

2012 NSLNC **ROUND TWO**

“Wolf Pack Migration”

GENERAL FACTS FOR BOTH TEAMS

This is a negotiation between the Pac-16 Conference and the University of Nevada concerning the possible entry of Nevada into the Pac-16 Conference. In the last several years, a trend in college athletics has developed--the super-conference. As schools reach the end of contracts with their athletic conferences, or reach points that opt-out provisions apply, some schools have seen greener pastures and have bolted for conferences offering more money, greater exposure across the country, and a chance to play in college football's BCS bowl games. College football has driven the realignment surge because of the money the sport brings into the universities and conferences. Most recently, the National Collegiate Athletic Association (“NCAA”) and Bowl Championship Series (“BCS”) have discussed a playoff system for college football, which will bring about more realignment among universities. For example, the Florida State Seminoles and Clemson Tigers of the Atlantic Coast Conference (“ACC”) have discussed leaving for the Big-12 Conference for the reasons discussed.

Negotiators

Your roles as lawyers and representatives for the University of Nevada and Pac-16 are to negotiate and attempt to come to an agreement according to the details provided herein. Nevada is represented by their General Counsel and Athletic Director, and the Pac-16 Conference is represented by their General Counsel and Deputy Commissioner.

Please note that the issues of ticket sales, profit sharing, and the television payments have already been discussed and are part of the Conference rules and policies and should not be discussed in this negotiation. The facts below are the remaining issues preventing an agreement that need to be solved so both parties can move forward.

Pac-16 Conference

In 1915, the Pacific Coast Conference was founded consisting of four schools. The conference grew and in 1978, ten teams began playing in the Pacific-10 Conference. This conference stayed consistent in the number of teams, and as a leader of college athletics programs. Then, in 2010, the conference followed their counterparts in the South Eastern Conference, and began adding teams. For the 2011 season, the conference added the University of Utah Utes and the University of Colorado Buffaloes in all sports, turning the conference into a

twelve-team conference that includes powerhouse football programs at the University of Southern California Trojans, the University of Oregon Ducks, and the Stanford Cardinal. According to NCAA rules, the Pac-12 was able to hold its first conference football championship game in 2011. The Conference is now looking to add four additional teams to create the Pac-16 Conference (the “Conference”).

Additionally, the Pac-12 contains some of the top basketball programs in the country. This includes the University of Arizona Wildcats and the University of California, Los Angeles Bruins, who are both perennial contenders in the NCAA tournament. Overall, Pac-12 member programs have won more than four hundred team and two thousand individual NCAA championships, and the conference is renowned for its strong academics, leadership, and community involvement.

When the Pac-12 Conference added Colorado and Utah, Commissioner Larry Scott was concerned that other conferences would follow suit and by growing to the 12-team size. But while Commissioner Scott floated the idea of adding additional schools, he did not want to risk conference stability, future scheduling, and the conference’s reputation by adding additional schools during the 2010 football season. In the end, he settled on the twelve teams that are currently in the conference. At one point, there was talk of a joint Big-12/Pac-12 mega conference, but this idea fell through in the preliminary stages.

In addition to revenue from bowl games and other championship tournaments, the Conference has dual 12-year television deals with Fox Sports and ESPN beginning this year as well as the Pac-12 Network beginning to be broadcast in August of this year. This network airs Conference sports programming 24 hours a day 7 days a week. This includes every Conference football game and men’s basketball game will be available for nationwide broadcast in 40 million homes in the United States. The new television deal brings an additional \$20 million annually in revenue per school in the Pac-12. The television deal signed by Commissioner Scott is for twelve years and \$3 billion dollars.

Finally, Commissioner Scott recently announced that the Pac-12 basketball tournaments would be moving from Los Angeles to Seattle and Las Vegas, opening up new markets and potential for recruiting athletes and marketing the conference schools to students outside of the usual markets. Scott is sold on the idea of expansion, but he is looking to find quality partners that will make the conference even stronger.

