

Benny Alon

Plaintiff

v.

ISE AG, ISE Hospitality and DENTSU

Defendants

**STATEMENT OF BENNY ALON DATED OCTOBER 2005 FOR USE IN LEGAL
PROCEEDINGS AGAINST
ISE AG, ISE HOSPITALITY AND DENTSU**

1. During the 2002 World Cup in Tokyo I had various discussions with Mr Takahashi in relation to the hospitality program for the 2006 World Cup ('2006WC'). At the time, Mr Takahashi was a Senior Vice President of Dentsu, a Japanese company heavily involved in the 2002 World Cup. We agreed that we (through a company / entity to be formed) should attempt to purchase the hospitality rights for the 2006 WC from the Local Organizing Committee ('LOC').
2. In late 2002 International Sports and Entertainment AG ('ISE AG') was incorporated in Switzerland for the purposes of bidding for FIFA television and marketing rights. ISE was a joint venture between Dentsu and Publicis, a major French advertising company. George Taylor was appointed the President of ISE AG and Mr Takahashi the Chairman.
3. In January 2003, I, George Taylor and Mr Sakamoto (Dentsu) met with Fader Rodman, the Vice President of the German LOC in charge of marketing, to discuss the possibility of acquiring the rights to the 2006WC hospitality program (including tickets). This meeting took place in Paris. Later that month, ISE AG had a meeting with FIFA Marketing during which they were informed that the rights referred to above could only be purchased from FIFA, and not from the LOC.
4. In February 2003 Mr Takahashi, in his position as Chairman of ISE AG, asked me if I would put together a team and prepare the business documents, figures etc necessary to bid for the rights referred to at paragraph 3 above. Mr Takahashi informed me during that conversation that it was his intention to put that information to the Dentsu board and to seek their approval for the funding necessary to attempt to purchase those rights from FIFA.
5. Following my discussion with Mr Takahashi I approached Marty Schueren and Pascal Portes to help me put together a business plan. In Paris in late February / early March 2003 I presented George Taylor and Mr Takahashi with that business plan, which included recommendations for winning any bid from FIFA, package prices, package design, profit margins etc.

6. During the meeting above, Mr Takahashi:

- a. Made the decision, on behalf of ISE AG, that the company was to attempt to obtain the rights for the hospitality program for the 2006WC from FIFA; and
- b. Promised me that if ISE AG were to win those rights that I would receive personally, 200 packages for the Semi Final / Final of the 2006WC at face value, from the inventory of ISE AG.

7. Following that meeting, ISE AG hired PriceWaterhouseCoopers to help draft a formal business plan together with a proposal to FIFA Marketing for the above rights. A formal proposal was forwarded to FIFA in early March 2003. Following that proposal, we found out that 2 other companies (Sports Five in Germany and Infront in Switzerland) were also interested in acquiring the hospitality rights for the 2006WC. In April 2003 FIFA announced that there would be an official tender process for the hospitality rights.

8. Over 20 companies participated in the tender process. To assist ISE AG with the tender process I also obtained the services of [REDACTED] and Hank Steinbrecher (former Secretary General of the US Football Federation). Neither I, Jacques or Hank were paid for any of this work nor were we reimbursed for the personal expenses we incurred.

9. The majority of work for the tender process was done in Zurich in April 2003, the bid being due in May of that year. The night before our bid was due to be submitted to FIFA, George Taylor met with us (Hank, Pascal, Marty, myself and representatives of PWC) and announced that each of the people responsible for putting the bid together would be the ones responsible for managing the hospitality program (through an ISE subsidiary company to be created) in the event the bid was successful.

10. In June 2003 in Paris, FIFA announced that ISE AG had won the right to manage the hospitality program for the 2006WC. The day after the announcement I met with Mr Takahashi at the Ritz Hotel in Paris and presented him with a list of recommended office holders for the new project, including salary and bonuses. The list included the following:

- [REDACTED]
- COO- Hank Steinbrecher - €350k per year plus expenses and bonus of €1M
- Head of Sales – Benny Alon - - €350k per year plus expenses and bonus of €3M -€4M
- IT and Marketing – Marty Schueren and John Tebaldi - €200k per year between them plus expenses and bonus of €200k (subsequently raised to €500k)
- Head of Production – Pascal Portes - €200k per year plus expenses and bonus of €500k (contingent on certain savings in the production business)

Mr Takahashi insisted that George Taylor also receive a bonus of €1M. Further, in relation to my bonus, Mr Takahashi informed me that he would only approve a bonus for me in the amount of €3M - €4M on the condition that he receive up to 50% of any bonus amount paid to me.

