February 7, 2018

VIA FEDERAL EXPRESS

Fédération Internationale de Football Association
FIFA-Strasse 20
P.O. Box 8044
Zurich, Switzerland
ATTENTION: Members Association Committee

Ladies and Gentlemen:

This letter is submitted by the Sports Fan Coalition ("SFC"), a grassroots advocacy organization dedicated to protecting the rights and interests of U.S. sports fans.

Our purpose in writing is to draw to your attention to our belief that the FIFA member association for the United States, the United States Soccer Federation, Inc. ("USSF" or the "Federation"), has committed major and continuing violations of FIFA's Statutes (the "Statutes"). Those violations seriously compromise the realization in the United States of FIFA's goals articulated in paragraphs (a) and (e) of Article 2 of the Statues "to improve the game of football constantly and promote it globally" and "to ensure that the game of football is available to and resourced for all who wish to participate."

Specifically, the undersigned believe that the USSF's governance system is unrepresentative, riddled with conflicts of interest and dominated by Federation insiders and one of the U.S. professional leagues, resulting in the violation of the provisions of the Statues which require or encourage member associations to:

- "involve all relevant stakeholders in football in their own structure" [Article 11(1)];
- "manage their affairs independently and ensure that their own affairs are not influenced by any third parties" [Article 14.1(i); also Article 19.1];
- enact statutes that include provisions to "avoid conflicts of interests in decision-making" [Article 15(c)];

- ensure that its own rules and regulations are drafted independently and free from any form of interference [Article 15(c)];

- avoid conflicts of interest in its official decision-making processes [Article 15(i)]; and

- establish "a democratic procedure that guarantees the complete independence of the election or appointment" of its governing body; [Article 19.2].

USSF GOVERNANCE STRUCTURE

The Bylaws of the USSF (the "Bylaws") vest governance of the USSF in a Board of Directors (the "USSF Board" or the "Board"). The Bylaws also establish four "administrative units" consisting of a Youth Council, an Adult Council, a Professional Council and an Athletes' Council (the "Councils"). Recently, the USSF created a Fan Council which is intended to give soccer fans a voice in the Federation's governance. Each Council is supposed to represent the interests of the group of participants in the game of soccer specified in its name. (For example, the Youth Council represents those who are active in youth soccer.) The Councils have only the limited authority expressly granted to them by the Bylaws or the USSF Board, and their most important role in the governance of USSF is voting in the election of the Federation's President, Vice President and certain members of the Board of Directors.

Pursuant to Bylaw 312, the Board of Directors is comprised of 15 voting directors (each having one vote) and two non-voting directors, as follows:

a. The USSF's President
b. The USSF's Vice President
c. The Immediate Past-President of the USSF (non-voting)
d. The Chairperson and one additional designee of the Adult Council
e. Two of the Commissioners of the Youth Council
f. The Chairperson and a designee of the Professional Council
g. Three members of the Athletes Council
h. Three "independent" directors elected by the National Council, which is the USSF's "representative membership body"
i. One "at large" director
j. The Secretary General (non-voting)

STRUCTURE OF PROFESSIONAL SOCCER IN THE UNITED STATES

In contrast to most of the rest of the world, the USSF requires professional leagues to qualify for and be assigned to one of three tiered divisions—Division I, Division II or Division III. Also different from the situation in all but a very few countries is the fact that U. S. professional leagues are closed systems, without promotion and relegation in any form.

Leagues seeking USSF sanctioning to play within a Division must satisfy or obtain waivers of “Professional League Standards” promulgated by the USSF, some of which apply to all professional leagues generally, while others are specific to each Division.

Because of the USSF’s position as the only FIFA member association in the United States, fans, sponsors, players, television networks and the press have come to regard the USSF’s three Divisions as a competitive hierarchy which defines professional soccer within the U.S., with Division I being regarded as the top tier and Division II as the second tier of men’s professional soccer in the United States. Division III is viewed as a developmental league.

Presently, the Division I leagues consist of National Women’s Soccer League (“NWSL”) and Major League Soccer (“MLS”), a men’s league. NWSL was formed by the USSF, the Canadian Soccer Association and the Mexican Football Federation and it is managed by the USSF.

