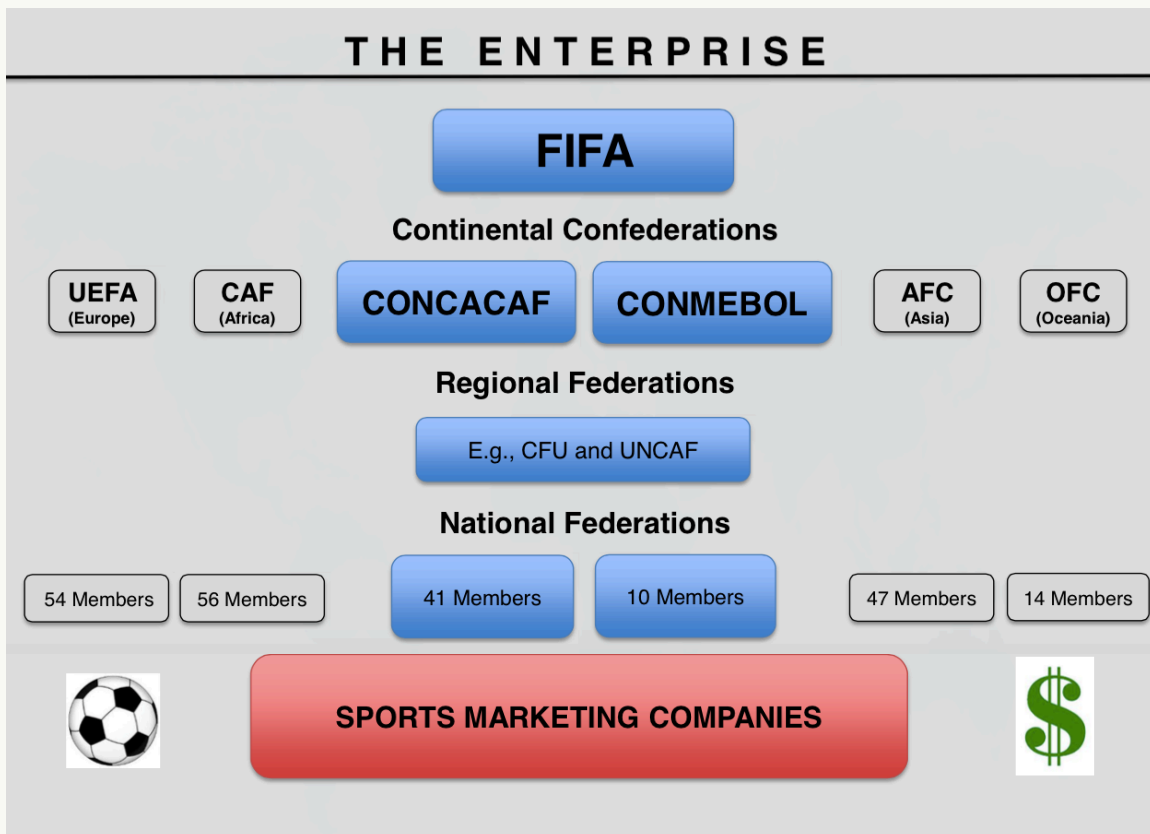


Fédération Internationale de Football Association (FIFA)



Graphics from U.S. Department of Justice.

May 27, 2015

Nine FIFA Officials and Five Corporate Executives Indicted for Racketeering Conspiracy and Corruptionⁱ

“Let me be clear: this indictment is not the final chapter in our investigation,” stated Acting U.S. Attorney Kelly T. Currie of the Eastern District of New York.

“Corruption of the enterprise became endemic,” - from the court filing in New York State on May 27, 2015.

