

REPORT OF THE TASK FORCE REVIEWING THE FIESTA BOWL

This report (the “Report”) contains the recommendations of the task force appointed by the BCS Presidential Oversight Committee (the “Task Force”) to review the relationship between the 11 NCAA Football Bowl Subdivision conferences and the University of Notre Dame (the “BCS Group”), which participate in the Bowl Championship Series arrangement (the “BCS”), and the Arizona Sports Foundation and related entities that own and operate the Fiesta Bowl.¹

Executive Summary

In March of 2011, BCS Presidential Oversight Committee chairman Graham Spanier, President of Penn State University, appointed a task force to determine what response the BCS group should make to a 276-page report relative to the Fiesta Bowl that was released by the Special Committee of the Board of Directors of the organization. Dr. Spanier personally chaired the Task Force. The other members are: John Peters, President of Northern Illinois University; Bob Bowsby, Director of Athletics at Stanford University; Jeremy Foley, Director of Athletics at the University of Florida; Richard Giannini, Director of Athletics at the University of Southern Mississippi; John Marinatto, Commissioner of the Big East Conference; and Wright Waters, Commissioner of the Sun Belt Conference. Bill Hancock, Executive Director of the Bowl Championship Series, serves *ex officio*.

The Task Force believes that the board of directors of the Fiesta Bowl failed in its responsibility to properly oversee the management and administration of the Bowl. The Board allowed executive staff to have extraordinary leeway in making decisions without paying heed to checks and balances to ensure that the Bowl was run in a proper and ethical manner. The Task Force is deeply troubled by the evidence set forth in the Special Committee’s report. That evidence strongly suggests that the Bowl’s executive staff frequently acted with scant regard for ethics and proper conduct. Further, it is the opinion of the Task Force that the Bowl’s board of directors over the years was negligent in its oversight responsibilities. That lax oversight, however, ended

¹ The Arizona Sports Foundation is the principal entity in a larger enterprise that operates bowl games in Phoenix. The Arizona Sports Foundation is the entity that owns and manages the annual Fiesta Bowl football games and a number of the other events that are part of the bowl experience generally. The conferences and institutions participating in the BCS also contract with the Arizona College Football Championship Foundation, which manages the BCS National Championship when it is hosted in the Phoenix area once every four years. In addition, there are two other entities, Fiesta Events, Inc. and The Valley of the Sun Foundation, with which the conferences and institutions do not contract as part of the BCS, but which operate events related to the Fiesta Bowl.

It is the understanding of the Task Force that all four entities are under the control of the same board of directors and managed by the same executive staff. While the Task Force has expressed concern to Fiesta Bowl representatives about the existence of multiple separate entities, the distinctions among them are not material for purposes of the Task Force’s recommendation. For ease of reference, this Report does not distinguish between or among the entities but simply refers to them as the “Fiesta Bowl” or “Bowl.”

when the current board chairman received evidence of inappropriate conduct and acted with other board members to create the Special Committee and empower it with broad, independent investigative authority.

The Task Force conducted six telephone conferences and met in person once. Fiesta Bowl representatives met with the Task Force for three hours on April 23 and expressed deep remorse. They presented a detailed “reveal and reform” approach, which is appropriate and necessary, but nevertheless the Task Force believes that additional measures and corrective actions are required. Had current board chairman Duane Woods and his colleagues not created the Special Committee and had that committee not produced such a thorough and open report, and had the board not already developed significant reforms, this Task Force almost certainly would have recommended the termination of the BCS Group’s involvement with the Fiesta Bowl. The Task Force commends the board of the Fiesta Bowl for the reforms it presented and has already developed. Nevertheless, the Task Force has concluded that additional reforms are needed, and is recommending sanctions.

The Special Committee created by the Fiesta Bowl board was chaired by Justice Ruth McGregor, a respected jurist and former member of the Arizona Supreme Court, and was prepared by out-of-state counsel independent of the Fiesta Bowl Board of Directors. Although the Special Committee’s report makes no findings of fact or conclusions of law, it does recite in detail the evidence the investigation uncovered. Broadly speaking, the report cited evidence of inappropriate conduct in four areas:

- (1) reimbursement of campaign contributions;
- (2) the initial Grant Woods investigation;
- (3) expenses and reimbursements; and
- (4) gifts.

Additionally, the Special Committee’s report cites allegations of a cover-up.

While believing that the Fiesta Bowl should remain a BCS game, the Task Force recommends the following additional corrective courses of action in order for the Bowl to remain a part of the BCS.

These sanctions are the result of the severity of the problems that have come to light, and are also necessary to make certain the Fiesta Bowl officials will conduct their affairs in an ethical and proper way in the future.

