. SW will have prior written Approval over each Live Presentation before it is opened to the public. Such Approval rights shall include Approval over all creative elements including (if applicable) the treatment, storyboards, script (first draft, second draft, final draft, polish), educational content, set designs, music and costumes. Such Approval rights also include Approval over all Sesame Street® character talent, including voice talent, for the Live Presentations. SW’s Approval rights also extend to the production quality, artistic values, technical workmanship, timeline, and overall content and quality of the Live Presentation. Any on-site visits deemed necessary by SW in connection with its review and Approval of any and all Live Presentations shall be at SW’s sole cost and expense.

(c) SEA, at its expense, shall be responsible for producing, staffing, maintaining, and presenting the Live Presentations in accordance with the terms of this Agreement including SW’s Approval rights and shall be responsible for all associated costs including all production costs (and any overages) and all costs (where applicable) for hiring the producer, director, writers, performers (including character performers) and other talent, and clearing all necessary third party rights (e.g., unions, music publishers, public performance rights, etc.).

(d) The Parties acknowledge that VStar Theatrical, LLC is SW’s current preferred costume provider of costumes incorporating the Sesame Street Elements. The Parties further acknowledge that SEA is not obligated in any way under this Agreement to engage VStar Theatrical, LLC, or any subsequent preferred costume provider of SW, as the provider of any costumes.

(e) The Parties agree that any shows developed hereunder at the cost of SEA may not be used during the Term by any third party without the Parties’ mutual agreement in each instance and reasonable remuneration for SEA.
Music

- In regard to music used in connection with the SEA Theme Parks including the Attractions, Licensed Products, or marketing, advertising and promotional materials ("Marketing Materials"), SEA shall be responsible for obtaining all such Music, clearing all necessary third party rights, and paying all associated third party costs including copyright fees, music publishing fees, musicians, producers, public performance fees, etc. for such use including any Music used in the Live Presentations, such as on loudspeakers or as background in any areas of any of the SEA Theme Parks. SEA and SW will mutually Approve the terms including financial terms applicable to use of master recordings owned or controlled by SW in accordance with the following: (i) SW will waive its fee for SEA’s use of the master recordings in the SEA Theme Parks but will charge SEA for any actual third party costs such as union obligations and (ii) with respect to musical compositions contained in such master recordings, the publishing rights to which are held by SW’s third party music publisher (currently Universal Music Publishing Group), SW will make commercially reasonable efforts to ensure that the terms including the fees charged to SEA will be no less favorable than the terms including fees charged to other third party partners of SW for comparable uses.

Video

- In regard to video used in connection with the SEA Theme Parks including the Attractions, Licensed Products or Marketing Materials (whether such video is owned or controlled by SW or a third party) (“Video”), SEA shall be responsible for obtaining all such Video and clearing all necessary third party rights, and paying all associated third party costs including any payments due to writers, directors, musicians, and actors appearing in such Video. SEA’s obligations with respect to any Music included in such Video are covered in Section 4.02. SEA and SW will mutually Approve the terms including financial terms applicable to use of video owned or controlled by SW, which financial terms shall be reasonable in amount and not more than charged to any other third party partners of SW in light of SEA’s financial commitments hereunder. Additionally, there shall be no charge payable to SW for SEA’s continued use of any existing Video in existing shows (e.g. “A is for Africa”, “Elmo Rocks”).

Artwork

- With respect to artwork (including drawings, sketches, graphics, photographs, and prints) bearing the Sesame Street Elements ("Artwork") that SEA will use in connection with the SEA Theme Parks including the Attractions, Licensed Products, or Marketing Materials, SW will either furnish the Artwork to SEA or authorize SEA to create the Artwork. With respect to Artwork furnished by SW, SEA shall pay SW’s costs as mutually agreed, including costs to create the Artwork and any payments to third parties (e.g., reuse payments to an artist for pre-existing Artwork). In some instances, upon written request by SW, SEA will make such payments directly to the third party instead of to SW. With respect to Artwork that SEA will create, SEA will create the Artwork by itself or subject to SW’s written Approval will retain a third party to create it. SEA shall be responsible for contracting with the artists and obtaining all necessary third party rights for the use of such Artwork in accordance with this Agreement, and paying all associated third party costs. Upon request by SW, SEA will provide to SW (or its designee) duplicates of Artwork created by SEA for SW’s internal use only unless otherwise agreed in writing by SEA and SW. SEA will be reimbursed for all duplication costs.

Creative Materials

- With respect to all work product associated with the Live Presentations such as scripts, treatments, drafts, music, lyrics, costume, designs, characters, etc. (“Live Presentation Materials”), Music, Video, Artwork, and any other materials that the Parties agree may be used by SEA under this Agreement, SEA shall be responsible for entering into agreements with the appropriate third parties on terms that are consistent with the terms of this Agreement, including SW’s ownership rights under Section 13, and paying all associated third party costs to the extent required herein. SEA will provide SW with a copy of such agreements before they are signed as well as an executed copy after they are signed. SEA may not use such Live Presentation Materials, Music, Video, Artwork and such other materials in any way other than as expressly permitted under this Agreement. SEA shall maintain all costumes and show props used by SEA that are provided by SW in good condition, ordinary wear and tear and long-term use excepted, and deliver them to SW, at no charge to SW, promptly after the termination of this Agreement.

5. STANDALONE PARKS

Definition

- A Standalone Park (“Standalone Park”) is a mutually agreed SEA-owned Theme Park themed with the Sesame Street Elements (named “Sesame Place®” or other mutually agreed upon “Sesame” brand) located in a location determined by SEA that is a standalone Theme Park (not part of another Theme Park) with separate admission (other than special shows, etc.). The Standalone Park will otherwise meet all of the criteria for a Theme Park in Section 3.01, unless otherwise mutually Approved by the Parties. If a Standalone Park will be co-located adjacent to a SEA Theme Park, it will have a separate gate and admission fee.
Langhorne Standalone Park

The currently existing Langhorne Standalone Park is pre-approved as a Standalone Park under this Agreement. Throughout the Term, the Langhorne Standalone Park will continue as a Standalone Park with at least the same footprint size and number of Attractions as currently exists (subject to any mutually agreed strategy changes). Subject to Force Majeure Events (and final Approval of the Parties (in accordance with the approval provisions)), SEA will do the following in the Langhorne Standalone Park: (i) [*], and (ii) in 2019, related to the 50th Sesame Street® anniversary, SEA will make certain SEA-determined marketable (rather than maintenance) capital improvements which could [*] reasonably determined by SEA.

Standalone Park #2

(a) Subject to Force Majeure Events, SEA will open a second (2nd) Standalone Park ("Standalone Park #2") by the Mutually Agreed Opening Date of [*], in accordance with the table below.

<table>
<thead>
<tr>
<th>STANDALONE PARK #2</th>
<th>Date*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Concept Design Submitted to SW</td>
<td>[*] following full execution of this Agreement</td>
</tr>
<tr>
<td>Concept Design Approval by SW</td>
<td>Within [*] following submission above</td>
</tr>
<tr>
<td>Business Plan and Business Model (with projected revenues) provided to SW, not for Approval</td>
<td>Within [*] of Concept Design Approval by SW</td>
</tr>
<tr>
<td>Commence Construction</td>
<td>Within [*] of SW Approval of Concept Design</td>
</tr>
<tr>
<td>Mutually Agreed Opening Date for Standalone Park #2</td>
<td>[*]</td>
</tr>
</tbody>
</table>

* Dates other than the Mutually Agreed Opening Date are subject to adjustment. Dates need to be flexible due to inherent market uncertainties and other factors. Accordingly, other than as set forth in the following paragraph, the dates are for example purposes only and, for so long as SEA acts in good faith and diligently proceeds on the milestones, failure to achieve an actual milestone will not constitute a breach of this Agreement. However, notwithstanding anything to the contrary, subject to Force Majeure Events or material delays in SW Approvals, the Mutually Agreed Opening Date above shall not be changed except by mutual written agreement.

(b) Subject to Force Majeure Events or material delays in SW Approvals, if SEA fails to open Standalone Park #2 by the Mutually Agreed Opening Date set forth above, unless the Parties otherwise mutually agree, SEA will pay SW liquidated damages, as the sole and exclusive remedy except as stated below in Section 5.03(c), an amount equal to [*] per day of delay until SW’s Decision Period below. Such amount will be payable monthly in arrears.

(c) If (i) absent Force Majeure Events, SEA ceases to use good faith and diligent efforts to build and open Standalone Park #2 per the milestones above, and fails to recommence diligent efforts after thirty (30) days’ written notice from SW; (ii) at any time SEA informs SW that it has decided not to build and open Standalone Park #2 (SEA will promptly give written notice to SW of any such final decision) or (iii) subject to Force Majeure Events or material delay in SW Approvals, SEA fails to open Standalone Park #2 within one (1) year from the Mutually Agreed Opening Date, unless the Parties otherwise mutually agree, then SW will have rights as set forth below in this Section 5.03(c), provided, however, that if Standalone Park #2 is substantially complete or is only waiting on governmental authorizations, then SEA shall have an additional ninety (90) days (or such period of time required in connection with such governmental authorizations) to open Standalone Park #2, except that such additional ninety (90) days shall not apply to any delay due to any act or omission described in Section 16.02(a)(iv). Upon the occurrence of (i) or (iii) above, immediately upon completion of the dispute resolution process set forth in Section 17.01, SW will have a period up to sixty (60) days ("SW’s Decision Period") to elect (A), (B) or (C) below. Upon the occurrence of (ii) above, SW shall not be required to complete the dispute resolution process set forth in Section 17.01, and SW’s Decision Period will begin immediately after SEA’s written notice to SW under (ii).

(A) SW may permit SEA to continue building Standalone Park #2 on a mutually Approved schedule and on terms to be mutually agreed and consistent with the material terms of Section 10 of this Agreement; or
(B) SW may terminate this Agreement under Section 16.02(a)(i) upon written notice to SEA and receive all applicable SEA Termination Fees under Section 16.02(c), or

(C) SW may terminate this Agreement in part only with respect to Standalone Park #2 and the right to develop future Standalone Parks and receive the applicable SEA Termination Fees under Section 16.02(c) and reduce the Territory for exclusivity to a [*] radius from the Langhorne Standalone Park and a [*] radius from any current or agreed upon Sesame Land (and otherwise to continue this Agreement with respect to all other rights and obligations of the Parties hereunder).

provided, however, that during SW’s Decision Period, SEA’s performance, payment and other obligations in Standalone Park #2 would be suspended and tolled.

(d) The Parties acknowledge that, during SW’s Decision Period, SW will be free to seek and entertain proposals from, and negotiate directly or indirectly with, any other person or entity regarding the rights granted to SEA under this Agreement.

5.04 Standalone Park #3.

(a) Subject to Force Majeure Events, the Parties will evaluate a third (3rd) Standalone Park ("Standalone Park #3"), at a location to be determined by SEA. SEA will evaluate the financial and operating viability for Standalone Park #3 and the performance criteria of the Sesame Street Elements in the SEA Theme Parks to determine whether to proceed with Standalone Park #3. For “greenfield” Standalone Parks on lands not already owned or leased by SEA, SEA will offer SW the opportunity to co-invest as described below in this Section 5.04(a). Financial viability criteria will include, among other things: the appropriate capital investment requirement and funding sources; an acceptable market demand/feasibility study; and a minimum internal rate of return of at least [*].

(b) SW will be provided the opportunity to co-invest cash, at a level from [*] as determined by SW, in a new Standalone Park (other than the Langhorne Standalone Park) that is not co-located with a SeaWorld or Busch Gardens park or other park owned by SEA ("SW Co-Investment"). SW will have one (1) month (subject to extension pursuant to the timelines for evaluating and building future Standalone Parks) to elect whether or not to co-invest as stated in this Section 5.04(b). The SW Co-Investment will be in a newly established joint venture entity on terms to be mutually agreed with rights commensurate with the extent of each Party’s equity investment. The Parties will enter into an operating/LLC agreement to govern the SW Co-Investment which will address, among other things, percentage ownership, fair market value and capital contributions, distributions, governance provisions, transfer provisions, buy-sell and exit provisions and other appropriate provisions. If SW elects to invest using a third-party partner, then (i) SW will establish a separate JV or entity for such investment which will be a party to the operating/LLC agreements, and (ii) the identity of such party will need to be reasonably acceptable to SEA acting in good faith (e.g., not a competitor of SEA or entity antagonistic to SEA or its mission and not SW’s FEC partner if such partner was not amenable to co-investment by SEA in the FECs under Section 3.06).
Confidential treatment has been requested with respect to information contained within the [*] marking. Such portions have been omitted from this filing and have been separately filed with the Securities and Exchange Commission.

(c) Subject to Force Majeure Events, the later of the two (2) milestone guidelines (from the two columns below) will be used for evaluating and deciding whether to build Standalone Park #3 and for building the Standalone Park if so decided:

<table>
<thead>
<tr>
<th>STANDALONE PARK #3</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Milestone</strong></td>
<td><strong>Timeline</strong>*</td>
</tr>
<tr>
<td>Opening Date for SAP #2</td>
<td>[*]</td>
</tr>
<tr>
<td>SEA begins Feasibility Study</td>
<td>[*] from Opening Date for SAP #2</td>
</tr>
<tr>
<td>SEA completes feasibility study and presents SW with Co-Investment opportunity (with accompanying feasibility study, SEA assessment and business plan and location, and all necessary information)</td>
<td>[*] after beginning of feasibility study</td>
</tr>
<tr>
<td>SW decides to co-invest or not to co-invest</td>
<td>[*] after SEA presents co-investment opportunity to SW; provided that if SW requires additional days to decide, then the subsequent milestones will be pushed back by the number of such additional days up to thirty (30) additional days in total</td>
</tr>
<tr>
<td>SEA decides to build or not to build SAP #3</td>
<td>[*] after SW decision to co-invest or not</td>
</tr>
<tr>
<td>If build, Concept Design Submitted to SW</td>
<td>[*] after SEA decision</td>
</tr>
<tr>
<td>If build, Concept Design Approval by SW</td>
<td>Within [*] following submission above</td>
</tr>
<tr>
<td>If build, Commence Construction</td>
<td>[*] of SW approval of Concept Design</td>
</tr>
<tr>
<td>If build, Mutually Agreed Opening Date for Standalone Park #3</td>
<td>[*] after Commence Construction</td>
</tr>
</tbody>
</table>

* Dates other than the Mutually Agreed Opening Date are subject to adjustment. Dates need to be flexible due to inherent market uncertainties and other factors. Accordingly, other than as set forth in the following paragraph, the dates are for example purposes only and, for so long as SEA acts in good faith and diligently proceeds on the milestones, failure to achieve an actual milestone will not constitute a breach of this Agreement. However, notwithstanding anything to the contrary, subject to Force Majeure Events or material delays in SW Approvals or SW’s extension of its co-investment decision, the Mutually Agreed Opening Date above shall not be changed except by mutual written agreement.
(d) If SEA decides to build Standalone Park #3 (with or without the SW Co-Investment), subject to Force Majeure Events, SEA will use good faith and diligent efforts to build and open Standalone Park #3 by the Mutually Agreed Opening Date for Standalone Park #3 per the milestone guidelines above. If SEA decides to build and open Standalone Park #3 and then, absent a Force Majeure Event (i) SEA ceases to use good faith efforts to generally achieve the milestones above, and fails to recommence good faith efforts after thirty (30) days’ written notice from SW or (ii) informs SW that it has decided to cease to build and open Standalone Park #3 (the date that the cure period expires under (i) or the date that SEA informs SW under (ii) is the “Stop Date”), then for the period starting from the date SEA decided to build Standalone Park #3 and ending on the Stop Date (it is understood that the Stop Date will be no later than the Mutually Agreed Opening Date for Standalone Park #3), SEA will pay SW liquidated damages, as the sole and exclusive remedy, an amount equal to [*] per day for such period. Starting on the Stop Date, or on the date that SEA gives SW written notice that it will not build and open Standalone Park #3, SEA will no longer have the right to build and open Standalone Park #3 and the Territory for exclusivity will be reduced to (i) a [*] radius from any other existing or agreed upon Standalone Park, and (ii) a [*] radius from any current or agreed upon Sesame Land, but there will be no right of SW to terminate this Agreement; provided that if SEA opens and continues to operate Standalone Park #2 or Standalone Park #3 in Williamsburg, SW will not open a Standalone Park in Atlanta, and if SEA opens a Standalone Park in Orlando, the [*] radius above in relation to the Standalone Park in Orlando will be increased to [*] (“Orlando Exception”).

Standalone Park #4

. The potential building and opening of the fourth (4th) Standalone Park (“Standalone Park #4”) will follow the same process and relative timeline as Standalone Park #3. If SEA elects to build and open Standalone Park #4, the national exclusivity set forth herein will remain unchanged for the remainder of the Term. If SEA does not open Standalone Park #4, then starting on the Stop Date for Standalone Park #4 or on the date that SEA gives SW written notice that it will not build and open Standalone Park #4, SEA will no longer have the right to build and open Standalone Park #4 and the Territory for exclusivity will be reduced to (i) a [*] radius from any other existing or agreed upon Standalone Park, and (ii) a [*] radius from any current or agreed upon Sesame Land, but there will be no right of SW to terminate this Agreement; provided that if SEA opens and continues to operate Standalone Park #2 or Standalone Park #3 in Williamsburg, and except as permitted under Section 3.04(b), SW will not open a Standalone Park in Atlanta (“Atlanta Exception”), and if SEA opens a Standalone Park in Orlando, the Orlando Exception will apply.

SW Evaluation of Additional Standalone Parks

. In the event that SEA elects not to build Standalone Park #4 under Section 5.05, SW may elect to conduct its own evaluation of whether to build Standalone Park #4. If SW desires to proceed with building the Standalone Park, SW will offer SEA the opportunity to co-invest (and provide SEA with the feasibility study by a reputable firm, SW assessment and business plan and location, and all reasonable information including material financial terms for SEA to make an informed decision) on substantially the same terms as the Parties had the right to co-invest in Standalone Park #3. If SEA decides to co-invest, then the Parties will jointly proceed with Standalone Park #4 and SEA’s co-investment will be on terms consistent with those for SW Co-Investment under Section 5.04(b). If SEA decides to not co-invest, SW will be free in its discretion to proceed with the Standalone Park without SEA (“SW Standalone Park” refers to any Standalone Park opened by SW without SEA as permitted under this Agreement); provided that SW agrees that it will not offer material terms (including investment terms, royalty and compensation terms, ongoing investment requirements and other material terms) that are materially more favorable to a third party than SW offered to SEA. The SW Standalone Park will not be within a [*] radius from an existing or agreed upon Standalone Park and will not be within a [*] radius from an existing or agreed upon Sesame Land, and will not violate the Atlanta Exception or Orlando Exception, if applicable.

Quality of SW Standalone Parks

. SW agrees that if SW builds or licenses a third (3rd) party to build SW Standalone Parks as permitted under this Agreement, the quality of such SW Standalone Parks and the customer experience in the SW Standalone Parks will be generally consistent with the quality of the SEA-operated Standalone Parks and customer experience in a SEA-operated Standalone Parks of substantially similar size and scope. If it is reasonably determined that the SW Standalone Parks do not meet such quality level, SW will have a cure period of one (1) year to bring the SW Standalone Parks up to the required quality level.

SEA’s Option for Future Standalone Parks

. SEA will have the option to evaluate and make a decision whether or not to build future Standalone Parks (and if SEA will decide to build, to offer the SW Co-Investment opportunity to SW), in accordance with the same process as described above for Standalone Park #3, with the same milestones and general procedure.
(a) On a regular ongoing basis, SEA will maintain, refresh, update, improve and/or make appropriate capital improvements (including capital expenditure allocations of major Attractions on a regular basis) (“Improvements”) to each Standalone Park as determined by SEA in good faith based on customary industry standards in the Theme Park industry generally. To that end, SEA will commit (i) commencing in 2018, to spend an average (on a rolling 5-year basis) of a minimum of [*] per calendar year for the Langhorne Standalone Park; and (ii) commencing five (5) years after the Opening Date of a Standalone Park to spend an average (on a rolling 5-year basis) of a minimum of [*] per calendar year for each new Standalone Park; in each case to make Improvements to such Standalone Parks. It is SEA’s intent that such standards help to maintain the goodwill and image of all of its SEA brands and of the Sesame Street Elements and enhance the guest experience. Starting in calendar year 2023, the minimum expenditure will increase by an escalator in accordance with the table below for the Langhorne Standalone Park. For new Standalone Parks, the Parties will mutually agree on a table with similar annual escalators for each new Standalone Park, and consistent with the expenditure commitment in (ii) above.

<table>
<thead>
<tr>
<th>Expenditures on Langhorne Standalone Park Improvements (in thousands)</th>
<th>Five-year period ending … (amounts in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>5-year rolling average</td>
<td>[*]</td>
</tr>
</tbody>
</table>
| Percentage increase from prior 5-year rolling average         | 0.3%             | 0.6%             | 0.9%             | 1.2%             | 1.5%             | 1.5%             | Subject to Section 5.09(b), for each 5-year period ending in the years after 2028, the percentage increase will continue to be one and one-half percent (1.5%) annually from the average expenditures for the prior 5-year period.

(b) During the final four (4) years of the Term or as otherwise set forth in Section 16.03(c), SEA will have no further obligations to make Improvements under this Section 5.09.