The 41 count indictments, detailed in 161 pagesⁱⁱ, brought against 25 senior officials of world soccer and corporations involved in world football embrace a vast array of specific charges of corruption, money laundering, tax evasion and other crimes. The magnitudes are significant. For example, the court filing included the following table with regard to recent decisions on the hosting of championships in the Americas, where officials and sports marketing companies allegedly pursued transactions involving bribes for key events:

Copa America Centenario Scheme Bribes

| Host Nation | Contract Price | Bribe |
|--------------|----------------|----------------------------|
| 2015 CHILE | \$20 million | \$20 million |
| 2016 USA | \$75 million | \$30 million |
| 2019 BRAZIL | \$80 million | \$20 million |
| 2023 EQUADOR | \$85 million | \$20 million |
| | | Total bribes \$110 million |

Introduction

On May 27, 2015, news of a dawn Swiss police raid at Zurich’s most famous luxury hotel, the Baur au Lac, rapidly spread across the world. Using bed-sheets to mask their identity, seven senior executives associated with the Fédération Internationale de Football Association (FIFA) were arrested - leaders of world football (‘soccer’ in the United States). They are Jeffrey Webb, Eduardo Li, Julio Rocha, Costas Takkas, Eugenio Figueredo, Rafael Esquivel and José Maria Marin

Then the U.S. Department of Justice (USJ) announcedⁱⁱⁱ that it had brought charges against 14 people – the seven who were arrested, plus businessmen who had long had dealings with FIFA and/or the FIFA’s affiliate for the Americas, the Confederation of North, Central American and Caribbean Association Football (CONCACAF). The FBI searched CONCACAF’s Miami offices the same day.

Indeed, a 47-count indictment was unsealed in U.S. federal court in Brooklyn, New York, charging the 14 defendants with racketeering, wire fraud and money laundering conspiracies, among other offenses, in connection with the defendants’ participation in a 24-year scheme to enrich themselves through the corruption of international soccer. The businessmen allegedly paid and agreed to pay well over \$150 million in bribes and kickbacks to obtain lucrative media and marketing rights to international soccer tournaments.

The guilty pleas of the four individual and two corporate defendants were also unsealed and included guilty pleas of Charles Blazer, the long-serving former general secretary of CONCACAF and former U.S. representative on the FIFA executive committee; José Hawilla, the owner and founder of the Traffic Group, a multinational sports marketing conglomerate headquartered in Brazil; and two of Hawilla's companies, Traffic Sports International Inc. and Traffic Sports USA Inc., which is based in Florida.

U.S. Attorney General Lynch said the of the charges - "It has profoundly harmed a multitude of victims, from the youth leagues and developing countries that should benefit from the revenue generated by the commercial rights these organizations hold, to the fans at home and throughout the world whose support for the game makes those rights valuable."

"Today's announcement should send a message that enough is enough," said Acting U.S. Attorney Currie of the Eastern District of New York. "Let me be clear: this indictment is not the final chapter in our investigation."

The Enterprise

The "Enterprise" consists of: FIFA is composed of 209 member associations, each representing organized soccer in a particular nation or territory, including the United States and four of its overseas territories. FIFA also recognizes six continental confederations that assist it in governing soccer in different regions of the world. The U.S. Soccer Federation is one of 41 member associations of the confederation known as CONCACAF, which has been headquartered in the United States throughout the period charged in the indictment. The South American confederation, called CONMEBOL, is also a focus of the indictment.

One key way the enterprise derives revenue is to commercialize the media and marketing rights associated with soccer events and tournaments. The organizing entity that owns those rights – as FIFA and CONCACAF do with respect to the World Cup and Gold Cup, their respective flagship tournaments – sells them to sports marketing companies, often through multi-year contracts covering multiple editions of the tournaments. The sports marketing companies, in turn, sell the rights downstream to TV and radio broadcast networks, major corporate sponsors and other sub-licensees who want to broadcast the matches or promote their brands.

The revenue generated from these contracts is substantial: according to FIFA, 70% of its \$5.7 billion in total revenues between 2011 and 2014 was attributable to the sale of TV and marketing rights to the 2014 World Cup.

The Racketeering Conspiracy

The indictment alleges that, between 1991 and the present, the defendants and their co-conspirators corrupted the enterprise by engaging in various criminal activities, including fraud, bribery and money laundering. Two generations of soccer officials abused their positions of trust for personal gain, frequently through an alliance with unscrupulous sports marketing executives who shut out competitors and kept highly lucrative contracts for themselves through the systematic payment of bribes and kickbacks.

All told, the soccer officials are charged with conspiring to solicit and receive well over \$150 million in bribes and kickbacks in exchange for their official support of the sports marketing executives who agreed to make the unlawful payments.