1. **A \$1 Million Sanction:** The Task Force calls for a minimum \$1 million sanction in the form of a mandatory distribution to charities recommended by the BCS Group. Further, the Bowl should make an additional mandatory distribution to charities recommended by the BCS Group of any funds recovered from individuals or entities as a result of the

evidence uncovered by the Special Committee's investigation. It is the intention of the BCS Group to recommend charities that benefit youth in Arizona.

2. **Board of Directors:** The Task Force expects that persons who were members of the Fiesta Bowl board and for which the Special Committee's report found substantial evidence of inappropriate conduct will be removed from the board immediately. Further, the Task Force expects that any board members who may subsequently be implicated in any inappropriate conduct or wrongdoing as a result of investigations by government agencies will be removed from the board immediately upon those revelations.
3. **Collegiate Officials on New Board:** Fiesta Bowl representatives have developed new criteria for serving on the board. It is expected that individuals with appropriate business, not-for-profit, and other relevant executive experience be appointed to the board to enhance management experience and oversight. The Task Force believes those are steps in the right direction. The Task Force is concerned, however, that merely having persons with such credentials is not enough. The Task Force recommends that at least two members of the Fiesta Bowl board should be drawn from among the collegiate community, such as university presidents or other senior administrators, faculty representatives, or athletic directors. One of the members from among the higher education community should be drawn from outside the state of Arizona.
4. **Independent Audit of Internal Controls:** The evidence uncovered by the Special Committee suggests that the Fiesta Bowl operated without adequate internal controls. Accordingly, for the duration of the current contract, the Fiesta Bowl annually must have an independent audit of its internal controls and must share the results of that audit with the BCS Executive Director.
5. **More Probing and Extensive Financial Audit:** Based on the failure of the Fiesta Bowl to reveal financial irregularities, the Task Force believes that the Fiesta Bowl must either replace its auditing firm or require that a new supervisory partner be engaged. The Task Force also believes that the Fiesta Bowl must have a more thorough annual financial audit appropriate for not-for-profit entities and consistent with best practices for such organizations. The results of the audit should be shared with the BCS Executive Director.
6. **Increased Accountability:** To ensure accountability, representatives of the Fiesta Bowl and representatives of the BCS Group must meet no less than annually to review: (i) the reforms implemented by the Fiesta Bowl; (ii) the governance, operation, and management of the Fiesta Bowl; and (iii) any matters revealed by the audits described in paragraphs 4-5. Frequency of such meetings will be determined by the BCS Group.
7. **New Executive Director:** The hiring of an Executive Director by the Fiesta Bowl is crucial to the future of the organization. Responsibility for the selection of that person should belong to the Bowl. However, the BCS Executive Director and the chair of the BCS Presidential Oversight Committee should be kept informed of the progress of the hiring process and consulted on the hiring decision. The Task Force encourages the

Fiesta Bowl to consider candidates for the position who not only have relevant experience in business but also who understand the collegiate athletic model and have the highest ethical standards.

While the Task Force's charge did not extend beyond the Fiesta Bowl, this experience is a reminder of the importance of having in place strict and proper financial and governance procedures at all BCS bowls. Consequently, the Task Force recommends that the BCS Group retain an independent expert with a background in management of non-profit organizations to develop standards for responsible bowl governance. Following the dissemination of such standards, each bowl associated with the BCS will be required to certify annually to the Executive Director of the BCS that it is conducting its business in accordance with the standards. Any failure to comply with these standards must be cured, or the bowl may be subject to sanctions.

I. Historical Background of the Fiesta Bowl

Founded in 1971, the Fiesta Bowl has grown from relatively humble beginnings to a major post-season event. In many respects, it has been an innovator among post-season college football games, drawing praise from coaches, athletic directors, student-athletes, and fans of the institutions that it has hosted.

The Bowl hosted its first national championship game in January 1987 when it matched unbeaten Miami and unbeaten Penn State in one of the most highly anticipated college football games ever played. The game was an enormous success, garnering what remains the largest single television rating since the end of the NCAA television plan. Two years later, the Fiesta Bowl matched unbeaten and top-ranked Notre Dame against unbeaten and third-ranked West Virginia in what amounted to yet another national championship game.

In 1991, the Fiesta Bowl, along with the Orange, Sugar, and Cotton Bowls and certain conferences and Notre Dame, formed the Bowl Coalition,² which was the first attempt to create an annual national championship game between the two highest-ranked teams in the nation. The Coalition was built on top of pre-existing individually negotiated contracts between certain bowls and conferences.³ Because the Fiesta Bowl had two open slots, it provided an option for the Coalition arrangement to match the top two teams in the nation if they were not affiliated with a conference whose champion was contracted to play in another bowl game. While no such

² The Sun Bowl, which then was known as the John Hancock Bowl, and the Gator Bowl subsequently joined the Coalition arrangement.

