

ATHLETICS COMMITTEE

(Following the Facilities and Property Committee)

Saturday, October 12, 2013

Board Room

2nd Floor, J.S. Clark Administration Building

Southern University and A&M College

Baton Rouge, Louisiana

AGENDA

1. Call to Order
2. Roll Call
3. Adoption of the Agenda
4. Public Comments
5. Informational Item:
 - A. Nelligan Sports Marketing Presentation
6. Other Business
7. Adjournment

MEMBERS

Mr. Darren G. Mire – Chair; Atty. Murphy F. Bell, Jr. - Vice Chair

Mr. Calvin W. Braxton, Sr., Atty. Tony M. Clayton, Mr. Raymond M. Fondel, Jr.

Dr. Eamon M. Kelly, Mr. Myron K. Lawson, Mr. Mike A. Small, Mrs. Ann A. Smith

Atty. Bridget A. Dinvaut - Ex Officio



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SOUTHERN UNIVERSITY

SECTION I

NSM OVERVIEW

SECTION II

CHANGING LANDSCAPE

SECTION III

UNIQUE PARTNERSHIP MODEL

INSTITUTIONAL BRANDING & ENHANCEMENT

SALES STRATEGY

SECTION IV

CAMPUS-WIDE SUCCESS STORIES

SECTION V

FINANCIAL PROPOSAL

SECTION I

NSM OVERVIEW

Nelligan Sports Marketing is dedicated to building long-term relationships with clients through exceptional management of the properties represented and by maximizing revenue growth through our corporate relationships.

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NELLIGAN SPORTS MARKETING

Founded June 1999 by TJ Nelligan with the mission to become the premier sports marketing company in the nation

TJ Nelligan – CEO

Tim Hofferth – President

Michael Palisi – Executive Vice President

Gregg Baron – Chief Financial Officer

Mark Donley – Senior Vice President

OBJECTIVE:

Help universities and universities generate the additional resources that are necessary to advance their most pressing strategic initiatives.

Utilize expertise to maximize the value of the university's marketing assets within the framework of each individual institution's mission and philosophy.

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NELLIGAN SPORTS MARKETING

NSM's Executive Team includes a number of individuals who have served in a variety of roles on college campuses including:

Members of University Vice President Councils

Members of University Facility and Budget Committees

Athletic Directors

Senior Associate Athletic Directors

Associate Athletic Director for External Operations

Senior Development Team members

The NSM team has a wealth of knowledge and an unmatched understanding of the challenges that university and athletic department administrators face every day.

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Marquette University



Middle Tennessee State University



Sacramento State



Princeton University



Indiana State University



Fairfield University



Seton Hall University



Missouri State University



University of Louisville



Long Beach State



TEXAS STATE



BRADLEY



Colorado State University



Nebraska Omaha



RIVERSIDE



PENN STATE



Eastern Kentucky



MAVERICKS UT ARLINGTON



PATRIOT LEAGUE



UCSB



CSU BAKERSFIELD ROADRUNNERS



ECAC



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AFLAC	Champion Windows	GEICO	Mars, Inc	Philips Lighting	Time Warner
Allstate	Chick-Fil-A	General Motors	McDonald's	PNC Bank	Tires Plus
Amtrak	Chrysler	The Hampton Inn	MillerCoors	Prudential	Toyota
Anheuser Busch	Coca-Cola	Hess	Morgan Stanley	PSE&G	United Healthcare
Applebee's	Commerce Bank	Hilton	National City Bank	Re/Max	United States Army
Arby's	Delta Dental	Holiday Inn	Nationwide Insurance	Ross Simons	UPS
Army ROTC	Doubletree Hotels	Honda	Nike	SBLI	US Bank
AT&T	Dunkin' Donuts	Horizon Blue Cross Blue Shield	Northwestern Mutual	Schick	Verizon YellowPages
Bancorp South	Farmers Insurance	H&R Block	OfficeMax	Sherwin Williams	Wells Fargo
Bank of America	FedEx	Independence Blue Cross	OppenheimerFunds	SiriusXM	Wendy's
Barnes & Noble	Fifth Third Bank	ING	Owens Corning	Sovereign Bank	The Westin
BB&T Bank	First National Bank	Johnson & Johnson	Outback Steakhouse	State Farm	Wyndham Hotel Group
Beacon Mutual	Foster Grant	Kroger	Panasonic	StubHub	Xerox
Brother Int'l	Frontier Airlines	Lowe's Home Improvement	Papa John's	Subway	Yahoo!
Burger King	Gatorade	Marriott International	Pepsi-Cola	Thornton Oil Corp.	Yum! Brands



