

**REPORT TO THE WASHINGTON STATE PUBLIC FACILITIES DISTRICT BY THE SEATTLE MARINERS FOR
THE 14 MONTHS ENDED DECEMBER 31, 2016**

Submitted May 1, 2017

In 1996, the Washington State Major League Baseball Stadium Public Facilities District (PFD) and The Baseball Club of Seattle, LLLP (Mariners or Club) entered into the Ballpark Operations and Lease Agreement (Lease). The Mariners agreed to play at yet-to-be-named Safeco Field.

Section 5.2 of the Lease includes a commitment by the Mariners to share profits after the recovery of the financial losses that occurred after July 1, 1995 (defined as Cumulative Net Loss in section 5.2.4). From that date through October 31, 1999, the Mariners net operating losses totaled \$200,212,000. (Note: This figure does not include the losses this ownership group incurred for the three years from July 1, 1992 through June 30, 1995.)

A "special calculation" was agreed upon in the Lease to determine the annual amount to apply to the Cumulative Net Loss. It was created specifically to determine when the Mariners begin sharing profits with the PFD, and has no application other than this limited purpose. Each year, if the special calculation is positive, the Cumulative Net Loss is reduced. This special calculation should not be confused with the Mariners Net Income/Loss from business operations.

Although not required by the Lease, the Mariners would like to advise the PFD that in fiscal year 2016, the Club had net loss from business operations (using generally accepted accounting principles, GAAP) of (\$21,457,000). It is important to note that since this ownership group bought the franchise in 1992, even when the team has made a profit, there has never been a distribution of team profits to individual members of this ownership group in any year.

The "special calculation" for profit-sharing purposes with the PFD resulted in a negative figure of (\$7,377,000) in 2016. So for only the third time since Safeco Field opened, the Mariners Cumulative Net Loss has increased. However, it should be noted that since 1999, the Cumulative Net Loss has been reduced by 87% from a high of \$200,212,000 in 1999 to \$26,547,000 today.

It should also be noted that this report covers a 14-month period (November 1, 2015-December 31, 2016) rather than the usual 12 months. This is because the Mariners have changed our fiscal year from a November-October period (which coincided with the end of the baseball season) to the calendar year of January-December.

Below are the figures for 2016 that the Mariners are reporting to the PFD per Article 5.2 of the Lease.

Cumulative Net Loss through October 31, 1999	(\$200,212,000)
Cumulative Net Loss through October 31, 2015	(\$19,170,000)
Special Calculation* for 2016 fiscal year	(\$7,377,000)
Cumulative Net Loss through December 31, 2016	(\$26,547,000)

Therefore, for the year ended October 31, 2016, no profit sharing payment is currently due the Public Facilities District under section 5.2.2 of the Lease.

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*Per section 5.2.3 of the Lease, the special calculation was made using the following adjustments to GAAP Net Loss of (\$21,457,000): add Depreciation/Amortization of \$29,869,000; subtract Player Signing Bonuses of \$10,681,000; subtract Non-ballpark Capital Expenditures of \$2,127,000; subtract Ballpark Capital Expenditures of \$2,981,000. This yields the special calculation of (\$7,377,000).

Footnote: Our financial statements have been prepared using generally accepted accounting principles (GAAP). Deloitte & Touche LLP performed the audit in accordance with generally accepted auditing standards (GAAS).