³ The Sugar Bowl had contracted to host the Southeastern Conference champion every year. The Cotton Bowl had a contract to host the Southwest Conference champion annually, and the Orange Bowl had a contract to host the Big Eight champion annually. In addition to these agreements, the Big Ten champions and the Pac-10 champions played each year in the Rose Bowl.

matchup occurred in the Fiesta Bowl during the years the Coalition existed, the Fiesta Bowl continued to attract highly regarded teams and large crowds, averaging more than 70,000 fans per game during those years.

The Coalition arrangement ended following the bowl games in January 1995. In an effort to increase the likelihood of pairing the top two teams in the nation annually in a bowl game, several conferences and Notre Dame formed the Bowl Alliance. The Fiesta Bowl was among nine different bowl organizations that chose to bid to become part of the Alliance arrangement.⁴ Its proposal was accepted, along with those of the Sugar and Orange Bowls. When the initial Bowl Championship Series arrangement was formed in 1996 (for play beginning after the 1998 regular season), those same three bowls participated, along with the Rose Bowl. The BCS arrangement has continued through three different four-year periods and is now in its fourth such period. On each renewal, the Fiesta Bowl has been one of the participating bowls. The current BCS arrangement runs through the bowl games to be played in January 2014.

II. The Fiesta Bowl's Investigations

The genesis of the Fiesta Bowl's investigations is set forth in detail in the report of counsel to the Special Committee of the Board of Directors of the Fiesta Bowl (the "Special Committee's report"). This Report will not review it in detail but highlight only a few pertinent facts.

In December 2009, *The Arizona Republic* published an article in which past and present Fiesta Bowl employees stated that they were encouraged to write checks to specific political candidates and then were reimbursed by the Bowl for their contributions. In mid-December, the Fiesta Bowl board retained Grant Woods, a former Attorney General of Arizona, to investigate certain allegations in *The Republic's* article. Although the Special Committee's report does not pinpoint an exact date of Woods' retention, it appears that he first met with the Executive Committee of the Fiesta Bowl board on December 14, 2009. While there is conflicting evidence in the Special Committee's report, Grant Woods stated that he did not generate any paper in connection with his investigation because he was told by a lobbyist and lawyer for the Bowl that the Executive Committee simply wanted a final conclusion on his findings. While an outline of his investigation presented at the December 14, 2009 meeting lists a number of topics under the "scope of inquiry," the Special Committee's report states that the primary scope of the investigation was to focus on reimbursement of political contributions.

Grant Woods apparently conducted a number of short interviews over the following week and made an oral report to the Executive Committee of the board on December 22, 2009. According to the Special Committee's report, it was at that meeting that Woods first stated that he had found "no credible evidence" to support the allegation that the Fiesta Bowl had reimbursed employees for campaign contributions. The report, however, states that "it remains unclear what

⁴ At the time of the formation of the Bowl Alliance, there were roughly 18 different bowl games. Approximately half submitted bids to participate in the Alliance arrangement. The only BCS bowl that did not participate in the Alliance was the Rose Bowl, which annually hosted the Big Ten and Pacific-10 conference champions. Those two conferences did not commit their champions to the Alliance arrangement.

analysis of Fiesta Bowl current or former employees' campaign contributions, if any, were done prior to the December 22, 2009 meeting." The report adds that, during the eight days between Woods' meetings with the Executive Committee on December 14 and December 22, he was not engaged full-time in the investigation. According to the report, Woods referred to his probe as a "seat of the pants' investigation." It does not appear from the Special Committee's report that Woods conducted extensive interviews with Fiesta Bowl employees or engaged in any extensive document review before reaching the conclusion stated at the December 22 Executive Committee meeting. Likewise, it does not appear that any members of the Executive Committee or full board made extensive inquiries about the scope of the investigation or otherwise reviewed in detail the work done by Grant Woods.

In September 2010, an employee of the Bowl informed Fiesta Bowl Chairman Duane Woods⁵ that certain employees of the Bowl had been reimbursed for making campaign contributions. Duane Woods immediately called a meeting of the Executive Committee and met with legal counsel who advised that the Bowl conduct a second investigation through a Special Committee of the board. On October 8, 2010, the Fiesta Bowl board passed a resolution empowering a Special Committee. The Special Committee retained Robin, Kaplan, Miller & Ciresi as counsel to conduct an independent investigation into the allegations of reimbursement of campaign contributions. In addition, the Special Committee was given authority to review other areas of the Bowl's operations.

It appears to the Task Force that the Special Committee's investigation, unlike the earlier Grant Woods investigation, was exceedingly thorough. The investigation was led by counsel for the Special Committee assisted by independent professional investigators of counsel's choosing. The investigative team consisted of a former Maricopa County Deputy Criminal Chief and two retired Special Investigators from the Federal Bureau of Investigation, as well as a former auditor and a certified public accountant. Counsel and investigators for the Special Committee conducted 87 different interviews with 52 different persons, reviewed 55 gigabytes of electronic data, approximately 10,000 additional documents that had been scanned and coded, and additional paper documents gathered from various locations and persons.