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NELLIGAN SPORTS MARKETING

NSM has redefined the collegiate sports marketing industry with its historic revenue and resource generation at the non-BCS level. NSM's success at institutions such as Indiana State, Cal Poly, Missouri State and UTSA have been unprecedented. The graph below demonstrates our track record in growing revenues at similar non-BCS universities.

NSM Property Revenue Increases

<u>Property</u>	<u>Before NSM</u>	<u>NSM Year 1</u>	<u>NSM Today</u>	<u>Total Growth</u>	<u>Partners Since</u>
Property 1	90,000	615,493	2,285,000	2439%	2010-11
Property 2	204,000	402,000	820,000	302%	2010-11
Property 3	70,000	239,745	791,318	1030%	2006-07
Property 4	531,500	977,624	1,319,549	148%	2010-11
Property 5	426,000	696,000	2,050,000	381%	2007-08

SECTION II

CHANGING LANDSCAPE

THE CHANGING LANDSCAPE

The current economic climate has caused corporate America and academic institutions to re-evaluate their business practices.

❑ Corporate Perspective:

- ❑ Marketing and advertising budgets - traditionally the first cut in any economic downturn
- ❑ ROI - demand for stronger ROI on all dollars spent and prioritization on opportunities that deliver a direct and quantifiable return
- ❑ Authenticity - demand for authenticity in advertising and sponsorship investments

❑ Academic Perspective:

- ❑ Economic impact on endowments, philanthropy and the ability to raise tuition, etc., has forced institutions to clearly define the value of their assets and explore how best to position the university for success
- ❑ College institutions have the unique ability to deliver the most highly desired demographic audience with an unmatched affinity, authenticity, and a direct return through the normal channels of business that occur on campus
- ❑ Necessity for a new approach in securing corporate partnerships that differentiate the institution from others

SECTION III

- ❑ UNIQUE PARTNERSHIP MODEL
- ❑ INSTITUTIONAL BRANDING & ENHANCEMENT
 - ❑ SALES STRATEGY

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UNIQUE PARTNERSHIP MODEL

- ❑ True partnership – vested interest in the process and the success of the project
- ❑ The University retains control over all decisions
- ❑ Designed toward building long-term relationships with corporate partners because both NSM and the University are working towards a common goal
- ❑ No cap on what the University can generate in revenues
- ❑ NSM acts as an extension of the University further assuring that the institution's priorities and goals are in line with the partnership
- ❑ Active communication through on-campus presence and monthly activity reports

UNIQUE PARTNERSHIP MODEL

- ❑ Staffing / Personnel:
 - ❑ On-campus staff
 - ❑ General Manager
 - ❑ Internship Program
 - ❑ Additional Support
 - ❑ Partnership Management
 - ❑ Mark Donley – Senior Vice President
 - ❑ Corporate
 - ❑ Mike Palisi – Executive Vice President
 - ❑ Gregg Baron – Chief Financial Officer
 - ❑ Manage all sponsor billing and collections from corporate office
 - ❑ Ryan Bosma – Vice President, Marketing
 - ❑ Tom Varga – Senior Vice President – Administrative Support
 - ❑ Diana LePore – Director of New Business Development
 - ❑ National
 - ❑ 80+ additional sales and marketing staff located around the country

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INSTITUTIONAL BRANDING AND ENHANCEMENT OF SPONSORSHIP VALUE

- ❑ NSM will look to create partnerships with radio, television, newspaper and billboard companies which will help increase the visibility of the University and provide additional means to promote ticket sales and University events and initiatives
- ❑ NSM will also incorporate this new inventory into premier corporate partnership opportunities that span twelve months and have significantly more media value
- ❑ NSM will attempt to secure sponsorships with companies that will promote their partnership with the University and add to the overall visibility of the institution