Most of the schemes alleged in the indictment relate to the solicitation and receipt of bribes and kickbacks by soccer officials from sports marketing executives in connection with the commercialization of the media and marketing rights associated with various soccer matches and tournaments, including FIFA World Cup qualifiers in the CONCACAF region, the CONCACAF Gold Cup, the CONCACAF Champions League, the jointly organized CONMEBOL/CONCACAF Copa América Centenario, the CONMEBOL Copa América, the CONMEBOL Copa Libertadores and the Copa do Brasil, which is organized by the Brazilian national soccer federation (CBF).

Other alleged schemes relate to the payment and receipt of bribes and kickbacks in connection with the sponsorship of CBF by a major U.S. sportswear company, the selection of the host country for the 2010 World Cup and the 2011 FIFA presidential election.

Three Set of Indicted Defendants

The defendants and their co-conspirators fall generally into three categories:

1. Soccer officials acting in a fiduciary capacity within FIFA and one or more of its constituent organizations;
2. sports media and marketing company executives; and,
3. businessmen, bankers and other trusted intermediaries who laundered illicit payments.

Nine of the defendants were FIFA officials by operation of the FIFA statutes, as well as officials of one or more other bodies:

- Jeffrey Webb: Current FIFA vice president and executive committee member, CONCACAF president, Caribbean Football Union (CFU) executive committee member and Cayman Islands Football Association (CIFA) president.
- Eduardo Li: Current FIFA executive committee member-elect, CONCACAF executive committee member and Costa Rican soccer federation (FEDEFUT) president.
- Julio Rocha: Current FIFA development officer. Former Central American Football Union (UNCAF) president and Nicaraguan soccer federation (FENIFUT) president.
- Costas Takkas: Current attaché to the CONCACAF president. Former CIFA general secretary.
- Jack Warner: Former FIFA vice president and executive committee member, CONCACAF president, CFU president and Trinidad and Tobago Football Federation (TTFF) special adviser.
- Eugenio Figueredo: Current FIFA vice president and executive committee member. Former CONMEBOL president and Uruguayan soccer federation (AUF) president.

- Rafael Esquivel: Current CONMEBOL executive committee member and Venezuelan soccer federation (FVF) president.
- José Maria Marin: Current member of the FIFA organizing committee for the Olympic football tournaments. Former CBF president.
- Nicolás Leoz: Former FIFA executive committee member and CONMEBOL president.

Four of the defendants were sports marketing executives:

- Alejandro Burzaco: Controlling principal of Torneos y Competencias S.A., a sports marketing business based in Argentina, and its affiliates.
- Aaron Davidson: President of Traffic Sports USA Inc. (Traffic USA).
- Hugo and Mariano Jinkis: Controlling principals of Full Play Group S.A., a sports marketing business based in Argentina, and its affiliates.

And one of the defendants was in the broadcasting business but allegedly served as an intermediary to facilitate illicit payments between sports marketing executives and soccer officials:

- José Margulies: Controlling principal of Valente Corp. and Somerton Ltd.

The Convicted Individuals and Corporations

The following individuals and corporations previously pleaded guilty under seal:

On July 15, 2013, the defendant Daryll Warner, son of defendant Jack Warner and a former FIFA development officer, waived indictment and pleaded guilty to a two-count information charging him with wire fraud and the structuring of financial transactions.

On Oct. 25, 2013, the defendant Daryan Warner waived indictment and pleaded guilty to a three-count information charging him with wire fraud conspiracy, money laundering conspiracy and the structuring of financial transactions. Daryan Warner forfeited over \$1.1 million around the time of his plea and has agreed to pay a second forfeiture money judgment at the time of sentencing.

On Nov. 25, 2013, the defendant Charles Blazer, the former CONCACAF general secretary and a former FIFA executive committee member, waived indictment and pleaded guilty to a 10-count information charging him with racketeering conspiracy, wire fraud conspiracy, money laundering conspiracy, income tax evasion and failure to file a Report of Foreign Bank and Financial Accounts (FBAR). Blazer forfeited over \$1.9 million at the time of his plea and has agreed to pay a second amount to be determined at the time of sentencing.