MLS operates under a “single-entity” structure in which the league itself owns the clubs and closely controls many of their operations. On the surface, individuals or entities which become equity owners in MLS (“MLS Owners”) through payment of an “entry fee” do not acquire any direct ownership interest in any MLS team. Instead, they are granted the right to “manage” a team owned by MLS in a specific territory and are given individual responsibility for local revenues and costs associated with games played. A Board of Governors consisting of designees of MLS Owners governs the league as a whole. The single-entity structure is unique within professional sports in the United States and elsewhere in the world and it is speculated that MLS’s goal in adopting that structure was to gain a degree of coordination among teams and centralization of rules and policies that would not be legal under U.S. antitrust laws if implemented through agreements or understandings among individually owned teams.

For the 2017 season, there were two Division II professional leagues, the North American Soccer League, LLC (“NASL”) and the United Soccer League (“USL”), both of which are men’s leagues.

The NASL’s governance structure conforms to the normal pattern for U.S. sports leagues generally—namely, each team is separately and independently owned and the team owners control the league through a board comprised of their representatives. The USL, like the MLS, departs from this norm, selling individual team owners a “franchise” to play in the league. The terms of the franchise grant to the USL’s owners, rather than the team owners, the power to exercise a large measure of control over virtually every important facet of the operations, business and affairs of teams and the league.

The Division II landscape may change for the 2018 season. The USSF has confirmed that it will continue to recognize the USLas a Division II sanction will continue, but has denied NASL’s application for a renewal of its Division II status. In an ongoing antitrust lawsuit in a United States Federal Court in Brooklyn, New York, the NASL claims that the USSF’s decision to revoke the NASL’s Division II status and related actions, including the manner in which the Professional League Standards have been applied, are part of an anti-competitive scheme designed to protect the monopoly position of MLS as the only top-tier men’s professional league in the United States. Unless the court grants NASL a requested injunction, the NASL will not play as a USSF-sanctioned Division II league in 2018.

USSF BOARD'S STRUCTURE AND COMPOSITION VIOLATE ARTICLE 11(1)

Article 11(1) of the Statutes prescribes that "member associations involve all relevant stakeholders in their own structure." The Statutes define the term "stakeholder" as "a person, entity or organisation which is not a member association and/or body of FIFA but has an interest or concern in FIFA's activities, which may affect or be affected by FIFA's actions, objectives and policies, in particular clubs, players, coaches and professional leagues."

As FIFA has made clear in prior inquiries into the governance structures of member associations—most recently in its involvement with the restructuring of the member association in Australia—the Statutes require that all important stakeholders have meaningful representation on the governing body of the association, and that requirement cannot be satisfied unless voting power on the governing body is fairly distributed among the various stakeholders, rather than having some stakeholders hold too much power and others too little.

The USSF Board falls far short of this ideal for two primary reasons: (1) voting power on the Board is improperly allocated so that some individuals and groups, including non-stakeholders, have too much influence and others, including professional leagues below the Division I level and fans, have too little; and (2) the USSF Board's structure and Board-member nomination and selection process is designed to, and in fact does, allow the USSF's President, together with allies, to dominate decision-making.

The following chart shows the percentage of the combined voting power of USSF Board members:

Individual or Group	Percentage of Total USSF Board Votes
USSF officers (President & Executive Vice President)	13.33%
Adult Council (two directors)	13.33%
Youth Council (two directors)	13.33%
Professional Council (two directors)	13.33%
Athletes (three directors)	20.00%
"Independents" (3 directors)	20.00%
"At large" members (one director)	6.67%

The chart raises a number of questions. The first one is why the USSF has representation on the USSF Board through two of its officers. The Federation is not itself a stakeholder and its proper role is to carry out the decisions made by the Board members appointed or elected by stakeholders, rather than to make those decisions.

It is widely understood that the dominant personal interests of the executive officers of an administrative agency or other bureaucratic organization often are to keep their jobs and grow their personal perquisites and power—interests which can easily conflict with those of the constituencies that the organization is intended to serve. The USSF's inclusion of its two top officers as voting members of the sport's governing body is a departure from the practice common in all of the other major sports in the United States. Each of the National Football League, the National Basketball Association and Major League Baseball are governed by a board consisting of representatives of the member teams. In each case, the chief executive and all subordinate executive officers are employees of the sport's administration and operations staff who do not have a seat or vote on the board.