SALES STRATEGY/UNIQUE ACCESS

- ❑ As part of large corporate partnerships, college institutions have the ability to provide extra value, and generate incremental revenue, by providing unique access to groups that make up the “sphere of influence” of the University. This type of access includes:
 - ❑ Campus access to interact with students
 - ❑ Access to e-mails that are sent to the students
 - ❑ Access to faculty/staff communication
 - ❑ Opportunities to host workshops and luncheons for faculty/staff
 - ❑ Opportunities to utilize campus facilities for internal company use
 - ❑ Opportunity to offer alumni discounts and other benefits
 - ❑ Access to communication sent out from University to alumni
 - ❑ Opportunity to connect with key University administration

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SALES STRATEGY
SALES PROCESS



SALES STRATEGY

Local Sponsorships:

- ❑ High level sales executives with a strong understanding of the needs of the University and a passion for college athletics
- ❑ Maximize local opportunities as well as University related opportunities by tying into key alumni, local businesses, etc.
- ❑ Full time and focused sales professionals who are trained and managed on local prospecting and packaging current and new assets that provides maximum local exposure while not sacrificing revenue opportunities for regional and national clients
- ❑ NSM brings a track record and case studies of success with developing similar programs for local companies in other markets and institutions. Such success gives NSM credibility when discussing the value of marketing a local business through collegiate marketing assets.

SALES STRATEGY

Regional/National Sponsorships:

- ❑ Use of case studies of major sponsorships being negotiated at other NSM properties across the country to provide credibility to local sales efforts
- ❑ Seek greater opportunities through regional & national sponsorship selling to senior C-level executives looking to reach the valuable collegiate market
- ❑ Unique approach – “bundling” of collegiate properties for the benefit of the university. Secure meetings with Fortune 500 decision makers that individual schools would not be able to secure
- ❑ Collectively represent all of our properties to maximize revenue for collegiate and corporate partners
- ❑ All NSM sales employees are trained on the uniqueness and benefits of the University’s assets

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SALES STRATEGY

Campus-Wide:

- ❑ The ability to bundle assets from across the University to create the greatest value and opportunity is fundamental to our partnership
- ❑ Provides the opportunity for immediate ROI for marketing and advertising
- ❑ Packages the needs, objectives, and opportunities in such a manner as to transform each “University vendor” into a “University partner”, supporting the critical needs of the institution
- ❑ Allows the University to strengthen relationships through greater integration of University partners within the University community
- ❑ Gives the “partner” authenticity with its marketing buy and the ability to use the marketing assets at the University to promote its official business relationship with the University, which then can lead to additional business opportunities

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SALES STRATEGY

Campus-Wide

Marketing & Advertising

Philanthropic

Expense Offset

Bundling of Assets

Internships & Scholarships

Enhanced Services

Gifts in Kind

SECTION IV

CAMPUS-WIDE SUCCESS STORIES

CASE STUDY: BANKING CATEGORY

The University partner was looking for an integrated banking partner that would provide services on-campus for its students, faculty and staff. Recognizing this as an opportunity to deliver authenticity to the selected banking partner and differentiate the partner in a crowded and competitive field, Nelligan Sports Marketing negotiated a ten (10) year partnership with a Banking company which resulted in the following benefits:

- \$3.5 million in revenue to the University over the length of the agreement
- Close to \$500,000 in philanthropic gifts to the University
- Bank branch located on the University campus
- 4 new ATM's located throughout the University campus
- Paid Internship opportunities to University students each year of the agreement

CASE STUDY: OFFICE SUPPLY CATEGORY

The University utilized several office supply vendors and had an annual office supply spend of approximately \$1.8 million.

Nelligan Sports Marketing completed a five (5) year, strategic campus-wide partnership with an Office Supply company which resulted in the following benefits to the University:

- A total University savings of approximately \$250,000 per year
- An annual alumni and athletic marketing investment of over \$165,000
- A 3% rebate on the total University office supply spend per year
- A 4% rebate on all affinity spends realized through the University marketing program
- An annual philanthropic investment towards scholarships of over \$25,000
- Internship opportunities

CASE STUDY: AUTO CATEGORY

The University was utilizing over 100 cars/trucks throughout the campus and was paying over \$300,000 a year on these automobiles between lease fees, new automobile purchases and maintenance fees.