The University of Nevada, Wolf Pack

The University of Nevada participates in the NCAA's Division I (FBS for football) and in the Western Athletic Conference (“WAC”), although they have accepted an invitation to join the Mountain West Conference (“MWC”) along with fellow Western Athletic Conference (“WAC”) member Fresno State, beginning in 2012. Nevada is looking to join a conference that can

increase revenue, provide a larger and better recruiting area, and more competition to grow its athletic programs. Last year Nevada signed a six-year deal with the MWC that includes an exit fee of \$8 million that can be paid over two seasons if cancelled within the first three years. A \$4 million fee must be paid if the contract is cancelled within the last three years of the contract. The Fresno State University Bulldogs signed a similar contract, but has since joined the Pac-12 Conference, along with the University of Hawaii Warriors, and the Brigham Young University Cougars making the fifteen institutions in the Conference, leaving one spot remaining for a university to fill.

Nevada enjoys playing in the MWC because their football team and basketball teams have been competitive. The basketball program has won 19 conference championships and made six appearances in the NCAA tournament. The team's current head basketball coach is Dave Carter. In 2004, the Nevada men's basketball team qualified for the NCAA tournament and advanced to the Sweet 16 for the first time in school history. The team earned a repeat trip to the NCAA Tournament in 2005 and beat Texas in the first round before falling to eventual national runner-up Illinois in the second round. The team returned for 2006 as a number five seed, a school best. Nevada's mens team continued to be a national contender and began the 2006-07 season ranked in the top-25. In 2007, Nevada reached their highest ranking in basketball when the men's team was ranked ninth in the nation during the season.

Nevada's current head football coach is Chris Ault. He is credited with the creation of the "Pistol Offense" which he implemented at Nevada in 2005. Ault is a storied college football coach and is one of two active coaches who has been inducted in to the College Football Hall of Fame, and is one of only five active FBS coaches to reach 200 career wins.

The Nevada football team plays at Mackay Stadium on the Nevada campus. The modern Mackay Stadium was completed in 1965 with a seating capacity of 7,500, but Nevada has expanded several times in the last 15 years and the stadium now seats 33,391. Since 2004, the Nevada Wolf Pack has held a decisive home field advantage, compiling a 15-3 record at home.

In 2008, the Nevada football team finished with a record of 7-6, losing its bowl game to the University of Maryland. It was the fourth consecutive year that the team had made a bowl appearance, a first in school history. The Pack celebrated their 500th win in school history with a 52-6 win over New Mexico State on November 20, 2010, at Mackay Stadium. Nevada continued to make news in 2010 when they shocked national powerhouse Boise State in a historic home victory when freshman kicker Anthony Martinez kicked game-winning field goal in overtime. The Wolf Pack's win ended Boise State's 24 game winning streak, the longest winning streak in the nation at the time. It was also the Wolf Pack's first victory against Boise State after losing ten straight to the Broncos, who have moved to the Big East for the 2013 season.

To build off of their recent success Nevada wants to join a more viable and nationally known conference and wants to jump ship with former fellow MWC/WAC teams Hawaii, Fresno

State, and BYU who have joined the Pac-16. The new Pac-16 Conference wants to expand to an even 16 teams and they feel Nevada is the right candidate for this final spot if an agreement can be made according to each party's wishes. The main issues are: allocation of exit fees which Nevada will owe the MWC if it leaves before 2018; Nevada's ability to compete with stronger athletic competition in the Pac-16; the timing of Nevada's entry into the Conference and sports to be included ; stadium upgrades, travel costs, and voting power. Nevada is already a stellar academic institution and that aspect is not in contention.

Each of these topics must be discussed and the terms of each will need to be weighed by each side to determine if this will be a proper fit for each side. While the two parties have expressed interest in having Nevada join the Pac-16, the terms must be appropriate for each party for this agreement to work.

PAC-16 CONFERENCE CONFIDENTIAL FACTS

Expansion

The Conference has added a number of teams in the last two years as the trend of building “super conferences” have developed. In this spirit, the Conference wants to expand to have 16 member institutions. The Conference has already come to terms with the University of Hawaii Warriors, Fresno State University Bulldogs, and Brigham Young University Cougars, and with one additional, the new Pac-16 will be a super power in college football and other sports. The Conference is generating revenue in a number of ways including ticket sales and the new Pac-12 Network, which will be renegotiated (and renamed) when all four teams are officially added, thus bringing in additional payouts. The Conference is looking for a smaller school to compliment the larger schools and to grow the Conference viewership into areas that it has not previously held.