By contrast, in the USSF the two top executive officers control 13.33% of the total Board votes, the same percentage of votes as the representatives of each of the Adult, Youth and Professional Councils. It is ludicrous that two USSF bureaucrats have as many votes as each of the three principal groups of actual participants in the game of soccer in the U.S. Even worse is the fact that the USSF has more Board seats and votes than the NASL, which, as discussed further below, has absolutely no Board representation because the MLS dominates the Professional Counsel as well as the selection of the two directors which the Council has the right to designate.

Equally hard to justify under the Statutes is the voting power given to so-called "independent" delegates, none of whom are required to represent any stakeholders in order to be eligible to serve on the Board. Indeed, there is no requirement that any of the independent directors be involved with soccer in any manner whatsoever. Yet, despite the absence of meaningful stakes in the game, the independent directors outnumber and outvote the representatives of each of the Adult, Youth and Professional Councils by three to two and have the same number of votes as Athletes. In our view, there is no justification for giving the "independent" directors a greater voice and more power on the Board than adult, youth and professional stakeholders and the same number of votes as athlete stakeholders.

Similarly, as an organization which represents the interest of fans, we think that the Federation's failure to set aside even a single Board seat for a fan representative is inconsistent with the Statute's emphasis on inclusiveness. Obviously, fans are critically important for all sports and have a significant stake in the sport. Moreover, fans and other individuals may become members of the USSF and, as noted above, the USSF has created a Fan Council which participates in elections of the Federation's officers, budget approval and other governance matters. Yet, the Fan Council is not entitled to elect a representative to the Board, an omission that the undersigned believes is inconsistent with the Statutes.

In addition, the representation on the USSF Board of professional soccer as a whole is grossly disproportionate to its growing popularity and importance in the U.S. A related flaw is the fact that the number of Board seats reserved for the professional leagues is insufficient to provide effective representation of the different interests within U.S. professional soccer.

The essential principle underlying Article 11(1) of the Statutes is that the governing bodies of member associations should be representational, so that each significant group of stakeholders with distinct needs, preferences and challenges has a meaningful voice. One goal is to create a forum in which the differing interests can engage in a dialogue, gain an understanding of their respective points of view and, hopefully, arrive at compromises and accommodations that lead to a consensus as to the future direction of the association and the sport within the relevant country. In addition, a genuinely representative board prevents unrepresented or underrepresented groups from developing enduring grievances or bad feelings that divide and weaken the organization and the sport.

These goals cannot be achieved, however, if important stakeholders have no or an inadequate voice in Board deliberations. Unfortunately, that is the situation existing in the U.S.

Although the four U.S. professional leagues have some common interests, there are important areas where their interests may diverge. For example, the MLS and the NWSL differ greatly in terms of their needs and priorities. Similarly, the interests of MLS, as a Division I league, do not always correspond to those of Division II leagues. Within Division II, the positions of USL and NASL regarding Board policies and decisions are not always aligned, in part because of their radically different ownership and governance structures and in part because USL has an important business relationship with MLS, while NASL is independent. The allocation to the professional leagues of only two seats on the USSF Board is inadequate to take into account the reality that those leagues are not monolithically aligned.

Moreover, the process the USSF has established for filling the inadequate number of seats set aside for the professional leagues means that only one of the four leagues—the MLS—has an effective voice.

As noted above, the two USSF board members representing professional leagues are selected by the Professional Counsel. Although MLS, NWSL, NASL and USL all belong to the Professional Council, voting rights within the Council are assigned under a point system based on the division designations established by USSF, with the application of an attendance factor.

Every MLS team with an average attendance of greater than 10,000 per game is allocated a point value of 1.0, and every MLS team with an average attendance under 10,000 per game is allocated a point value of 0.5. The point allocations for NWSL teams are similarly 0.5 and 1, but based on an average attendance threshold of 5,000 per game.

By contrast, each NASL team is allocated only 0.25 points, regardless of attendance. That is true even though in 2015, for example, the NASL's average attendance was nearly 6,000 per regular season game. An MLS or NWSL team with the same average attendance would be allocated a point value 2 times or 4 times higher than a team in the NASL.

When the formula is applied to the U.S.-based clubs in each league, it results in MLS having the majority of the voting rights on the Professional Council. This skewing of voting rights should come as no surprise because the system was an MLS invention implemented by USSF and the Professional Council in February 2014, despite the NASL's objections.