On March 29, 2011, the Bowl made public the Special Committee's 276-page report. Although the report makes no findings of fact or conclusions of law, it does recite in detail the evidence the investigation uncovered. Broadly speaking, the Special Committee's investigation uncovered evidence of inappropriate conduct in four areas:

- (1) reimbursement of campaign contributions;
- (2) the initial Grant Woods investigation;
- (3) expenses and reimbursements; and
- (4) gifts.

⁵ Duane Woods is no relation to Grant Woods

Because the Special Committee did not make any findings of fact or reach any conclusions of law, the Task Force has not attempted to do so. It is sufficient for present purposes, however, to note that the evidence presented in the Special Committee's report is serious and, if true, reflects conduct that is thoroughly unacceptable.

III. Task Force Actions

Upon the issuance of the Special Committee's report, Graham Spanier, President of Penn State University and chair of the BCS Presidential Oversight Committee, appointed a Task Force to review the report and to make a recommendation about how the BCS Group should respond to the Special Committee's report and the slate of reforms instituted by the Bowl. The Task Force understands that the Report will be reviewed and acted upon by the commissioners group and the BCS Presidential Oversight Committee.

The Task Force has spent considerable time on this matter. It has convened by conference call on a number of occasions to discuss the Fiesta Bowl report and the views of individual members. In addition, all members of the Task Force gathered in Chicago on April 23 to meet with representatives of the Fiesta Bowl, hear a presentation from them, and to ask questions about the matters covered in the Special Committee's report and the Bowl's response to it. That meeting lasted about three hours and included frank and pointed questions from Task Force members. Fiesta Bowl representatives were candid and forthright in their responses, acknowledged the significant flaws in the Bowl's operations, outlined the steps that the Bowl has since taken to correct these serious deficiencies, and gave a review of legal, financial, and communications matters of interest to the Task Force. Following the Fiesta Bowl's presentation, the Task Force members met again to discuss the issues and reactions to the presentation and responses to questions.

This Report has been prepared to summarize the Task's Force's views and recommendations. Any Task Force member wishing to add a separate statement has been given the opportunity to do so. Likewise, any Task Force member not concurring with the recommendations and conclusions of this Report has been given the opportunity to provide a dissenting statement. No additional or dissenting statements have been filed. This Report, therefore, constitutes the unanimous recommendation of the Task Force.

A. Questions Addressed

In carrying out its mandate, the Task Force set out to address the following issues:

1. What were the causes of the matters uncovered by the Special Committee's investigation report and why were they not discovered earlier?
2. Once the Fiesta Bowl board had before it evidence of inappropriate conduct, did it move swiftly to reveal the conduct and implement reforms to ensure that it would not happen in the future?
3. What reforms has the Fiesta Bowl implemented, and are those reforms sufficient to address the conduct identified in the Special Committee's report?

Before turning to a substantive analysis, the Task Force also notes what was not at issue. There is no dispute that the Fiesta Bowl has historically provided a meaningful post-season experience for student-athletes and fans of the participating universities. The organization and community have been commended over the years for the excellence of their bowl game operations. The Task Force did not view and has not made its recommendations based on the Fiesta Bowl's performance as the presenter and host of a post-season college football game. The Task Force acknowledges that it continued to be excellent during the January 2011 games, providing superb bowl experiences for the student-athletes and fans of six institutions at three different bowl games, including the BCS National Championship Game.

Similarly, the Task Force has not considered and makes no recommendation about whether the conferences and institutions participating in the BCS arrangement should continue to contract with the Fiesta Bowl after the current arrangement expires should the BCS or some other post-season arrangement designed to pair the top two teams in the nation be continued after the January 2014 National Championship Game. If the BCS continues after January 2014 or some other post-season arrangement takes its place, the Task Force expects that the BCS Group will make decisions about those bowls with which they will contract after comprehensive analysis of all relevant facts and negotiations with those parties. The only question before the Task Force is responding to the Special Committee's report and slate of reforms in the context of the current relationship.