Nevada would be a great option for the Pac-16 to fill that last spot, but it is by no means their only option. The Pac-16 has also been discussing expansion with the Utah State Aggies to create a natural rivalry with the University of Utah, but nearby BYU has objected to adding another Pac-16 school in their already small media market and is threatening to break the current agreement to join the Pac-16 if the Aggies are allowed into the Conference. While the Pac-16 is fairly confident it will find a way to convince BYU to allow Utah State into the Conference, Utah State does not have great athletic history and BYU already creates the same natural rivalry with the Utah. Additionally, the negotiations with BYU took an extensive amount of time, and several concessions were given to BYU to bring this school into the Conference.

One other option is the University of Nevada, Las Vegas Rebels (“UNLV”). UNLV is a viable option because with a large backing from the fundraisers and Las Vegas area businesses, there would not be an issue with stadium expansion or exit fees. Additionally, adding UNLV would allow the Conference to break into the Las Vegas market, which is something that the Conference has wanted to do for a long time. However, where the UNLV is financially viable and their basketball program has always been a nationally known contender, their football program does not have the success that Nevada has seen, and their academic history is nowhere near Nevada’s academic program. Therefore, while the Pac-16 would prefer to add Nevada in the Conference as the final school, the Pac-16 has a long list of suitors for the final spot and the Conference does not need to grant Nevada any special treatment for the final spot in the Pac-16.

Exit Fees

As stated in the general facts, the MWC requires teams to pay an exit fee of \$4-8 million if they leave the conference before the term of the contract is over. the Conference is willing to pay up to \$5 million in exit fees and another \$5 million is construction costs for adding more

seats to the Nevada football stadium, but is much more comfortable with selling a figure closer to \$6-8 million (total of exit fee and construction cost subsidy paid to the other schools in the Conference. It is of note that the Pac-12 has agreed to take on at least half the \$8 million exit fee for Fresno State, although the Conference has not told Nevada about this provision of the deal reached with Fresno State.

Broadcast Revenue

Each team in the Pac-16 receives an equal share of the lucrative TV contract. The amount will be \$20 million per school per year for the next 12 years. The ESPN and Fox are willing to advance the full first year of revenue to Nevada in order to make the deal go.

Stadium Standards

The Conference needs football stadiums to meet Conference standards for the size of the press box, lighting, locker room size, seating capacity, and support services at each football stadium. These standards are significantly higher than the MWC facility standards. While Nevada has a new state of the art basketball arena, it would need to update the football stadium in order to meet the Conference standards for the football stadium in the next five years.

In order to meet these standards, the Pac-16 has determined that Nevada will have to increase its seating capacity by 35,000 seats, add 15 new luxury boxes, and increase concourse accessibility to accommodate those additional fans. They also must increase the size of the locker rooms and add high-tier lighting systems.

The Pac-16 knows that these upgrades will be expensive for Nevada, so they are willing to prioritize and wait for the rest when Nevada has the additional media revenue flowing into their coffers. While the seating capacity and concourse accessibility upgrades are essential to allow for the significantly bigger away team fan bases Nevada will see in the Pac-16. For the same reason, the luxury boxes are important, but the Pac-16 is willing to wait for them. While the lighting and locker rooms at Ault Stadium are not to Conference standards, they are fairly good for a college stadium so the Conference does not need to push them that hard if Nevada really cannot come up with the money. If Nevada is unable to meet the timeline for the facility upgrades, the Conference can fine Nevada 25% of the broadcasting revenue in any year that they fail to meet the timeline.

Travel Costs

This is not a critically important issue for the Conference because the universities will bear the costs. However, it is customary that larger conferences help to offset travel costs for smaller universities like Nevada when they join a new conference. Any amount given to Nevada

will also help to offset construction costs. The Pac-16 is not willing to pay more than \$1 million annually in travel costs to any school.