As a result, the two Professional Council representatives on the USSF Board are invariably individuals who work for, have a significant business relationship with or are seeking a benefit or favor from the MLS. For example, since at least 2014, one of the two USSF Board seats allocated to the Professional Counsel has been held by Mr. Garber, the MLS Commissioner and the Professional Council's Chairman, while the other has been filled by a succession of individuals nominated by Mr. Garber, all of whom ostensibly have had ties to one of the professional leagues other than MLS, but who, in reality, have been beholden to or seeking favors from MLS.

To illustrate, Mr. Garber's nominee in 2014 was Merritt Paulson, who although an NWSL team owner, also owned an MLS team. In 2015, the nominee was Alec Papadakis, an owner and CEO of the entity that owns the USL, which receives substantial benefits under a business relationship with MLS. In 2016, Mr. Garber's nominee for the second Professional Council seat was Stephen Malik, who, although then an owner of an NASL team, was competing with nine other applicants for only two slots opened up by the MLS for expansion teams. Mr. Malik also recently moved his team from the NASL to the USL. Not surprisingly, all three of Mr. Garber's nominees were elected to the USSF Board.

The USSF's decision to limit the number of professional league representatives on the USSF Board to two and its adoption of the MLS-created voting scheme which allows the MLS to dominate the Professional Council , the NASL has been deprived of effective Board representation. If a matter comes before the USSF Board where the interests of NASL are inconsistent with MLS's position, then the NASL has no effective representation on the USSF Board.[1] This problem is compounded by the fact that the NWSL is controlled by the USSF, meaning that its voting power will usually be added to that of the MLS.

Based on the foregoing, the undersigned submit that the USSF has violated and continues to violate Articles 11.1, 14.1(j), 15(i) and 15(j) of the Statutes.

DOMINANCE OF USSF BOARD BY PRESIDENT VIOLATES THE STATUTES

Prevailing theories about corporate governance conclude that managers are invariably self-interested and, if not effectively monitored and controlled, will behave in ways that conflict with the goals and interests of the owners or members. Often, management's primary interest is self-enrichment or self-aggrandizement. But that is not always true. In some cases, senior executives are well-intentioned, sincerely believing that they "know what's best" for the organization. Unfortunately, they are not always right and, in any event, it should be the stakeholders who decide for themselves, directly or through disinterested representatives, what is really in their best interests.

Regardless of the chief executive's motivation, unless an organization's board is properly constituted and populated with the right people, it can become dominated by a strong executive who coopts it to serve his or her personal goals or personal definition of the best interests of the organization, its members and the constituencies it is supposed to serve. The results are seldom desirable and can sometimes be disastrous. In the U.S. and other countries, there have been prominent collapses of major business enterprises as a result of fraud or mismanagement, even though their boards were populated with "independent" directors who were supposed to monitor and, when necessary, reign in or redirect executive officers but, instead, deferred to management's judgment and agenda.

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[1] The Athletes' Council, as its name suggests, is made up of players. But out of the 20 current members of the Council, none play in the NASL.

For over a decade, the USSF Board has been dominated by Sunil Gulati, who was first elected as the USSF's President in 2006. Before that, he was the USSF's Vice President for six years. Mr. Gulati has also been on the USSF's Board since 1995. Mr. Gulati has been involved in numerous central management roles within MLS or MLS teams dating back to the league's inception more than 20 years ago—he served as inaugural deputy commissioner of MLS from 1995 to 1999 and during the first seven years of his tenure as USSF's President (2006-2013) held various executive positions within the Kraft Sports Group, which owns and manages MLS-related holdings, including an MLS club, and has been a longstanding investor in MLS.

The USSF's President is the organization's principal executive officer. In that capacity, Mr. Gulati has dominated the Federation's policies and decisions by using the power inherent in his position, his symbiotic relationships with MLS and various other stakeholders and his influence over how the USSF's tens of millions of dollars of annual revenues are spent.

A major reason for his dominance has been his ability to secure places on the Board for individuals who, for one reason or another, follow his lead and defer to his wishes. Among other things, Mr. Gulati has significant control over selection of the Board's three independent directors. He is the one who initially nominates each candidate to fill the independent-director seats. Academic studies have found that the nominating process frequently is more important than director elections themselves—once the nomination is secured, election usually follows as a matter of course.

