

## **Attorneys for FIFA provide update on internal investigation and details on compensation for former top officials**

- *CHF 79 million (~\$80 million) in compensation for three former top FIFA officials over the last 5 years identified;*
- *Contract arrangements benefitted a small group of former FIFA officials*
- *Some contracts contain provisions that appear to violate Swiss law*
- *Concerns regarding lack of oversight by FIFA’s compensation subcommittee*
- *2015 disclosure of compensation for former FIFA officials, while correct, does not reflect true levels of compensation over previous years*

The attorneys conducting the internal investigation into wrongdoing at FIFA, Quinn Emanuel, today released information regarding details on contracts and compensation for a small group of former FIFA officials.

“The evidence appears to reveal a coordinated effort by three former top officials of FIFA to enrich themselves through annual salary increases, World Cup bonuses and other incentives totaling more than CHF 79 million – in just the last five years,” said Bill Burck, a partner with Quinn Emanuel.

The compensation was awarded to former FIFA President Sepp Blatter, former Secretary General Jerome Valcke, and former Deputy Secretary General Markus Kattner, who also served as FIFA’s Chief Financial Officer.

The investigation has revealed evidence of breaches of fiduciary duty. It also raises questions about the role of FIFA’s compensation subcommittee.

It is clear that the preliminary findings indicate that the payments and contracts warrant considerable further investigation. FIFA has shared this information with the Office of the Swiss Attorney General and it will brief the U.S. Department of Justice on the matters as well. This is consistent with FIFA’s commitment to cooperate with the authorities and FIFA’s policy of zero tolerance for wrongdoing. FIFA will also refer the matter of these contracts and payments to the FIFA Ethics Committee for its review.

Quinn Emanuel provided the following details on the investigation:

- On May 23, FIFA announced that it had terminated with immediate effect the contract of the then-Deputy Secretary General Kattner, for breaches of his

fiduciary duties toward FIFA. That decision was based on documents and evidence collected as part of the internal investigation.

- The documents and evidence also raise serious questions about the way a series of problematic contract amendments in favor of Mr. Blatter, Mr. Kattner and former Secretary General Valcke were approved. These amendments resulted in massive payouts amounting to tens of millions of dollars – to the two former FIFA officials in the form of salaries and bonuses between the years 2011-2015.
- In total, the new documents and evidence appear to reveal a coordinated effort by three former top officials of FIFA to enrich themselves through annual salary increases, World Cup bonuses and as well as undue severance payments.

***Multiple Contract Amendments Used to Boost Payments***

Per the chart found here (SEE CONTRACT OVERVIEW CHART) it is clear that there isn't just one contract for each official. There are multiple amendments to contracts often approved in close sequence.

Additionally, these various contracts were often entered into by Messers Blatter, Valcke and Mr. Kattner on the very same day. And more importantly, these dates were very ominous. Some examples include:

- **April 30, 2011:** Shortly before the 2011 Presidential election at the end of May of that year in which Mr. Blatter was running against Mohammed Bin Hamman, when it was uncertain whether Mr. Blatter was going to be reelected, both Mr. Valcke and Mr. Kattner were given 8.5-year contract extensions until 2019 with big increases in their base salaries and bonuses. Valcke and Kattner also were given generous severance terms that guaranteed them full payment - up to CHF17.5 million and CHF 9.8 million respectively (view table here – MK and JV Contract Payout Table) in case their employment with FIFA is terminated, which was likely should Mr. Blatter not be reelected.

On top of this, the two contracts included two further clauses (which you can view on MK CONTRACT CLAUSES)

- a termination clause that states that Valcke and Kattner would receive payment of the full value of their contracts (i.e. up to a maximum of 8.5 y) even if they were terminated for just cause; and
- an indemnification clause that would force FIFA to pay all their legal fees and any associated fines and restitutions, even if they were found guilty.

These two provisions appear to violate mandatory Swiss law.

- **Dec. 1, 2010:** Messers Blatter, Valcke and Kattner receive CHF 23 million in special bonuses for the 2010 South Africa Cup. These bonus were awarded retroactively - four months after the completion of the World Cup – and apparently without an underlying contract provision stipulating such bonuses.

***Additional World Cup Bonus Payments***

With regard to other bonus payments ostensibly linked to the FIFA World Cup, it is worth highlighting that in October 2011, Mr. Valcke and Mr. Kattner were awarded a combined CHF14 million in bonuses for the 2014 Brazil World Cup, and in June 2014, they are made eligible for a combined CHF15.5 million in bonuses for the 2018 World Cup in Russia.

***The Approval Process***

While Quinn Emanuel continues to further investigate the matter, it is clear that before 2013 - when FIFA created a compensation subcommittee - the people who signed the contracts were in principle also the ones who approved them. They had the authority they needed, and they simply told payroll and HR, the department generally in charge for employment contracts at FIFA and which reported to Mr Kattner, how much should be paid out and to whom.

In 2013, FIFA created a compensation sub-committee under the Audit & Compliance Committee. This subcommittee defined the compensation for the President, the members of the FIFA Executive Committee, the Secretary General and the deputy Secretary General. It is chaired by the Head of the Audit and Compliance Committee and also includes the chairperson of the Finance Committee and one independent member.

In 2013, the compensation subcommittee began reviewing contracts. And the committee did make an effort to reduce Mr. Blatter’s bonus and salary. However, the committee did not make a similar effort with either Mr. Valcke or Mr. Kattner. In fact, in 2013 and 2014, the compensation subcommittee approved substantial payments to Mr. Valcke and Mr. Kattner respectively in Oct 2011 for the Brasil World Cup and on top of this the compensation subcommittee approved in June 2014 a combined CHF 15.5 million package of World Cup bonuses to Kattner and Valcke for Russia 2018.

***Mr. Kattner’s Contract Awarded After U.S. Indictment***

On May 27, 2015 the U.S. Department of Justice announced a sweeping indictment against international football officials and carried out arrests at the Baur-au-Lac hotel in Zurich. Two days later, Mr. Blatter was reelected President of FIFA. On May 30, the compensation subcommittee met and granted Mr. Kattner an additional 4-year extension on his contract pushing his end date date from 2019 to the end of 2023. This

ensured that in the event of his dismissal from FIFA, Mr. Kattner would be guaranteed more than 8 years of future salary and bonus payments totaling up to CHF 9 million. Interestingly, this contract still includes the termination and indemnification clauses (Refer again to CONTRACT CLAUSE) Also, the fact that such a contract could have been agreed to with FIFA's Chief Financial Officer (CFO) in the immediate wake of the Justice Department allegations of widespread fraud and corruption against football officials is noteworthy.

Quinn Emanuel believes the preliminary findings indicate additional investigation of these contracts and payments is warranted. FIFA has shared this information with the Office of the Swiss Attorney General and will brief the U.S Department of Justice on its existence. This is consistent with FIFA's commitment to cooperate with the authorities. Additionally, FIFA will refer the matter of these contracts and payments to the Ethics Committee for its review.