Nelligan Sports Marketing completed a ten (10) year, campus-wide strategic partnership with a local auto dealer which resulted in the following benefits to the University:

- \$6 million value to the University over the life of the contract
- \$200,000 in annual external media to promote relationship with the University
- Ten (10) year, \$150,000 per year athletic sponsorship
- Four (4) vehicle leases per year for University use
- An annual contribution to the University's general scholarship fund
- Preferred automotive pricing during the term of the agreement

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CASE STUDY: HEALTHCARE CATEGORY

The University was looking for an integrated healthcare partner that would provide premium care to its student-athletes and the company was looking to differentiate itself in a crowded healthcare field.

Nelligan Sports Marketing completed a ten (10) year, exclusive partnership with a Healthcare company which resulted in the following benefits to the University:

- \$250,000 annual athletic sponsorship investment
- An on-site, licensed athletic trainer for an average of 40 hours/week
- A primary care physician with specific training room and game coverage duties
- Designated orthopedic physicians/surgeons to provide training room and game coverage
- Designated healthcare company liaison to help expedite services for student athletes
- Assurance of immediate attention to student athletes upon arrival at company facilities
- Open appointment scheduling with radiology department
- On-site licensed trainer for intramurals an average of 24 hours/week
- Workshops for University faculty, staff and athletes

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CASE STUDY: CABLE/TELEVISION SERVICES

A third party vendor had campus business with no return/benefit going to the school. NSM secured a multi-year agreement with a cable/television company in the region to service the campus and provide the following benefits to the school:

- Approximately \$160,000 - \$200,000 in promotional opportunities to school each year of the agreement
 - Commercial spots throughout year to promote ticket sales
 - Advertising opportunity on company controlled outdoor billboard
 - Promotional/coupon opportunity in company's e-newsletter
 - School logo on company's bill statement envelopes
- Company broadcasts school athletic program 1x/month throughout the year
- Company broadcasts one Olympic sporting event each year of the agreement
- Company broadcasts a majority of school men's basketball games
- \$75,000 per year athletic sponsorship

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CASE STUDY: BUSING CATEGORY

The University's Athletic Department was spending approximately \$550,000 per year on busing.

Nelligan Sports Marketing completed a six (6) year, strategic partnership with a busing company which resulted in the following benefits to the University:

- 30% discount on pricing per trip
- Increase in the busing company's athletic sponsorship from \$5,000 per year to \$50,000 per year
- University would only be provided with buses produced in the last 5 years
- Increased insurance from \$1 million to \$5 million
- The University has increased its bus trips while trying to decrease air travel expenses. With the additional busing trips the University still projects it will spend less on busing this year than prior years due to the new busing agreement.

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In addition to the outlined case studies, NSM has recently been successful in securing campus-wide partnerships in the following categories:

- Retail Energy Provider
- Insurance
- Wireless
- Airlines
- Hotel
- Car Rentals
- Landscaping
- Waste Management
- Computers
- Travel Agency
- Digital Printing
- Office Equipment

SECTION V

FINANCIALS

SOUTHERN UNIVERSITY

Current Status of Business

REVENUE

2013-14

Sponsorship Sales Revenue	\$501,650
Program Vending	<u>\$ 5,000</u>
Total Sponsorship/Vending Rights Revenue	\$506,650

