



April 30, 2018

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 the year ended December 31, 2017, 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 Executive Vice President of Finance, I certify to the best of my knowledge that the attached calculations are true and correct.

Sincerely,

Tim Kornegay  
Executive Vice President Finance

Enclosure



**REPORT TO THE WASHINGTON STATE PUBLIC FACILITIES DISTRICT BY THE SEATTLE MARINERS FOR YEAR ENDED DECEMBER 31, 2017**

Submitted April 30, 2018

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 2017, the Club had net income from business operations (using generally accepted accounting principles, GAAP) of \$15,019,000. This compares with a net loss in 2016 of (\$21,457,000). It is important to note that since this ownership group bought the franchise in 1992, 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 positive figure of \$20,891,000 in 2017. That has reduced the Mariners Cumulative Net Loss has been reduced to (\$5,656,000).

Below are the figures for 2017 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 December 31, 2016	(\$26,547,000)
Special Calculation* for 2017 fiscal year	\$20,891,000
Cumulative Net Loss through December 31, 2017	(\$5,656,000)

Therefore, for the year ended December 31, 2017, 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 Income of \$15,019,000: add Depreciation/Amortization of \$22,552,000; subtract Player Signing Bonuses of \$12,644,000; subtract Non-ballpark Capital Expenditures of \$1,562,000; subtract Ballpark Capital Expenditures of \$2,474,000. This yields the special calculation of \$20,891,000.

Footnote: The numbers in this report are taken from the most recent draft of our annual financial statements, covering our fiscal year ended December 31, 2017. 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 12 months ended December 31, 2017</b>
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Lease Section <u>5.2.3</u>	<u>Item</u>	<u>000's</u>
	<b>2017 Net Income (GAAP)</b>	<b>\$ 15,019</b>
	<b><u>Additions (Subtractions):</u></b>	
	(i) Depreciation/amortization	22,552
	(ii) Player signing bonuses	(12,644)
	(iii) Non-ballpark capital expenditures	(1,562)
	(iv) Net Capital Fund deposits	<u>(2,474)</u>
	 <b>Special Calculation per section 5.2.3 of the Ballpark Operations and Lease Agreement</b>	 <b>\$ 20,891</b>
	Ballpark construction	<u>-</u>
	Cumulative Net Loss through December 31, 2016	<u>(26,547)</u>
	<b>Cumulative Net Loss through December 31, 2017</b>	<b><u><u>\$ (5,656)</u></u></b>