Standalone Park Marketing Commitment

Subject to Force Majeure Events, during each calendar year of the Term, for each Standalone Park, SEA will spend at least [*] of projected Standalone Gross Receipts for such calendar year for each such Standalone Park and, on a rolling 5-year basis, at least [*] of the average Standalone Gross Receipts for the five (5) preceding calendar years for each such Standalone Park, on marketing, advertising and promotion of each such Standalone Park. Despite the foregoing, during the last six (6) months of the Term, SEA’s obligations under this Section 5.10 will cease during such six-month period.

6. SESAME LANDS

Definition

A Sesame Land (“Sesame Land”) will be a designated area of Attractions within a SEA Theme Park (without separate admission ticket) designed for approximately a two (2) hour family experience; and with the Attraction area containing various Sesame Street®-themed Attractions.
Existing Sesame Lands

(a) Each of the Existing Sesame Lands is pre-approved as Sesame Lands under this Agreement. SEA will maintain the continued rights to use the Sesame Street Elements, and continue to operate the Sesame Street® attractions at the Existing Sesame Lands with at least the same footprint size and number of Attractions as they currently exist (subject to any mutually Approved strategy changes). If Standalone Park #2 is co-located with a SEA Theme Park that has a Sesame Land, the applicable Sesame Land will close in conjunction with the opening of the new Standalone Park #2, specifics to be mutually Approved. Similarly, if a future Standalone Park will be built near one of the other existing SeaWorld® or Busch Gardens® Theme Parks (e.g. SeaWorld® of Texas), then such Sesame Land will be permitted to be discontinued at the election of SEA at such time that such new Standalone Park opens to the public.

Orlando Sesame Land

(a) Subject to Force Majeure Events, SEA commits to building and opening a Sesame Land at SeaWorld® in Orlando (“Orlando Sesame Land”) by the Mutually Agreed Opening Date of [*]. The Sesame Land at SeaWorld® in Orlando will be [*], unless otherwise mutually agreed.

(b) Subject to Force Majeure Events or material delays in SW Approvals, if SEA fails to open the Orlando Sesame Land under Section 6.03(a) by the Mutually Agreed Opening Date, unless the Parties otherwise mutually agree, then SEA will pay SW liquidated damages, as the sole and exclusive remedy an amount equal to [*] per day of delay until the decision is made under Section 6.03(c) below. Such amount will be payable monthly in arrears.

(c) If (i) absent Force Majeure Events, SEA ceases to use good faith and diligent efforts to build and open the Orlando Sesame Land in accordance with the terms of this Agreement, and fails to recommence diligent efforts after thirty (30) days’ written notice from SW; or (ii) at any time SEA informs SW that it has decided not to build and open the Orlando Sesame Land under Section 6.03(a) (SEA will promptly give written notice to SW of any such final decision) or (iii) subject to Force Majeure Events or material delays in SW Approvals, SEA fails to open the Orlando Sesame Land within one (1) year from the Mutually Agreed Opening Date, unless the Parties otherwise mutually agree, then

(A) all of SEA’s rights with respect to the Orlando Sesame Land will terminate,

(B) SEA will pay SW the applicable SEA Termination Fees under Section 16.02(c), and

(C) Notwithstanding any restrictions in Sections 3.04 and 3.05, and notwithstanding any mileage restrictions based on the Sesame Land in Tampa, SW will be free to build and operate up to two (2) Small and/or Standard FECs in the aggregate, in the Orlando Metropolitan Area; provided that if SW builds a FEC in the Orlando Metropolitan Area, SEA at its option may discontinue use of the Sesame Elements (and cease payment of any related license fees or guarantees) in SeaWorld Orlando.

Additional Sesame Lands

. In the event that SEA desires to include a Sesame Land in any other SEA Theme Park, SEA will notify SW in writing of such intent and then the Parties will discuss such opportunity in good faith and if Approved by SW the Parties will mutually agree as to the terms and conditions for such Sesame Land consistent with the provisions of this Agreement.

Closing Sesame Lands

. If at any time SEA permanently closes or permanently ceases operation of an Existing Sesame Land or the Orlando Sesame Land (after it has opened) (“Closed Sesame Land”), other than to replace it with a Standalone Park, then

(a) all of SEA’s rights with respect to such Sesame Land will terminate,

(b) SEA will pay SW the applicable SEA Termination Fees under Section 16.02(c), and
(c) Notwithstanding any restrictions in Sections 3.04 and 3.05, SW will be free to build and operate FECs in the location of the Closed Sesame Land unless such Sesame Land is within the restricted area of another Standalone Park or Sesame Land; provided, however, in the event that SEA voluntarily permanently closes the Sesame Land in Tampa, SW will be free to build and operate one (1) Small or Standard FEC in the Tampa Metropolitan Area; provided that such FEC will not be opened prior to the expiration of the liquidated damages period of four (4) years or shorter under Section 16.02(c)(ii) and may be no closer than a fifty (50) mile radius of SeaWorld® Orlando (as the crow flies).

6.06 Ongoing Investment

(a) On a regular, ongoing basis as provided in this Agreement, SEA will make Improvements to each Sesame Land as determined by SEA in good faith based on customary industry standards in the Theme Park industry generally and on a basis similar to Attractions in the SEA Theme Park where such Sesame Land is located (taking into account ordinary course rotation of Improvements of overall Attractions within each such SEA Theme Park). It is SEA’s intent that such standards help to maintain Sesame Lands in a manner consistent with Theme Park excellence, and uphold the goodwill and image of all of its SEA brands and of the Sesame Street® brand and enhance the guest experience.

(b) Subject to Force Majeure Events, SEA commits to spend a minimum of [*] combined in the aggregate on a rolling three-year basis (i.e., the then current calendar year and the two (2) preceding calendar years) in Improvements to the Sesame Lands. Such minimum expenditure will begin in 2018 and continue throughout the Term, except as stated in Section 6.04(d). The minimum expenditure will increase by an escalator each year, and also will increase to [*] in 2024, in accordance with the table below. The above minimums are based on appropriate Improvements to each of the three (3) Sesame Lands with the fourth Sesame Land being replaced by a co-located Standalone Park #2 (currently the three Sesame Lands are expected to be San Diego, San Antonio and Tampa) until the opening of the Sesame Land in Orlando, and thereafter are based on appropriate Improvements to each of four (4) Sesame Lands. If there are greater or fewer than the assumed number of Sesame Lands, the minimum expenditure will be adjusted on a pro rata basis.

<table>
<thead>
<tr>
<th>Expenditures on Sesame Lands Improvements (in thousands)</th>
<th>Three-year period ending … (amounts in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>3-year rolling total</td>
<td>[*]</td>
</tr>
<tr>
<td>Percentage increase from prior 3-year rolling total</td>
<td>0.5%</td>
</tr>
</tbody>
</table>

Subject to Section 6.04(d), for each 3-year period ending in the years after 2026, the percentage increase will continue to be one and one-half percent (1.5%) from the expenditures for the prior 3-year period.
Improvements to the currently existing Sesame Lands in Tampa, San Antonio, and San Diego between 2018-2020 will include the following items in the reasonable discretion of SEA, starting in 2018:

(i) Live Performance Updating: As a part of the specific efforts described in this Section 6.06, and subject to popularity ratings, guest satisfaction, or other factors, SEA will consider in good faith replacing, updating or otherwise revitalizing live shows within each of the Sesame Lands starting with the 2018 season with an updated, revitalized or new show or new, refreshed or updated creatives, music, vocal records, sets or other components that properly reflect the popular components of the Sesame Street® brand attributes. Such considerations could include evaluation of the following:

(A) SeaWorld San Antonio – “Elmo Rocks” or “A is for Africa”
(B) Busch Gardens Tampa – “Elmo Rocks” or “A is for Africa”
(C) Busch Gardens Williamsburg – “Elmo Rocks”
(D) SeaWorld San Diego – “Elmo Rocks”

(ii) General Area Updating: As a part of the specific efforts in this Section 6.06, SEA will:

(A) Update graphics for replacing signage with latest Sesame visual packaging where appropriate.
(B) To the extent appropriate, provide new costumes based on the most high-profile characters.
(C) Perform general re-fresh painting and upgrading of appropriate areas as reasonably required.

(d) During the final (4) years of the Term or as otherwise set forth in Section 16.03(c), SEA will have no further obligations to make Improvements under this Section 6.06.

7. LICENSED PRODUCTS

Rights Granted

(a) Subject to all the provisions of this Agreement, SW grants SEA a license during the Term and within the Territory, to use the Sesame Street Elements, as agreed and Approved by SW:

(i) to develop and manufacture or have developed and manufactured products that utilize the Sesame Street Elements (“Developed Licensed Products”) or to purchase products that utilize the Sesame Street Elements from SW’s third party licensees (“Acquired Licensed Products”) (collectively, Developed Licensed Products and Acquired Licensed Products, including their associated product packaging, will be referred to as “Licensed Products”);

(ii) to market, promote, advertise, distribute and sell the Licensed Products within each of the SEA Theme Parks and through online stores on the SEA’s websites and targeted primarily to consumers in the Territory (e.g., internet webpages being limited to English or Spanish or such other languages as may be Approved by SW during the Term) (collectively, the “Authorized Sales Areas”); provided that, if any sales by SEA outside the Territory will conflict with any exclusive rights granted by SW to a third party, SEA will cease such sales upon written notice from SW; and

(iii) to contract with third party vendors (“SEA’s Vendors”) to promote, distribute and sell the Licensed Products within the Authorized Sales Areas, subject to SW’s prior written Approval of the identity of, and the specific rights to be granted to, SEA’s Vendors.

(b) The Parties agree that any Developed Licensed Products and/or any proprietary technology developed at SEA’s cost in connection with Developed Licensed Products may not be used by any third party without SEA’s prior written Approval in each instance. SEA acknowledges that third parties may distribute products that are similar to such Developed Licensed Products so long as such products are independently developed by or on behalf of such third party.

(c) SEA will not have any rights to use the Sesame Street Elements for premiums or promotional items without SW’s prior written Approval.
(a) SEA hereby agrees that each Standalone Park will contain dedicated space (each space, a “Retail Space”) within such Standalone Park where it will primarily sell Licensed Products. SEA shall be permitted to sell other products that are not Sesame Street®-branded (“Other Products”) in the Retail Space.

(b) SEA hereby agrees that each Sesame Land will contain Retail Space within or adjacent to such Sesame Land where it will sell Licensed Products. SEA shall be permitted to sell Other Products in such Retail Space, provided the Licensed Products constitute at least fifty percent (50%) of all products available for sale in such Retail Space.

(c) The Parties shall discuss in good faith the location and size of each Retail Space; provided, however, the determination of the location and size of each Retail Space shall be in SEA’s sole discretion.

SEA’s and SW’s Names on Licensed Products

To the extent reasonably practicable given the size and nature of the Developed Licensed Product, SEA shall include its name, trade name, and address in irremovable form (e.g., a sticker would not be sufficient) on the packaging of each Developed Licensed Product so that the public can identify SEA as the source and distributor of the Developed Licensed Product. SEA also shall include in irremovable form (e.g., a sticker would not be sufficient) on such product packaging SW’s name, URL and other corporate information (e.g., description of not-for-profit status), in accordance with commercially reasonable guidelines or instructions provided by SW. Except as otherwise agreed to by SW, SEA shall include the Sesame Street® logo on the product packaging in a manner that is no less prominent than the applicable SEA Theme Park name.

Samples

(a) SEA shall deliver twelve (12) units of each Developed Licensed Product to SW at SW’s address above, at no cost to SW, promptly upon or before their initial shipment to the SEA Theme Parks for quality control purposes only and not for any other use.

(b) Subject to availability, SEA shall sell to SW at SEA’s actual cost to develop in the case of a Developed Licensed Product and at SEA’s actual cost to acquire in the case of an Acquired Licensed Product such reasonable number of units of any Licensed Product as SW may from time to time request. SW may use such Licensed Products as it deems appropriate (e.g., to sell or give to SW’s employees), except that SW may not resell such units to the general public.

(c) SEA will not pay SW any royalties for units of the Licensed Products given or sold to SW under this Section 7.04.

8. ADDITIONAL SEA AND SW COMMITMENTS

SEA Responsibilities Generally

Throughout the Term, SEA shall operate the Attractions and be responsible for the maintenance, improvement, safety, quality control, marketing and promotion of the SEA Theme Parks and Attractions. SEA is solely responsible for all development, production, manufacturing, safety and quality control matters, and packaging for each Developed Licensed Product, and the warehousing, marketing, advertising, promotion, distribution, sales, shipping, billing, collection and the like with respect to each Developed Licensed Product and Acquired Licensed Product.

Language

All text that will appear in or on the Developed Licensed Products (including packaging) or in Marketing Materials shall be in English and/or Spanish or such other languages as may be Approved by SW during the Term.

Ratings Data

At least four (4) times per year, simultaneous with its delivery of royalty statements as described in Section 10.06, SEA shall deliver to SW such guest ratings surveys, guest penetration data and other applicable guest satisfaction information it has compiled with respect to the Standalone Parks and Sesame Lands, and with respect to Sesame Lands SEA shall deliver to SW comparative data that SEA generates in the ordinary course on the Sesame Street-themed Attractions as compared to the non-Sesame Street elements in the SEA Theme Park containing the applicable Sesame Land (“Ratings Data”). The Ratings Data is proprietary for SEA and is for the sole internal use of SW and may not be shared with any other third parties by SW without the express written consent of SEA. Notwithstanding the foregoing, SW acknowledges that not all of the SEA Theme Parks operate on a year-round basis and therefore agrees that for such SEA Theme Parks, SEA shall not be obligated to deliver such Ratings Data for such SEA Theme Parks for the calendar quarters such SEA Theme Parks are not open.

Tickets

Upon request, SEA will provide SW with up to two hundred fifty (250) complimentary admission tickets in the aggregate (not for resale) in each year of the Term for admission to SEA-operated parks (other than Discovery Cove).
Brand Board

(a) The Parties will establish a Brand Board with a mandate to maintain and grow the Sesame Street® brand at SEA Theme Parks (including merchandising, marketing and promotions). The Brand Board will consist of SEA managers (including a designated SEA brand manager primarily focused on the Sesame Street® brand and SW managers (including a designated SW brand manager primarily focused on the Standalone Parks, Sesame Lands and implementation of this Agreement) with the purpose of focusing on maximizing the Sesame Street® brand at the Standalone Parks and within Sesame Lands at the SEA Theme Parks and consistent with SW’s mission.

(b) Senior management of SEA and SW will hold business review meetings at least two (2) times a year and review and discuss the plans, strategies and financials of the business including progress and milestones in the development of the new Standalone Parks. Each Party will be responsible for all costs of its respective members of the Brand Board.

Quality Offerings

Both SEA and SW will commit to upholding the quality of their respective product offerings. On a regular and ongoing basis, SEA will maintain the quality of its product offerings at SEA-owned Theme Parks to achieve its purpose of providing broadly accessible, quality entertainment experiences and engagement for its guests. On a regular and ongoing basis, SW will maintain the quality of its Sesame Street® offerings, including creation of new content for consumption or other use by its primary audience on appropriate platforms, to achieve its purpose of providing offerings that are broadly available to consumers and that maintain the impact of SW’s mission with its audience.

Inspection

SW may periodically inspect the SEA Theme Parks for purposes of quality control and determining SEA’s compliance with the terms of this Agreement, and SEA shall be entitled to guide SW employees through a SEA Theme Park (and all business areas) for such inspections. SW will provide SEA with two (2) weeks’ prior written notice prior to any inspection and shall adhere to all generally applicable SEA site control policies and procedures.

Public Announcements

Neither Party shall issue a press release, make any public announcement, or make or authorize the publication of any article, either externally or internally, which identifies, relates to, or otherwise gives publicity to this Agreement or the terms hereof without the prior written Approval of the other Party in each instance, except as required by applicable laws, rules and regulations.

SW Services

The Parties may agree to have SW provide certain services (which do not include brand approvals and brand consultation) in the development of the Sesame Street® Attractions (e.g., creation of content) on terms to be mutually agreed.

9. APPROVALS

Definition

“Approval” or “Approved” or “Approve” means the right to approve, not to be unreasonably withheld, conditioned, delayed or denied.

Rights of Approval

SEA acknowledges that in order to (i) ensure that the appearance, quality, marketing and promotion of the Attractions and the appearance, quality, manufacturing, marketing, sale, distribution and other exploitation of the Licensed Products are consonant with SW’s name and reputation for quality and with the goodwill associated with SW and the Sesame Street Elements, and are used in a manner contextually and creatively consistent with the use of the Sesame Street Elements, (ii) ensure the protection of SW’s copyrights and trademarks, and (iii) advance SW’s educational and business interests, SW retains the right to Approve: (a) all aspects of all Attractions, all Live Presentations and all Live Presentation Materials that are based on the Sesame Street Elements; (b) each Licensed Product (including packaging) at each stage of product development (where applicable) as specified in Exhibit E; (c) all marketing and promotional activities and all Marketing Materials prior to SEA’s use thereof; (d) all markings, legends, and notices on or in association with the Licensed Products including packaging; and (e) any use of any element of the Sesame Street Elements for any purpose.
Approval Process

(a) With respect to all approvals under any provision of this Agreement by SW which do not have a specific response time expressly set forth in this Agreement or is otherwise agreed upon by the Parties in writing, SW at its expense will submit concepts, items and/or other matters for written Approval to SW accompanied by SW’s approval submission forms if applicable and in each instance providing relevant context or materials so as to facilitate a timely and informed decision. SW will notify SEA of its Approval (or disapproval) of any submission within ten (10) business days after receipt of such submission. If SW fails to respond to such submission within such ten (10) business day period, SEA may resubmit such concepts, items and/or other matters to SW’s Senior Vice President & General Manager, North America Media & Licensing, or his or her successor or designee with a prominent cover note stating “SECOND SUBMISSION FOR APPROVAL,” and he or she will notify SEA of his or her Approval within ten (10) business days, providing a reasonably detailed explanation of the reasons for any disapproval. In exercising its rights to grant or withhold Approval in each instance, SW may take into consideration such pedagogic, mission related, safety, aesthetic, brand and other considerations as SW reasonably determines in good faith. If SW does not approve or disapprove a “SECOND SUBMISSION FOR APPROVAL” within the applicable timeframe, such submission shall be deemed approved. If an item approved for a particular use is being considered for another use, SEA must re-submit such item to SW for a new Approval; provided, however, SEA shall not be required to re-submit an item for Approval for use at one SEA Theme Park if SW has previously approved such item and such use for another SEA Theme Park within the previous twenty-four (24) months. SW’s Approval of any submission shall not affect SEA’s obligations with respect to the Attractions and the Licensed Products (e.g., product safety) nor shall SW’s disapproval of any submission affect SEA’s obligations to perform under this Agreement. SEA agrees not to release, market, distribute, sell or otherwise make any use of an item requiring SW Approval unless SW has approved such item in accordance with this Section 9.03. Upon thirty (30) days’ prior written notice to SEA, SW may withdraw any Approval previously granted; provided, however, such withdrawal shall be made in good faith and not be unreasonably made and SW shall promptly reimburse SEA for all expenditures made or liabilities incurred in reliance on such prior Approval; provided, however, SW shall not be required to reimburse SEA for such expenditures made or liabilities incurred in the event SW withdraws its Approval because it learns: (i) of a defect in the Developed Licensed Product, or (ii) that SEA has failed to disclose material information which would inform SW’s decision to approve SEA’s submissions hereunder. If such withdrawal of prior Approval by SW causes SEA to then miss a deadline or satisfy a requirement hereunder, SEA will not be considered to be in breach as a result thereof.

(b) If there is a recurring pattern of SW not responding to requests for Approvals within the time limits specified in Section 9.03(a), a member of the senior management of each Party will meet to review and modify the process above. To the extent that SW’s failure to respond to requests for Approvals within the time limits specified in this Section 9.03(b) causes SEA to not meet any deadlines it has committed to SW under this Agreement, SEA will not be responsible or liable to SW for such missed deadlines and such deadlines will be tolled and extended to reflect the period of delay.

(c) With respect to all approvals under any provision of this Agreement by SEA which do not have a specific response time expressly set forth in this Agreement or is otherwise agreed upon by the Parties in writing, SW at its expense will submit items for written Approval to SEA accompanied by any agreed approval submission forms if applicable and in each instance providing relevant context or materials so as to facilitate a timely and informed decision. SEA will notify SW of its Approval (or disapproval) of any submission within ten (10) business days after receipt of such submission, other than with respect to a submission to build FECs, which shall be subject to a one hundred twenty (120) day period. If SEA fails to respond to such submission within such ten (10) business day period, SW may resubmit such items to SEA’s designated Sesame brand manager, or his or her successor or designee with a prominent cover note stating “SECOND SUBMISSION FOR APPROVAL,” and he or she will notify SW of his or her Approval within ten (10) business days, providing a detailed explanation of the reasons for any disapproval. If SEA does not approve or disapprove a “SECOND SUBMISSION FOR APPROVAL” within the applicable timeframe, such submission shall be deemed approved. If there is a recurring pattern of SEA not responding to requests for Approvals within the time limits specified in Section 9.03(c), a member of the senior management of each Party will meet to review and modify the process above. To the extent that SEA’s failure to respond to requests for Approvals within the time limits specified in this Section 9.03(c) causes SW to not meet any deadlines it has committed to SEA under this Agreement, SW will not be responsible or liable to SEA for such missed deadlines and such deadlines will be tolled and extended to reflect the period of delay.
10. ROYALTIES AND LICENSE FEES

Payments

In consideration for the license and rights granted to SEA under this Agreement, SEA will pay SW the annual license fees and royalties as described in this Section 10.

