

**REPORT TO THE WASHINGTON STATE PUBLIC FACILITIES DISTRICT BY THE SEATTLE MARINERS FOR
YEAR ENDED OCTOBER 31, 2013**
Submitted March 1, 2014

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 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 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 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 2013, the Club had a net loss from business operations (using generally accepted accounting principles, GAAP) of \$3,601,000. 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 to individual members of this ownership group in any year, and there was not one in 2013.

The "special calculation" for profit-sharing purposes with the PFD resulted in a negative figure of \$13,535,000 in 2013. So for only the second 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 75% from a high of \$200,212,000 to \$50,998,000.

Below are the figures for 2013 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, 2012	(\$37,463,000)
Special Calculation* for 2013 fiscal year	(\$13,535,000)
Cumulative Net Loss through October 31, 2013	(\$50,998,000)

Therefore, for the year ended October 31, 2013, no profit sharing payment is currently due the Public Facilities District under section 5.2.2 of the Lease.

*Per section 5.2.3 of the Lease, the special calculation was made using the following adjustments to GAAP Net (Loss) of (\$3,601,000): add Depreciation/Amortization of \$26,908,000; subtract Player Signing Bonuses of \$18,024,000; subtract Non-ballpark Capital Expenditures of \$6,606,000; subtract Ballpark Capital Expenditures of \$12,212,000. This yields the special calculation of (\$13,535,000).

Footnote: The numbers in this report are taken from the most recent draft of our annual financial statements, covering our fiscal year ended October 31, 2013. 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).

2013

**Calculation of Net Income & Cumulative Net Loss
For the Year ended October 31, 2013**

Lease Section <u>5.2.3</u>	<u>Item</u>	<u>000's</u>
	2013 Net Income (GAAP)	\$ (3,601)
	<u>Additions (Subtractions):</u>	
(i)	Depreciation/amortization	26,908
(ii)	Player signing bonuses	(18,024)
(iii)	Non-ballpark capital expenditures	(6,606)
(iv)	Net Capital Fund deposits	<u>(12,212)</u>
	Special Calculation per section 5.2.3 of the Ballpark Operations and Lease Agreement	\$ (13,535)
	Ballpark construction	<u>-</u>
	Cumulative Net Loss through October 31, 2012	<u>(37,463)</u>
	Cumulative Net Loss through October 31, 2013	<u><u>\$ (50,998)</u></u>