Experts on organizational governance generally agree that the primary goal of an executive with influence over director nominations is to secure nominees with whom he or she has friendly pre-existing business or personal relationships and whom he judges to be highly likely to accept senior management's positions on questions coming before the board. Accordingly, executives seek directors with whom they have social, business and other ties because those connections enhance the likelihood that the directors will vote as management desires. Another tool managers use to secure directors' support is by carefully doling out the perquisites or other benefits available through the firm—the fact that those benefits may end if the director is not re-nominated because he or she does not support the chief executive's agenda can influence a director to be supportive of incumbent senior management.

Often, these and other techniques produce a board where "independent" directors who are supposed to make decisions based on what is best for the organization, not what is best for management, routinely vote with the chief executive and rarely, if ever, oppose his or her recommendations. As noted above, there have been several prominent collapses of major business enterprises because of management wrongdoing or mistakes even though their boards were populated with ostensibly "independent" directors who were supposed to monitor management as representatives of shareholders.

While we are not accusing any specific director of wrong-doing, the USSF appears to correspond in many ways to the scholars' model of a firm whose board has been co-opted by a strong chief executive. Mr. Gulati, of course, is almost universally recognized as very much a hands-on manager with an agenda. Mr. Gulati's director nominations are invariably supported by the Board and elected at the USSF's Annual General Meeting. The individuals he nominates have relationships and connections with Mr. Gulati or the USSF which, in our opinion, pre-dispose them to vote as he recommends, particularly when the matter is one that affects the interests of MLS. Some USSF directors gain status, prestige, opportunities or other benefits from being on the Board which they have an interest in maintaining, including, but not limited to, valuable travel opportunities, VIP game tickets, MLS team and sponsor merchandise, and "networking" opportunities associated with high-profile events. Finally, the at-large and so-called "independent" USSF directors rarely, if ever, vote against Mr. Gulati's positions and recommendations.

The following chart indicates some of the linkages and background of current Board members of the kinds that experts have identified as potentially compromising independence:

Director	**Representational Status**	**Relationship to Sunil Gulati/USSF Management/MLS**
Sunil Gulati	USSF President	USSF Board of Directors since 1995; deputy commissioner of MLS from 1995-1999; described by Mr. Garber, the MLS Commissioner, as "one of my closest friends." Until at least 2013 he occupied various executive positions within the Kraft Sports Group—an organization that owns and manages MLS-related holdings, including an MLS club, and has been a longstanding investor in MLS.
John Collins	At-Large Director	General Counsel to the USSF from 1997 to 2001; represents USL interests in his private law practice
Lisa Carnoy	Independent Director; Does Not Represent Identifiable Group of Stakeholders	Mr. Gulati and Ms. Carnoy have a pre-existing connection through Columbia University, where he is employed as a Senior Lecturer and she serves as a member of the University's Board of Trustees
Carlos Bocanegra	Athlete Representative	Former MLS player for 14 years; Currently Technical Director of Atlanta United MLS team;
Val Ackerman	Independent Director; Does Not Represent Identifiable Group of Stakeholders	Former adjunct faculty member at Columbia University, where Mr. Gulati is employed and Ms. Carnoy is a Trustee
Donna Shalala	Independent Director; Does Not Represent Identifiable Group of Stakeholders	Former Columbia faculty member who has a scholarship at the University established in her name; Appointed as a member of Board for

		the United Bid Committee of Canada, Mexico and the United States that will oversee the bidding process to bring the 2026 FIFA World Cup™ to North America, a prestigious position that may result in significant financial remuneration. Mr. Gulati heads the Bid Committee.
Don Garber	Professional Council Chairman	MLS Commissioner and CEO of SUM; Member of Board for United Bid Committee
Carlos Cordeiro	USSF Executive Vice President	USSF director since 2007; became USSF's treasurer the following year; served as vice chairman on the committee making a bid to have the U. S. host the 2022 World Cup™ (Mr. Gulati was Chairman); served as the Chairman of the Federation's budget committee; elected the USSF's executive vice president in 2016. Before deciding in late 2017 to run for the presidency of the Federation after a meeting with Mr. Garber, Mr. Cordeiro was widely referred to in the press as Mr. Gulati's "deputy," "confidante" or "protégé." Also a member of Board for United Bid Committee, a prestigious position that may result in financial remuneration
Stephen Malik	Professional Council Member	Owner of teams in the USL and NWSL (in which the Federation has an equity interest); has sought admission of his men's professional team to MLS; nominated by MLS Commissioner Garber to be second Professional Council representative on the Board