10.02 Standalone Parks.

(a) Starting as of January 1, 2017 until December 31, 2017, SEA will pay SW a royalty of [*] for the Langhorne Standalone Park. With respect to Standalone Gross Receipts generated by SPE for the period from January 1, 2017 through the Effective Date of this Agreement, SEA hereby agrees that it will be responsible for reporting such Standalone Gross Receipts to SW and making the same payments to SW that SPE would have made had SPE reported the same under the Prior Agreements (at the same time that SEA reports and makes payment to SW for Standalone Gross Receipts generated by SEA). SEA will make all necessary arrangements with SPE in order to effectuate the foregoing.

(b) Starting as of January 1, 2018, SEA will pay SW a base royalty of [*] for each Standalone Park on amounts up to Standalone Gross Receipts that are equal to the total prior calendar year’s Standalone Gross Receipts for the applicable Standalone Park (“Prior Year Standalone Gross Receipts”). To the extent that Standalone Gross Receipts in any Standalone Park for a calendar year exceed Prior Year Standalone Gross Receipts, SEA will pay SW an additional amount (the “Standalone Royalty Escalation Payments”) as follows:

(i) If current year Standalone Gross Receipts exceed Prior Year Standalone Gross Receipts [*] or less, then SEA will pay SW [*] on the incremental amount over Prior Year Standalone Gross Receipts [*], such payment to be made within thirty (30) days following the end of the applicable calendar year.

(ii) If current year Standalone Gross Receipts exceed Prior Year Standalone Gross Receipts by greater than [*], then SEA will pay SW [*] on the incremental amount over [*], such payment to be within thirty (30) days following the end of the applicable calendar year.

A sample calculation, for illustration purposes only is set forth below:

<table>
<thead>
<tr>
<th>Prior Year Standalone Gross Receipts</th>
<th>[*]</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Year Standalone Gross Receipts</td>
<td>[*]</td>
</tr>
<tr>
<td>Base Royalty</td>
<td>[*]</td>
</tr>
<tr>
<td>Between [*] over Prior Year Standalone Gross Receipts</td>
<td>[*]</td>
</tr>
<tr>
<td>[*] of Prior Year Standalone Gross Receipts</td>
<td>[*]</td>
</tr>
<tr>
<td>Total Royalty Paid</td>
<td>[*]</td>
</tr>
</tbody>
</table>

SEA will pay SW’s royalty at the same rates applicable to Standalone Gross Receipts for the remaining years of the Term, with the understanding that the formula above will reset each year such that the base will be equal to the immediately preceding year’s total Standalone Gross Receipts.

(c) “Standalone Gross Receipts” means all receipts from all business conducted on the premises of a given Standalone Park, including related parking, but excluding sales and excise (including local amusement) taxes; if the concessions are licensed, only SEA’s portion will be included; provided, however, SEA agrees that it will not materially change from its present business model for the use of licensed concessions in a way that will materially reduce royalties to SW without SW’s prior written Approval. Standalone Gross Receipts will not include sponsorship payments for sponsorship of an Attraction until such payments (in the aggregate for each sponsored Attraction) equal the capital cost to SEA of such sponsored Attraction. Any sponsorship payments in excess of such capital cost will be included in Standalone Gross Receipts.

(d) Notwithstanding the foregoing, if SW’s actual royalties earned from Standalone Gross Receipts for the five-year period from [*] for the same period, then the royalty rates above will be replaced with a [*] royalty of Standalone Gross Receipts for the rest of the Term. Otherwise the royalty structure above remains the same throughout the Term.

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(e) The same royalty terms and calculations will apply to each Standalone Park.

10.03 Sesame Lands and SeaWorld Orlando.

(a) The 2017 annual license fee for the Sesame Lands and SeaWorld Orlando will remain as follows:

(i) Orlando: [*]

(ii) San Diego: [*]

(iii) Williamsburg: [*]

(iv) Tampa: [*]

(v) San Antonio: [*]

The Parties acknowledge that SPE has already paid SW the above annual license fee under the 2006 Agreement.

(b) Starting on January 1, 2018 (except for Orlando as indicated below), the annual license fee for each full calendar year for each Sesame Land will increase to the amounts listed below:

(i) Orlando: [*] starting when the Orlando Sesame Land opens (the annual fee will continue at [*] until the Orlando Sesame Land opens).

(ii) San Diego: [*]

(iii) Williamsburg: [*]

(iv) Tampa: [*]

(v) San Antonio: [*];

Provided, that if a new Standalone Park is built and co-located with a Sesame Land, the prorated annual license fee for such Sesame Land will cease as of the actual opening date of such new Standalone Park and SW shall either provide a credit or a pro rata refund to SEA for any partial calendar year based on the number of days such Sesame Land was open. The annual license fee will increase by [*] each year of the Term commencing on January 1, 2019. SEA will pay the annual license fee for each calendar year on January 15th of such year (or if January 15 is not a business day, the next following business day).

Licensed Products.

(a) Starting as of January 1, 2017 (and in accordance with Section 10.04(b)) and throughout the rest of the Term, SEA will pay SW a [*] royalty on the Licensed Product Gross Receipts earned at each Sesame Land in connection with the sale of Licensed Products including all food and beverage items utilizing the Sesame Street Elements and any events utilizing the Sesame Street Elements for which a separate fee within the Sesame Land is charged ("Licensed Products Royalty"). Royalties for Licensed Products in the Standalone Parks are calculated as set forth in Section 10.02 (i.e., included in Standalone Gross Receipts).

(b) With respect to Licensed Product Gross Receipts generated by SPE for the period from January 1, 2017 through the Effective Date of this Agreement, SEA hereby agrees that it will be responsible for reporting such Licensed Product Gross Receipts to SW instead of SPE and making the same payments to SW that SPE would have made had SPE reported the same (at the same time that SEA reports and makes payment to SW for Licensed Product Gross Receipts generated by SEA). SEA will make all necessary arrangements with SPE in order to effectuate the foregoing.
(c) Starting as of January 1, 2018, SEA will provide an annual system-wide (for all Sesame Lands) guaranteed minimum Licensed Products Royalty equal to seventy-five percent (75%) of the average aggregate Licensed Products Royalty for the previous three-year period on a rolling basis with an annual floor of [*] until such time as SEA opens the Orlando Sesame Land in which case the floor will increase to [*] (“Minimum Sesame Land Royalty Guarantee”). The Minimum Sesame Land Royalty Guarantee will increase by [*] annually throughout the Term. If Standalone Park #2 opens and is co-located with a SEA Theme Park that has a Sesame Land which is eliminated (in accordance with the terms of this Agreement), then the Minimum Sesame Land Royalty Guarantee will be reduced by [*] from its value at that time. If future Standalone Parks are co-located with a SEA Theme Park, similar pro-rata adjustments will be made to the Minimum Sesame Land Royalty Guarantee.

(d) SW will ensure that it maintains licensing arrangements with a variety of vendors so that Licensed Products available for sale by SEA are generally of at least the same scope and quality as the Licensed Products historically available to SEA in order to satisfy the Minimum Sesame Land Royalty Guarantee. It is understood that at the execution of this Agreement, SEA currently pays royalties to SW in addition to royalties paid to SW by the manufacturers of the Acquired Licensed Products. SW will use good faith, commercially reasonable efforts to include a royalty free right for SEA to purchase Acquired Licensed Products from SW licensees as the SW licenses with major SW product manufacturers are entered into, renegotiated or extended. For the avoidance of doubt, there is no obligation for SW to change current agreements solely for this modification. Such adjustments will be effective for SW licensees to sell product royalty-free to SEA beginning in the calendar year following the opening of Standalone Park #2. On an annual basis, SEA will provide SW with a list of the major manufacturers from which SEA purchases the Acquired Licensed Products. SEA agrees that it will use good faith efforts to pass through reductions in the price charged by major SW product licensees due to the royalty-free nature of the sale, subject to other bona fide business expense increases such as labor costs. In the event no modifications to the royalty structure currently in place are made by the opening of Standalone Park #2, the Parties will work together in good faith to adjust this Agreement respecting such royalty structure.

(e) “Licensed Product Gross Receipts” means all receipts in connection with the sale of Licensed Products, less any sales, use, excise, amusement, or other taxes (excepting any income tax) collected or imposed by any local, state, and/or federal taxing authority, any refund credit or allowance given to any customer, any employee discount, and any amounts paid to any SEA Theme Park independent concessionaires or licensees; provided, however, SEA agrees that it will not materially change from its present business model for the use of licensed concessions in a way that will materially reduce royalties to SW without SW’s prior written Approval. Licensed Product Gross Receipts will not include sponsorship payments for sponsorship of an Attraction until such payments (in the aggregate for each sponsored Attraction) equal the capital cost to SEA for such sponsored Attraction. Any sponsorship payments in excess of such capital cost will be included in Licensed Product Gross Receipts.

Royalty Payments

(a) “Accounting Period” means monthly with respect to Standalone Parks and calendar quarters with respect to Sesame Lands. No later than thirty (30) calendar days after the end of any Accounting Period in which SEA owes SW royalties, SEA shall pay SW all such royalties owed. Such payments are in addition to the annual License Fees described in Section 10.03. No royalty payments may be credited against any annual License Fees.

(b) SEA will report and pay to SW any Standalone Royalty Escalation Payments under Section 10.02(b) in the royalty report for the Accounting Period in which the Standalone Royalty Escalation Payments are generated.

(c) In addition, with respect to the Minimum Sesame Land Royalty Guarantee, in the reporting for the Accounting Period ending on December 31st of each calendar year of the Term, SEA shall report and pay to SW, on a non-refundable basis, any Guarantee Shortfalls for such calendar year. A “Guarantee Shortfall” is the amount by which the earned royalties generated from Licensed Product Gross Receipts by SEA for any calendar year is less than the applicable Minimum Sesame Land Royalty Guarantee for such calendar year. If such earned royalties for any calendar year exceed the applicable Minimum Sesame Land Royalty Guarantee for such calendar year, then SEA shall pay SW the full amount of the earned royalties including the amounts in excess of the applicable Minimum Sesame Land Royalty Guarantee for such calendar year. If this Agreement expires or terminates with respect to a Sesame Land before the end of a calendar year, the Minimum Sesame Land Royalty Guarantee will be pro-rated (based on the number of days in the year prior to expiration or termination divided by three hundred sixty-five (365)), and the pro-rated amount will be substituted for the Minimum Sesame Land Royalty Guarantee in the foregoing calculations.
(d) All payments to SW under this Agreement shall be in U.S. dollars. In connection with payments due to SW under this Agreement, SEA shall be solely responsible for and shall pay all taxes and withholdings of any kind. However, SW shall be solely responsible for taxes (if any) based on SW’s income. SW represents and warrants that it is a nonprofit educational 501(c)(3) organization with charitable, tax-exempt status and therefore exempt from income tax withholding requirements and agrees that it will promptly complete and deliver to SEA all paperwork reasonably requested by SEA (including, but not limited to, California Form 590) in order for SEA to be able to rely on such exemption. SW will indemnify and hold SEA harmless from any liability incurred by SEA as a result of SW’s breach of the foregoing representation and warranty. All payments to SW under this Agreement shall be made by wire transfer in immediately available funds [*], or by such other reasonable method as SW may advise SEA in writing.

(e) All payments to SW under this Agreement shall be made by wire transfer in immediately available funds [*], or by such other reasonable method as SW may advise SEA in writing.

10.06 Statements.

(a) No later than thirty (30) calendar days after the end of each Accounting Period during the Term, SEA shall deliver to SW a complete and accurate royalty statement for each SEA Theme Park with respect to revenues generated for that SEA Theme Park during the applicable Accounting Period, in electronic format, and broken out by revenue source (e.g., ticket sales, product sales, etc.). SEA shall furnish such royalty statements even if no royalty payments are due for an Accounting Period. SEA will use the royalty templates currently used (by SPE) and provide at least the same information as currently provided to SW.

(b) Within fifteen (15) calendar days after the end of each month of the Term, subject to any restrictions related to public company requirements, SEA shall furnish to SW a written estimate of the revenues used for calculating payments due SW hereunder for such month including sales of Licensed Products in both unit and monetary amounts.

(c) SEA will provide SW with revenue forecasts upon request, but no more than four (4) times per calendar year during the Term.

(d) For each calendar year during the Term in which SEA is obligated to make expenditures on Improvements, in the statement for the Accounting Period ending on December 31st, SEA will report to SW in reasonable detail on its expenditures on Improvements for such calendar year with respect to each Standalone Park and each Sesame Land.

10.07 Audits.

(a) During the Term and for a period of at least thirty-six (36) months thereafter, SEA shall maintain complete and accurate books and records relating to the financial terms of this Agreement, including computation of SW’s royalties and SEA’s expenditures on Improvements. SW or its designated representative shall have the right, during the Term and for thirty-six (36) months thereafter (but not more frequently than one (1) time a year), at SW’s sole cost and expense, to examine and audit such books of account and records related to the financial terms of this Agreement. Such examination shall be made in a reasonable manner by prior appointment with one week’s notice during normal business hours and at the location where such books of account and associated documents are maintained. SEA shall reasonably cooperate with SW in facilitating such examination.

(b) During the Term and for a period of at least thirty-six (36) months thereafter, SW shall maintain such books and records (collectively, “Records”) as are necessary to substantiate that all invoices and other charges submitted to SEA for payment hereunder were valid and proper, and no payments have been made, directly or indirectly, by or on behalf of SW to or for the benefit of any employee or agent of SEA who may reasonably be expected to influence SEA’s decision to enter into this Agreement, or the amount to be paid by SEA pursuant hereto. As used in this Section 10.07(b), “payment” shall include money, property, services and all other forms of consideration.) SEA and/or its representatives shall have the right at any time during normal business hours, upon two (2) weeks prior written notice, to examine such Records.

(c) If an audit indicates monies due to SW, then SEA shall, within thirty (30) days of completion of the audit, pay such deficiency together with interest from the date the deficiency was due and payable until paid at an interest rate of one percent (1%) per month. If the deficiency exceeds ten percent (10%) of the amount paid to SW for the audited Accounting Periods, then SEA shall also promptly pay for or reimburse SW for all reasonable costs of such examination. If an audit indicates monies due to SEA, then SW shall, within thirty (30) days of completion of the audit, pay such overage together with interest from the date the overage was paid at an interest rate of one percent (1%) per month.
Confidential treatment has been requested with respect to information contained within the [*] marking. Such portions have been omitted from this filing and have been separately filed with the Securities and Exchange Commission.

(d) SW’s receipt or acceptance of any statement furnished pursuant to this Agreement or of any payment shall not preclude SW from questioning the correctness of such statement or payment up to thirty-six (36) months after receipt of such statement or payment by SW and shall not limit any other rights that SW may have under this Agreement or otherwise. After such thirty-six (36) month period after receipt by SW of such statement or payment, such statement or payment shall be deemed final and binding.

(e) The provisions of this Section 10.07 shall survive the expiration or earlier termination of this Agreement.

Costs Generally

Except as expressly set forth in this Agreement, each Party is responsible for its own costs in connection with its activities under this Agreement.

11. SPONSORSHIP

Subject to Force Majeure Events, SEA commits to pay SW sponsorship fees (“Sponsorship Fees”) for 2018, 2019 and 2020 as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Sponsorship Fee</th>
<th>Payment Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>[*]</td>
<td>January 15, 2018 (or if not a business day, the next succeeding business day)</td>
</tr>
<tr>
<td>2019</td>
<td>[*]</td>
<td>January 15, 2019 (or if not a business day, the next succeeding business day)</td>
</tr>
<tr>
<td>2020</td>
<td>[*]</td>
<td>January 15, 2020 (or if not a business day, the next succeeding business day)</td>
</tr>
</tbody>
</table>

for sponsorship of Sesame Street® content in exchange for the following deliverables to promote the SEA brands (but not the Sesame Place brand or any other Sesame Street Elements due to guidelines or regulations of the government, industry or SW) in 2018 with future deliverables to be mutually agreed upon and Approved by the Parties. Following the initial three (3) year cycle, the Parties will each commit to a good faith review and consideration to continue to engage in a mutually satisfactory extension of the sponsorship. The specific execution of the sponsorship deliverables described below will be subject to the Parties’ mutual agreement (by September 30 of the prior year), and to the extent any of the elements listed below are not available or otherwise provided, SW will provide alternative elements as mutually agreed commensurate with the amount of the Sponsorship Fee.

(a) TV / Sesame Street® program:
   (i) Fifteen second (:15) sponsorship message at both the top and tail of each episode of Sesame Street® on PBS Kids (airs once or twice daily on PBS Kids or other applicable network if applicable and permitted); and if applicable and permitted by HBO on HBO Go;

(b) Digital:
   (i) Expanded SEA presence on Sesame Street® digital platforms (e.g., SEA Sponsorship pre-roll messages aligned with Sesame Street® content on PBS Kids Free Player App)
   (ii) Coverage across sesamestreet.org, sesameworkshop.org, pbskids.org and social media as appropriate -- logo coverage and acknowledgement where appropriate;
Confidential treatment has been requested with respect to information contained within the [*] marking. Such portions have been omitted from this filing and have been separately filed with the Securities and Exchange Commission.

(c) Sponsor logo on press materials related to the Sesame Street® show;

(d) Use of “Proud Sponsor of Sesame Street®” on SeaWorld website, marketing materials and communications;

(e) Opportunity to develop cross-promotional programs with other Sesame Street® sponsors and partners;

(f) Use of Sesame Street® character images in conjunction with SEA’s educational messaging for its Foundation; and

(g) Other benefits mutually agreed to by the Parties, including other media exploitation.

(h) All aspects of the sponsorship of the Sesame Street® series will be in accordance with SW and PBS guidelines and policies and applicable laws and regulations including FCC and CARU (Children’s Advertising Review Unit) rules and regulations in force at the time of broadcast.

(i) SEA at its expense will produce and deliver to SW the sponsorship acknowledgements and sponsorship messages, on a timely basis to meet the associated production schedules as specified by SW.

(j) Any references to SEA as sponsor shall be subject to each of SW’s and SEA’s prior written Approval.

12. CHARITABLE FUNDING

Charitable Programs

The Parties acknowledge that each of SW and SEA have independent charitable and social outreach programs and efforts and they will be mutually supportive of their respective missions behind such efforts. The Parties will consider in good faith any programs that may jointly benefit both Parties’ missions. The Parties acknowledge the objective of such charitable programs to help support both the charity and serve as goodwill for the Parties. Accordingly, SEA and Sesame will explore opportunities in good faith, as feasible, in communities near the Langhorne Standalone Park (Bucks County) and/or other Standalone Parks.

Charitable Contribution

Subject to Force Majeure Events, commencing in 2018, in addition to the separate Gala table commitment set forth in Section 12.03, SEA commits to contribute [*] in cash (or through the efforts set forth below) in each of 2018, 2019 and 2020 to support SW’s mission. SEA will make the annual contribution at the end of each year, by December 31st of such year. SEA will make the annual contribution, which in SEA’s discretion either will be in cash from SEA directly or potentially from cash proceeds generated through the activities described below (or a combination thereof). The intention is for SEA and SW to work together to generate as much of the [*] as possible through the fundraising activities described below. SEA’s support of SW’s charitable mission also may include (i) in-kind donations of tickets or experiences for use with beneficiaries or in connection with charitable auctions (in-kind donations will not count toward the [*] cash contribution); (ii) subject to applicable laws, rules and regulations, potential SW social outreach promotions at Standalone Parks and SEA owned Theme Parks (or at least the Sesame Lands within the SEA owned Theme Parks) (e.g., Yellow Feather Fund Day offering the opportunity for park guests to donate to the Yellow Feather Fund); (iii) subject to applicable laws, rules and regulations, potential Sesame social outreach promotions with SEA employees; and/or (iv) subject to applicable laws, rules and regulations, potential merchandising promotions in SEA owned Theme Parks with net profits donated to the SW social outreach programs. Following the initial three (3) year cycle, the Parties will each commit to a good faith review and consideration to continue to engage in a mutually satisfactory extension of successful fundraising activities and new fundraising activities.

Gala

SEA will provide support of [*] annually during the Term for the SW’s non-profit Gala (or its successor), with appropriate recognition as a Gala sponsor and admission for a number of SEA guests commensurate with a comparable sponsorship or financial commitment.

Recognition

In acknowledgement of SEA’s contributions under Sections 12.02 and 12.03, SEA will be recognized as a funder in connection with SW’s Gala (or its successor) on a level commensurate with SEA’s total combined contributions under such sections, such recognition to appear in the Gala event program and promotional materials; and SEA will receive any other mutually agreed upon benefits.
13. OWNERSHIP; INTELLECTUAL PROPERTY

Ownership of SW Materials

(a) In recognition of SW’s ownership and substantial investment in the Sesame Street Elements, and the need for SW to protect the integrity of the Sesame Street Elements, SW shall own all right, title and interest (including all trademarks, copyrights, registrations, renewals and extensions throughout the world) in and to the SW Materials, except for rights of use expressly granted to SEA in this Agreement. The “SW Materials” shall mean (i) the Sesame Street Elements, (ii) the Sesame Elements in Marketing Materials (subject to Section 13.06), (iii) all Live Presentations including all Live Presentation Materials (except for inventions or patents that are not based on, derived from, or incorporate any of the SW Materials), (iv) all Artwork, (v) all Video, (vi) all Music created under this Agreement to the extent it is based on, derives from, or incorporates the Sesame Elements, (vii) all embodiments (including embodiments of the foregoing in tools, molds, models, plates and other manufacturing materials), derivations, adaptations, and versions of the foregoing, including all works in progress and including all contributions made by SEA or by a third party on behalf of SEA to the foregoing, (viii) all contributions or materials provided by SW, and (ix) the overall Licensed Products (even though SEA may own portions of the Licensed Products pursuant to Section 13.06). To the extent that the Licensed Products incorporate any educational or editorial content, such content shall be included within the definition of “SW Materials.” SW shall have the sole right to register copyrights and trademarks in the SW Materials. Notwithstanding the foregoing, in no event shall anything in this Agreement be deemed to transfer any existing intellectual property right of SEA or its Affiliates in the SEA Materials (as hereinafter defined), including without limitation any Marketing Materials containing both SEA and SW intellectual property. Additionally, SW agrees that it will not use any SEA developed Marketing Materials, Live Presentations, Artwork, Video or Music during the Term with any third party without SEA’s prior written Approval and for remuneration reasonably requested by SEA.