11. Mr Takahashi agreed to each of the position appointments / remuneration levels referred to above. Later that day Mr Takahashi and myself met with George Taylor and Mr Takahashi informed him of the structure referred to above and the various remuneration levels that he had approved.

12. In August 2003 we had a meeting in Paris to officially start the project. KPMG had been hired at that stage to advise on the tax structure for the project, and in particular, the location of the office, companies etc which would manage the project. At that meeting Mr Takahashi asked me if I could provide him with some cash so that he could pay some of the Dentsu Board Members in return for their approval for the payment to FIFA, as a result of the successful ISE AG bid. He also asked me to put aside €2M that he needed to pay as a personal gratuity to Joseph Blatter, the Head of FIFA, in return for FIFA accepting ISE AG as the successful bidder for the 2006WC. I told Mr Takahashi that not only was I not willing to give him money for either of the reasons requested, but that he still owed me money that I had lent him during the 2002 World Cup. Mr Takahashi confirmed that he owed me money from the 2002 World Cup and that he would repay that money as soon as possible, however he required those funds at the present time to make the payments referred to above (to various Dentsu Board Member).
13. At the meeting in Paris, it was also agreed that [REDACTED] Hank, Pascal, Marty, John and I would start being paid from the beginning of September 2003 in the capacity of consultants for ISE AG. Up to that point, we had all been working for free and paying our own expenses in reliance on the promise by George Taylor that we would be employed by ISE AG (or its subsidiaries) if and when ISE won the bid.
14. Following the meeting in Paris, George Taylor sent an email to [REDACTED] Hank, Pascal and Marty/John asking them if they would accept an offer to work for iSe AG in the positions and at the salaries referred to at paragraph 10 above. I received a separate email from George Taylor on 5 October 2003 setting out the terms on which I would be employed by ISE AG (including salary and bonus).
15. In October 2003 a further meeting was held in Munich with KPMG. It was decided at that meeting (for tax purposes) that the management of ISE Hospitality would be based in Zug, Switzerland and that all international sales would need to go through that office (see paras 35-38 below).
16. It late 2003/early 2004 three subsidiary companies of ISE AG were created to manage the project:
- (a) ISE Hospitality AG in Zug Switzerland ("ISE Hospitality")
 - (b) ISE Hospitality Sales GmbH in Frankfurt Germany ("ISE Sales")
 - (c) ISE Hospitality Production GmbH in Frankfurt Germany ("ISE Production")
17. In October/November 2003 Pascal and I moved to Frankfurt on a full time basis and started working out of ISE Sales/Productions current office. [REDACTED] and Hank moved to Zug, Switzerland and started to work out of ISE Hospitality's offices in that city around the same time. We continued to be paid as consultants of ISE AG for some time.
18. Marty and John (through their company, Global Events Strategies LLC) had to agree to a consulting agreement with ISE AG which did not allow for both of them to be in Germany at the same time, due to the ISE AG tax structure.
19. We were first provided with draft service agreements in November 2003. The terms of those agreements were continuously changed until final drafts were signed around June 2004. At no stage did any of our service agreements refer to the bonuses discussed and

agreed to by ISE AG. We were informed by ISE AG during the negotiation of our service agreements that the bonuses would be recorded in a separate agreement.