The connections summarized in the chart, as well as the realities of the relationship between the managers of youth soccer in the U.S. and the Federation's management, result in the USSF Board being especially susceptible to dominance by the USSF's President.[2] In our

[2] Although Mr. Gulati has recently announced that he will not stand again in the upcoming election for USSF President, he has made clear that he fully supports the candidacy of Kathy Carter, who is the President of Soccer United Marketing, which is owned by the MLS's owners. Mr. Garber has also announced that MLS is supporting Ms. Carter's candidacy. (Ms. Carter is on leave-of-absence from Soccer United Marketing while she conducts her

opinion, the USSF Board has become a rubber stamp. Even the USSF's own Executive Vice President has publicly suggested that, under the current regime, there is "one person making every decision" and the Federation's Board exists "just to ratify things."

Based on the foregoing, the undersigned submit that the USSF has violated and continues to violate Article 15(i), 15(j) and 19(2) of the Statutes.

USSF'S FAVORITISM TOWARD THE MLS VIOLATES FIFA'S STATUTES

Article 14.1(i) of the Statutes requires member associations to "manage their affairs independently and ensure that their own affairs are not influenced by any third parties." Similar obligations arise under Articles 15(c) and 19. In the undersigned's opinion, the USSF's independence has been severely compromised because of its relationship with MLS, as evidenced by its history of consistently favoring MLS to the detriment of NASL, NWSL and other stakeholders. Such preferential conduct not only is inconsistent with the Statutes, but also contravenes the USSF's paramount mission of working toward the promotion and development of soccer in the United States *overall*.

In our view, one reason that the USSF's independence has been compromised is the fact that at the time of MLS's creation in 1995 and during the key period in its history starting in 2006, the USSF's President has been a current or former officer of MLS. We think that another reason is the fact that the close association with MLS is the source of much of the prestige, power, status and perquisites that USSF's officers and directors enjoy. The third and by far most important reason that the USSF has favored MLS is the Federation's business relationship with Soccer United Marketing, LLC ("SUM"). SUM is a for-profit entity that was created by MLS's owners in 2001 as a separate company. Don Garber, Commissioner of MLS and a member of the USSF Board of Directors, is SUM's CEO.

Since 2004, the USSF has given exclusive marketing rights for the USSF's broadcast rights in the games played by U.S. National Teams, which also controls the marketing of MLS's broadcast rights. As a result, SUM, MLS and the USSF have, to a large degree, simply become different arms of a single economic entity, thereby compromising the independence of the USSF's senior management and its Board. Moreover, the direct economic link between the USSF and the MLS through SUM creates a powerful economic incentive for the management of USSF to focus on protecting MLS's interests over and above the interests of the rest of its stakeholders, particularly those, like the NASL, which represent a competitive threat to MLS.

Another factor contributing to the USSF's bias in favor of MLS is the web of business, social and other connections between the MLS and the Federation's President during crucial periods. MLS was founded by the USSF's then-president, Alan Rothenberg, who later testified in federal court that it was always the USSF's plan to sanction only one Division I professional men's league. Starting in 2006 and continuing until today, the Federation's President has been

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election campaign.) As the immediate past-President, Mr. Gulati will remain on the Board after the election and while a non-voting member, will be in a position to continue to influence its decisions.

Mr. Gulati, who served as Rothenberg's inaugural deputy commissioner of MLS from 1995 to 1999. Even after leaving his position as MLS deputy commissioner in 1999, until at least 2013 Mr. Gulati occupied various executive positions within the Kraft Sports Group—an organization that owns and manages MLS-related holdings, including an MLS club, and has been a longstanding investor in MLS. While still employed by the Kraft Sports Group, Mr. Gulati was elected USSF President in 2006, and reelected in 2010 and 2014. If, with the support of Mr. Garber, Mr. Gulati and their allies and dependents, Kathy Carter is elected to replace Mr. Gulati at the February 14, 2018 election, by the time her first term in office expires in 2022, the USSF's presidency will have been held by someone who was a long-time senior executive of MLS or SUM for a combined period of 16 years.