(b) Other than SEA’s employees acting within the scope of their employment, SEA shall obtain written agreements from all persons and entities (“Contributors”) who make contributions including derivations, adaptations, and versions of the SW Materials (“Contributions”) on behalf of SEA establishing that their Contributions shall be considered works made for hire for SEA under U.S. copyright laws. SEA shall ensure that, to the extent that all right, title and interest to such Contributions do not vest in SEA by reason of being works made for hire, such Contributors irrevocably assign and transfer to SEA all of their right, title and interest to their Contributions. SEA’s agreements with Contributors shall contain substantially the same provision as contained in Exhibit F, and shall otherwise be consistent with the terms of this Agreement. SEA shall provide copies of such agreements to SW as requested. SEA shall not incorporate any credit of any kind to any third party in connection with the SW Materials without the prior written Approval of SW.

(c) SEA hereby irrevocably assigns and transfers to SW all of its right, title and interest to any Contributions made by SEA or by a third party on behalf of SEA to the SW Materials that incorporate Sesame Street Elements subject to the restrictions on use of Developed Licensed Products and shows in Section 4.01(e). SEA shall notify SW when SEA or any third party on behalf of SEA makes any Contributions with respect to the SW Materials.

(d) Other than the rights of use expressly granted to SEA and the restrictions imposed on SW under this Agreement and subject to SEA’s ownership rights set forth in Section 13.06, SW reserves all rights to the SW Materials and shall be free to exercise such rights at any time without any obligation to SEA.

Legal Notices

. SEA shall include in the Developed Licensed Products (both the product packaging and the actual product, unless otherwise specifically agreed to by SW) and the Marketing Materials, in an irremovable form (e.g., a sticker would not be sufficient unless otherwise Approved by SW in advance), copyright, trademark and other notices reasonably requested by SW in order to protect SW’s interests including all intellectual property rights.

Validity of Sesame Street Elements

. SEA acknowledges and agrees that it (i) will not attack the validity of the rights granted under this Agreement, (ii) will not knowingly do anything that might impair or infringe any of the Sesame Street Elements, (iii) will not claim adversely to SW any right, title or interest in any of the Sesame Street Elements and (iv) will not use or register as a trademark any item that is the same as or confusingly similar to any of the Sesame Street Elements. All uses of the Sesame Street Elements shall inure to the benefit of SW, subject to the terms of this Agreement.

(a) SEA at its own cost shall be responsible for ensuring that all new product names and new trademarks that SEA desires to create in connection with the Attractions, Developed Licensed Products, Live Presentations, or any Sesame Street®-related materials, will not infringe the rights of any third parties, and SEA shall conduct all necessary searches and clearances. Without limiting the foregoing obligations of SEA, SEA shall obtain SW’s written Approval before using such product names and new trademarks in association with the Sesame Street Elements.

(b) Any trademark registrations for such product names and new trademarks developed in connection with the Attractions, Developed Licensed Products, Live Presentations, or any Sesame Street®-related materials hereunder that are not based on, derived from, or incorporate any of the SW Materials (including the names and attributes of the characters included in the Sesame Street Elements) will be filed by SEA and will be treated as part of the Sesame Street Elements. If SW requires SEA to use any trademark for any of the SW Materials, SEA shall obtain SW’s written Approval before using such trademarks in association with the Sesame Street Elements. 

Protection of SW’s Rights

(a) SW will be responsible for all decisions relating to the protection of SW’s rights including the handling of apparent infringements of the SW Materials, and will consult with SEA as appropriate before making such decisions. SEA shall inform SW if SEA learns of any infringement of the SW Materials. SEA shall reasonably cooperate with SW in protecting SW’s rights in the SW Materials including executing, filing and delivering documentation reasonably requested by SW (e.g., proof of trademark use). SW will reimburse SEA for all out-of-pocket costs incurred by SEA in so cooperating at the request of SW. SW shall retain all amounts as a result of any suit or settlement.

(b) In the event that the Parties agree that any infringement includes an infringement of the applicable Attraction trademark or any aspect of the Attractions as well as an infringement of SW Materials, the Parties shall have the right by mutual agreement to either (i) treat the infringement as covered by the provisions of Section 13.05(a) or (ii) have SEA pay one-half of all costs and expenses of prosecuting any action (in which case SEA shall be entitled to receive one-half of all recoveries and awards with respect to such infringement) or (iii) another arrangement as mutually agreed. In all events SW shall be entitled to determine in its reasonable discretion whether or not any action should be taken on account of any infringement; provided that if such infringement impacts SEA’s ability to operate an Attraction or to otherwise comply with the terms hereof, if SW does not pursue such matter, SEA shall have the right to pursue such infringer within SEA’s exclusive rights hereunder. Furthermore, while SW will consult with SEA as to any action taken in a lawsuit covered by this Section 13.05(b), SW in its sole judgment shall be entitled to select counsel and control any action.

Ownership of SEA Materials

Notwithstanding anything contained herein to the contrary, SEA shall own all right, title and interest (including all trademarks, copyrights, registrations, renewals and extensions throughout the world) in and to the SEA Materials, except for any rights of use expressly granted to SW under this Agreement. The “SEA Materials” shall mean: (1) SEA’s or its Affiliates’ pre-existing intellectual property, including without limitation, logos, themes, symbols, trademarks, tradenames, visual presentations, images, designs and patents; and (2) hereafter developed logos, trademarks, tradenames, patents, copyrighted materials and other intellectual property that are not based on, derived from, or incorporate the SW Materials and/or any other intellectual property and/or rights owned by SW. “SEA Materials” include the portions of a catalog or promotional materials or the portions of Licensed Product that are not based on, derived from, or incorporate the SW Materials and/or any other intellectual property and/or rights owned by SW.
14. REPRESENTATIONS, WARRANTIES, COVENANTS, AND INDEMNIFICATION

SW

. SW represents, warrants and covenants that:

(a) SW’s execution of this Agreement is duly authorized without the need of any consent of any third party and this Agreement is a valid and binding obligation of SW enforceable in accordance with its terms and such execution and delivery and the performance by SW of its obligations hereunder do not and will not violate or cause a breach of any other agreement or obligation to which it is a party or by which it is bound.

(b) SW owns or controls all rights in the Sesame Street Elements granted to SEA under this Agreement.

(c) SW will conduct its business operations in a manner consistent with the terms of Section 8.06 and as otherwise set forth herein.

(d) SW will not create any expense chargeable to SEA without SEA’s prior written Approval.

(e) SW, in conducting its activities under this Agreement, will not infringe upon the rights of any kind of any third parties.

(f) SW shall ensure that all contributions (including inventions and patented matter) made by SW or made by third parties through SW to the SW Materials and used by SEA in accordance with the terms of this Agreement will not infringe the rights of any third party.

(g) SW will comply with all applicable laws and regulations material to performance under this Agreement, and industry self-regulatory guidelines that it has adopted with respect to this Agreement, including (if applicable): (i) those relating to broadcast and promotion of Sesame Street ®; and (ii) those relating to online activities (including specifically children’s privacy), such as sales, marketing, promotions, sweepstakes, and data collection.

(h) With respect to the Acquired Licensed Products, SW will comply, and SW will use commercially reasonable efforts to cause its licensees from whom SEA purchases the Acquired Licensed Products to comply (provided SEA does not have a separate agreement with such licensee(s) covering the same), with all applicable laws, regulations and industry self-regulatory guidelines that it has adopted with respect to (if applicable) the pricing, advertising, sale and distribution of the Licensed Products.

(i) With respect to the Acquired Licensed Products, SW shall use commercially reasonable efforts to ensure that each Acquired Licensed Product distributed or sold by SEA under a license from SW (provided SEA does not have a separate license with such Party) shall be, in all material respects, (x) safe and fit for use by the persons for whom such embodiment is intended to be used, (y) free from all defects in design, materials and workmanship, and (z) meets or exceeds the safety requirements of applicable law. If SW learns of any defect or recall for any such Acquired Licensed Product, it shall promptly give written notice to SEA. SW shall promptly provide or cause its third party licensee to provide SEA with a plan with timeline for remedying such defect, and thereafter shall cause the party remedying the same to promptly and diligently carry out the remedy as Approved by the Parties.

(j) Throughout the Term and until three (3) years after the end of the Term (including the Wind-Down Period), SW shall maintain in full force and effect insurance by a reputable and financially qualified insurance company with a Best Rating of A- VII or greater, specifically covering all liability of SW and SEA and its affiliated companies, directors, officers, members, employees and successors and permitted assigns relative to SW’s exercise of its rights under this Agreement in accordance with the following:

(i) General liability and Umbrella/Excess insurance written on an occurrence form including coverage for bodily injury, personal injury, property damage, contractual liability including defense, advertising injury and products and completed operations with combined limits between general liability and umbrella/excess of no less than ten million dollars ($10,000,000) per occurrence / ten million dollars ($10,000,000) general aggregate per location / ten million dollars ($10,000,000) products and completed operations. Such policies shall add SEA as an additional insured on SW’s primary policies on a primary and non-contributory basis respecting the liability policies in this paragraph.

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(ii) Workers’ Compensation and Employers Liability insurance in accordance with the statutory laws where the work is performed providing coverage for SW employees that access the SEA Theme Park acting within the scope of their employment with SW with statutory limits for Worker’s Compensation and Employer Liability limits of no less than one million dollars ($1,000,000) for bodily injury each accident / one million dollars ($1,000,000) policy limit by disease or limits required by excess carrier. Such Worker’s Compensation and Employer’s Liability policy(ies) shall include waivers of subrogation in favor of SEA.

(iii) In the event SW uses any automobile on SEA property other than in its designated parking areas, Automobile Liability covering any owned, non-owned or hired vehicle with limits of no less than two million dollars ($2,000,000) per accident.

(iv) All policies shall provide SEA with no less than thirty (30) days’ notice of cancellation and/or non-renewal. If the insurers do not provide such notice, it shall be the obligation of SW to provide such notice. Upon execution of this agreement SW shall provide SEA with a certificate of insurance and copies of policy forms and/or endorsements confirming coverage as required in this Agreement. Such certificates of insurance shall be sent in accordance with the instructions of SEA which may include sending such certificates to a third party designated by SEA. Unless otherwise instructed by SEA, such certificates of insurance shall be sent by email to [*], by facsimile to [*] or via US Mail to [*]. SW shall not knowingly violate, or permit to be violated, any conditions of any such policy, and shall at all times satisfy the requirements of such insurance policies. Neither the issuance of any insurance policy required hereunder, nor the minimum limits specified herein with respect to SW’s insurance coverage, shall limit or restrict in any way SW’s liability arising under or out of this Agreement.

(k) Notwithstanding the termination of the Prior Agreements, SW will be liable to SEA under this Agreement with respect to any breach by SW of any its responsibilities, obligations, agreements, representations or warranties under the Prior Agreements. Any claim by SEA regarding such breach will be asserted under this Agreement and the resolution and remedies with respect to such claim will be governed by the provisions of this Agreement including the provisions relating to dispute resolution and indemnification.

(l) To the knowledge of SW, SW (including any person who performs services for or on behalf of SW) has not and will not give any person, nor has SW sought or accepted from any person any advantage (financial or otherwise) which constitutes an illegal or corrupt practice under any applicable laws, rules, regulations, ordinances or mandatory codes of conduct, including the U.S. Foreign Corrupt Practices Act of 1977 (the “Anti-Corruption Obligation”). SW shall at all times: (i) maintain strict compliance with the Anti-Corruption Obligation; (ii) monitor any person who performs services for or on behalf of SW to ensure their compliance with the Anti-Corruption Obligation; (iii) observe industry best practices related to the Anti-Corruption Obligation; and (iv) co-operate fully with SEA with respect to any concerns that SEA may have in relation to SW’s compliance with this Section 14.01(l) and, if requested, provide SEA with access to and copies of related correspondence and/or documents.

(m) SW will maintain and follow the SW child protection policy set forth in Exhibit I, as amended from time to time consistent with the general purposes of such policy, with respect to SW’s obligations to the SEA Theme Parks under this Agreement.

(n) Notwithstanding anything to the contrary in this Agreement, including the grant of rights or the definition of Territory, SW acknowledges and agrees that some or all of the rights granted herein may be subject to certain restrictions and/or prohibitions under law, including the U.S. Trading With The Enemy Act of 1917, the authority of the U.S. Office of Foreign Assets Control, and/or the U.S. Department of Commerce Export Administration Regulations and other anti-export or foreign investment rules and regulations (together the “U.S. Anti-Export Laws and Regulations”). SW understands and agrees at all times to comply in all material respects with the U.S. Anti-Export Laws and Regulations and any and all such restrictions and/or prohibitions relating thereto, including any restrictions and/or prohibitions associated with licensing into specific territories, licensing of intellectual property rights, and/or the export and re-export of products. In the event that a specific country or territory that is included as part of the Territory becomes subject to a restriction and/or prohibition under the U.S. Anti-Export Laws and Regulations during the Term, SW and SEA agree that SW shall immediately cease all activities under this Agreement within such country or territory for so long as such country or territory is subject to such restriction and/or prohibition.
SEA represents, warrants and covenants that:

(a) SEA’s execution of this Agreement is duly authorized without the need of any consent of any third party and this Agreement is a valid and binding obligation of SEA enforceable in accordance with its terms and such execution and delivery and the performance by SEA of its obligations hereunder do not and will not violate or cause a breach of any other agreement or obligation to which it is a party or by which it is bound.

(b) SEA will operate the SEA Theme Parks in a manner consistent with the terms of Section 8.06 and otherwise set forth herein.

(c) SEA will not create any expense chargeable to SW without SW’s prior written Approval.

(d) SEA will operate, market and promote the SEA Theme Parks (as they relate to the Sesame Street Elements), will create, develop, manufacture, market, promote, advertise, distribute, sell and otherwise exploit the Licensed Products, and will utilize the Sesame Street Elements, only as expressly permitted under this Agreement.

(e) SEA will not, without SW’s prior written Approval, market, distribute or sell any Licensed Products outside the Authorized Sales Areas.

(f) SEA in conducting its activities under this Agreement will not infringe upon the rights of any kind of any third parties; provided, however, the foregoing does not apply to any infringement of the rights of any third party from SEA’s authorized use, in accordance with all the provisions of this Agreement, of any materials provided by SW (which is covered by SW’s representation and warranty in subparagraph 14.01(f)).

(g) SEA shall ensure that all Contributions made by SEA or made by third parties through SEA to the SW Materials will not infringe the rights of any third party. SEA shall ensure that all written materials produced by or on behalf of SEA utilizing the Sesame Street Elements (other than SW’s authorized licensees creating the Acquired Licensed Products) shall not infringe the rights of any third party, including without limitation, any copyrights, trademarks, and/or other intellectual property owned by third parties. SEA will pay all reasonable costs associated with clearing third party rights and permissions in connection with the Contributions; provided, however, the foregoing does not apply to any infringement of the rights of any third party from SEA’s authorized use, in accordance with all of the relevant provisions of this Agreement, of any materials provided by SW or its authorized licensees creating the Acquired Licensed Products.

(h) SEA will comply with all applicable laws, regulations, and industry self-regulatory guidelines that it has adopted with respect to the safety of all aspects of the SEA Theme Parks including all Attractions and the manufacturing of the Developed Licensed Products; which shall include using commercially reasonable efforts to ensure that each Attraction and each Developed Licensed Product shall be, in all material respects, (i) safe and fit for use by the persons for whom it is intended to be used, (ii) free from all defects in design, materials and workmanship, (iii) meets or exceeds the safety requirements of manufacturer guidelines and applicable law, and (iv) with respect to the Developed Licensed Products, is of a standard of quality at least as high as the quality of the samples Approved by SW. If SEA learns of any defect, malfunction, recall or material injury with respect to any Attraction or Developed Licensed Product (or unit or component thereof), SEA shall promptly give written notice to SW. SEA shall promptly provide or cause its third party licensee to provide SEA with a timeline for remedying the foregoing and thereafter shall cause the Party remedying the same to promptly and diligently carry out the remedy as Approved by the Parties.

(i) SEA will comply with all applicable laws and regulations and law material to performance under this Agreement, and industry self-regulatory guidelines that it has adopted with respect to this Agreement, including (if applicable): (x) those relating to the pricing, advertising, sale and distribution of the Licensed Products and the operation of Theme Park (e.g., admission tickets); and (y) those relating to online activities (including specifically children’s privacy), such as sales, marketing, promotions, sweepstakes, and data collection.

(j) Consistent with SEA’s long-term partnership with SW, SEA will continue to use good faith efforts throughout the Term to design and maintain standard operating procedures for child protection for the health, safety and well-being of children who come into contact with Sesame Elements at the Standalone Parks or Sesame Lands. SEA will materially comply with the principles of SW’s child protection policy set forth in Exhibit I (but SEA will determine in good faith the specific methods, procedures and implementation, as well as the right to determine in good faith which employees and contractors to train) as it applies to SEA’s employees and contractors who principally interact with children at the Standalone Parks and Sesame Lands, in connection with SEA’s activities related to the SEA Theme Parks during the Term in the Territory.
(k) To the knowledge of SEA, SEA (including any person who performs services for or on behalf of SEA) has not and will not give any person, nor has SEA sought or accepted from any person, any advantage (financial or otherwise) which constitutes an illegal or corrupt practice under any applicable laws, rules, regulations, ordinances or mandatory codes of conduct, including the U.S. Foreign Corrupt Practices Act of 1977 (the “Anti-Corruption Obligation”). SEA shall at all times: (i) maintain strict compliance with the Anti-Corruption Obligation; (ii) monitor any person who performs services for or on behalf of SEA to ensure their compliance with the Anti-Corruption Obligation; (iii) observe industry best practices related to the Anti-Corruption Obligation; and (iv) co-operate fully with SW with respect to any concerns that SW may have in relation to SEA’s compliance with this Section 14.02(k) and, if requested, provide SW with access to and copies of related correspondence and/or documents.

(l) Notwithstanding anything to the contrary in this Agreement, including the grant of rights or the definition of Territory, SEA acknowledges and agrees that some or all of the rights granted herein may be subject to certain restrictions and/or prohibitions under law, including the U.S. Trading With The Enemy Act of 1917, the authority of the U.S. Office of Foreign Assets Control, and/or the U.S. Department of Commerce Export Administration Regulations and other anti-export or foreign investment rules and regulations (together the “U.S. Anti-Export Laws and Regulations”). SEA understands and agrees at all times to comply in all material respects with the U.S. Anti-Export Laws and Regulations and any and all such restrictions and/or prohibitions relating thereto, including any restrictions and/or prohibitions associated with licensing into specific territories, licensing of intellectual property rights, and/or the export and re-export of products. In the event that a specific country or territory that is included as part of the Territory becomes subject to a restriction and/or prohibition under the U.S. Anti-Export Laws and Regulations during the Term, SEA and SW agree that SEA shall immediately cease all activities under this Agreement within such country or territory for so long as such country or territory is subject to such restriction and/or prohibition.

(m) Throughout the Term and until three (3) years after the end of the Term (including the Wind-Down Period), SEA shall maintain in full force and effect insurance by a reputable and financially qualified insurance company with a Best Rating of A- VII or greater, specifically covering liability of SEA and SW and its affiliated companies, directors, officers, members, employees and successors and assigns relative to SEA’s exercise of its rights under this Agreement in accordance with the following:

(i) General Liability and Umbrella/Excess insurance written on an occurrence form including coverage for bodily injury, personal injury, property damage, contractual liability including defense, advertising injury and products and completed operations and premises liability, with combined limits between general liability and umbrella/excess of no less than twenty million dollars ($20,000,000) per occurrence / twenty million dollars ($20,000,000) general aggregate per location / twenty million dollars ($20,000,000) products and completed operations with a self-insured retention (“SIR”) of One Million Dollars ($1,000,000), which SIR may be increased during the Term with the Approval of SW. Such policies shall add SW as an Additional Insured on SEA’s primary policies on a primary and non-contributory basis respecting the liability policies in this paragraph.

(ii) Workers’ Compensation and Employers Liability insurance in accordance with the statutory laws where the work is performed providing coverage for employees of the SEA Theme Parks with statutory limits for Worker’s Compensation and Employer’s Liability limits of no less than one million dollars ($1,000,000) for bodily injury each accident / one million dollars ($1,000,000) each employee per accident or by disease. Such policies shall add SW as an Additional Insured on SEA’s primary policies on a primary and non-contributory basis respecting the liability policies in this paragraph.