Bonus Structure

20. On numerous occasions both before and after the various employment and consulting contracts were signed with the senior management of iSe Hospitality (Sales and Production), those employees/consultants made enquiries of me in relation to their bonus entitlements, board approval of those entitlements and their formal documentation. The enquiries were made directly to me as I had direct contact with Mr Takahashi and it was expected that I would speak with him in that regard. I did so on many occasions.
21. In March 04 Mr Takahashi visited the Frankfurt office of iSe. Whilst there, he informed me that he had never told Publicis, or obtained approval from that company, for the bonuses to be paid to myself, Pascal, Hank, [REDACTED] Marty and John. I was furious because George Taylor had written to each of us personally confirming our terms of remuneration including the entitlement to a bonus should certain sales targets be met. It was largely due to the bonus component of our remuneration that each and all of us agreed to move to Germany and work on this project. The bonus entitlements were also seen as recognition and reimbursement of the large amount of time spent and work done by all of us in making the successful bid to FIFA and setting up the company, all of which was done without payment. It became apparent from Mr Takahashi's comments that George Taylor had written and forwarded the above letters without Board Approval.
22. At my request, a meeting was then held in the Frankfurt office between me, Pascal, Hank, [REDACTED] Marty, John and Mr Takahashi. During that meeting I asked Mr Takahashi to explain the situation in relation to the bonuses. Mr Takahashi said that he had not obtained approval for the bonuses from Publicis because that company does not usually incorporate bonus entitlements into its employment contracts. In Mr Takahashi's view it was not the right time to discuss the bonuses with Publicis.
23. Mr Takahashi's comments in relation to the bonus situation came as a big surprise (and disappointment) given that he had promised us a bonus payment should certain sales targets be met by iSe and also because George Taylor had written to each member of the senior management team to confirm their bonus entitlements as part of their terms of employment. During the meeting Mr Takahashi agreed that we were all entitled to bonuses. He also said however that we would have to make the money ourselves (on the side) and that he would help in whatever way he could to make the money sufficient to pay all of the bonuses. The following issues were then discussed as possible means of generating extra income:
 - a. Production company – Create a company through which all iSe suppliers and vendors would be contracted, in return for a fee. Mr Takahashi asked Pascal Portes, as head of iSe Production, to look into this possibility further. He later approved the creation of a production company for this purpose.
 - b. Takahashi wanted iSe sales to funnel clients through a certain company to take advantage of the 5% commissions being offered to agents.
 - c. To reach agreements with third party agents whereby payments would be received in return for the awarding of contracts and the sale of hospitality packages pursuant to those contracts.

Mr Takahashi made it very clear during the meeting that Publicis was not to find out about the bonuses at this stage, and, more importantly, about the above ideas for generating extra income to pay those bonuses. Nevertheless, Mr Takahashi said he would guarantee the bonuses and would assist in anyway possible and approve any ideas we could come up with to make the money needed.

24. Following the meeting referred to in the preceding paragraph and on the same day Mr Takahashi, [REDACTED] and Hank Steinbrecher signed a document confirming all bonus entitlements and the relevant amounts.
25. Shortly after the March meeting in Frankfurt, a company was incorporated in Switzerland. The name of the company was IP Intersports Promotions Pty Ltd. Matthew Annells was asked to move from Australia to Germany to work as a consultant for this company. He moved to Frankfurt in May 2004. After a short period of time and a number of enquiries it became apparent that it would not be possible for Intersports to generate the income necessary to pay the bonus entitlements set out in the document referred to in paragraph 24 above. Mr Takahashi was then informed by me of this decision.
26. At that point it was agreed by me and Matthew (with the consent of Hank Steinbrecher (COO) and [REDACTED] that Intersports would be a company completely separate and independent from iSe and would have no financial obligations to iSe AG, iSe Hospitality or the senior management of those companies. At that point Matthew decided to remain in Germany and work for Intersports as an independent agent.

Rightscore Company

27. In January 2005 I went to Tokyo to visit Mr Takahashi. Together we went to a meeting with Rightscore Company, an international third party agent located in Japan. Mr Takahashi had instructed iSe to appoint Rightscore Company as the exclusive agent of iSe in Japan. This was in direct contravention of FIFA's rules and regulations. Following that meeting Takahashi and I had a further discussion about the bonuses. He promised me that he would speak to Publicis and explain to Publicis that he had promised us bonuses and that the bonuses would need to be provided for in the iSe budget.

Takahashi Payments

28. Whilst I was in Japan, Takahashi asked me if it would be possible for him to receive any money from the production company or the sale department of iSe as he said that he still needed to find €2M for Mr Blatter, the head of FIFA. I explained to Mr Takahashi that the CFO of iSe Roland Koefer would not allow us to go ahead with the production company. Mr Takahashi responded by telling me to go ahead and start the production company and he would take care of Mr Koefer.
29. When I returned from Japan I received a phone call from Pascal Portes, the head of iSe Production. He told me that he had received a phone call from Mr Takahashi asking Pascal to provide him with €2M in cash through the new production company. Pascal told me that he had informed Mr Takahashi that a production company had not been started and that should a production company be set up and generate revenue, then a profit would not be realized until following the World Cup in June/July 2006. I immediately contacted Mr Sakamoto and asked him to speak to Mr Takahashi about making such requests of iSe staff.