In addition, as indicated in the chart above, fully one-third of the voting members of the Board have an existing or prior employment or other business relationship with the MLS or its business partner, the USL. That includes Mr. Garber, who has long acted both as the Commissioner of MLS and a USSF Board member. As explained above, he controls the Professional Council and its two Board seats. He is also a member of key Board and non-Board committees that play significant roles in decisions fundamentally affecting the Federation's governance, operations and future direction. He has been a strong ally of Mr. Gulati, lobbying passionately for each of Mr. Gulati's reelections as USSF President, and he supports Ms. Carter in the upcoming election.

In our opinion, the relationships with the MLS that certain Federation officers and directors have predispose them to favor the interests of MLS over those of less favored stakeholders and to be susceptible to influence by MLS, SUM and their principals. If, in the upcoming election, Ms. Carter or Mr. Cordeiro is elected to succeed Mr. Gulati, we believe that this predisposition will continue.

At the same time, we believe that USSF's relationship with MLS and SUM has provided Board members with perquisites, opportunities and status which they understand would be lost if they did not support MLS's agenda.

Academic experts and good governance advocates agree that in circumstances like these, a properly structured and functioning board of directors is critical to ensure that the organization serves stakeholders, rather than management and business partners. In our view, USSF lacks that kind of governing body because of the composition of the Board, and the conflicts of interest inherent in the USSF's financial ties to SUM and the dominance of the Board during the last 12 years by a President who believes that the best interests of U.S soccer as a whole is defined by the best interests of MLS..

As detailed above, the conflicts of interest permeating the USSF Board and its governance of professional soccer are numerous and glaring. Nevertheless, the Board has obstinately refused to take customary and prudent steps to eliminate longstanding conflicts of interest which, in our view, poison the Board's professional league decision-making processes.

In fact, the USSF's approach to conflicts of interest on its Board has been harshly criticized by third-party scholars and commentators. For example, Professor Roger Pielke, Jr., the founder and chair of the Sports Governance Center in the Department of Athletics at the University of Colorado, Boulder, singled out the USSF in May 2016 as a governing body whose conflict policies require significant changes. Among other critiques, Professor Pielke wrote that the USSF "should transition the role played by its CEO and board in evaluating possible conflicts to an independent Ethics Committee" (in other words, it doesn't pass muster for the Board to "monitor" itself for its own conflicts), "there needs to be a comprehensive independent evaluation of the mixing of non-profit and for-profit activities that occur under the umbrella of US Soccer" and there should be "greater transparency in U.S. soccer conflict of interest policies."

Professor Pielke further explained that the USSF's approach to conflicts of interest "departs from best practices in three important respects" because (i) only the CEO and the Board need to evaluate conflicts, (ii) affiliated member entities like MLS are completely excused from the conflicts policy, and (iii) the USSF is not transparent about publicly disclosing potential conflicts of interest within its leadership. Contrary to best practices, Professor Pielke also observes, the USSF suffers from "a longstanding culture that has eschewed independent oversight," that *the "actual inter-related workings of SUM, MLS and US Soccer are opaque, to put it mildly"* and that *the USSF Board's "mixing of business interests and non-profit sports governance is a recipe for disaster."*

The USSF's Board has not taken the actions necessary to eliminate these conflicts of interest or minimize their potential negative impact.[3]

Based on the foregoing, the SFC submits that the USSF has violated and continues to violate Articles 15(c) and 19.1of the Statutes.

CONCLUSION

As the foregoing demonstrates, the USSF Board has an unrepresentative structure designed to allow dominance by the Federation's President and is composed of individuals who have the kinds of business and personal relationships among themselves and with the MLS that jeopardizes independence and results in favoritism toward the MLS. In addition, the economic relationship with SUM creates a bias in favor of MLS and results in conflicts of interest on the Board.

In conclusion, the SFC respectfully requests FIFA to take decisive action to ensure that the USSF, as the sole member association in the United States—a vast but underdeveloped market for soccer—will in fact, as well as in the perception of stakeholders, the press and the public generally, be structured and operated in a manner that furthers FIFA's goal stated in

[3] The USSF Board recently approved a revised conflicts of interest policy, but the changes do not eliminate or mitigate the deficiencies noted by Professor Pielke.

Article 2(g) of the Statutes: "to promote integrity, ethics and fair play with a view to preventing all methods or practices . . . which might jeopardise the integrity of . . . member associations.[4]

Very truly yours,

Brian Hess, Acting Executive Director

[4] As noted above, for FIFA to take such a step would be far from unprecedented, with the most recent example being the ongoing involvement by FIFA in the restructuring of the board of directors of Football Federation Australia.