(iii) Automobile Liability covering any owned, non-owned or hired vehicle with limits of no less than two million dollars ($2,000,000) per accident.

(iv) All policies shall provide SW with no less than thirty (30) days’ notice of cancellation and/or non-renewal. If the insurers do not provide such notice, it shall be the obligation of SEA to provide such notice. Upon execution of this Agreement SEA shall provide SW with a certificate of insurance and/or endorsements confirming coverage as required in this Agreement. SEA shall not knowingly violate, or permit to be violated, any conditions of any such policy, and shall at all times satisfy the requirements of such insurance policies. Neither the issuance of any insurance policy required hereunder, nor the minimum limits specified herein with respect to SEA’s insurance coverage, shall limit or restrict in any way SEA’s liability arising under or out of this Agreement.

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(n) The Attractions and Developed Licensed Products (including all materials used in their manufacture) shall be manufactured solely by SEA or by SEA’s third-party manufacturers, suppliers and facilities (and their sub-manufacturers, suppliers, and facilities) which reproduce or use the Sesame Street Elements on Attractions or Developed Licensed Products, or components thereof, and/or assemble such Attractions or Developed Licensed Products (“Manufacturer”). SEA agrees to supply (and update annually) SW with the names and addresses of all of its own and/or third-party manufacturing facilities for the Attractions or Developed Licensed Products, each of which must execute the Manufacturer’s Agreement substantially in the form provided in Exhibit G (to be incorporated in SEA’s standard purchase order form with appropriate good faith adjustments). If any Manufacturer utilizes the Sesame Street Elements provided to such Manufacturer by SEA for any unauthorized purpose, and SEA has knowledge thereof, SEA shall be fully responsible for such unauthorized use and shall bring such utilization to an immediate halt. If any Manufacturer fails to pass a compliance inspection referenced in this Agreement, and thereafter fails to remedy the cited failure(s) within the time designated by SW or if Manufacturer otherwise breaches the Manufacturer’s Agreement, SW shall have the right to withdraw or refuse approval of the Manufacturer’s Agreement, and SEA shall not thereafter use such Manufacturer to manufacture Developed Licensed Products or components thereof except with SW’s prior written Approval.

(o) With respect to the Developed Licensed Products, SEA shall use commercially reasonable efforts to ensure that SEA itself and all Manufacturers used by SEA shall at all times comply with the manufacturing obligations set forth in Exhibit G.

(p) Notwithstanding the termination of the Prior Agreements, SEA will be liable to SW under this Agreement with respect to any breach by SPE of any SPE’s responsibilities, obligations, agreements, representations or warranties under the Prior Agreements. Any claim by SW regarding such breach will be asserted under this Agreement and the resolution and remedies with respect to such claim will be governed by the provisions of this Agreement including the provisions relating to dispute resolution and indemnification.

Indemnification . SEA and SW shall at all times defend, indemnify and hold harmless the other and its Affiliates and its and their trustees or directors, managers, officers, shareholders, members, employees and agents from and against any and all third party claims, damages and liabilities, and reasonable costs and expenses (including reasonable outside attorneys’ fees) growing out of or arising from the performance of this Agreement or the Prior Agreements by the indemnitor or indemnitor’s Affiliates (including specifically SPE), or any actual or alleged breach or default by the indemnitor or indemnitor’s Affiliates (including specifically SPE) of its agreements, covenants, representations, or obligations under this Agreement or the Prior Agreements. If an indemnitee hereunder becomes aware of any matter it believes is indemnifiable hereunder involving any claim, action, suit, investigation, arbitration or other proceeding against the indemnitee by any third party (“Claim”), the indemnitee shall give the indemnitor prompt written notice of such Claim. Such notice shall provide the basis on which indemnification is being asserted and be accompanied by copies of all relevant pleadings, demands, and other papers related to the claim and in the possession of the indemnitee. The indemnitor shall have a period of twenty (20) days after delivery of such notice to respond. If the indemnitor elects to defend the Claim or does not respond within the requisite twenty (20) day period, the indemnitor shall be obligated to defend the Claim, at its own expense, and by counsel reasonably satisfactory to the indemnitee. The indemnitee shall cooperate, at the expense of the indemnitor (as to out-of-pocket costs), with the indemnitor and its counsel in the defense and the indemnitee shall have the right to participate fully, at its own expense, in the defense of such Claim. If the indemnitor responds within the required twenty (20) day period and elects not to defend such Claim, the indemnitee shall be free, without prejudice to any of the indemnitee’s rights hereunder, to compromise or defend (and control the defense of) such Claim. In such case, the indemnitee shall cooperate, at its own expense, with the indemnitee and its counsel in the defense against such Claim and the indemnitor shall have the right to participate fully, at its own expense, in the defense of such Claim. Any compromise or settlement of any Claim shall require the prior written Approval of both Parties hereunder. Despite the foregoing, if at any time it appears that any intellectual property right of SW will be in issue as part of such Claim, SW shall have the right to defend such right at its own expense, except that such defense shall be at SEA’s expense if SEA’s negligence or willful misconduct caused SW’s intellectual property right to be in issue.

15. ASSIGNMENT; CHANGE IN CONTROL; TRANSFER FEE

Transfers . Neither Party will undertake any assignment, sublicense, delegation, encumbrance, pledge or any other type of transfer of any or all of its rights or obligations under this Agreement to a third party (“Transfer”) without the prior written Approval of the other, except in accordance with the terms of this Agreement; provided, however, that SEA will be entitled to exercise its rights under this Agreement to engage in the types of advertising, marketing, and promotion and creation of Licensed Products consistent with the historical practices of the Parties which may include the granting of certain rights to third parties as approved (previously or in the future) by SW to effectuate such rights.

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Change of Control

"Change of Control" means the occurrence of any of the following: (a) the consummation of any transaction or series of related transactions (including any merger, consolidation, contract, or operation of law), as a result of which any person or group of related persons owns more than fifty percent (50%) of the voting equity interests or membership interests, or has the power to appoint more than fifty percent (50%) of the Board or managing body, of such Party or its direct or indirect parent, measured by voting power rather than number of shares or other equity interests; or (b) the sale, lease, transfer, conveyance or other disposition, in a single transaction or a series of related transactions, of all or substantially all of the properties or assets of such Party or its direct or indirect parent.

Affiliated Transfer

. Notwithstanding anything to the contrary in this Section 15, either Party may Transfer this Agreement in its entirety (without approval of the other Party) to any Affiliate of the Party with sufficient rights to perform under this Agreement in connection with a corporate reorganization provided that (i) such Transfer shall not release such Party from its liabilities under this Agreement; (ii) the Transfer does not materially affect a Party’s rights under this Agreement and is not the principal purpose of such reorganization; and (iii) such Affiliate shall be similarly subject to all the provisions of this Agreement including Change of Control and Transfer Fee provisions (an “Affiliated Transfer”). “Affiliate” of a Party shall mean any entity that controls, is controlled by, or is under common control, with such Party, whether by virtue of ownership, voting power, management or otherwise. In the event of an Affiliated Transfer, the Party serving as the transferor shall give prior written notice of the same to the opposite Party.

Continuing Obligations

. (a) In the event of any bona fide Transfer or Change of Control that is permitted under this Agreement, (i) in the case of a Transfer of this Agreement in its entirety, the transferee shall assume all of the rights, obligations and liabilities of the transferor and shall be similarly subject to all the provisions of this Agreement including the Change of Control and Transfer Fee provisions, and the transferee shall be transferred or otherwise possess all rights as necessary to perform hereunder; (ii) in the case of a Change of Control, the resulting majority owner shall cause its controlled entity to continue to assume all the rights, obligations and liabilities of the Party that is the subject of the Change of Control and shall be similarly subject to all the provisions of this Agreement including the Change of Control and Transfer Fee provisions; and (iii) the Transfer or Change of Control will not materially affect the rights or obligations under this Agreement.

(b) In the event this Agreement is transferred in part (which must be through an Approved Transfer), the Parties in good faith will negotiate an amendment to this Agreement consistent with the terms hereof so that this Agreement will apply only to the rights, obligations and liabilities not transferred in the Approved Transfer; and an agreement with the approved transferee consistent with the terms hereof in connection with the part subject to the Approved Transfer.

Notice to SW and Approval

. In the event that SEA desires to Transfer this Agreement, or there is a proposed Change of Control of SEA, subject to any Securities and Exchange Commission or other applicable regulatory restrictions and subject to execution of a nondisclosure agreement if necessary, SEA will give SW reasonable advance written notice of the same, identifying the proposed transferee or in the case of a Change of Control, the anticipated structure of, the entities acquiring control and the affected entities, and the majority owner(s) of SEA or its direct or indirect parent as a result of the Change of Control. Except with respect to an Affiliated Transfer, SW shall have a right of Approval with respect to any Transfer or Change of Control. Within thirty (30) days following SW’s receipt of such notice, SW will notify SEA of its decision to Approve or not Approve such Transfer or Change of Control in writing and, if SW elects not to Approve such transaction, provide its reason(s) therefor. Upon consummation of an Approved Transfer, the transferring Party will no longer be liable or responsible hereunder for any obligations arising after the date of such Transfer.

SW Disapproval

. (a) In the event that SW does not Approve a proposed Change of Control of SEA, SW’s sole remedy will be the right to terminate this Agreement in connection with such disapproval; SW will not have the right to block the Change of Control. SW will not be entitled to any Termination Fees in connection with such termination.

(b) If SW declines to Approve the Transfer of this Agreement in whole or in part in good faith in accordance with the terms of this Agreement, SW will have the right to terminate this Agreement in whole or in part, as applicable (i.e., terminate with respect to the affected Standalone Parks and Sesame Lands as applicable) and there will be a Wind-Down Period in accordance with Section 16.05. SW will not be entitled to any Transfer Fee in connection with such disapproval.
Transfer Fee

. If there is an Approved Transfer of this Agreement by SEA, or a Change of Control occurs with respect to SEA that is Approved by SW, SEA will pay SW a transfer fee (“Transfer Fee”) as calculated below. SEA shall pay the applicable Transfer Fee to SW upon the occurrence of the Approved Transfer of this Agreement or the Change of Control, as applicable.

(a) In the event the Transfer involves the Langhorne Standalone Park and one or more of either the other Standalone Parks or Sesame Lands, SEA will pay SW a Transfer Fee equal to [*]; and

(b) In the event the Transfer involves only the Langhorne Standalone Park (and no other Standalone Parks or Sesame Lands), SEA will pay SW a Transfer Fee equal to [*]; provided, however, if the Transfer is accomplished in a series of related transactions (it being understood that proximity of time of transactions does not by itself make the transactions related), all the related transactions will be considered together in determining whether the Transfer involves only the Langhorne Standalone Park (in which case this Section 15.07(b) applies) or involves the Langhorne Standalone Park and also any other Standalone Park or Sesame Land (in which case Section 15.07(a) applies).

(c) Notwithstanding the above, any Transfer Fee (or related minimum) will be reduced and prorated over the final ten (10) years of the Term, based on a fraction, the numerator of which is the number of days remaining in the Term, and the denominator of which is 3,650; provided, however, starting immediately, for purposes of the foregoing calculation, the number of years remaining in the Term will be calculated as though the Term runs until December 31, 2037 (which would then be extended if the Term is further extended under this Agreement).

(d) No Transfer Fee will be due for any other individual asset transfer(s) by SEA other than pursuant to Sections 15.07(a) and (b) above.

Notice to SEA and Approval

. In the event that SW desires to Transfer this Agreement, or there is a proposed Change of Control of SW, subject to any Securities and Exchange Commission or other applicable regulatory restrictions and subject to execution of a nondisclosure agreement if necessary, SW will give SEA reasonable advance written notice of the same, identifying the proposed transferee or in the case of a Change of Control, the anticipated structure of, the entities acquiring control and the affected entities, and the majority owner(s) of SW or its direct or indirect parent as a result of the Change of Control. Except with respect to an Affiliated Transfer, SEA shall have a right of Approval with respect to any Transfer or Change of Control. Within thirty (30) days following SEA’s receipt of such notice, SEA will notify SW of its decision to Approve or not Approve such Transfer or Change of Control in writing and, if SEA elects not to Approve such transaction, provide its reason(s) therefor. Upon consummation of an Approved Transfer, the transferring Party will no longer be liable or responsible hereunder for any obligations arising after the date of such Transfer.

15.09 SEA Disapproval

.(a) In the event that SEA disapproves a proposed Change of Control of SW, SEA’s sole remedy will be the right to terminate this Agreement in connection with such disapproval; SEA will not have the right to block the Change of Control. SEA will not be entitled to any Termination Fees in connection with such termination.

(b) If SEA declines to Approve the Transfer of this Agreement in good faith in accordance with the Terms of this Agreement, SEA will have the right to terminate this Agreement and there will be a Wind-Down Period in accordance with Section 16.05 except that SEA will not be obligated during the Wind-Down Period to pay royalties and license fees to SW for each Standalone Park or Sesame Land at the point at which SEA does not have any material use of the Sesame Street Elements and has ceased selling Licensed Products. SEA will not be entitled to any Termination Fees in connection with such termination.
16. EXPIRATION AND TERMINATION

Inventory Report

Within sixty (60) days following the Wind Down Period (set forth in Section 16.05), SEA shall provide SW with an inventory report with a listing of all unsold and completely finished goods for the Licensed Products ("Unsold Inventory") and the location where they are stored, broken down by each SKU of each Licensed Product (with bundled Licensed Products being considered a single SKU). For Developed Licensed Products portion of the Unsold Inventory, SEA shall advise SW of the manufacturing cost which shall be SEA’s actual, direct manufacturing costs and shall not include general and administrative or overhead costs. For the Acquired Licensed Products portion of the Unsold Inventory, SEA shall advise SW of SEA’s actual purchase price to acquire such Licensed Products.

Termination by SW

(a) After completion of the dispute resolution process set forth in Section 17.01, SW shall have the right to terminate this Agreement effective at any time after sixty (60) days’ written notice (except as stated in (i) below) upon the occurrence of any of the following:

(i) SW has the right to terminate as set forth in Section 5.03(c)(ii), and should it elect to do so by so notifying SEA, the sixty (60)-day notice period described above in Section 16.02(a) shall not apply;

(ii) Other than due to a Force Majeure Event, SEA does not fulfill its material obligations in regard to making Improvements to any one or more of the Standalone Parks or any two or more of the Sesame Lands, and fails to cure within one hundred eighty (180) days of written notice from SW, and if not capable of cure within one hundred eighty (180) days, then the one hundred eighty (180) days will be extended to up to three hundred sixty-five (365) days (in the aggregate) to cure; provided that the foregoing does not apply to any act or omission described in (iv) below;

(iii) Twice in one calendar year SEA does not make a payment to SW under Section 10 when due and fails to cure within twenty (20) days of written notice from SW;

(iv) Any act or omission of SEA related to any SEA Theme Park which constitutes a material violation of any safety, health or building codes, standards or law, and SEA fails to cure within thirty (30) days of written notice from SW (including the right to close the relevant Attraction as a cure); provided, however, that if the breach is not capable of cure within thirty (30) days, the cure period will be extended for such longer period as the relevant government authority permits or during any period the SEA Theme Park is permitted by the governmental authority to continue operating in the normal course. SW will have the right to terminate this Agreement only if the foregoing breach results in a material adverse impact on SEA’s ability to operate the applicable Standalone Park or Sesame Land in the manner contemplated by this Agreement with respect to one or more Standalone Parks or two or more Sesame Lands. If the breach results in a material adverse impact on SEA’s ability to operate only the affected Sesame Land in the manner contemplated by this Agreement, then SW’s right to terminate shall be with respect to the particular affected Sesame Land;

(v) SEA defaults on any material financing or loan agreements resulting in acceleration of such financing, becomes insolvent, files for bankruptcy, or is placed into receivership proceedings, and fails to have the same cured or discharged within one hundred eighty (180) days; or

(vi) SEA breaches any of its material representations, warranties or obligations (other than those described above in this Section 16.02(a)) in any material respect, and for breaches that are curable, fails to cure within thirty (30) days of written notice from SW; provided, however, that (A) if the breach is not capable of cure within thirty (30) days, the cure period will be extended to up to an additional one hundred twenty (120) days provided SEA takes commercially reasonable steps in good faith to cure as soon as reasonably practicable after written notice and (B) if the breach is due to a Force Majeure Event, SEA fails to cure within one (1) year after the Force Majeure Event; provided that if such breach due to a Force Majeure Event is not capable of cure within the additional one (1) year, the Parties in good faith will discuss a further extension of the cure period; and SEA shall not be considered to be in default hereunder but SW will have the right to terminate this Agreement (without any SEA Termination Fee payment by SEA) if the Parties are unable to agree on an extension. SW will have the right to terminate this Agreement only if the foregoing breach results in a material adverse impact on SEA’s ability to operate the applicable Standalone Park or Sesame Land in the manner contemplated by this Agreement with respect to one or more Standalone Parks or two or more Sesame Lands. If the breach results in a material adverse impact on SEA’s ability to operate only the affected Sesame Land in the manner contemplated by this Agreement, then SW’s right to terminate shall be with respect to the particular affected Sesame Land.
(b) Upon the occurrence of any of the above in Section 16.02(a) (including the expiration of any applicable cure period and after completion of the dispute resolution process set forth in Section 17.01), SW may terminate this Agreement effective any time after sixty (60) days’ written notice in whole or with respect to the particular Standalone Park(s) or Sesame Land(s) affected by the breach, except that SW will have the right to terminate only with respect to particular Standalone Park(s) or Sesame Land(s) to the extent stated in Sections 16.02(a)(iv) and (vi). Other than (i) the rights and obligations of the Parties under Section 16.02(c), (ii) the Parties’ rights to non-financial equitable relief as set forth in Section 17, and (iii) reductions in the Territory for exclusivity set forth elsewhere in this Agreement, SW’s termination rights under Section 16.02(a) are SW’s sole and exclusive remedy under this Agreement with respect to such termination and neither Party would owe any amounts or sums to the other except for actual unpaid amounts or sums accrued to the date of termination (which amounts or sums shall be paid in accordance with the terms hereof).

(c) **Termination Fee**:

(i) The Parties acknowledge and agree that each of SW and SEA has expended and will continue to expend substantial sums hereunder and also that SW will suffer monetary damage and other losses and be damaged by early termination of this Agreement due to SEA uncured breach. Therefore, the Parties agree that quantifying losses arising from SEA’s uncured breach is inherently difficult if not impossible. The Parties further stipulate that the following agreed upon termination fees are not a penalty, but rather a fair, reasonable and appropriate measure of liquidated damages and as a sole remedy, based upon the Parties’ experience in the Theme Park and children’s entertainment industries and given the nature of the losses that may result from breach.

(ii) After completion of the dispute resolution process set forth in Section 17.01, and upon termination by SW of this Agreement (in accordance with the provisions of this Agreement including Section 16.02(a)) with respect to particular Standalone Park(s) or Sesame Land(s), or with respect to the entire Agreement, SEA will pay SW termination fees (“**SEA Termination Fees**”) as set forth in the table below. In the event that multiple Standalone Parks and/or Sesame Lands are terminated, or the entire Agreement is terminated, the applicable SEA Termination Fees for each terminated Standalone Park and Sesame Land will be aggregated. SEA will pay SW the SEA Termination Fees in two (2) equal installments: the first (1st) within sixty (60) of any such termination; the second (2nd) installment one (1) year after the due date for the first (1st) installment. The foregoing shall not affect any liquidated damages payment obligation of SEA under Sections 5.03(b), 5.04(d), 6.03(b), and 6.04 or under Section 16.05(c). Notwithstanding anything contained herein, under no circumstances will the total SEA Termination Fees paid by SEA exceed [*].
<table>
<thead>
<tr>
<th>Standalone Parks</th>
<th>Opened for One Year or More</th>
<th>Not Yet Opened or Opened Less Than One Year</th>
</tr>
</thead>
</table>
| Termination with respect to the Langhorne Standalone Park (in accordance with the provisions of this Agreement) | SEA will pay SW a SEA Termination Fee equal to:  
• The lesser of (i) \[*\] or (ii) the number of years remaining in the Term (including any extensions to the Term then in effect) (such period is referred to as the “Covered Period”); provided that, starting immediately, for purposes of the foregoing calculation, the number of years remaining in the Term will be calculated as though the Term runs until December 31, 2037 (which would then be extended if the Term is further extended under this Agreement)  

multiplied by  
• the \[*\] (using the new royalty rates set forth in this Agreement applied to Standalone Gross Receipts). | |
| Termination with respect to Standalone Park #2 (in accordance with the provisions of this Agreement) | If Standalone Park #2 has already opened as of the date of termination, SEA will pay SW a SEA Termination Fee equal to:
- The lesser of (i) [*], or (ii) the number of years remaining in the Term (including any extension to the Term then in effect) (Covered Period)

  multiplied by
- the [*] complete calendar years

(if Standalone Park #2 has been opened for only two (2) full calendar years or one (1) full calendar year, then the royalty amount in the formula will be [*].)

| | If Standalone Park #2 has not opened and SEA has made diligent efforts to meet the milestones for Standalone Park #2 set forth in Section 5.03, SEA will pay SW a SEA Termination Fee equal to:
- [*] (Covered Period)

  multiplied by
- The [*] complete calendar years (using the new royalty rates set forth in this Agreement applied to Standalone Gross Receipts).

| Termination with respect to Standalone Park #3 (in accordance with the provisions of this Agreement) | There shall be no SEA Termination Fee respecting Standalone Park #3.

| Termination with respect to all additional Standalone Parks (in accordance with the provisions of this Agreement) | There shall be no SEA Termination Fee respecting additional Standalone Parks.