B. Recommendation and Analysis

After careful consideration, the Task Force recommends that the relationship with the Fiesta Bowl be continued through the conclusion of the current BCS contract, subject to a number of additional sanctions and conditions noted in Section IV. Overall, the Task Force was impressed with the commitment of the Fiesta Bowl board in bringing evidence of inappropriate conduct to light and making public the evidence uncovered by investigators for the Special Committee of the board. The Task Force acknowledges the initiative of the Fiesta Bowl board to implement needed reforms and to commit the Bowl to a culture of ethical integrity, prudent management, and compliance. Several factors are central to this recommendation but three stand out in particular:

1. The Fiesta Bowl board took prompt action when evidence of inappropriate conduct was made known to the board. The Task Force has been and remains concerned about how the alleged misconduct could have escaped detection of the board for so long and whether the current board can be trusted to oversee the reforms when it initially failed to uncover the conduct. Representatives of the Fiesta Bowl addressed that issue in great detail and with candor at the April 23 meeting;
2. The Special Committee that actually conducted the investigation was independent of the board itself. It was chaired by Justice Ruth McGregor, a well-respected jurist and former member of the Arizona Supreme Court. The Special Committee retained its own counsel and conducted a thorough investigation of the areas identified in its report. No restrictions were placed on the Special Committee, and neither the Special Committee nor its counsel reported to the board or was subject to dismissal by the

board. Counsel for the Special Committee met with the Task Force on April 23 and confirmed that he was given authority to pursue the evidence wherever it led and any lines of inquiry that he believed appropriate in his professional judgment. Counsel for the Special Committee confirmed that he and his investigative team had access to all records and personnel of the Fiesta Bowl, including sitting and past board members;⁶ and

3. Upon completion of the Special Committee's report, the Fiesta Bowl board acted swiftly to reveal the evidence uncovered during the investigation, make a public acknowledgement of the alleged inappropriate conduct, and develop a set of reforms aimed at addressing that conduct and other management issues.

Despite these reforms, however, the Task Force believes additional corrective measures must be implemented and sanctions imposed if the Fiesta Bowl is to remain part of the Bowl Championship Series arrangement. Those are detailed in Section IV. In addition, the Task Force remains concerned about two matters.

First, reforms described on paper but not implemented in practice do not solve problems. The Task Force has made plain to Fiesta Bowl representatives that the evidence uncovered is unacceptable and will not be tolerated. Fiesta Bowl representatives have stated that they are committed to the reforms that they have developed and will carry them out. The Task Force accepts those representations as a good faith statement of the Bowl's intentions. But in light of the evidence uncovered in the Special Committee's report, the Task Force does not believe that intentions alone can or should carry the day. Rather, the best intentions must be backed by concrete and verifiable actions. Therefore, in addition to the additional reforms and sanctions contained in this Report, the Task Force further recommends that the BCS Group monitor the Fiesta Bowl's progress to ensure that the reforms are actually executed. The Task Force is not recommending that the BCS Group take any active role in the management of the Bowl. Nonetheless, the Task Force recommends that the contract between the BCS Group and Fiesta Bowl be amended to provide for additional review and audit rights so that the BCS Group can monitor the progress of the Fiesta Bowl and verify that the stated reforms and those additional conditions set forth in Section IV are actually implemented.

Second, the Task Force notes that the Special Committee's report details substantial evidence that, if true, might support findings of wrongdoing by certain individuals and entities. The Special Committee's report makes no credibility determinations, no findings of fact, and no conclusions of law. Nonetheless, despite the thoroughness of the Special Committee's investigation, the Task Force remains concerned about the possibility that the investigators may not have been able to uncover evidence of all inappropriate conduct or alleged wrongdoing. Therefore, the BCS Group reserves the right to review any evidence of additional inappropriate conduct that may subsequently be revealed and to respond as it deems appropriate.

⁶ The Special Committee lacked authority to compel cooperation by certain employees or former employees of the Fiesta Bowl and thus was not able to interview certain persons about matters covered in the Special Committee's report.

With that background, we turn to the reasons for the recommendation and the analysis of the questions set forth above.

1. Causes of the Reported Matters and Failure in Uncovering Them

The Task Force has been particularly concerned about the causes of the matters set forth in the Special Committee's report and the Fiesta Bowl board's delay in uncovering them. The evidence in the Special Committee's report, particularly that related to the alleged reimbursements of campaign contributions and inappropriate expenditures, spans a number of years and several board chairmen. The Task Force was also concerned about why these matters were not noted in annual audits. A number of questions were directed to the Fiesta Bowl board about those matters, and the answers were, in the view of the Task Force, candid and forthright. That does not, however, alter the fact that the board ultimately failed to uncover the evidence set forth in the Special Committee's report. There appear to be a number of reasons for the failure.

First, representatives of the Fiesta Bowl acknowledged that board oversight had been lacking and that far too much authority – often unquestioned in its exercise – had been invested in the executive staff of the organization. According to the board, senior management had established a culture in which certain business practices were not questioned, and staff members did not believe that they could question practices of management. The same representatives acknowledged that a number of the staff were young and not experienced and skilled broadly in various areas. While these staff members may have had skills necessary for their particular jobs, the Bowl has not been as good at assisting them in expanding their skill sets as would be expected, especially for those staff members below the management level. As a result, employees were not necessarily able to spot issues outside their own particular work areas, and an ordinary check on inappropriate activities that might have otherwise existed was lacking.