Sports and Timing

The Pac-16 is excited about the possibility of adding the University of Nevada to the Conference, but does not want to move too fast. It would like the football and basketball teams to enter conference play during the season beginning in 2013. However, the Conference wants to be assured that all sports that will be added will be competitive with the other members of the Conference. While Nevada's basketball program is strong and its football program is growing quickly, there are numerous problems with allowing Nevada bring its entire athletic department into the Conference immediately. The small budgets of the non-revenue sports may produce significant short-term problems in scheduling and recruiting, and the Conference would much rather wait until 2015-2016 to add those smaller sports. This will give the Conference time to fix those problems rather than having to deal with them on the fly.

The Conference is also concerned about making sure that Nevada can stay competitive in their new surroundings. While Nevada has a good athletic program, they do not nearly have nearly the prestige of the powerhouse Pac-16 programs and the Conference fears that Nevada may hurt the Conference's overall reputation in the short term. While the Conference has determined that Nevada's basketball program is more than capable of making the jump, the Conference needs to put Nevada on provisional status. The Conference wants to require that the football team prove itself competitive before the Conference can allow Nevada's non-revenue sports into the Conference. The Conference would preferably like to see Nevada win a total of 14 games during its first two seasons in the conference, but the Conference is willing to go as low as eight wins during the same period.

This method of bringing a school into a new Conference slowly is certainly not popular with the incoming school at times, but has worked to great success with other great "one-sport" schools like Boise State and San Diego State. Furthermore, all new schools entering the Conference with Nevada have agreed to some kind of provisional entry. For example, since two of the other three schools (Fresno State and Hawaii) have made their name in football with very weak basketball programs, their entry is based on the performance of the weaker revenue-generating sport, basketball.

The Conference would be willing to talk about allowing Nevada's smaller sports to schedule a significant number of non-conference sports (up to 70% of the sports) against Pac-16 teams in 2013, but would prefer the trigger for full membership be football's performance. This would be different than the deal the Conference worked out with BYU, where BYU agreed to schedule half of its non-conference games for each of the smaller sports against Pac-16 opponents for the two years leading up to full integration. If BYU was able to win 50% of its

games against Pac-16 opponents, the benchmark would be met and the smaller sports would be admitted.

However, the Conference only agreed to do this because BYU has very strong football and basketball teams that did not need to prove themselves, in the way Nevada's football team would need to do. The reason for difference (50% compared to 70%) is that Nevada's current conference is expanding and Nevada has no existing natural in-state rivalries. BYU on the other hand has Utah and was an Independent league school so its schedule was planned years in advance.

In Nevada's case, the Pac-16 leadership feels that the football team's performance is important to the Conference's viability and the Conference wants to make sure they are getting their money's worth from Nevada. The Conference would be happy to have Nevada schedule non-conference games for the smaller sports against their schools but having these games be the primary benchmark for Nevada's full entry would be against their interests in making sure the football team is ready for primetime.

Regardless, as none of the other incoming schools are adding any additional sports aside from football and basketball, having Nevada bring other sports in now would be expensive for the Conference to implement. Adding any of these sports now would cost an average of \$500,000 per sport, and Nevada would have to pay for that out of their own pocket and up front. Given the fact that Nevada has fourteen of these "smaller sports", this would be an expensive proposition if Nevada feels they truly have to enter the Conference all at once.

Voting Power

The Conference will give provisional voting power to Nevada until 2015-2016 when all other sports are added, and then Nevada will receive a permanent voting seat. The provisional seat will give the school a vote that is persuasive, but non-binding. Hawaii, Fresno State, and BYU have to follow the same rule because each of their athletics (except football and basketball) will be on delayed entry to the Pac-15 until 2015-2016, and the Conference must have Nevada agree to the same conditions for the sake of fairness. The Pac-16 is willing to pay up to the top of their subsidy budget (\$10 million in the combined total of exit fee subsidy and construction costs).

CONFIDENTIAL FACTS FOR THE NEVADA WOLF PACK

Expansion

Expansion is the wave of the present and Nevada wants to cash-in. Nevada is not happy about the potential agreement between the MWC, Conference-USA, and possibly some WAC schools merging into one conference. Nevada enjoyed its existing rivalries, but some of those schools have left the WAC or MWC for other conferences (e.g. the Boise State Broncos to the Big East Conference). Nevada believes that the merger is a failed attempt to save two dying conferences and Nevada wants to be a part of the haves, not the have nots.