<p>| SESAME LANDS |</p>
<table>
<thead>
<tr>
<th>Termination with respect to each Existing Sesame Land (in accordance with the provisions of this Agreement)</th>
<th>SEA will pay SW a SEA Termination Fee equal to:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>the lesser of (i) [*] or (ii) the number of years (or portion thereof) remaining in the Term (including any extensions to the Term then in effect) (Covered Period); provided that, starting immediately, for purposes of the foregoing calculation, the number of years remaining in the Term will be calculated as though the Term runs until December 31, 2037 (which would then be extended if the Term is further extended under this Agreement) multiplied by</td>
</tr>
<tr>
<td></td>
<td>the [<em>] (and actual earned royalties if in excess of the guarantees) for each Sesame Land being terminated for [</em>].</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Termination with respect to Orlando Sesame Land (in accordance with the provisions of this Agreement)</th>
<th>If the Orlando Sesame Land has already opened as of the date of termination, SEA will pay SW a SEA Termination Fee equal to:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>the lesser of (i) [*] or (ii) the number of years (or portion thereof) remaining in the Term (Covered Period); provided that, starting immediately, for purposes of the foregoing calculation, the number of years remaining in the Term will be calculated as though the Term runs until December 31, 2037 (which would then be extended if the Term is further extended under this Agreement) multiplied by</td>
</tr>
<tr>
<td></td>
<td>the [<em>] (and actual earned royalties if in excess of the guarantees) for the Orlando Sesame Land for the prior [</em>]</td>
</tr>
<tr>
<td></td>
<td>(if the Orlando Sesame Land has been opened for only two (2) full calendar years (or portion thereof) or one (1) full calendar year, then the royalty amount in the formula will be the [*]).</td>
</tr>
</tbody>
</table>

| Termination with respect to any additional new Sesame Lands (not including the Orlando Sesame Land) (in accordance with the provisions of this Agreement) | There shall be no SEA Termination Fee respecting additional Sesame Lands. |

| Termination with respect to any additional new Sesame Lands (not including the Orlando Sesame Land) (in accordance with the provisions of this Agreement) | There shall be no SEA Termination Fee respecting additional Sesame Lands. |
(d) Should SW terminate this Agreement in whole or in part, it shall take all good faith commercially reasonable measures to promptly license to a third party the rights granted to SEA under this Agreement and to commence the applicable Overlap Period. If SW re-licenses such rights, SW shall make payment as applicable to SEA as follows:

(i) The “Applicable Covered Period” is the Covered Period set forth in the individual boxes of the table above based on the particular Standalone Park or Sesame Land that has been terminated and whether on the date of termination such Standalone Park or Sesame Land has either “opened for one year or more” or “not yet opened or opened less than one (1) year” (as indicated in the column headings for the table). For purposes of calculating payments under this paragraph, the Applicable Covered Period would begin on the date of termination for such Standalone Park or Sesame Land. For example, if Standalone Park #2 is terminated on July 1, 2020 after it has opened for more than one (1) year and there are more than [*] remaining on the Term on the date of termination, the Applicable Covered Period under the table above is [*].

(ii) For each terminated Standalone Park or Sesame Land, the “Overlap Period” is the period, if any, within the Applicable Covered Period for such Standalone Park or Sesame Land during which SW earns, accrues or is attributed any fixed, variable, guaranteed contingent or other revenues, including without limitation, royalties and/or license fees, for the re-license of rights granted to SEA for such Standalone Park or Sesame Land (“Re-License Revenues”). Continuing with the above example, if SW starts earning, accruing or attributes Re-License Revenues on July 1, 2023 for re-license of the Standalone Park #2 rights, then the Overlap Period would run from [*].

(iii) For the Overlap Period, SW will provide SEA with a complete and accurate accounting of all Re-License Revenues and will pay such Re-License Revenues received by SW to SEA up to the amount of the SEA Termination Fees (pro-rated as applicable) paid by SEA to SW under Section 16.02(c)(ii), for such Overlap Period. SW will make such payments to SEA within sixty (60) days after the end of the applicable calendar year in which SW receives the Re-License Revenues. In connection therewith, SEA will have the right to review and audit related SW books and records on the same basis as the review and audit rights afforded to SW hereunder.

(iv) For clarity, to the extent that SEA does not maintain exclusivity under this Agreement, SW’s obligation to pay Re-License Revenues to SEA will apply only to the Re-License Revenues for any Overlap Period attributable to the market of exclusivity for the applicable Standalone Park or Sesame Land. For example, if SEA’s rights have become non-exclusive and SW could build a Standalone Park in Detroit, the Re-License Revenues from Detroit would not apply, but if the Langhorne Standalone Park was terminated hereunder and if SW builds a Standalone Park in the protected radius for Langhorne, such Re-License Revenues would apply.

(v) The above calculations will be calculated separately for each terminated Standalone Park and Sesame Land.

(vi) SW has no obligation to SEA with respect to revenues received by SW attributable to the period after the Overlap Period.

(e) In addition to the above SEA Termination Fees, in the event of a termination with respect to Standalone Park#2 or any Standalone Park thereafter following the opening of such Standalone Park, the Term of the Agreement shall be reduced to the number of years remaining in the Term prior to the Fifteen Year Extension resulting from the opening of such Standalone Park. For the avoidance of doubt, the foregoing sentence shall not apply to the calculation of the SEA Termination Fees set forth in this Section 16.02.
(f) SW Brand Impairment. SW also will have the right to terminate this Agreement in whole, or in part with respect to the affected Standalone Park(s) and/or Sesame Land(s) (as applicable), effective at any time after sixty (60) days’ written notice upon the occurrence of the following: SEA knowingly and affirmatively engages in extraordinary wrongful and offensive activities or conduct that is systemic or repetitive in nature and that actually results in a demonstrable material adverse impact on SW’s brand, image or business determined on a reasonable informed party standard. For clarity, the Parties acknowledge and agree that activities that are lawful and generally accepted (including the treatment of animals or mammals generally accepted as humane by the zoological community) in furtherance of SEA’s ordinary course business activities in handling and exhibiting animals and delivering personal, interactive and educational experiences that blend imagination with nature and enable its guests to celebrate, connect with and care for the natural world cannot constitute a violation of this clause. In the event that SW claims a breach of this clause by SEA, SW will promptly provide a written notice detailing the nature of the claim and demonstrating the material adverse impact on SW. Notwithstanding Section 17.01(a) of this Agreement, thereafter, management (including the CEOs) of the Parties will discuss the claim in good faith in person, and SEA will have a period of sixty (60) days to investigate and demonstrate that such claim is not valid and/or not based on actual full facts, or to otherwise recommend in writing a course of action to such claim (the “Investigation Period”), and in the event that such claim is related to individual personnel of SEA, SEA can cure such claim by appropriate customary disciplinary action (including termination) with the individual involved. If after the Investigation Period the Parties are unable to agree whether or not this clause has been triggered and/or a cure has been accomplished, then either Party may elect to initiate mediation, arbitration or litigation, as applicable, under Section 17. Upon any termination by SW under this Section 16.02(f), neither Party would owe any amounts or sums to the other, except for actual unpaid amounts or sums accrued to the date of termination, and other than non-financial equitable relief as set forth in Section 17.04, SW’s sole and exclusive remedy would be termination of this Agreement.

**Termination by SEA**

. (a) After completion of the dispute resolution process set forth in Section 17.01, SEA shall have the right to terminate this Agreement effective any time after sixty (60) days’ written notice upon the occurrence of any of the following:

(i) SW defaults on any material financing or loan agreements resulting in acceleration of such financing, becomes insolvent, files for bankruptcy, or is placed into receivership proceedings and fails to have the same cured or discharged within one hundred eighty (180) days; or

(ii) Any act or omission of SW which constitutes a material violation of any safety, health or building codes, standards or law, and SW fails to cure within thirty (30) days of written notice from SEA; provided, however, that if the breach is not capable of cure within thirty (30) days, the cure period will be extended for such longer period as the relevant government authority permits. SEA will have the right to terminate this Agreement only if the foregoing breach results in a material adverse impact on SW’s ability to generally perform its material obligations under this Agreement or SEA’s ability to generally operate the applicable Standalone Park or Sesame Land in the manner contemplated by this Agreement; or

(iii) SW breaches any of its material representations, warranties or obligations (other than those described above in this Section 16.03(a)) in any material respect, and for breaches that are curable, fails to cure within thirty (30) days of written notice from SEA; provided, however, that (A) if the breach is not capable of cure within thirty (30) days, the cure period will be extended to up to an additional one hundred twenty (120) days provided SW takes commercially reasonable steps in good faith to cure as soon as reasonably practicable after written notice from SEA, and (B) if the breach is due to a Force Majeure Event, SW fails to cure within one (1) year after the Force Majeure Event; provided that if such breach due to a Force Majeure Event is not capable of cure within the additional one (1) year, the Parties in good faith will discuss a further extension of the cure period; and SW shall not be considered to be in default hereunder but SEA will have the right to terminate this Agreement (without any SW Termination Fee payment by SW) if the Parties are unable to agree on an extension. SEA will have the right to terminate this Agreement only if the foregoing breach results in a material adverse impact on SW’s ability to generally perform its material obligations under this Agreement or SEA’s ability to operate the applicable Standalone Park or Sesame Land in the manner contemplated by this Agreement; or

(b) Upon the occurrence of any of the above in Section 16.03(a) (including the expiration of any applicable cure period and after completion of the dispute resolution procedures of Section 17.01), SEA may terminate this Agreement effective any time after sixty (60) days’ written notice in whole or with respect to the particular Sesame Land(s) affected by the breach. Other than (i) the rights and obligations of the Parties under Section 16.03(c), and (ii) the Parties’ rights to non-financial equitable relief as set forth in Section 17, SEA’s termination rights under Section 16.03(a) are SEA’s sole and exclusive remedy under this Agreement with respect to such termination and neither Party would owe any amounts or sums to the other except for actual unpaid amounts or sums accrued to the date of termination (which amounts or sums shall be paid in accordance with the terms hereof).
(c) **Termination Fee.**

(i) The Parties acknowledge and agree that each of SW and SEA has expended and will continue to expend substantial sums hereunder and also that SEA will suffer monetary damage and other losses and be damaged by early termination of this Agreement due to SW uncured breach. Therefore, the Parties agree that quantifying losses arising from SW’s uncured breach is inherently difficult if not impossible. The Parties further stipulate that the following agreed upon termination fees are not a penalty, but rather a fair, reasonable and appropriate measure of liquidated damages and as a sole remedy, based upon the Parties’ experience in the Theme Park and children’s entertainment industries and given the nature of the losses that may result from breach.

(ii) After completion of the dispute resolution process set forth in Section 17.01 and upon termination by SEA of this Agreement (in accordance with the provisions of this Agreement including Section 16.03(a)), SW will pay SEA termination fees and provide the other remedies ("**SW Termination Fees**") as set forth in the table below. SW will pay the SW Termination Fees in two (2) equal installments: the first (1st) within sixty (60) of any such termination; the second (2nd) installment one (1) year after the due date for the first (1st) installment. Notwithstanding anything contained herein, under no circumstances will the total cash SW Termination Fees paid by SW exceed [*].

<table>
<thead>
<tr>
<th>BREACH BY SW</th>
<th>SW TERMINATION FEE/OBLIGATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Failure of SW to comply with Section 1.01 or 8.06</td>
<td>• SEA will have the right to terminate this Agreement and SW will pay a SW Termination Fee of [*]</td>
</tr>
<tr>
<td>Failure of SW to comply with Section 5.07</td>
<td>SEA will have the right to:</td>
</tr>
<tr>
<td></td>
<td>• Reduce SEA Section 10.02 royalties by [*] while such breach continues; and</td>
</tr>
<tr>
<td></td>
<td>• Suspend obligation of SEA to make Improvements while such breach continues</td>
</tr>
</tbody>
</table>

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Breach of Section 3 Exclusivity by SW

• If the exclusivity breach involves SW operating or licensing one or more Theme Parks to a third party, SEA will have the right to terminate this Agreement; and

• SW will pay a SW Termination Fee of [*].

OR

• Cause SW to promptly close the infringing activity (or otherwise cause all Sesame Elements to be promptly removed; and

• SW will pass through to SEA any fixed, variable, guaranteed, contingent or other revenues including without limitation royalties and/or license fees received by SW for such Theme Park until the breach is ceased; and

• SW will pay a fee of [*] less the amounts paid under the preceding bullet.

FEC or attraction prohibited under Section 3.08

• If the exclusivity breach involves an FEC (and does not involve two (2) or more FECs within any five (5)-year period, or three (3) or more FECs in the aggregate as described below) or an attraction prohibited under Section 3.08 (and does not involve two (2) or more such attractions within any five (5)-year period, or three (3) or more such attractions in the aggregate as described below):

• SW will use commercially reasonable efforts to promptly cease the breach (which may consist of closing the competing FEC or attraction or removing all Sesame Street Elements from such FEC or attraction); and

• SW will pass through to SEA any fixed, variable, guaranteed, contingent or other revenues including without limitation royalties and/or license fees received by SW for such FEC or attraction until the breach is ceased.

If the exclusivity breach involves (i) two or more FECs within any five (5)-year period; (ii) three (3) or more FECs in the aggregate during the Term; (iii) two (2) or more attractions prohibited under Section 3.08 within any five (5)-year period; or (iv) three (3) or more attractions prohibited under Section 3.08 in the aggregate during the Term, SEA will have the right at its option, effective at any time after sixty (60) days prior written notice given after the completion of the dispute resolution process set forth in Section 17.01, to:

• Terminate this Agreement; and

• SW will pay a SW Termination Fee of [*].

OR

• SW will use commercially reasonable efforts to promptly cease the breach (which may consist of closing the competing FECs or attractions or removing all Sesame Street Elements from such FECs or attractions); and

• SW will pass through to SEA any fixed, variable, guaranteed, contingent or other revenues including without limitation royalties and/or license fees received by SW for such FEC or attraction until the breach is ceased.
SEA Brand Impairment

. SEA also will have the right to terminate this Agreement in whole, or in part with respect to the affected Standalone Park(s) and/or Sesame Land(s) (as applicable), effective at any time after sixty (60) days’ prior written notice upon the occurrence of the following: SW knowingly and affirmatively engages in extraordinary wrongful and offensive activities or conduct that is systemic or repetitive in nature and that actually result in a demonstrable material adverse impact on SEA’s brand, image or business determined on a reasonable informed party standard. For clarity, the Parties acknowledge and agree that activities that are lawful and generally accepted in furtherance of SW’s ordinary course business activities in producing and delivering (directly or through its partners) content, products and services to children and families throughout the world cannot constitute a violation of this clause. In the event that SEA claims a breach of this clause by SW, SEA will promptly provide a written notice detailing the nature of the claim and demonstrating the material adverse impact on SEA. Notwithstanding Section 17.01(a) of this Agreement, thereafter, management (including the CEOs) of the Parties will discuss the claim in good faith in person, and SW will have a period of sixty (60) days to investigate and demonstrate that such claim is not valid and/or not based on actual full facts, or to otherwise recommend in writing a course of action to such claim (like Section 16.03, the “Investigation Period”) and in the event that such claim is related to personnel of SW, SW can cure such claim by appropriate customary disciplinary action (including termination) with the individuals involved. If after the Investigation Period the Parties are unable to agree whether or not this clause has been triggered and/or a cure has been accomplished, then either Party may elect to initiate arbitration or litigation, as applicable, under Section 17. Upon any termination by SEA under this Section 16.04, neither Party would owe any amounts or sums to the other, except for actual unpaid amounts or sums accrued to the date of termination, and other than non-financial equitable relief as set forth in Section 17.04, SEA’s sole and exclusive remedy would be termination of this Agreement.

Effect of Expiration or Termination

. Upon expiration of the Term or termination of this Agreement:

(a) SEA will have a wind-down period (“Wind-Down Period”) following the effective date for any expiration or termination as follows, for the terminated Standalone Park(s) and Sesame Land(s), as applicable:

(i) If this Agreement is terminated by SW in accordance with the provisions of this Agreement, (A) the Wind-down Period will be up to [*] (as determined by SEA); and (B) SEA will have no obligation under Sections 5.09, 5.10, 6.06, 11 or 12 or to pay SW the applicable royalties and license fees under Section 10 (other than 10.04(a));

(ii) If this Agreement is terminated by SEA in accordance with the provisions of the first row of the table in Section 16.03(c)(ii) in this Agreement (1.01 or 8.06 breach), (A) the Wind-down Period will be up to [*] (as determined by SEA); and (B) SEA will have no obligation under Sections 5.09, 5.10, 6.06, 11 or 12 or to pay SW the applicable royalties and license fees under Section 10 (other than 10.04(a));

(iii) If this Agreement is terminated by SEA in accordance with the provisions of the third row of the table in Section 16.03(c)(ii) in this Agreement (Section 3 exclusivity breach), (A) the Wind-down Period will be up to [*] (as determined by SEA); and (B) SEA will have no obligation under Sections 5.09, 5.10, 6.06, 11 or 12 or to pay SW the applicable royalties and license fees under Section 10 (other than 10.04(a));

(iv) If this Agreement ends due to the expiration of the Term, the Wind-down Period will be up to [*] (as determined by SEA); and (B) SEA will continue to pay SW the applicable royalties (with no guarantees) and the license fees on a pro rata basis under Section 10 for the duration of the Wind-down Period, but will have no further obligations under Sections 5.09, 5.10, 6.06, 11 or 12 of this Agreement;

(v) during the Wind-Down Period, SEA may continue to operate under this Agreement, but will work to de-theme the SEA Theme Parks (i.e., remove all Sesame Street Elements) and sell the Unsold Inventory;

(vi) at the end of the Wind-Down Period, SW will have the right for ninety (90) days to purchase (by payment or by crediting SEA’s account) any remaining Unsold Inventory at SEA’s manufacturing cost or purchase price (as described in Section 16.01) provided SW notifies SEA of its exercise of such right within ten (10) business days after receipt of the inventory report delivered by SEA pursuant to Section 16.01. SEA at its own cost will destroy all remaining Unsold Inventory not purchased by SW at the end of the Wind-Down Period.

(vii) all restrictions on SW will be eliminated and all of SEA’s rights will be nonexclusive; and
(viii) SEA will give SW regular updates regarding de-theming and prompt written notice when de-theming (and the Wind-down Period) has completed.

(b) Except for SEA’s nonexclusive rights during the Wind-Down Period, all licenses granted under this Agreement to SEA shall immediately and automatically revert to SW to exercise without any obligation to SEA and SEA shall not be entitled to seek injunctive relief to prevent SW from licensing to a third party or making any other use of the rights granted to SEA.

(c) All previously accrued but unpaid sums of money due and owing as of the date of termination or expiration shall be paid within ten (10) business days after the effective date of termination or expiration. The foregoing does not alter payment of the SEA Termination Fee or SW Termination Fee or the timing thereof.

(d) Upon conclusion of the Wind-Down Period, SEA shall promptly deliver to SW, at no charge to SW, all SW Materials including all Live Presentation Materials, Video, Music, Artwork furnished by SW or created by SEA under this Agreement (other than materials covered in Section 16.05(e)).

(e) Upon conclusion of the Wind-Down Period, SEA shall promptly destroy, or remove all Sesame Street Elements from, certain SW Materials as mutually agreed, including all SW Materials held by third parties such as SEA’s manufacturers. SEA shall send SW a certificate of such destruction or removal signed by an officer of SEA.

(f) The Parties’ obligations to account and make payment to each other under this Agreement shall survive as shall their representations, warranties and indemnities and other rights and obligations that by their nature would survive.

17. DISPUTE RESOLUTION

Dispute Resolution

. The Parties hereby acknowledge and confirm that the terms and conditions of this Section 17.01 are intended to provide for the expedited, efficient resolution of disputes relating to the relationship, contracts and arrangements between the Parties without litigation and with the intention of maintaining the business relationship of the Parties. Accordingly, prior to the completion of the dispute resolution process set forth herein (unless expressly exempted elsewhere in this Agreement) and, in particular, the expiration of the Mediation Initiation Period (if mediation is not initiated) or the completion of the Mediation Period (if mediation is initiated), neither Party shall give notice of termination of this Agreement in whole or in part, initiate arbitration, or initiate a civil action or other litigation related to this Agreement. The foregoing does not limit either Party from pursuing a provisional remedy (including equitable remedies on a provisional basis) that is authorized by law, by JAMS Rules, or subsequent written agreement of the Parties. Notwithstanding anything contained herein to the contrary, unless expressly stated otherwise (e.g., 5.03(c)(ii)), any alleged breach, claim, or default under this Agreement, whether or not termination is sought and/or available (“Dispute”) shall be addressed through the following procedure:

(a) Discussion of Dispute. Upon receipt of a written notice of a Dispute, management of both Parties including senior executive officers having binding, decision-making authority, which may be the respective CEOs (“Company Officers”), will discuss the Dispute in good faith in person to try to reach a resolution. If, after a period of thirty (30) days (the “Discussion Period”), the Dispute is not resolved, either Party shall have the right to pursue further resolution of the Dispute pursuant to Section 17.01(b).

