



March 2, 2015

Mr. Kevin Callan  
Executive Director  
Washington State Public Facilities District  
Safeco Field  
Seattle, WA 98134

Dear Kevin:

In accordance with Article 5.2 of the Ballpark Operations and Lease Agreement between the Washington State Major League Baseball Stadium Public Facilities District (PFD) and The Baseball Club of Seattle, LLLP, enclosed please find the Mariners report to the PFD for our fiscal year ended October 31, 2014, along with an update on the club's Cumulative Net Loss calculated from July 1, 1995.

This report meets the requirements of Article 5.2 of our Lease. As the Club's Senior Vice President of Finance, I certify to the best of my knowledge that the attached calculations are true and correct.

Sincerely,

Tim Kornegay  
Senior Vice President Finance

Enclosure



**REPORT TO THE WASHINGTON STATE PUBLIC FACILITIES DISTRICT BY THE SEATTLE MARINERS FOR  
YEAR ENDED OCTOBER 31, 2014  
Submitted March 2, 2015**

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 through the 2018 season.

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 the 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, when 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 2014, the Club had net income from business operations (using generally accepted accounting principles, or GAAP) of \$11,648,000. 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, and there was not one in 2014.

The "special calculation" for profit-sharing purposes with the PFD resulted in a positive figure of \$20,009,000 in 2014. As a result, the Mariners Cumulative Net Loss has been lowered to \$30,989,000.

Below are the figures for 2014 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, 2013	(\$50,998,000)
Special Calculation* for 2014 fiscal year	\$20,009,000
Cumulative Net Loss through October 31, 2014	(\$30,989,000)

Therefore, for the year ended October 31, 2014, 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 Profit of \$11,648,000: add Depreciation/Amortization of \$27,274,000; subtract Player Signing Bonuses of \$12,521,000; subtract Non-ballpark Capital Expenditures of \$3,682,000; subtract Ballpark Capital Expenditures of \$2,710,000. This yields the special calculation of \$20,009,000.

Footnote: The numbers in this report are taken from our most recent annual financial statements, covering our fiscal year ended October 31, 2014. 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).

<b>Calculation of Net Income &amp; Cumulative Net Loss For the Year ended October 31, 2014</b>
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Lease Section <u>5.2.3</u>	<u>Item</u>	<u>000's</u>
	<b>2014 Net Income (GAAP)</b>	<b>\$ 11,648</b>
	<u>Additions (Subtractions):</u>	
(i)	Depreciation/amortization	27,274
(ii)	Player signing bonuses	(12,521)
(iii)	Non-ballpark capital expenditures	(3,682)
(iv)	Net Capital Fund deposits	<u>(2,710)</u>
	 <b>Special Calculation per section 5.2.3 of the Ballpark Operations and Lease Agreement</b>	 <b>\$ 20,009</b>
	Ballpark construction	<u>-</u>
	Cumulative Net Loss through October 31, 2013	<u>(50,998)</u>
	<b>Cumulative Net Loss through October 31, 2014</b>	<b><u><u>\$ (30,989)</u></u></b>

March 2, 2015

Mr. Kevin Callan, Executive Director  
Washington State Major League Baseball  
Stadium Public Facilities District  
110 South  
Atlantic Street  
Seattle,  
Washington  
98134

Dear Kevin:

This letter summarizes the work we performed on behalf of the Public Facilities District (the "District") in the oversight of certain terms of the Lease between the Baseball Club of Seattle, LLP (Mariners) and the District. Following are the significant steps we performed:

1. We reviewed the relevant terms of the Lease (Section 5.2) between the Mariners and the District related to the calculation and payment of "profit sharing",
2. We reviewed the prior Calculations of Net Income and Cumulative Net Loss to gain an understanding of the methodology for complying with the Lease,
3. We accompanied you to the office of the Mariners on February 27, 2015 to make inquiries of management and to test the current Calculation of Cumulative Net Loss through October 31, 2014 against underlying supporting documentation, primarily the audited financial statements as supplied by the Mariners,

During the course of the meeting on February 27, we met with Kevin Mather and Tim Kornegay, representing Mariners' management. Tim explained that he is responsible for the preparation of the Report to the District regarding compliance with the Lease and confirmed that he had prepared the calculations in the correspondence to the District, dated March 1, 2015, outlining the Cumulative Net Loss Through October 31, 2014. That letter indicates a reported Cumulative Net Loss through that date of \$30,989,000.

Our meeting with Mariners management included a review of the 2014 Audited Financial Statements of the Baseball Club of Seattle, LLP. Tim indicated that the preparation of the schedule of Cumulative Net Loss was done on a consistent basis from year to year and in accordance with the terms of the Lease. We discussed with



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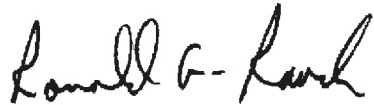
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Mr. Kevin Callan, Executive Director  
Washington State Major League Baseball  
Stadium Public Facilities District  
March 2, 2015

him each of the entries on the calculation of Cumulative Net Loss and were able to trace and agree those amounts to the audited financial statements. We were also able to agree amounts to underlying internal corporate financial statements where the amounts were not readily obtainable from the audited financial statements. We received satisfactory answers to all of our inquiries.

I will be pleased to discuss this report with you at your convenience.

Sincerely,

A handwritten signature in black ink that reads "Ronald G. Rauch". The signature is written in a cursive style with a horizontal line through the middle of the name.

Ronald G. Rauch  
Shareholder