Nevada wants this deal to happen, but it is open to the idea of staying in the merged conference as a powerhouse program, especially where a new BCS football playoff system could alter the way teams get into bowl games. However, the Pac-16 may not be their only opportunity to do so. Nevada has been offered a spot with the Big-12 Conference, which draws the same media revenue as the Pac-16 and is a similarly prestigious conference. The Big-12 has only replaced two of the four schools that left during the turbulent period of 2011-2012. Nevada's leadership has been told by the Big-12 that they would like to replace Colorado's open spot with another school in the western United States and that Nevada would fit this nicely.

Nevada is intrigued by the Big-12's offer, which would require fewer stadium renovations while gaining them the same upgrade in media revenue, but Nevada is concerned about the Big-12's recent lack of stability. The biggest problem for Nevada is that the state budget is very tight and as a result the university's budget has been slashed. There is no cash in the University Budget to put into making this deal happen. The Athletic Department has to find a way to make any deal go without any new funding of any kind from the University.

Exit Fees

As stated in the general facts, the MWC requires teams to pay an exit fee of \$4-8 million if they leave the MWC before the term of the contract is over. Nevada cannot pay this amount because it is not in their athletic budget, and the University will not transfer funds from other parts of the University to assist the athletic program, especially where Nevada needs to come up with \$10 million in construction costs for increased seats in the Nevada football stadium.

With the MWC merger on the table, an escape clause in the MWC contract allows schools to seek reimbursement from the MWC for half the exit fee paid no matter when the agreement was originally signed. To leave the MWC immediately, Nevada's contract calls for an \$8 million exit fee which may be paid over a two-year period. If Nevada were to wait until halfway through the contract (the 2015-2016 season), the exit fees would be cut in half to \$4

million, but Nevada would prefer to leave immediately. The contract will end in 2017-2018, allowing Nevada to leave without any exit fee.

Keep in mind that litigation by MWC has been threatened if the exit fees are not paid immediately and Nevada cannot afford litigation at this time. Nevada wants a smooth transition into the new Pac-16 and have the fee paid up front will prevent litigation entirely with the MWC. Nevada is willing to pay either \$2 million of a \$4 million exit fee (and join the Pac-16 in 2015-2016) or \$3 million of an \$8 million dollar exit fee over a two period. These exit fees will have to be paid regardless of whether Nevada joins the Pac-16 or the Big-12.

Broadcast Revenue

Nevada is aware that their media revenue will jump substantially from the \$1.33 million per year that they will receive from the MWC. The potential of \$20 million a year for twelve years is the carrot that makes this deal so financially attractive.

The Big-12 offer is also for \$20 million per year, but their TV contract is only for four years and will be subject to a renegotiation after that time.

Stadium Standards

Nevada has a state of the art basketball arena, and a beautiful football stadium for home games, but the schools knows that the football stadium does not meet the high standards set for Pac-16 football. In order to meet these standards, Nevada has determined that they will have to increase its seating capacity by 35,000 seats, add 15 new luxury boxes, and increase concourse accessibility to accommodate the additional fans. Nevada will also need to increase the size of the locker rooms and add high-tier lighting systems.

These upgrades will be expensive and time consuming. Increasing the seating capacity alone to 68,000 will cost \$10 million, adding luxury boxes will cost another \$2 million, and expanding the concourse will cost \$6 million, adding top-tier lighting will cost an additional \$4 million, and expanding the locker room to meet the Conference standards will cost \$8 million.

While Nevada should be able to make most of these changes without interrupting play, Nevada is worried about construction delays and does not want to schedule construction that could jeopardize home games. Thus, out of the five upgrades to be made they will only be willing to do three of them at the most in order to save the 2013 season. The key question is how these improvements can be funded.

Travel Costs

Under the merger plan with the MWC, WAC and Conference-USA, travels costs would go up exponentially with conference teams in Carolina, Mississippi, etc. Pac-16 assistance is

expected by Nevada since such assistance is customary, especially with new rivals in Washington, Oregon, and Hawaii. Any amount offered will help to offset construction costs and such assistance should be requested and accepted. However, travel costs to the Pac-16 schools will actually be approximately the same as travel costs in the new MWC. The Big-12 offer does not include any travel cost subsidies.