(b) Mediation of Dispute. After the expiration of the Discussion Period or, for Disputes arising from Sections 16.02(f) or 16.04, after the expiration of the Investigation Period, each Party shall have the right, within ten (10) days (the “Mediation Initiation Period”), to initiate non-binding mediation before JAMS or its successor. Such Party shall commence mediation by providing to JAMS and the other Party a written request for mediation setting forth the subject of the Dispute and the relief requested. The mediation will be conducted in New York City, New York and will be attended by one (1) or more Company Officers. Following the initiation of mediation, the Parties will promptly confer to select a mediator by mutual agreement. If the Parties cannot agree on a mediator within ten (10) days following the initiation of mediation, a mediator will be selected in accordance with the procedures then in effect at JAMS. The mediator will confer with the Parties to design procedures for the non-binding mediation of the Dispute to conclude no later than sixty (60) days after initiation, unless the Parties agree to a longer period in order to properly handle such Dispute (such period, the “Mediation Period”). The fees and expenses of the mediator and JAMS will be borne equally by the Parties.
(a) After the expiration of the Mediation Initiation Period (if mediation is not initiated) or after completion of the Mediation Period (if mediation is initiated) (unless such requirement is otherwise excused under this Agreement), each Party shall have the right to give notice of termination (which may be subject to a further period before becoming effective), initiate binding arbitration under Section 17.02(a)(ii) or a civil action or other litigation under Section 17.02(a)(i), as the case may be, to obtain resolution of the Dispute.

(i) Subject to liquidated damages limitations under this Agreement and the types of damages under Section 17.03 hereof, unless otherwise mutually agreed by the Parties, for any Dispute that seeks termination of this Agreement in whole or in part, the party seeking resolution of the Dispute may file a civil action or other litigation in a court of competent jurisdiction to obtain resolution of the Dispute (collectively “Litigation Claims”).

(ii) For any Dispute that is not a Litigation Claim (collectively, “Arbitral Claims”), the resolution of such Dispute shall be determined by arbitration in New York City, New York before three (3) arbitrators, one (1) selected by each Party and a third (3rd) selected by the arbitrators selected by the Parties who will preside over the arbitration tribunal. The chosen arbitrators must possess a commercial background, and preferably a background in the entertainment field and the licensing of intellectual property. The arbitration shall be administered by JAMS pursuant to its Comprehensive Arbitration Rules and Procedures. The arbitration is to be conducted in the English language. The seat, or legal place, of arbitration will be New York City. The arbitration award will be given in writing. Judgment on the award may be entered in any court having jurisdiction. (This clause shall not preclude the Parties from seeking provisional or equitable remedies in aid of arbitration from a court of appropriate jurisdiction.) No disputes, controversies or claims other than Disputes which are Arbitral Claims will be subject to arbitration under this Section 17.02(a)(ii).

(b) Continuing Obligations. During the pendency of the foregoing dispute resolution process, the Parties shall continue to perform all of their other respective obligations (that are not the subject to the Dispute) under this Agreement.

Limitation on Types of Damages

. Except with respect to each Party’s indemnification obligations for any third party claims under Section 14.03, and except as set forth in Sections 17.04 and 17.05, to the maximum extent permitted by applicable law, neither SEA nor SW shall be liable to the other or their respective Affiliates, as applicable, for any CONSEQUENTIAL, INCIDENTAL, INDIRECT, EXPECTATIONAL, REMOTE, SPECULATIVE, PUNITIVE, EXEMPLARY, RELIANCE OR SPECIAL DAMAGES, OR LOSS OF PROFITS, DATA, CAPITAL INVESTMENTS, BUSINESS OR GOODWILL, whether such liability is based on breach of contract, tort, strict liability, breach of warranties, or otherwise. Such damages include, but are not limited to, compensation, reimbursement, or damages on account of present or prospective profits, loss or damage to reputation or goodwill, expenditures, investments (including capital expenses), or commitments, whether made in the establishment, development, or maintenance of business reputation or goodwill, or for any other reason whatsoever. The foregoing shall not be interpreted to exclude or limit any rights or remedies set forth in Sections 5.03(b)(i), 5.04(d), 6.03(b), 6.04, 16.02, 16.03, and 16.05(c).

Equitable Relief

. Notwithstanding anything to the contrary, each Party at all times retains the right to seek and enforce equitable relief (including specific performance), through arbitration (for Arbitral Claims) or through the courts (for claims that are not Arbitral Claims) at the initiating Party’s election, in connection with breaches, claims, or defaults under this Agreement including breach of confidentiality. Without limiting the generality of the foregoing, SW at all times retains the right to seek and enforce equitable relief (including specific performance) in connection with unauthorized use of the Sesame Street Elements or SW Materials. This provision is not intended to alter the liquidated damages provisions or monetary caps of Section 16.

Permitted Relief

. Notwithstanding anything to the contrary, the Parties agree to the following permitted relief:

(a) If SEA does not make the marketing expenditures as obligated in Section 5.10, SEA will be required to pay the amount of the shortfall directly to SW at the end of the calendar in which the shortfall occurred.
18. CONFIDENTIALITY

“Confidential Information” means information that the disclosing Party disclosed to the receiving Party, whether or not marked or designated as confidential, including information obtained by the receiving Party during an audit, except as hereinafter provided. The terms of this Agreement shall be treated as Confidential Information. Confidential Information will not include information that (i) is in or enters the public domain without breach of this Agreement, (ii) the receiving Party lawfully receives from a third party without restriction on disclosure and without breach of a nondisclosure obligation, or (iii) the receiving Party knew prior to receiving such information from the disclosing Party or develops independently. Each Party agrees that it will not disclose to any third party or use any Confidential Information except in performing this Agreement and that it will take all reasonable measures to maintain the confidentiality of Confidential Information. Notwithstanding the foregoing, each Party may disclose Confidential Information to the extent required by law or governmental authority (provided that it gives the other Party written notice prior to such disclosure) or on a “need-to-know” basis under an obligation of confidentiality to its legal counsel, employees, accountants, and financing sources.

19. NOTICES

All notices under this Agreement shall be in writing and delivered by personal delivery, reputable overnight courier, or certified or registered mail (return receipt requested), and will be deemed given upon personal delivery, one day after deposit with overnight courier, or five days after deposit in the mail. Notices to SW shall be sent in writing to SW’s address above, to the attention of SW’s Chief Executive Officer with a copy to SW’s General Counsel. Notices to SEA shall be sent in writing to SEA’s address above, to the attention of Senior Business Development Officer, 9205 SouthPark Center Loop, Orlando Florida 32819 with a copy to General Counsel, 9205 SouthPark Center Loop, Orlando Florida 32819 and a copy to Robinson, Bradshaw & Hinson, PA, 101 North Tryon Street, Suite 1900, Charlotte, North Carolina, Attn: Stokely G. Caldwell, Jr. Either Party may change its address or contacts under this Agreement by written notice to the other Party. All notices, requests for approval or consent, or other communications shall be sent in writing in English.

20. GENERAL

Entire Agreement

. Other than the Prior Agreements referenced herein, this Agreement sets forth the entire agreement and understanding between the Parties concerning the subject matter of this Agreement and merges and supersedes all prior discussions, agreements and understandings of any kind between them. This Agreement may not be modified or amended except by a writing executed by both Parties.

No Continuing Waiver

. No waiver of any term, condition, or covenant contained in this Agreement or any breach of this Agreement shall be held to be a continuing waiver of that or any other term, condition or covenant of this Agreement or of any other or subsequent breach of this Agreement.

Cumulative Remedies

. Except as expressly stated, all remedies, rights, obligations and agreements contained in this Agreement are cumulative and none of them shall limit any other remedies, rights, obligations or agreements under this Agreement or otherwise.

Relationship of Parties

. This Agreement shall not be construed to create a partnership, joint venture, or the relationship of principal and agent between the Parties, nor to impose upon either Party any debts or obligations incurred by the other Party except as expressly set forth in this Agreement.

Governing Law

. This Agreement, and all modifications or extensions thereof, shall be governed in all respects by the law of the State of New York, without reference to conflict of laws. Any Litigation Claims arising under this Agreement shall be subject exclusively to the jurisdiction of the state and/or federal courts having jurisdiction over New York County. Both Parties agree that service of process by personal delivery, certified or registered mail (return receipt requested), or reputable overnight courier to the other Party’s address above shall be deemed good and sufficient service for purposes of jurisdiction.

Severability

. If any term, clause or provision of this Agreement is held invalid or unenforceable by a court of competent jurisdiction, such invalidity shall not affect the validity or operation of any other term, clause or provision and such invalid term, clause or provision shall be deemed to be severed from this Agreement.

Binding on Successors

. The provisions of this Agreement shall be binding upon and shall inure to the benefit of the Parties hereto, their heirs, administrators, and successors.

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No Construction Against Drafting Party

. Each Party to this Agreement expressly recognizes that this Agreement results from a negotiation process in which each Party was, or had the opportunity to be, represented by counsel and contributed (or had the opportunity to contribute) to the drafting of this Agreement. Given this fact, no legal or other presumptions against the Party drafting this Agreement concerning its construction, interpretation or otherwise accrue to the benefit of any Party to this Agreement, and each Party expressly waives the right to assert such a presumption in any proceedings or disputes connected with, arising out of, or involving this Agreement.

Force Majeure

. “Force Majeure Events” shall mean matters beyond the reasonable control of such Party including, without limitation, acts of God, national emergency, riot or civil disturbance, strikes of any kind, labor disputes, equipment failure, casualties, delays in transportation, changes in laws, condemnation of property, unavailability or shortages of materials, inclement weather, war, acts of terrorism, government actions or inactions including governmental delays in granting permits or approvals, and natural disasters or other catastrophes, and which matters prevent a Party from fulfilling its obligations under this Agreement. “Force Majeure Events” also shall mean a nationwide economic and financial crisis in the Territory that makes it commercially impracticable for businesses in the leisure and entertainment industry generally to secure financing on commercially practicable terms. Notwithstanding anything in the foregoing to the contrary, neither Party shall be absolved from its failure to make monetary payments required hereunder, to purchase insurance required hereunder, or to indemnify, defend, and hold harmless the other as required above as to those matters for which each such Party is responsible. In the case of a Force Majeure Event, the time for performance of a Party’s obligations will be extended for a reasonable period commensurate with the delay caused by the Force Majeure Event up to a maximum of one (1) year unless otherwise mutually agreed.

Titles

. The titles of sections of this Agreement are for convenience only and shall not be given any legal effect.

Including

. The word “including” is used in this Agreement to mean “including but not limited to.”

Counterparts

. This Agreement may be executed in counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument. A facsimile copy or electronic scan such as a .pdf version of a Party’s signature on this Agreement will be deemed as an original.

21. DEFINITIONS

“1983 Agreement” is defined in Section 1.02.
“2006 Agreement” is defined in Section 1.02.
“Accounting Period” is defined in Section 10.05.
“Acquired Licensed Products” is defined in Section 7.01.
“Affiliate” is defined in Section 15.03.
“Affiliated Transfer” is defined in Section 15.03.
“Applicable Covered Period” is defined in Section 16.02.
“Approval” or “Approved” or “Approve” is defined in Section 9.01.
“Arbitral” is defined in Section 17.02.
“Artwork” is defined in Section 4.04.
“Atlanta Exception” is defined in Section 5.05.
“Attractions” is defined in Section 3.01.
“Authorized Sales Area” is defined in Section 7.01.
“Change of Control” is defined in Section 15.02.
“Company Officers” is defined in Section 17.01.
“Competitor Theme Parks” is defined in Section 3.01.
“Contributions” is defined in Section 13.01.
“Contributors” is defined in Section 13.01.
“Covered Period” is defined in Section 16.02 (table).
“Developed Licensed Products” is defined in Section 7.01.
“Discussion Period” is defined in Section 17.01.
“Dispute” is defined in Section 17.01.
“Effective Date” is defined in the introduction.
“Existing Sesame Lands” is defined in Section 2.02.
“Force Majeure Events” is defined in Section 20.09.
“Guarantee Shortfall” is defined in Section 10.05.
“Improvements” is defined in Section 5.09.
“Langhorne Standalone Park” is defined in Section 2.02.
“Large FEC” is defined in Section 3.03.
“Licensed Products” is defined in Section 7.01.
“Licensed Product Gross Receipts” is defined in Section 10.04.
“Licensed Products Royalty” is defined in Section 10.04.
“Litigation Claims” is defined in Section 17.02.
“Live Presentations” is defined in Section 4.01.
“Live Presentation Materials” is defined in Section 4.05.
“Manufacturer” is defined in Section 14.02.
“Marketing Materials” is defined in Section 4.02.
“Mediation Initiation Period” is defined in Section 17.01.
“Mediation Period” is defined in Section 17.01.
“Metropolitan Area” is defined in Section 3.05.
“Minimum Sesame Lands Royalty Guarantee” is defined in Section 10.04.
“Music” is defined in Section 4.02.
“Mutually Agreed Opening Date” is defined in Section 2.02.
“Opening Date” is defined in Section 2.02.
“Orlando Exception” is defined in Section 5.04.
“Orlando Sesame Land” is defined in Section 6.03.
“Other Products” is defined in Section 7.02.
“Ratings Data” is defined in Section 8.03.
“Records” is defined in Section 10.07.
“Retail Space” is defined in Section 7.02.
“SEA Termination Fees” is defined in Section 16.02.
“SEA Materials” is defined in Section 13.06.
“SEA Theme Parks” is defined in Section 2.02.
“SEA’s Vendors” is defined in Section 7.01.
“Sesame Land” is defined in Section 6.01.
“Sesame Street Elements” is defined in Section 2.01.
“Small FEC” is defined in Section 3.03.
“SPE” is defined in Section 1.02.
“Sponsorship Fees” is defined in Section 11.
“Standalone Gross Receipts” is defined in Section 10.02.
“Standalone Park” is defined in Section 5.01.
“Standalone Park #2” is defined in Section 5.03.
“Standalone Park #3” is defined in Section 5.04.
“Standalone Park #4” is defined in Section 5.05.
“Standalone Royalty Escalation Payments” is defined in Section 10.02.
“Standard FEC” is defined in Section 3.03.
“Stop Date” is defined in Section 5.04.
“SW Co-Investment” is defined in Section 5.04.
“SW Material s” is defined in Section 13.01.
“SW’s Decision Period” is defined in Section 5.03.
“SW Termination Fees” is defined in Section 16.03.
“Term” is defined in Section 2.02.
“Territory” is defined in Section 2.02.
“Theme Park” is defined in Section 3.01.
“Transfer Fee” is defined in Section 15.07.
“Unsold Inventory” is defined in Section 16.01.
“Video” is defined in Section 4.03.
ACCEPTED AND AGREED:

SESAME WORKSHOP

By /s/ Jeffrey D. Dunn
Name: Jeffrey D. Dunn
Title: President & CEO

SEAWORLD PARKS & ENTERTAINMENT, INC.

By /s/ Joel K. Manby
Name: Joel K. Manby
Title: President and Chief Executive Officer

Accepted and agreed for purposes of Section 1.02:

SEAWORLD PARKS & ENTERTAINMENT LLC

By /s/ Joel K. Manby
Name: Joel K. Manby
Title: President and Chief Executive Officer
EXHIBIT A
MAP FOR NEW YORK CITY METROPOLITAN AREA

No SW Development South of Red Line
EXHIBIT B
WALKAROUND COSTUMED CHARACTER APPEARANCE GUIDELINES

A Walkaround Character appearance can be fun and rewarding.

The following are guidelines that must be followed for all Walkaround Character appearances:

• Walkaround Characters are non-speaking. Walkaround Characters may sign autographs for guests and may accept appropriate gifts such as drawings and/or cookies for Cookie Monster.

• Other than implied endorsement due to the presence of the Walkaround Characters at the SEA Theme Parks and other than implied endorsement due to the presence of the Walkaround Characters at permitted promotional activities under this Agreement, Walkaround Characters cannot endorse or promote any service; and Walkaround Characters cannot hold products or be photographed with them.

The following are guidelines and recommendations for all Walkaround Character appearances, except that Approvals, where indicated below, are required:

THE APPEARANCE:

• Walkaround Characters cannot appear with any other character(s) without prior written Sesame Workshop Approval (as defined in the License Agreement between Sesame Workshop and SeaWorld Parks & Entertainment, Inc. (“License Agreement”) to which this Exhibit B is attached).

• Walkaround Characters may appear in stores (e.g., Licensee retail), restaurants (e.g., character dining), or other places of business (e.g., hospitals) as Approved pursuant to the License Agreement.

• If the appearance is in a mall, it must be in a common area and cannot be associated with any individual business unless Approved pursuant to the License Agreement.

• Unless otherwise expressly permitted by the License Agreement, Sesame Workshop must have prior written Approval over all promotions/publicity for the event and over all uses of Sesame Street materials including artwork, photos, etc.

• You must arrange for a handler to stay with and assist the performer at all times.

• Other than customary admission charges for admission to SEA Theme Parks and for character dining, character photo ops and the like contemplated by the License Agreement, any event where Walkaround Characters appear must be free and open to the public, unless it is a private event as Approved under the License Agreement such as a hospital visit or industry convention or trade show. A free event that is held in a venue that has an admission charge but is open to and priced to be generally affordable to the general public (e.g., a Walkaround Character appearance at a professional baseball game) is generally considered “free and open to the public.”

Pictures can be taken of Walkaround Characters with children and families.

THE DRESSING AREA:

• You will maintain appropriate fixed backstage areas in each applicable SEA Theme Park for dressing which may be used for shows and for Walkaround Character appearances. A restroom is not an acceptable dressing area at any applicable SEA Theme Park. Outside a SEA Theme Park, SEA will make reasonable efforts not to use a restroom as a dressing area.

• Must be private and away from the public view. Walkaround Characters are never to be seen in any manner of partial dress.

• Where appropriate, you will maintain air conditioning or a fan and appropriate beverages in the dressing area.

• The dressing area should be safe and lockable while the costume is being used.

THE VENUE:

• Licensee must provide personnel in sufficient numbers to ensure the safety and security of all participants and attendees at a Meet & Greet Event.
WEARING THE COSTUME:

• Wearing a unitard or appropriate undergarment keeps wearer comfortable and prolongs costume life. Make sure ankles are covered. The performer should wear tennis-type shoes with socks.

• Wearer should leave valuables with a responsible person while wearing costume or keep them in a locker.

• Glasses are not easily worn under the Walkaround Characters' heads.

• Do not wear make-up, perfume or cologne.

ANTICIPATING COSTUME CONDITIONS:

• The costume is very warm.

• Sight is somewhat limited. The head causes a limited depth of field and restricts wearer from looking directly down, causing difficulty seeing children closest to the legs. This limited vision makes it important for the wearer to rely on the handlers.

• If wearer requires eye-glasses, they must be secured with a head band.

• Costumes are heavy with a large portion of the weight concentrated in the costume head, which is worn like a hat. It is secured with a chinstrap and snaps.

• The large feet are challenging to walk in and easy to trip over. Performer must lift legs high to avoid dragging feet.

PERFORMERS:

• The performer must be of a height and stature that will allow them to fit comfortably in the costume. Each character has certain height restrictions.

• Prior experience with costumed characters preferred.

• Please ensure the comfort of the performer, including providing him/her with breaks, refreshments, and fans for cooling the costume during breaks.

THE CHARACTERS:

• Walkaround Characters are cuddly and lovable.

• Walkaround Characters do not cry, but can show fright, embarrassment, love, and warmth.

• Walkaround Characters like appropriate hugs and kisses.

• Walkaround Characters show the same appropriate attention and affection to males and females.

“DO’s” (for performers):

• Stay in character at all times.

• Be friendly, courteous, and animated.

• Be creative and react to situations.

• Take the initiative to make new friends; don’t always wait for people to approach you. (Small children are sometimes frightened by the size of the costume. A gentle wave from a distance will be appreciated by the parents.)

• Place trust in your handler who serves as your seeing-eye companion. Establish signals with the handler prior to going “on-stage”.

B-2
“DON'Ts” (for performers):

- Don’t talk or make noises while in costume.
- Don’t remove any part of costume while in public.
- Don’t be seen by the public going into or exiting from rest room, if possible.
- Don’t show temper, anger or frustration while in public.
- Don’t smoke, eat, or drink in costume.
- Don’t scare or intimidate people.

B-3
EXHIBIT C
COSTUME MAINTENANCE GUIDELINES

Parts of Costume:

- head (with chinstrap)
- fur body
- fur legs
- body pod
- feet fur
- hood

Cleaning Products (recommended products to maintain costume)

- A Clear Choice™ (a professional strength spot remover) (Available 702 382 4813, Las Vegas, USA)
- 70% Isopropyl Rubbing Alcohol
- ALL Free™ Laundry Detergent (or any mild non-perfumed detergent)
- Liquid Fabric Softener (non-perfumed)
- clean, soft, white rags, sponges

After each use inspect every piece of the costume for dirt, body odors, stains, possible tears or damage to the fabric. If there is damage contact a costume repair shop approved by SW for repair. For costume cleaning follow instructions below. As of the date of execution of this Agreement, SEA is an authorized costume cleaner and is authorized to make minor costume repairs in a manner consistent with historical practices.

Specific Costume Piece Cleaning Instructions

**Head: Spot Clean Only**

- See Spot Cleaning Method under General Cleaning Methods.
- Wipe down the inside of the head with 70% isopropyl alcohol mixture (1/2 water & 1/2 alcohol in spray bottle) to eliminate body odors and to sterilize it.
- Eyes – If the eyes become dirty, use a mild cleaner such as Formula 409 to wipe away the dirt. Spray the cleaner on a clean soft cloth and apply it to the eyes—do not apply the cleaner directly to the eyes. **DO NOT use any abrasive type cleaner as it may scratch the eyes**. For stubborn spots, sparingly and carefully use Soft Scrub with bleach. **Be very careful or the bleach will discolor the fur and the pupils**.
- Chinstrap may be laundered with the fur pieces. Be sure to close the straps so the Velcro is not exposed.
- Mouth scrim should be hand washed and air dried.