SOUTHERN UNIVERSITY

Inherited Revenue – Sponsorship Sales

	<u>2012-13</u>		<u>Renewal Sent</u>	<u>Renewed / Accepted?</u>	<u>2013-14 totals</u>	
	<u>In-Kind</u>	<u>Cash</u>			<u>in-kind</u>	<u>Cash</u>
Coca-Cola	\$20,700	\$175,000	NA (10-year deal)	Yes	\$20,700	\$175,000
Aramark		\$90,000	NA (Campus contract)	Yes		\$90,000
Cox Communications	\$330,000	\$50,000	NA (3-year deal)	Yes	\$344,126	\$50,000
Baton Rouge Ortho		\$50,000	Yes	Yes		\$25,000
Coors	22,500	\$24,500	NA (2-year deal)	Yes	\$22,500	\$24,500
Our Lady of the Lake		\$20,000	Yes	Yes		\$20,000
People's Health	\$5,300	\$20,000	Yes	Yes	\$5,000	\$20,000
Louisiana Lottery		\$20,000	Yes	Yes		\$20,000
Tobacco Free Living		\$5,000	Yes	Yes		\$18,000
Hardwood Court Club	No Contract	No Contract	\$20,000 proposed	Yes		\$13,650
Raising Cane's		\$10,000	Yes	Yes	\$12,500	\$10,000
Clear Channel		\$16,425	Yes	Yes		\$10,000
Follett Bookstore		\$5,000	NA (Campus contract)	Yes		\$5,000
Southern Parents and Teachers FCU		\$5,000	Yes	Yes		\$5,000
Academy Sports	No Contract	No Contract	NA (3-year)	Yes		\$5,000
ExxonMobil	No Contract	No Contract	\$16,200 proposed	Yes		\$5,000
BTR Airport		\$2,000	Yes	Yes		\$2,000
SU Foundation		\$2,000	Yes	Yes		\$2,000
Microtel		\$1,500	Yes	Yes		\$1,500
Radisson	\$5,000		Yes	Yes	\$5,000	
The Advocate	\$80,000		Yes	Yes	\$86,646	
Gerry Lane	\$6,000		Yes	Yes	6000	
ESPN Radio	\$4,000		Yes	Yes	\$3,600	
Nike	\$34,000		Yes	Yes	\$46,875	
Russell	\$56,000		Yes	Yes	\$58,000	
NBC 33	\$4,500		Yes	Yes	\$5,900	
ROTC	\$800		Yes	Yes	\$2,000	

SOUTHERN UNIVERSITY

Inherited Revenue – Sponsorship Sales

	<u>2012-13</u>		<u>Renewal Sent</u>	<u>Renewed / Accepted?</u>	<u>2013-14 totals</u>	
	<u>In-Kind</u>	<u>Cash</u>			<u>in-kind</u>	<u>Cash</u>
WFXZ	No Contract	No Contract	Yes	Yes	\$2,250	
Visit Baton Rouge		\$2,000	Yes	Yes	\$6,400	
Hilton Garden Inn	\$2,000		Yes	Yes	\$2,000	
Aerial Lifts	\$2,000		Yes	Yes	\$2,700	
HSRN			NA	Yes	\$3,500	
Republic Services	No Contract	No Contract	\$10,000 proposed	Pending		
L'Auberge	No Contract	No Contract	\$10,000 proposed	Pending		
BR Sickle Cell	\$2,000			Pending		
Georgia Pacific	\$2,000			Pending		
United Health Care		\$4,000		Pending		
Sun Electric	\$2,000			Pending		
Delta Sigma Theta		\$2,500		Pending		
Racetrac	\$200	\$125	Yes	No		
Dow FCU		\$2,000		Pending		
Spring Hill Suites	\$5,500	\$1,500	Yes	No		
Melvin Chambers		\$2,000		Pending		
T Mobile	\$2,630		No			
Hammer Strength	\$31,000		No			
Denise Rankin (anon client)	No Contract	No Contract	\$20,000 proposed	No		
Southern SGA	No Contract	No Contract	\$10,000 proposed	No		
Stanocola	No Contract	No Contract	Yes	No		
Neighbors FCU	No Contract	No Contract	\$15,000 proposed	No		
Belle of BR	No Contract	No Contract	\$5,000 proposed	No		
Burger King	No Contract	No Contract	\$7,500 proposed	No		
Reddy Ice (via ANOD)	\$2,050		Yes	No		
WAFB	\$4,560		Yes	No		
2013-14 totals (32 sponsors [37 in 2012-13]):	\$627,690.00	\$510,483			\$635,697	\$501,650