On Dec. 12, 2014, the defendant José Hawilla, the owner and founder of the Traffic Group, the Brazilian sports marketing conglomerate, waived indictment and pleaded guilty to a four-count information charging him with racketeering conspiracy, wire fraud conspiracy, money laundering conspiracy and obstruction of justice. Hawilla also agreed to forfeit over \$151 million, \$25 million of which was paid at the time of his plea.

On May 14, 2015, the defendants Traffic Sports USA Inc. and Traffic Sports International Inc. pleaded guilty to wire fraud conspiracy.

All money forfeited by the defendants is being held in reserve to ensure its availability to satisfy any order of restitution entered at sentencing for the benefit of any individuals or entities that qualify as victims of the defendants' crimes under federal law.

Prison Time

The indicted and convicted individual defendants face maximum terms of incarceration of 20 years for the RICO conspiracy, wire fraud conspiracy, wire fraud, money laundering conspiracy, money laundering and obstruction of justice charges. In addition, Eugenio Figueredo faces a maximum term of incarceration of 10 years for a charge of naturalization fraud and could have his U.S. citizenship revoked. He also faces a maximum term of incarceration of five years for each tax charge. Charles Blazer faces a maximum term of incarceration of 10 years for the FBAR charge and five years for the tax evasion charges; and Daryan and Daryll Warner face maximum terms of incarceration of 10 years for structuring financial transactions to evade currency reporting requirements. Each individual defendant also faces mandatory restitution, forfeiture and a fine. By the terms of their plea agreements, the corporate defendants face fines of \$500,000 and one year of probation.

Excerpted Views of U.S. Attorney General Loretta Lynch

Press Conference in Brooklyn, New York, May 27, 2015

"Many of the individuals and organizations we will describe today were entrusted with keeping soccer open and accessible to all. They held important responsibilities at every level, from building soccer fields for children in developing countries to organizing the World Cup. They were expected to uphold the rules that keep soccer honest, and protect the integrity of the game. Instead, they corrupted the business of worldwide soccer to serve their interests and enrich themselves."

This Department of Justice is determined to end these practices; to root out corruption; and to bring wrongdoers to justice.

"Beginning in 1991, two generations of soccer officials, including the then-presidents of two regional soccer confederations under FIFA – the Confederation of North, Central American and Caribbean Association Football, known as CONCACAF, which includes the United States, and the South American Football Confederation, or CONMEBOL, which represents organized soccer in South America – used their positions of trust within their respective organizations to solicit bribes from sports marketers in exchange for the commercial rights to their soccer tournaments. They did this over and over, year after year, tournament after tournament.

"For instance, in 2016, the United States is scheduled to host the centennial edition of the Copa America – the first time that tournament will be held in cities outside South America. Our investigation revealed that what should be an expression of international sportsmanship was used as a vehicle in a broader scheme to line executives' pockets with bribes totaling \$110 million – nearly a third of the legitimate costs of the rights to the tournaments involved."

“The criminal activity we have identified did not solely involve sports marketing. Around 2004, bidding began for the opportunity to host the 2010 World Cup, which was ultimately awarded to South Africa – the first time the tournament would be held on the African continent. But even for this historic event, FIFA executives and others corrupted the process by using bribes to influence the hosting decision. The indictment also alleges that corruption and bribery extended to the 2011 FIFA presidential election, and to agreements regarding sponsorship of the Brazilian national soccer team by a major U.S. sportswear company.”^{iv}

Commenting on the defendants who have agreed to plead guilty, as noted above, Attorney General Lynch said, “All told, these defendants have agreed to forfeit over \$150 million in illegal profits they have made from these crimes.”

