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FLORIDA STATE TRUSTEES SUE ACC FOR MISMANAGING MEDIA RIGHTS AND IMPOSING 'DRACONIAN' EXIT FEES

TALLAHASSEE, Fla. — The Florida State University Board of Trustees today filed suit against the Atlantic Coast Conference in response to years of mismanagement that has left its member schools trapped in a deteriorating multi-media rights agreement while preventing them from joining other conferences because of “draconian” withdrawal penalties.

The suit, filed in Leon County Circuit Court, says the ACC has failed to fulfill its stated obligations to “generate substantial revenues” and “maximize athletic opportunities” for its members. It details how the ACC’s mishandling of negotiations with ESPN has deprived members of tens of millions in annual revenues and put them behind other Power Four schools in the competition for educational advancement and to appear in elite athletic championships.

Rather than fix those problems, the lawsuit says, the ACC has tried to prevent its members from leaving the Conference by threatening to impose “draconian” withdrawal penalties of at least \$572 million — the most onerous in collegiate sports.

The complaint accuses the ACC of restraint of trade, breach of contract and a failure to perform. It also challenges the legality of its withdrawal penalties.

FSU Board of Trustees Chairman Peter Collins said the lawsuit “represents the response to a long list of failures by the ACC, and while Florida State has challenged the ACC to be better for its members, the Conference has responded with inaction.”

“The underperformance by the ACC has ramped up dramatically in just the last few years,” said Collins. “The ACC has also unfairly — and we believe illegally — sought to prevent members from exploring their fundamental right to withdraw by threatening to impose an astounding and pernicious half-billion-dollar penalty. It’s simply unconscionable.”

Added FSU President Richard McCullough: “I fully support the Board’s decision to take this legal action against the ACC. It is becoming painfully apparent that Florida State’s athletic ambitions and institutional priorities are no longer served by the ACC’s leadership.”

The lawsuit says the College Football Playoff’s “stunning decision” to exclude the undefeated Seminoles from the 2024 championship “crystalizes” years of ACC failures that threaten the Conference’s fiscal viability.

“The ACC has negotiated itself into a self-described ‘existential crisis,’ rendered itself fiscally unstable and substantially undermined its members’ capacity to compete at the elite level,” it says. “In doing so, the ACC violated the contractual, fiduciary and legal duties it owed its members.”

The ACC struck its initial media rights agreement with ESPN in 2011 and renegotiated it in 2012 to include a schedule of annual Tier I cash payments for nationally broadcast football games through 2027. ACC members currently receive roughly \$33 million each in Tier I payments and payments for regionally broadcast games.

Rather than wait to negotiate better terms in 2027, however, the ACC granted ESPN a unilateral option to extend the Tier I contract until 2036 without receiving additional compensation.

Yet at the same time, ESPN was negotiating shorter, more lucrative contracts with the other conferences. Under those contracts, the rival conferences have opened a revenue gap of tens of millions of dollars a year, putting the ACC at a disadvantage in both fiscal impact and prestige.

Rather than fix those problems, the ACC has taken steps to prevent schools from defecting to conferences with the more lucrative broadcast contracts, the lawsuit says.

It adopted a secretly developed Grant of Rights provision that obligated members to forfeit their media rights through 2036 if they were to leave the Conference. While the provision doesn’t put a value on those, they are currently worth at least \$442 million, the lawsuit says. FSU agreed to the extension in 2016, the lawsuit says, based on the ACC’s verbal claim that ESPN had threatened to walk away from the Conference without the concession.

The ACC also ramped up its “severe withdrawal fees,” to three times its annual operating budget or \$130 million. Added to the loss of broadcast rights, a school now faces a cumulative withdrawal penalty of \$572 million in fees and forfeited revenues.

The ACC continued to erode its media rights position by rushing to admit three new schools with weak media rights values, dimming the prospect of the ACC winning significant increases in revenue payments when its contract is up for renewal.

FSU Athletic Director Michael Alford said he supported the Board’s action, adding that “this filing became necessary due to an unwillingness by the ACC and some of our fellow conference members to seriously consider remedies for this situation. It is with great regret that we enter this phase, but it has become clear that we have no other recourse.”

Florida State University is represented by a team of attorneys at Greenberg Traurig, LLP, led by David Ashburn, managing shareholder of the firm’s Tallahassee office.

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For a copy of the lawsuit, go to news.fsu.edu/ACClawsuit.