SOUTHERN UNIVERSITY

Proposed Inherited Expenses

	<u>Southern Expense Budget</u>	<u>Projected Expense Budget</u>
Signage Production	38,000	3,500
Digital/Internet	11,000	0
Promotional Merchandise	0	0
Printing	20,000	16,000
Television Production	0	0
Radio Expenses		
Line Transmission	0	0
Market Clearance	8,500	8,500
Engineering	20,000	20,000
Talent	32,000	32,000
Talent Travel	0	0
Total Radio Expenses	<u>60,500</u>	<u>60,500</u>
Tickets	0	0
Administrative Costs		
Travel & Entertainment	n/a	14,700
Automobile Expense	n/a	3,600
Salaries and Wages	n/a	80,000
Interns	n/a	10,000
Employee Benefits	n/a	24,000
Office Expenses (phones, postage, computer, etc)	n/a	5,800
Professional Fees/Dues and Subscriptions	n/a	2,250
Total Administrative Costs	n/a	140,350
TOTAL OPERATING EXPENSES	<u>129,500</u>	<u>220,350</u>

** See following page for explanation of expense omission/change

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EXPENSE ADJUSTMENTS

Signage Production - \$38,000 to \$3,500

NSM typically passes the cost of signage production onto the sponsor therefore our partnership signage expense budget will be lower than the University's estimated \$38,000 in 2013-14. In certain circumstances in order to finalize a large, multi-year sponsor agreement, NSM may elect to pay for signage production which is why there is still a small amount included in the budget.

Digital/Internet - \$11,000 to \$0

Under NSM's proposal the expenses related to the website would remain with the University. While NSM will still have the exclusive right to secure sponsorships that include opportunities on both the athletic website and potential streaming broadcasts, the University will continue to manage the site in terms of content, design, features, etc.

Printing - \$20,000 to \$16,000

NSM anticipates the partnership including the costs for the production of the football program. All costs included on other print items (schedule cards, posters, magnets, etc) would remain an obligation of the University. These are items the University will produce regardless of sponsor inclusion as it's a way to promote each individual team/sport both on campus and within the community.

Administrative Expenses – \$0 to \$140,350

Administrative expenses include salaries and benefits, office expenses, travel and entertainment and various other administrative costs tied to the management of the sponsorship program. NSM anticipates initially staffing the partnership with one high level sales executive to serve as General Manager. In addition, the administrative costs are tied to travel and entertainment relating directly to NSM's senior leadership, including Senior Vice President, Mark Donley and Executive Vice President Mike Palisi traveling to the University for major sponsorship opportunities and in the overall management of the partnership as well as various other expense items (cell phone and automobile allowance for our General Manager, office expenses, etc.)

SOUTHERN UNIVERSITY

FINANCIAL PROPOSAL – 2013-14

1. Due to timing of the expected finalization of our partnership, NSM is proposing a “stub” year in 2013-14. Details of the partnership in the stub year are as follows:
 - a. NSM will assist the University in the operation of its athletic sponsorship program but will not assume any existing direct expenses, including radio market clearance, printing, talent, signage production, etc.
 - b. NSM and the University shall agree on an administrative expense budget for startup and personnel costs of NSM during the stub year. These anticipated stub year costs are detailed on the following page and based on a start date of November 1, 2013.
 - c. NSM shall use its best efforts to secure corporate sponsorships on behalf of the University and any sponsorship contacts and contracts, including any renewals, shall be subject to the University’s prior written approval.
 - d. NSM will manage and negotiate all sponsorship agreements during the stub year (after execution of agreement) however the University will continue to receive 100% of the revenue realized from its existing sponsor base with NSM only being compensated on the up sell amount of the existing sponsor base and on any new sponsorship agreement.
 - e. During the stub year, NSM shall bill for and collect all revenue for each sponsorship negotiated and executed by NSM during the stub year and pay all budgeted administrative expenses.
 - f. The stub year expenses shall be first deducted from the up sell amount of the existing sponsor base and new revenue generated and collected by NSM and the balance shall be distributed as follows:
 - i. Southern will receive 50% of all remaining revenues generated in stub year
 - g. Should administrative expenses incurred during the stub year exceed revenues generated by NSM, the loss shall be included in the 2014-15 partnership expense budget.

