SEATTLE MARINERS

April 30, 2019

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, 2018, along with an update on the club's Cumulative Net Loss calculated from July 1, 1995.

The Profit Share reflects a one-time, non-recurring payment from MLB Advanced Media for the sale of certain assets. But for the asset sale in 2018, the Club would have continued to show a Cumulative Net Loss without any Profit Share payable to the PFD. Under the new Lease Agreement, the Club will pay to the PFD an annual, guaranteed Revenue Share based on the sale of event tickets at T-Mobile Park.

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

Sincerely,

Tim Kornegay
Executive Vice President, CFO

Enclosure

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REPORT TO THE WASHINGTON STATE PUBLIC FACILITIES DISTRICT BY THE SEATTLE MARINERS FOR YEAR ENDED DECEMBER 31, 2018
Submitted April 30, 2019

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 the ballpark now known as T-Mobile Park.

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 2018, the Club had net income from business operations (using generally accepted accounting principles, GAAP) of $44,055,000. This was the result of a one-time payment from Major League Baseball Advanced Media for sale of certain assets. But for the one-time distribution, the Club would have experienced a net operating loss for 2018. 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 $51,654,000 in 2018. That has now eliminated the Mariners Cumulative Net Loss and for the first time, the Club will share profits with the PFD.

Below are the 2018 figures 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, 2017	($5,656,000)
Special Calculation* for 2018 fiscal year	$51,654,000
Cumulative Net Income through December 31, 2018	$45,998,000

Therefore, for the year ended December 31, 2018, the PFD is due 10% of the Club's net income for 2018, or $4,600,000 in profit share according to 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 $44,055,000: add Depreciation/Amortization of $22,168,000; subtract Player Signing Bonuses of $14,725,000; subtract Non-ballpark Capital Expenditures of $1,057,000; subtract Net Capital Fund Deposits $3,387,000; add $4,600,000 Profit Share. This yields the special calculation of $51,654,000.

Footnote: The numbers in this report are taken from the audited annual financial statements, covering our fiscal year ended December 31, 2018. 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).