Sports

Nevada is excited for football and men's basketball to join the Pac-16 in 2013 and Nevada is even more excited for all of their sports to join the Pac-16. Nevada's deep unease with the MWC/Conference USA merger is particularly evident with its smaller sports, which would suddenly have to find the money to add road trips to Conference USA schools in Texas, Alabama and the Carolinas. Even if the MWC was to stay as it currently is setup, moving to the Pac-16 would bring down travel costs for the small schools, but the merger makes it very important for the smaller sports to make the move to the Pac-16 as quickly as possible.

Further complicating this is that while the MWC has offered to cover all of the travel costs for the first two years of the merger if Nevada stays and the MWC is furious about rumors that Nevada will join Hawaii and Fresno State in leaving for the Pac-16. The MWC has stressed to Nevada that while the MWC wants Nevada around for the foreseeable future: if Nevada agrees to leave for another conference the MWC will refuse to give Nevada any assistance with the travel costs for sports that remain in the MWC after the 2012 season. With these additional costs along with the extra administrative costs of operating in two conferences, Nevada estimates that it will cost an additional \$6 million per year for each year that its smaller sports remain in the MWC and its football and basketball teams play in a new conference.

If the Pac-16 insists on delaying entry into the Conference for all non-revenue Nevada sports, Nevada is willing to delay the smaller sports being added until 2014, as long as (1) the additional small sports travel costs in the MWC can be paid by Nevada without any new funding from the University and (2) the Conference agrees to a satisfactory manner by which Nevada would "earn" the right for the smaller sports to enter the Conference. Nevada has been watching the Pac-16's negotiations with the other schools that will be joining with Nevada very closely and has seen the Pac-16 require Hawaii and Fresno State to prove their worth by the performance of their men's basketball team, which in both cases is much weaker than their football team. As Nevada's situation is arguably reversed (with a strong basketball team and a weaker football team), they are fairly certain the Pac-16 will present a plan where the football team will have to meet certain performance benchmarks for the smaller sports to be allowed to enter the conference.

However, Nevada feels their situation is closer to fellow newcomer BYU, whom the Conference has determined has strong enough basketball and football teams to justify a different benchmark. With BYU, the Pac-16 is allowing their smaller sports to schedule half of their non-

conference games against various Pac-16 schools. It is Nevada understands that if BYU wins at least half of these games in the next two years, the “trigger” would be met and full inclusion of all BYU sports would occur. Nevada likes this idea, as they would have preset non-conference games against local big-name schools with a chance to come into the Conference full-time having already fostered valuable rivalries with their new Conference-mates. Nevada would like to play somewhere between 60-80% of its smaller sports within the Pac-16 conference for the 2013 -2014 school year.

Keep in mind that Nevada’s athletic department has been told that the Big 12 offer’s does not allow for any kind trigger or option to add smaller sports immediately. The Big 12 will allow the smaller sports in 2015 – no sooner, no later and regardless of the performance of Nevada’s bigger sports.

While Nevada’s football program is quickly growing into a perennial contender, things could change when the team starts playing the Pac-16 powerhouse programs of Oregon, USC and UCLA and Nevada would rather not have its status in the Conference determined by the football team’s performance. Nevada would accept this condition only if the benchmark was low enough to give the school adequate assurances that the school will become a full member of the Conference quickly. Nevada is confident that their football team will do well in the Pac 16. However, if they are required to win more than 10 games in the next two years against increased levels of Competition, the school will not feel secure enough to accept the deal.

Voting Power

Nevada wants to be treated as an equal member of the Conference to start. Nevada wants a permanent seat as a permanent member of the Pac-16. However, Nevada is willing to accept provisional voting power to Nevada until 2014 when the smaller sports are added, and then Nevada will receive a permanent voting seat if the Pac-16 will either provide or facilitate sufficient funding for construction costs for the football stadium or compensation for exit fees sufficient for Nevada to be able to enter the Conference with small sports immediately and football/basketball in 2013.