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Proposed Stub Year Expense Budget

	<u>Stub Year Costs</u>
Travel & Entertainment	
Airlines/Train	4,200
Car Rental	2,000
Hotel	2,250
Entertainment	2,000
Meals	1,350
Parking, Tolls, Mileage, Gas	1,250
Cabs, Local Fares	<u>0</u>
Total - Travel & Entertainment	13,050
Automobile Expense	2,400
Salaries and Wages	53,333
Employee Benefits	16,000
Intern	6,667
Postage and Delivery	667
Professional Fees (legal & acctg)	833
Telephones	1,200
Dues & Subscriptions	667
Computer & Software Expenses	1,500
Office Supplies	1,500
TOTAL STUB YEAR EXPENSES	<u>97,817</u>

These expenses assume a partnership start date of November 1, 2013

SOUTHERN UNIVERSITY

FINANCIAL PROPOSAL – All Remaining Years

1. Southern and NSM will mutually agree on an annual partnership expense budget which will include salaries and benefits, market clearance, game program production, signage production, radio talent, etc.
2. NSM will collect all of the revenue and pay all project expenses to vendors/talent/business partners.
3. Based on the information provided by Southern, we anticipate our inherited partnership revenue to be \$506,650.
4. We project our initial annual partnership expenses to be approximately \$220,350. This includes information provided by the University such as market clearance, game program production, signage production, etc and administrative expenses such as salaries and benefits, office expenses, travel, etc. Assuming that current sponsor revenue stays in place, the partnership would begin with a profit of \$286,300. Based on such assumptions, NSM would propose the following financial model:
 - a) Southern would receive the first \$300,000 in project profit assuming current revenues and expenses remain in place.
 - b) Southern would receive 50% of the next \$750,000 (from \$300,000 - \$1,050,000) in project profit.
 - c) Southern would receive 60% of the project profit above \$1,050,000
 - d) Southern and NSM will enter an initial ten (10) year agreement. If within the first ten (10) years of the agreement the venture reaches a mutually agreed upon benchmark of Gross Revenue, the agreement will be extended an additional five (5) years.

SOUTHERN UNIVERSITY

SOUTHERN UNIVERSITY – NSM PARTNERSHIP PROPOSAL

	<u>Stub year</u>	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>	<u>Year 6</u>	<u>Year 7</u>	<u>Year 8</u>	<u>Year 9</u>	<u>Year 10</u>
Projected Revenue	100,000	850,000	1,100,000	1,350,000	1,550,000	1,750,000	1,950,000	2,100,000	2,350,000	2,500,000	2,600,000
Projected Project Expenses	<u>97,817</u>	<u>220,350</u>	<u>226,961</u>	<u>293,769</u>	<u>302,582</u>	<u>311,660</u>	<u>321,010</u>	<u>330,640</u>	<u>340,559</u>	<u>350,776</u>	<u>361,299</u>
Total Partnership Profit	2,183	629,650	873,040	1,056,231	1,247,418	1,438,340	1,628,990	1,769,360	2,009,441	2,149,224	2,238,701
Stub Year Financial Deal Points:											
Southern receives 50% of all stub year profit	1,092										
All remaining Years Financial Deal Points:											
Southern receives the first \$300,000 in profit		300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000
Southern will receive 50% of the next \$750,000 of partnership profit		164,825	286,520	375,000	375,000	375,000	375,000	375,000	375,000	375,000	375,000
Southern will receive 60% of all partnership profit above \$1,050,000				3,738	118,451	233,004	347,394	431,616	575,665	659,534	713,220
Total to Southern	1,092	464,825	586,520	678,738	793,451	908,004	1,022,394	1,106,616	1,250,665	1,334,534	1,388,220

NSM anticipates adding personnel when the partnership exceeds \$1.2 million in gross revenue

- Profit projections and profit split threshold are predicated upon assumed inherited revenue of \$506,650 and an agreed upon annual partnership budget of \$286,300
- These revenue projections are attainable provided Southern allows NSM to negotiate campus-wide business partnerships