30. In March 2005 Mr Takahashi came to Frankfurt and requested a meeting with myself and Pascal Portes, the head of iSe Hospitality Production. During that meeting he asked Pascal to provide him with up to €2 Million from the production company which had been discussed at the meeting in Frankfurt in March 2004. Pascal and myself informed Mr Takahashi that the production company had not been formed and that it would not be possible to generate this income. Mr Takahashi then asked Pascal if there was any other way to generate €2M in cash quickly so that he could pay Mr Blatter. Pascal said that there was not.
31. Pascal then left the meeting and we were joined by Matthew Annells. At that stage Matthew was working as a consultant for Intersports. Mr Takahashi asked if Matthew would prepare a consulting agreement between iSe and Intersports, pursuant to which Intersports would be paid €2 Million over the following year under the premise that it was providing various services to iSe. Mr Takahashi went on to say that once the money was paid to Intersports it would need to be handed to him in cash. When asked what that money was required for, Mr Takahashi said that he needed to pay Mr Blatter, the President of FIFA, for awarding the hospitality program contract to iSe. He also said that he would take care of George Taylor and Roland Koefer of the iSe AG office as far as approval for the contract and the payments were concerned.
32. Immediately following the discussion referred to in the preceding paragraph, I discussed Mr Takahashi's request with John Tebaldi and Matthew Annells. It was decided very quickly that what Mr Takahashi was asking was illegal and therefore could not be done.
33. I then called George Taylor to inform him of Mr Takahashi's request and to tell him that there was no way this could be done. During that conversation, George asked me if Intersports was "Intersports Promotions" or "Intersports Production". He said that if Intersports was a production company then iSe could set up a production contract with it and run the various vendors and suppliers through that company, as suggested by Mr Takahashi during the meeting in Frankfurt in March 2004. I understand that this idea was ultimately vetoed by the COO of iSe AG, Roland Koefer. George Taylor called me the next morning to say that the idea would not work and that he was not prepared to go to jail for Mr Takahashi.
34. On 18 June 2004 I was present in Zurich at the iSe offices during a discussion on the future of iSe Hospitality AG. After the meeting ended George Taylor, the CEO of iSe AG requested that I meet with him privately. He told that Mr Takahashi was again requesting cash from the company. He also told me that he had instructed Roland Koefer to give Mr Takahashi some money through a contract iSe AG had in Asia in relation to the World Club Championship. He said that despite that payment, Mr Takahashi needed more money. I informed George that I was sorry but I was not able to help Mr Takahashi in this regard.

Tax position

35. At a meeting in Munich in October 2003 KPMG advised us that in order to pay less taxes, all international sales should be initiated, negotiated and completed by the iSe office in Switzerland, so that the lower tax rate in that Country could be taken advantage of.

36. During various iSe Hospitality AG, Sales and Production management meetings, Roland Koefer repeatedly instructed us to create as many international sales as possible, irrespective of whether the sale in question was initiated, negotiated or completed in Germany. For example, when the sale to Siemens of approximately €6M of hospitality packages was about to be completed, Roland asked us to contact Siemens and request that 50% of that sale be completed between an international subsidiary of Siemens and iSe Hospitality AG in Switzerland. Those instructions were given despite the fact that the entire sale originated and was negotiated in Germany. Roland was fully aware of this.
37. At all times during my tenure in Frankfurt, I was the head of international sales for iSe. On many occasions I met with international customers (or potential international customers) of iSe in Frankfurt to discuss and negotiate the sale by iSe of hospitality packages to those customers. Whenever a sales contract was close to being completed I was required by iSe Hospitality AG in Switzerland to hand the client over to them to complete the sale.
38. A decision was made in December 2004 by FIFA to allow iSe to appoint third party agents to assist with the sale of hospitality packages in the international market. Certain packages were allocated to each third party agent, pursuant to an agreement signed with iSe, to be offered for sale to international customers. I was responsible for selecting the third party agents, negotiating their contracts, allocating the packages the subject of their agency agreements with iSe and monitoring the sales of those packages. The vast majority of this work was done by me from the Frankfurt office of iSe. Marty Schueren and Uli Linke also assisted me in this process, both of them being located in Frankfurt and working from the Frankfurt office.

SWORN in FRANKFURT, GERMANY)
 On 14 OCTOBER 2005 by)
 BENJAMIN ALON)

Benjamin Alon

BOEBEL/ADAM			
	Kreditor	FRANKFURT, GERMANY	
weiter	Kunde/Prod./Job	DW ✓	LN ✓
Service	Aufwand		LN x
Datum	Unterschrift	<i>[Signature]</i>	
14/10/05	Inwst-Kto	Block-Nr.	