Second, there were no mechanisms in place for staff to raise issues with the board without jeopardizing their employment status. According to Fiesta Bowl representatives, that problem was exacerbated by the close relationship between the senior management and outside contractors and consultants who might ordinarily have been expected to act as a check on management. The Bowl has severed ties with several former consultants and hired new outside counsel.

Third, audits were not as comprehensive as they should have been. Representatives of the Fiesta Bowl have told the Task Force that they are discussing the scope of audits and are looking at whether the audits actually performed were consistent with the audit firm's engagement. The Fiesta Bowl representatives further noted that the financial statements of the organization appear to be correct and that the Bowl remains in good financial condition. Nonetheless, it is clear that the audits were not sufficiently comprehensive, and that point must be addressed in the future.

Fourth, the Fiesta Bowl board failed in its oversight responsibilities. Representatives of the Fiesta Bowl were willing to shine the spotlight on themselves both through the Special Committee's report and further while meeting with the Task Force. They acknowledged those failures and forthrightly stated that several of them had considered whether they should resign in light of the evidence uncovered by the Special Committee investigation. There is some board

turnover annually,⁷ and the Fiesta Bowl representatives stated that they believed that they had an obligation to address the matters set forth in the Special Committee's report. They also acknowledged that some of the evidence uncovered by the Special Committee's investigation suggests that some prior board members had knowledge of certain allegedly inappropriate conduct and failed to come forward with the information and that even current board members were implicated by some of the evidence in the Special Committee's report. The Fiesta Bowl has severed ties with certain former board members and others who may have had information but did not come forward. Fiesta Bowl representatives have also candidly acknowledged that the organization's reputation has been damaged and that future boards will have the task of repairing it.

Fifth, the cursory nature of the investigation conducted in December 2009 by former Arizona Attorney General Grant Woods (the "Woods investigation"), together with the board's failure to oversee that investigation properly, further hindered uncovering the evidence found by the Special Committee. The Task Force has spent considerable time discussing this failure. Fiesta Bowl representatives acknowledged that the Woods investigation was not thorough and stated that they do not believe, in retrospect, that it was intended to be thorough. They further acknowledged their own failures in this regard. The board made the decision to hire Grant Woods based on his reputation and prior service in government. When asked about the speed with which Mr. Woods conducted his review, Fiesta Bowl representatives insisted that the Woods investigation was not subject to any time constraints imposed by the board and that Mr. Woods conducted employee interviews on his own schedule. Fiesta Bowl representatives further informed the Task Force that, while Mr. Woods retained an outside contractor to review publicly available data disclosing political contributions made by Fiesta Bowl staff, he failed to inform the board about the hiring or about the existence of the contributions.

The lack of thoroughness of the Woods investigation, and the board's failure to oversee it properly, remain significant concerns for the Task Force. Indeed, the Woods investigation is widely perceived as a whitewash, and the Special Committee's report suggests that it was part of the "cover up" of campaign contribution reimbursements. Fiesta Bowl representatives acknowledged the deficiencies and their own failures but also placed much of the blame on senior management and consultants working with management for the significant shortcomings. The work of the Special Committee appears to validate that position. At the April 23 meeting, counsel for the Special Committee answered numerous questions about the scope and methodology of the investigation and stated that he was given unfettered access to the Bowl's records and all board members. His investigative team did not uncover evidence that the current board was complicit in the Woods investigation. Undoubtedly, the Fiesta Bowl board merits criticism for failing to oversee the Woods investigation properly. Fiesta Bowl representatives have acknowledged as much. The Task Force is persuaded, however, that the board's subsequent action does not permit an inference that it intended for the Woods investigation to conceal the evidence described in the Special Committee's report.

⁷ The Fiesta Bowl board has 26 members with staggered three-year terms. The board chairman typically serves for one year in that position.

2. Response of the Board Upon Learning of Evidence of Inappropriate Conduct

Because of its concern about the Woods investigation and the board's failure to oversee it, the Task Force members posed a number of questions to Fiesta Bowl representatives concerning the time line of events following the board's receipt of evidence of inappropriate conduct. The Special Committee's investigation identifies the conversation between Kelly Keogh, a Fiesta Bowl staff member, and Duane Woods, the board chairman, in September 2010 as the first instance in which the board learned of potentially inappropriate conduct. Fiesta Bowl representatives informed the Task Force that, within 48 hours, the Executive Committee of the board had convened with counsel and determined to form a Special Committee to conduct an independent investigation of Keogh's allegations and any other potentially inappropriate conduct. Within a short time thereafter, the Special Committee retained Robins, Kaplan, Miller & Ciresi LLP to serve as its counsel and to lead the investigation. Counsel for the Special Committee confirmed the time line as represented by Fiesta Bowl representatives, and the Special Committee's report also supports it.