ExCo

The 23 person FIFA Executive Committee (ExCo) has responsibilities that include the selection of major FIFA tournaments. Some of the key decisions are included in the table below:

| World Cup | Date Selected by the ExCo | Winning Nation | Other Bidding Nation/Nations |
|-----------|---------------------------|-------------------|--|
| 1990 | May 19, 1984 | Italy | Soviet Union |
| 1994 | July 4, 1988 | United States | Morocco Brazil |
| 1998 | July 2, 1992 | France | Morocco |
| 2002 | May 31, 1996 | Japan/South Korea | - |
| 2006 | July 6, 2000 | Germany | South Africa England Morocco |
| 2010 | May 15, 2004 | South Africa | Morocco Egypt |
| 2014 | October 30, 2007 | Brazil | - |
| 2018 | December 2, 2010 | Russia | Spain/Portugal Netherlands/Belgium England |
| 2022 | December 2, 2010 | Qatar | United States South Korea Japan Australia |

A total of 25 conspirators and co-conspirators are noted in the detailed court indictments that USJ filed. In the filing the details of the alleged crimes, as highlighted above, are provided and it is also noted, for example, that:

“To further their corrupt ends, the defendants and their co-conspirators provided one another with mutual aid and protection. The conspirators engaged in conduct designed to prevent the detection of their illegal activities, to conceal the location and ownership of proceeds of those activities, and to promote the carrying on of those activities. The conduct engaged in by various

members of the conspiracy included, among other things: the use of "consulting services" agreements and other similar types of contracts to create an appearance of legitimacy for illicit payments; the use of various mechanisms, including trusted intermediaries, bankers, financial advisors, and currency dealers, to make and facilitate the making of illicit payments; the creation and use of shell companies, nominees, and numbered bank accounts in tax havens and other secretive banking jurisdictions; the active concealment of foreign bank accounts; the structuring of financial transactions to avoid currency reporting requirements; bulk cash smuggling; the purchase of real property and other physical assets; the use of safe deposit boxes; income tax evasion; and obstruction of justice."

Over a period of around 25 years, the individuals indicted rose to various positions of power in world soccer and they assisted a host of sports marketing firms to develop. Their relationships with one another and with the companies is the basis of all the crimes which they allegedly perpetrated. Another direct quote from the court documents is also worth highlighting as it explains some of the more general critical issues here:

"The corruption of the enterprise became endemic. Certain defendants and coconspirators rose to power, unlawfully amassed significant personal fortunes by defrauding the organizations they were chosen to serve, and were exposed and then either expelled from those organizations or forced to resign. Other defendants and co-conspirators came to power in the wake of scandal, promising reform. Rather than repair the harm done to the sport and its institutions, however, these defendants and co-conspirators quickly engaged in the same unlawful practices that had enriched their predecessors."

Charles Blazer, a former head of CONACAF, where he started working in 1987, is a central figure in the USJ's case having agreed to plead guilty. He was also a member of FIFA's ExCo. He is the insider that shared information to try and ensure that he gets a light sentence from the US court. Blazer has admitted to participating in fraud, bribery and money laundering, as well as U.S. tax evasion.

He participated, among other things, in bribes to determine the host countries for major championships including the World Cup. France and Morocco were contenders for the 1998 World Cup. Blazer travelled with one of those indicted to Morocco in early 1992 before the ExCo vote (which France won), where bribes were discussed and thereafter Blazer was involved in seeing the payments were made.

Then, hundreds of thousands of dollars of bribes were paid involving Blazer, other indicted individuals and sports marketing companies through the 1990s to determine who would host Gold Cup events in South America. Some payments were made through shell companies to hide their origin and other details, such as the "Sportsvertizings Company" registered in the Cayman Islands with a bank account there at Barclays. The same entity received \$600,000 in 2003, but the bank asked for information on where it came from. So, Blazer and others backdated contracts through a Panama registered company. No disclosures of any of the payments over the years were made to either CONACAF or FIFA.

In, or about, 2004, FIFA's ExCo considered bids from South Africa, Morocco and Egypt, to host the 2010 World Cup. In the months before the decision, Blazer and one of those indicted traveled again to Morocco, where a \$1 million bribe was discussed. Subsequently, Blazer learned from the same person that South African organizations were prepared to pay him \$10 million for his vote and so "support the African diaspora." Blazer was told by one of the people indicted that he would get 10% of the \$10 million. At the key ExCo vote South Africa won. Eventually Blazer received \$750,000 from this individual, who also said he had given some of the bribe to two other ExCo officials.

The names and details of each of the above events, as well as others play central roles in some of the May 27, 2015 arrests and indictments.