**Body Pod: Spot Clean or Machine Wash**

- See Spot Cleaning Method under General Cleaning Methods.
- Follow Machine Wash Method. Be sure to zip and hook pod before washing. **CAUTION AIR DRY ONLY!!! DO NOT use dryer on pod!**

**Fur Legs, Arms, & Hood: Spot Clean or Machine Wash**

- See Spot Cleaning Method under General Cleaning Methods.
- Follow Machine Wash Method. **CAUTION AIR DRY ONLY!! DO NOT use dryer on fur!**

**Shoes: Spot Clean Only (or Machine Wash removable covers only)**

- See Spot Cleaning Method under General Cleaning Methods. If the fur covers are removable from the foot, follow Machine Wash Method.
If the shoe soling becomes worn down, it is important that it be replaced or else it will do further damage to the shoes. In the event that the shoes need resoling, contact a costume repair shop approved by SW. As of the date of execution of this Agreement, SEA is an authorized costume cleaner and is authorized to make minor costume repairs in a manner consistent with historical practices.

**General Cleaning Methods**

**Spot Cleaning**
- This will be the method used most often to maintain the costume.
- Use Clear Choice to spot clean.

Apply directly onto the soiled area liberally and rub with finger or clean, white cloth to remove the stain. Be careful of colored cloths for the dye may bleed onto the costume.

**Machine Washing**
- Machine wash only the parts that are noted. Use a cold water wash and keep colors separate from the whites. Use normal laundry detergent and a fabric softener in the cycle. Let all pieces hang dry, in front of fans when possible. **DO NOT use dryer on any costume pieces!!**

**NOTE** Machine washing should be kept to a minimum on all pieces to maximize the life of the costume.

**Other Maintenance Tips**

To keep the costume smelling fresh between cleanings use a 70% isopropyl alcohol mixture (1/2 water & 1/2 alcohol in spray bottle) to eliminate odors from all costume parts. Let costume pieces fully air dry with a fan after each application.

Keeping dryer sheets inside the costume while being stored helps to keep it fresh smelling between washing.
EXHIBIT E
PROCESS FOR PRODUCT DEVELOPMENT AND APPROVAL

The Parties will utilize the following process for product development and Approval in a manner consistent with Section 9 of the License Agreement between Sesame Workshop and SeaWorld Parks & Entertainment, Inc. ("License Agreement") to which this Exhibit E is attached.

- **Concept**
  - Present initial artwork/product templates for Sesame Workshop’s Approval.
  - Review Sesame Workshop’s design comments.

- **Rough Artwork**
  - Submit concept designs with color indications or molds for plastic items for Sesame Workshop’s art direction.
  - Submit script/editorial for Approval.
  - Modify concept design or script/editorial and re-submit, if requested.

- **Final Artwork**
  - Present final prototype illustration, sculpture and/or recording for Approval.
  - Modify and re-submit, if requested.

- **Pre-Production Sample**
  - Submit pre-production sample (pursuant to Section 9.03 of the License Agreement) and test reports, if any.
  - Proceed with production, if Approved.

- **Final Samples**

Submit final production samples (pursuant to Section 7.04 of the License Agreement).

- **Advertising and Marketing Materials; Packaging**
  - Present all packaging designs and copy for Approval.
**Work-Made-For-Hire and Assignment**. Contributor has created or will create materials that contain embodiments, derivations, adaptations or versions of the elements of the copyrights, trademarks and other intellectual property associated with “Sesame Street®.” “Works” shall mean all such materials including all versions and all works of progress relating to such materials. Contributor hereby agrees that all Works furnished to Licensee by Contributor, working either individually or in collaboration with others, shall be a work-made-for-hire under the U.S. Copyright Laws and Licensee shall be considered the author of the Works for purposes of copyright. In the event any of the Works is not a work-made-for-hire or is not a copyrightable subject matter, Contributor hereby irrevocably assigns to Licensee exclusively all of Contributor’s right, title and interest in and to the Works, for use in any and all media, now known or hereafter created, and for any and all purposes in perpetuity throughout the world. Contributor hereby waives any claim to so-called “moral rights” or rights of “droit moral” that Contributor may have now or in the future in any jurisdiction with respect to the Works. Contributor agrees to execute all reasonable documents and to take all reasonable steps as Licensee or its assignee finds appropriate to evidence Licensee's or its assignee’s rights in the Works. Licensee and Contributor acknowledge that Sesame Workshop, as the owner of intellectual property rights associated with Sesame Street®, and a licensor of rights to Licensee, shall be a third party beneficiary under this Agreement solely as it relates to the Sesame Street® elements and related materials of Sesame Workshop. Without limiting the generality of the foregoing, Sesame Workshop shall have the right to exercise and enforce all rights and remedies of Licensee under this Agreement and to enforce all obligations and agreements of Contributor under this Agreement; provided that as between Licensee and Sesame Workshop, Sesame Workshop will first coordinate any such efforts with Licensee in accordance with the terms of the License Agreement between Licensee and Sesame Workshop. Works shall not include any standard features, including without limitation silhouettes in the public domain and functional or generic design components, which are not protectable or otherwise indistinguishable from similar products generally available in the marketplace or which are rejected by Licensee and do not include any Sesame Workshop intellectual property. Rights to any Licensee intellectual property that may be contained in the Works (e.g., SeaWorld) are owned and controlled by Licensee. Sesame Workshop shall be free to exercise such rights directly against Contributor. This paragraph shall survive any termination of this agreement.
EXHIBIT G
MANUFACTURER’S AGREEMENT

Licensee:
Name: SeaWorld Parks & Entertainment, Inc.
Address: 9205 SouthPark Center Loop, Orlando Florida 32819

Manufacturer:
Name _______________________________________________
Address ______________________________________________

Relationship to Licensee (i.e., owned or contract) _____________________________________________________

Terms of License Agreement with Sesame Workshop
Licensed Property – _______________________________________________
Developed Licensed Products – _______________________________________
Expiration Date (unless sooner terminated) – _____________

This Manufacturer’s Agreement is made by and between Licensee and Manufacturer pursuant to the License Agreement (“License Agreement”) between Sesame Workshop and Licensee, dated as of May __, 2017. In order to induce Sesame Workshop to consent to Manufacturer’s manufacture of the Developed Licensed Products on behalf of Licensee, Manufacturer agrees as follows:

1. Manufacturer acknowledges Sesame Workshop’s ownership of all right, title and interest in the Sesame Workshop Materials (which shall include but is not limited to the Sesame Street ® name and logo, the Sesame Workshop name and logo, the names and graphic representations of the Sesame Street ® characters, all trademarks and copyrighted material owned by Sesame Workshop, and all artwork, performances and other materials that are based on, derived from or incorporate any of the above). Manufacturer acknowledges Licensee’s ownership of all right, title and interest in the SeaWorld Materials (which shall include but is not limited to the Sea World® name and logo, the Busch Gardens® name and logo, the names and graphic representations of the SeaWorld parks, all trademarks and copyrighted material owned by Licensee, and all artwork, performances and other materials that are based on, derived from or incorporate any of the above). Manufacturer shall execute all documents and take all steps reasonably requested by Licensee or Sesame Workshop to evidence Sesame Workshop’s and Licensee’s rights.

2. Manufacturer’s right to manufacture Developed Licensed Products is limited to the supply of Developed Licensed Products to Licensee. Manufacturer agrees that it will manufacture the Developed Licensed Products only as expressly directed by Licensee and in satisfaction of all requirements of Licensee including compliance with laws and inclusion of legal notices. Manufacturer shall only produce the number of items ordered by Licensee and may not invoice or deliver any Developed Licensed Products to third parties other than Licensee or to Sesame Workshop at Licensee’s direction. Manufacturer shall not subcontract production of any Developed Licensed Product or its components without Licensee’s and Sesame Workshop’s prior written Approval (as defined in the License Agreement). Manufacturer acknowledges and agrees that all protectable rights in the Developed Licensed Products, including any and all designs, styles, colorations, and patterns for the Developed Licensed Products and any all modifications or improvements thereto are and shall remain the sole and exclusive property of Licensee and Sesame Workshop, and Manufacturer shall not copy the Developed Licensed Products or any distinctive part thereof.

3. Manufacturer will comply with all applicable laws, regulations, and ordinances pertaining to the manufacturing, packaging or distribution of the Developed Licensed Products.

4. If requested by Licensee, in addition to any sample units provided to Licensee pursuant to the manufacturing arrangement between Licensee and Manufacturer, Manufacture will deliver twelve (12) units of each Developed Licensed Product to Sesame Workshop at 1900 Broadway, New York, New York 10023, at no cost to Licensee or Sesame Workshop, promptly upon or before their initial shipment to Licensee for quality control purposes only; and

5. Manufacturer shall meet the following standards in the conduct of manufacturing Developed Licensed Products:

   (a) Child Labor : Manufacturer will not use child labor.

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The term “child” refers to a person younger than the local legal minimum age for employment or the age for completing compulsory education, but in no case shall any child younger than fifteen (15) years of age (or fourteen (14) years of age where local law allows) be employed in the manufacturing, packaging or distribution of Developed Licensed Products. A system should be in place to detect forged and false identity documents.

(c) **Forced Labor**: Manufacturer will not use any forced or involuntary labor, whether prison, bonded, indentured or otherwise. Each employee must be informed that employment and overtime are voluntary.

(d) **Treatment of Workers**: Manufacturer will treat each employee with dignity and respect, and not use corporal punishment, illegal cash fines, threats of violence, or other forms of physical, sexual, psychological or verbal harassment or abuse.

(e) **Nondiscrimination**: Manufacturer will not discriminate in employment practices, including salary, benefits, advancement, discipline, termination or retirement, on the basis of gender, race, religion, ethnicity or age.

(f) **Wages and Working Hours**: Manufacturer will comply, at a minimum, with all applicable wage and hour laws, including minimum wage, overtime, maximum hours, piece rates and other elements of compensation, and to provide legally mandated benefits. Overtime work must be voluntary. Wages must meet or exceed legally mandated minimum wages. Piece-rate pay systems must guarantee earnings based on the applicable hourly minimum wage rates. All normal and overtime work hours must be accounted for by a verifiable recordkeeping system. All wages, overtime pay and benefits must be paid in a timely fashion as mandated by local laws.

(g) **Hiring Practices**: Manufacturer will inform each employee of his or her work hours, wages and wage calculations, benefits, costs for food and living, and length of employment contract.

(h) **Health and Safety**: Manufacturer will provide employees with a safe and healthy workplace (including any employer provided housing) in compliance with all applicable laws, ensuring, at a minimum, reasonable access to potable water and sanitary facilities, fire safety, and adequate lighting and ventilation. Hazards must be eliminated where possible, and employees must be provided and trained on the use of Personal Protective Equipment where hazards cannot be fully eliminated. Employees must be trained on emergencies and evacuation procedures.

(i) **Environment**: Manufacturer will comply with all applicable environmental laws and regulations. Without limiting the foregoing, Manufacturer will operate each factory or facility in compliance with all local laws regarding water, air, ground contamination, and proper disposal of hazardous waste materials.

(j) **Association**: Manufacturer will respect the rights of employees to associate, organize and bargain collectively in a lawful and peaceful manner, without penalty or interference, in accordance with applicable laws.

6. Manufacturer agrees to take appropriate steps to ensure that the standards of conduct described in Section 5(a) through 5(i) above are communicated to all employees, such as by posting.

7. Manufacturer agrees that Licensee, Sesame Workshop, and their designated agents (including third parties) may engage in monitoring activities to confirm compliance with the provisions of this agreement, including on-site inspections (with reasonable advance notice) of manufacturing facilities, and review of books and records relating to the manufacturing of all products for Licensee. Manufacturer agrees to maintain on site all documentation necessary to demonstrate compliance with the provisions of this agreement.

8. If Manufacturer fails to pass a compliance inspection, and thereafter fails requirements to remedy the cited failure(s) within the time designated in a corrective action plan, or if Manufacturer otherwise breaches its obligations to perform its services in accordance with this Manufacturer’s Agreement, this Manufacturer’s Agreement will be terminated as soon as practicable (but no later than thirty (30) days).

This Manufacturer’s Agreement shall automatically terminate, and all rights of Manufacturer in connection with the Developed Licensed Products and the Sesame Workshop Materials, shall end upon expiration or termination of the license agreement between Sesame Workshop and Licensee.

- All of Manufacturer’s finished and unfinished products not shipped or at FOB must be destroyed at the Manufacturer’s expense and Manufacturer will provide a certificate of destruction to Licensee confirming the destruction. All of Licensee’s finished and unfinished products shall be governed by the License Agreement.

Licensee shall be under no obligation to place any specific number of orders and may discontinue procuring Developed Licensed Products from Manufacturer at any time for any reason whatsoever.

- Upon expiration or termination of this Manufacturer’s
Agreement, Manufacturer shall immediately cease manufacturing of the Developed License Products and deliver to Licensee all materials that belong to Sesame Workshop or Licensee.

11. Manufacturer’s rights shall not be assignable or transferable to any third party.

Manufacturer agrees to make no claim against Sesame Workshop for any reason.

Manufacturer does hereby for itself, its successors, and assigns and predecessors, release and forever discharge Sesame Workshop of and from any claim, cause of action, or damages whatsoever, in law or in equity, which the Manufacturer ever had, now has or which may in the future arise against Sesame Workshop that are in any way related to this Manufacturer’s Agreement, or Developed Licensed Products. With respect to any claim related to the Sesame Workshop Materials, Manufacturer will notify Licensee and Licensee will handle any indemnification claim against Sesame Workshop as it deems appropriate.

Manufacturer and Licensee agree that Sesame Workshop is a third party beneficiary of this Agreement.

Sesame Workshop shall have the right to enforce the provisions hereof as if Sesame Workshop was a party hereto; provided that as between Licensee and Sesame Workshop, Sesame Workshop will first coordinate any such efforts with Licensee in accordance with the terms of the License Agreement between Licensee and Sesame Workshop.

Manufacturer acknowledges that all information relating to the business and operations of Licensee and Sesame Workshop and all Sesame Workshop Materials and SeaWorld Materials provided to it by Licensee or Sesame Workshop (collectively “Confidential Materials”) are valuable property of Licensee and Sesame Workshop.

Manufacturer acknowledges the need to preserve the confidentiality and secrecy of the Confidential Materials and agrees not to use or disclose same and to take all necessary steps to insure that its use, which use shall be solely as necessary for, and in connection with, the manufacture of Developed Licensed Products, shall preserve in all respects such confidentiality and secrecy. Manufacturer hereby indemnifies Licensee and Sesame Workshop against any damages of any kind which may be suffered as a result of any breach by Manufacturer of the provisions of this paragraph.
Agreed and Accepted:

__________________________
Manufacturer

By: ______________________
Date: _____________________

Agreed and Accepted:

__________________________
SeaWorld Parks & Entertainment, Inc.

By: ______________________
Title: _____________________
Date: _____________________

Approved:

__________________________
Sesame Workshop

By: ______________________
Date: _____________________

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<th>Character</th>
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<td>ABBY CADABBY</td>
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<td>JULIA</td>
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<td>LITTLE BIRD</td>
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<td>THE MARTIANS</td>
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<td>MUMFORD THE MAGICIAN</td>
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MURRAY
NATASHA
OSCAR THE GROUCH
PRAIRIE DAWN
ROSITA
ROXY MARIE
SHERLOCK HEMLOCK
SLIMEY THE WORM
SNUFFLEUPAGUS
SULLY
TELLY MONSTER
THE COUNT/COUNT VON COUNT
TWIDDLEBUGS
ZOE

Additional characters pursuant to the License Agreement.

The following characters have been retired:

Bad Bart, Biff, Bruno, Buster the Horse, Colambo, Don Music, Fat Blue, Forgetful Jones, Fred the Wonder Horse, Gladys the Cow, Harvey Kneeslapper, Jackman Wolf, Kingston Livingston, Prince Charming, Professor Hastings, Roosevelt Franklin, Sam the Super-Automated Robot, Sherry Netherland, Simon Soundman, Sunny Friendly, The Countess, and Two-Headed Monster
Sesame Workshop is a not-for-profit organization whose mission is to help kids grow smarter, stronger and kinder. Sesame Workshop believes in the importance of promoting the health and well-being of children, providing children with a safe environment, and protecting children from abuse.

This Child Protection Policy (“Policy”) establishes the fundamental principles that Sesame Workshop will adhere to in protecting children (under the age of 18). Sesame Workshop may elaborate on this Policy or supplement this Policy with specific procedures that will be tailored to the particular circumstances of different kinds of interactions with children. This Policy applies to Sesame Workshop’s global activities with consideration for each country’s local laws, regulations and customs. This Policy is divided into three broad categories as described below.

A. The first category that this Policy applies to is direct interactions with children by Sesame Workshop’s (including its subsidiaries’), employees, directors, trustees or agents acting on behalf of Sesame Workshop (“Sesame Representatives”). Examples of such direct interaction by Sesame Workshop are research conducted by Sesame Workshop, child actors employed by Sesame Workshop, and community engagement activities run by Sesame Workshop. Sesame Workshop commits to the following regarding Sesame Workshop’s direct interactions with children.

1. Sesame Workshop will take all reasonable measures to ensure the health and safety of the children, and to ensure that children do not suffer any abuse during direct interactions with children by Sesame Representatives. “Abuse” means any form of physical, emotional or sexual conduct, behavior or lack of care that can potentially injure or harm a child.

2. Sesame Workshop will ensure that Sesame’s Representatives do not discriminate against any child on the basis of race, color, gender, disability, or any other legally impermissible basis.

3. Sesame Workshop will establish and communicate to Sesame Representatives the procedures and protocols for reporting any incidents of child abuse that they may become aware of, including incidents they may observe and complaints or reports of incidents of child abuse they may receive from others. The procedures and protocol will include (i) prompt reporting by Sesame Representatives of such incidents to their senior manager, (ii) prompt reporting by senior managers to the Executive Vice President, Human Resources and Executive Vice President & General Counsel of Sesame Workshop, (iii), documenting of such incidents and (iv) taking necessary steps to resolve the situation as may be decided. The protocol will include reporting to authorities as appropriate to the circumstances or as may be required by law.

4. If any incident of child abuse is reported to Sesame Workshop, Sesame Workshop will protect the privacy of the child and will not make public the identity of the child or other information received (to the extent permitted by law), and will disclose such information only on a limited basis to those who need to know to take action in regard to the reported incident.

5. Sesame Representatives will avoid being alone with a child (i.e., one Sesame Representative and one child) whenever possible and feasible.
6. Sesame Workshop will ensure that all Sesame Representatives who interact with children have been appropriately screened which will include background checks.

7. Sesame Workshop will provide appropriate information and training to all Sesame Representatives who interact with children regarding proper behavior with children and compliance with this Policy.

8. Sesame Workshop will not employ any child labor except as permitted by law (e.g., child actors).

9. Sesame Workshop will ensure that there is proper supervision of children who are in Sesame Workshop’s care.

B. The second category that this Policy applies to is materials or products created by Sesame Workshop that are intended for children. Sesame Workshop produces a wide range of materials and products, many of which are expressly intended to promote the health and well-being of children.

1. Sesame Workshop will ensure that materials that Sesame Workshop creates for children do not contain any content that is harmful to children in the intended audience.

2. Sesame Workshop will ensure that the products that Sesame Workshop creates for children are safe for children in the intended audience.

C. The third category that this Policy applies to is interactions with children by companies or individuals who have a contractual relationship with Sesame Workshop, but are acting on their own behalf, in relation to content, services, products or other materials created by Sesame Workshop or licensed by Sesame Workshop (“Sesame-related interactions”). Examples of Sesame-related interactions are research conducted by an independent research company on use of Sesame Workshop materials; activities run by a nonprofit or nongovernmental organization using Sesame Workshop materials; and books, toys or other categories of products produced, marketed and distributed by a licensee of Sesame Workshop or a third party manufacturer of Sesame Workshop.

1. Sesame Workshop will require that companies or individuals who engage in Sesame-related interactions with children commit to adopting the principles of child protection contained in this Policy or to establishing and complying with their own child protection policy that is at least as protective of children as this Policy, in relation to their Sesame-related interactions with children.

2. Specifically, with respect to Sesame Workshop’s licensees who produce and/or distribute products for children that utilize one of Sesame Workshop’s brands, Sesame Workshop will require that the licensees ensure the safety of these products for children in the intended audience. The licensees also are required to comply with all applicable law in regard to the manufacturing, marketing, advertising, sale and distribution of children’s products.
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, 2017 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 9, 2017

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, Marc G. Swanson, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2017 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 9, 2017

Signature: /s/ Marc G. Swanson
Marc G. Swanson
Chief Financial Officer
(Principal Financial Officer)
In connection with the Quarterly Report of SeaWorld Entertainment, Inc. (the “Company”) on Form 10-Q for the quarterly period ended June 30, 2017 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 9, 2017

/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, 2017 filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Marc G. Swanson, 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 9, 2017

/s/ Marc G. Swanson
Marc G. Swanson
Chief Financial Officer
(Principal Financial Officer)