3. Sufficiency of the Fiesta Bowl Reforms

The Fiesta Bowl's Special Committee specifically states in its report that it made no findings of fact as a result of its investigation. Nonetheless, the evidence it uncovered may support findings of inappropriate conduct in at least three areas: (1) reimbursement of campaign contributions; (2) appropriateness of Bowl expenditures; and (3) gifts. As noted, the Task Force has substantial concerns about the thoroughness of the Woods investigation and its oversight. The Task Force has also spent considerable time evaluating the sufficiency of the reforms developed by the Fiesta Bowl. The Fiesta Bowl board has taken a number of steps to address the lack of oversight that led to the problems identified in the Special Committee's report. Among these, the Fiesta Bowl has: (1) reorganized its board to ensure proper oversight of its executive staff; (2) implemented changes in the way that expense reimbursements are handled for the senior executive staff; (3) established criteria for service on the board; (4) revised its bylaws; (5) revamped its ethics policy and other standard operating procedures and policies; (6) implemented an independent hotline that will allow staff to report inappropriate conduct in a way that will reach the board without fear of reprisal, including loss of employment; (7) undertaken a comprehensive review of the scope and procedures used in its financial audit; and (8) replaced senior staff and disassociated itself from some former board members, including several former board chairmen, based on the evidence uncovered by the Special Committee.

The Task Force believes that these are significant steps in the right direction. Indeed, were it not persuaded of the sincerity of the Fiesta Bowl's commitment to these reforms, the Task Force would almost certainly not be recommending that the BCS Group continue its relationship with the Fiesta Bowl through the duration of the current agreement. In the Task Force's view, however, they are not enough. There are several additional steps that the Task Force believes can and must be taken to address the matters detailed in the Special Committee's report. Those are detailed in Section IV of this Report.

IV. Additional Required Reforms and Conditions

In the April 23 meeting, Fiesta Bowl representatives outlined for the Task Force a broad range of reforms, some of which are described in Section III. The Task Force expects that all the reforms discussed and those still being developed will be implemented.

In lieu of ending the relationship with the Fiesta Bowl, the Task Force recommends that the BCS Group continue its relationship with the Bowl through the end of the current contract subject to the following conditions:

1. The Fiesta Bowl shall pay a monetary sanction in the form of a mandatory distribution of a minimum of \$1 million to charities recommended by the BCS Group that benefit youth in Arizona. The Task Force believes that the amount of the charitable distribution should be significant in recognition of the gravity of the alleged conduct described in the Special Committee's report. Fiesta Bowl representatives have acknowledged both the seriousness of the evidence uncovered by the Special Committee and their own failure in overseeing management of the game. In addition, to the extent that the Fiesta Bowl is able to recover any monies from inappropriate expenditures or gifts, those too should be added to the required charitable distribution.

At the same time, the Task Force does not believe that any conference or institution participating in the Bowl Championship Series should benefit from the matters described in the Special Committee's report. The amount of the required charitable distribution should not only impress upon the Fiesta Bowl the magnitude of the concern but should also seek to begin the process of repairing the trust lost as a result of the revelations in the Special Committee's report. The Task Force believes that aim can best be accomplished by having the BCS Group recommend charities whose missions are consistent with the charitable purposes of the Fiesta Bowl to receive the fruits of the monetary sanction. In fact, the Bowl's articles of incorporation state that "[a]ll funds not paid to the participating colleges shall be used by the corporation for educational and charitable purposes."⁸ Those purposes will be served by a mandatory distribution that benefits youth in Arizona.

2. The Task Force believes that in light of the evidence uncovered by the Special Committee's investigation, the Fiesta Bowl should make a clean break with its past. If trust is to be restored, there must be recognition of the failures of past boards to exercise proper oversight of the Bowl's management.

Accordingly, the Task Force expects that persons who were members of the Fiesta Bowl board and for whom the Special Committee's report found substantial evidence of inappropriate conduct will be removed from the board immediately. Further, the Task Force expects that any board members who may subsequently be implicated in any inappropriate conduct or wrongdoing as a result of investigations by government agencies will be removed from the board immediately upon those revelations.

⁸ Amendment to Articles of Incorporation of the Arizona Sports Foundation, art. III, ¶ 3.