Court documents show that another FIFA insider, Daryan Warner, also engaged in various schemes. Details are provided, for example, of how he and others were involved in illegally reselling tickets for both the World Cups in 2006 and 2010. He obtained tickets from the official FIFA ticketing office and illegally resold them to a Florida ticket agency and lied to FIFA about the fact that he was not using them for his personal use. Funds were illegally transferred to and from U.S. bank accounts.

U.S. Involvement

There have been questions as to why the USJ should take the lead in indicting non-American citizens about competitions that took place outside the U.S. and that came under the auspices of the Swiss-based FIFA. The court documents show that some FIFA officials were U.S. citizens; that CONCACAF had its headquarters in the U.S.; that the sports marketing companies were in many instances headquartered in the U.S.; and, there were massive FIFA financial transactions that went through the U.S.:

- FIFA wired billions of dollars from its accounts at a major Swiss financial institution into beneficiary accounts in the United States and throughout the world via a correspondent account at the U.S. branch of a major Swiss financial institution;
- CONCACAF and CONMEBOL conducted business using accounts at the Florida and New York branches of major U.S. and Swiss financial institutions;
- CFU and two South American soccer federations, Federación Venezolana de Fútbol (FVF) and Asociación del Fútbol Argentina (AFA), conducted business using the New York and Florida branches of multiple major and regional U.S. and foreign financial institutions;
- Continental Sports, a Traffic Group holding company, provided tens of millions of dollars in capital to support the operations of the Traffic Group using its account at the New York branch of a major U.S. financial institution;
- Traffic USA and Traffic International, two subsidiaries of the Traffic Group, conducted business using their accounts at the Florida branches of a major U.S. financial institution and a small U.S. financial institution that specialized in providing private banking services to clients from Latin America, respectively;
- Full Play, Torneos, Sports Marketing Company A, and Sports Marketing Company B conducted business using New York branches of major U.S., Swiss, and Brazilian financial institutions;
- Somerton and Valente, the intermediaries controlled by the defendant JOSE MARGULIES, conducted business using accounts at the New York and Florida branches of major U.S. and European financial institutions;
- The defendants AARON DAVIDSON, RAFAEL ESQUIVEL, NICOLAS LEOZ, JULIO ROCHA, COSTAS TAKKAS, and JEFFREY WEBB personally controlled accounts at the New York, Miami, and San Francisco branches of major U.S. and Swiss financial institutions; and,
- The defendant NICOLAS LEOZ used a New York based investment advisor registered with the U.S. Securities and Exchange Commission to manage a \$40 million portfolio (as of 2012) of his worldwide investments.
- In addition to the use of the particular financial institutions and wire facilities identified above, the conspirators also relied on the broader strength and stability of the U.S. financial system, including access to the private equity markets.

ⁱ Press release link - <http://www.justice.gov/opa/pr/nine-fifa-officials-and-five-corporate-executives-indicted-racketeering-conspiracy-and>

ⁱⁱ <http://www.justice.gov/opa/file/450211/download>

ⁱⁱⁱ The charges were announced by Attorney General Loretta E. Lynch, Acting U.S. Attorney Kelly T. Currie of the Eastern District of New York, Director James B. Comey of the FBI, Assistant Director in Charge Diego W. Rodriguez of the FBI's New York Field Office, Chief Richard Weber of the Internal Revenue Service-Criminal Investigation (IRS-CI) and Special Agent in Charge Erick Martinez of the IRS-CI's Los Angeles Field Office.

^{iv} Reuters reported on May 28, 2015 – “Although Nike has not been named or charged with any wrongdoing, the company was swept into the corruption scandal that engulfed soccer's governing body FIFA when a U.S. indictment released on Wednesday described apparent kickback payments linked to a landmark 1996 Nike deal in Brazil. In a statement on Thursday, Nike said that the charges did not allege that it engaged in criminal conduct or that any Nike employee was aware of or took part in a bribery scheme. On Wednesday, in another statement, it did not confirm or deny that it was the company in the indictment, but said it was cooperating with authorities. The description of the \$160 million, 10-year deal signed by "Sportswear Company A" matched exactly the details of Nike's agreement to become the footwear and apparel supplier and sponsor of the world's most successful national soccer team.”