3. Consistent with the second recommendation, Fiesta Bowl representatives have informed the Task Force that they have developed criteria for serving on the board and have shared those with the Task Force. The aim of the criteria is to ensure that persons with substantial business, not-for-profit, and other experience and capable of exercising the type of oversight function needed from a board are entrusted with the governance of the organization. The Task Force believes those are steps in the right direction. The Task Force is concerned, however, that merely having persons with such credentials is not enough. One of the concerns revealed by the Special Committee's report is that senior management appeared to have focused more on maintaining the Bowl's position as an elite post-season game than in doing so consistent with the collegiate model. The Task Force is concerned that, in its effort to implement needed reforms and impose necessary internal controls, the Fiesta Bowl board may lose this vital perspective. Accordingly, at least two members of the Fiesta Bowl board should be drawn from among the collegiate community, such as university presidents or other senior administrators, faculty representatives, or athletic directors. One of the members from among the higher education community should be drawn from outside the state of Arizona.

4. The evidence uncovered by the Special Committee suggests that the Fiesta Bowl operated without adequate internal controls. The Fiesta Bowl board has committed to the Task Force and publicly to rectify those problems and has made substantial steps along that path. Nonetheless, paper reforms without adequate implementation are not meaningful. Accordingly, for the duration of the current contract, the Fiesta Bowl must annually have an independent audit of its internal controls and must share the results of that audit with the BCS Executive Director. If any deficiencies are identified by the audit, then the Fiesta Bowl must cure those deficiencies within 90 days and present a clean report from the auditor to the BCS Executive Director.

5. The Task Force believes that the Fiesta Bowl's annual audits should have uncovered evidence of financial irregularities set forth in the Special Committee's report. Because they did not, the Task Force believes that a more thorough financial audit is necessary. The Task Force recommends that the Fiesta Bowl either replace its auditing firm or that a new supervisory partner be engaged. The Task Force further recommends a more thorough financial audit appropriate for not-for-profit entities and consistent with best practices for such organizations. The results of the audit should be shared with the BCS Executive Director and deficiencies corrected in the same manner as described in paragraph 4 of this Section IV.

6. To ensure accountability, the Fiesta Bowl should meet with representatives of the BCS Group no less than annually to review: (i) the reforms implemented by the Bowl; (ii) the governance, operation, and management of the Bowl; and (iii) any matters revealed by the audits described in paragraphs 4-5. Frequency of such meetings will be determined by the BCS Group.

7. The hiring of an Executive Director by the Fiesta Bowl is crucial to the future of the organization. Responsibility for the selection of that person should belong to the Bowl. However, the BCS Executive Director and the chair of the BCS Presidential Oversight Committee should be kept informed of the progress of the hiring process and consulted on the hiring decision. The Task Force encourages the Fiesta Bowl to consider candidates for the

position who not only have relevant experience in business but also who understand the collegiate athletic model and have the highest ethical standards.⁹

V. Other Matters

The Task Force has not been charged with reviewing any matters related to the other bowls participating in the Bowl Championship Series, and it has not done so. Nonetheless, this experience is a reminder of the importance of having in place strict and proper financial and governance procedures at all BCS bowls.

The Task Force recommends, therefore, that the BCS Group commission an independent expert with a background in management of non-profit organizations to develop standards for responsible governance. Following the dissemination of such guidelines, each BCS bowl will be required to certify annually to the Executive Director of the BCS that it is conducting its business in accordance with the standards. Any failures to comply with the standards must be cured or the Bowl may be subject to sanctions. The standards should be issued as soon as possible and be tailored to the specific responsibilities of organizations operating post-season college football games.

Conclusion

This review has been a difficult undertaking for the Task Force. On the one hand, the Fiesta Bowl has performed its game operations superbly over the years, and its staff and volunteers have welcomed student-athletes, coaches, and fans and been exceedingly gracious to the college football community each January. On the other hand, the evidence of inappropriate conduct uncovered by the Special Committee is stunning, unacceptable, and at odds with the performance of the Bowl in other respects. The Task Force recommendations are designed to strike the proper balance, recognizing that the Fiesta Bowl itself has turned the spotlight on its own activities while not minimizing the gravity of the evidence uncovered by the Special Committee's investigation.

In summary, the Task Force is persuaded that the Fiesta Bowl is serious about its reforms and therefore that it should, based on the evidence currently available, continue to be a part of the BCS through the current contract term. But the reforms currently implemented do not go far enough in the Task Force's view to begin the process of rebuilding the trust lost as a result of the evidence uncovered by the Special Committee. Accordingly, the Task Force has recommended additional sanctions, reforms, and conditions for the Bowl's participation in the BCS.

It is the hope of the Task Force that the ultimate outcome of this unfortunate episode will be beneficial. The Task Force has little doubt that the Fiesta Bowl board intends to implement the needed reforms. It should be given that opportunity, but with the caveat that its reform efforts must not fail. If it succeeds, then it will be strengthened as an organization. The Task Force hopes that it will achieve that result.

⁹ If evidence of additional inappropriate conduct is later revealed, the BCS Group reserves the right to review that evidence and to respond as it deems appropriate.