

UNITED STATES OLYMPIC COMMITTEE

IN THE MATTER OF)	
)	
)	REPORT AND ORDER
)	
USA TAEKWONDO'S PROBATION)	April 5, 2013

I. BACKGROUND

1. On February 27, 2012, the Hearing Panel issued its Report, Decision and Recommendation (“February 27 Decision”), which found that USA Taekwondo (“USAT”) was not meeting its National Governing Body (“NGB”) requirements and obligations as set forth in the Ted Stevens Olympic and Amateur Sports Act (the “Act”) and the USOC Bylaws. The Hearing Panel recommended that the USOC Board of Directors find USAT non-compliant, place USAT on probation for six (6) months and take other corrective action to come into compliance.

2. On March 16, 2012, the USOC Board found USAT out of compliance, placed USAT on probation for six (6) months, and adopted the other recommendations contained in the Hearing Panel’s February 27 Decision, including the creation of an Advisory Committee to provide assistance to USAT, chaired by Glenn Merry, one of the Hearing Panel members.

3. On September 21, 2012, the Hearing Panel, through its Chair, Susanne Lyons, reported to the USOC Board. The Hearing Panel recommended that the USOC Board extend USAT’s probationary period for an additional period of six (6) months until March 21, 2013. The Hearing Panel also outlined additional requirements and benchmarks that USAT would have

to meet during the extended probationary period. Further, the Hearing Panel recommended that the terms of the USAT's Transitional Board members be extended until March 21, 2013.

4. On September 21, 2012, the USOC Board extended USAT's probationary period until March 21, 2013. The USOC Board also approved the Hearing Panel's other recommendations. The Board directed that the Hearing Panel continue its jurisdiction over the Section 10 proceeding and report back to the USOC Board after conclusion of the probationary period on USAT's efforts to fulfill its obligations as an NGB.

II. HEARING PANEL REVIEW

A. Continuing Review

5. The Hearing Panel continued to monitor USAT's compliance efforts throughout the probationary period.

6. The Advisory Committee members continued to offer their assistance to USAT when requested and reported back to the Hearing Panel through Glenn Merry, Chair of the Advisory Committee. Further, Glenn Merry actively monitored USAT's compliance efforts, communicated with USAT, offered advice when asked, and made periodic reports to the Hearing Panel on USAT's efforts in correcting its compliance issues.

7. The Hearing Panel requested that the USOC Audit Department conduct a follow-up audit of USAT prior to the end of the probationary period. The USOC Audit Department commenced a follow-up on-site audit on January 16, 2013, and issued a Report dated January 30, 2013.

8. On February 15, 2013, the Hearing Panel issued an Order in which it requested that USAT provide certain information concerning USAT's efforts to address compliance issues identified by the Hearing Panel.

9. USAT responded on February 22, 2013.

B. Overview and Recommendation

10. On March 27, 2013, the Hearing Panel met and discussed USAT's compliance and what recommendation it would make to the USOC Board. The Hearing Panel had three options before it: (1) find that USAT is meeting its obligations as an NGB and should continue as the NGB for Taekwondo, (2) find that USAT has not rectified its compliance issues (is not meeting its NGB obligations), but extend the probationary period to allow USAT additional time to address its compliance issues, and (3) find that USAT is not in compliance and that it should be decertified (revoke its recognition as an NGB by terminating its membership in the USOC.)

11. After discussion, the Hearing Panel determined that USAT has not made adequate progress in addressing its compliance issues or in responding to the Hearing Panel's benchmarks for moving forward. Because of this lack of progress, the Hearing Panel was inclined to recommend that USAT's recognition as an NGB be revoked and its membership in the USOC be terminated. Of primary concern to the Panel was USAT's poor financial situation and its refusal to seek the assistance of a qualified financial advisor, its inability to provide good governance focused on specific goals and attainable objectives, its constituency based myopia resulting in political infighting and retaliation, its inability to follow normal processes and procedures in conducting its business, especially related to bylaw amendments and handling of grievances and

its lack of focus on athlete performance and lack of implementation of its previously submitted high performance plan.

12. However, the Hearing Panel also acknowledged that USAT has made some progress in addressing its compliance issues. It also recognizes that a new Board was seated on April 1, 2013, with a new interim CEO in place, allowing for new leadership and hopefully renewed efforts to correct USAT's compliance issues. The Hearing Panel is also cognizant of the disruption USAT's decertification would have on taekwondo athletes, at least in the short term. However, this has to be balanced against the long term harm to athletes if USAT continues to fail as a functioning and effective NGB. Athletes need support, training assistance and competitive opportunities in order to achieve their goals and compete on an elite level.

13. Accordingly, the Hearing Panel determined to recommend to the USOC Board that USAT's probationary status be extended for another 180 days, until September 17, 2013. The Hearing Panel also indicated that it is unlikely that it would recommend a further extension of USAT's probationary status after September 17, 2013. At that time, USAT needs to meet its obligations as a NGB, or be decertified.

III. DISCUSSION

A. Review USAT's Organizational Structure

14. The Hearing Panel requested in its February 27 Decision that USAT conduct a thorough review of its organizational structure and Board composition. The Hearing Panel's concerns focused on three areas. One, whether or not a constituency based Board served the best interests of USAT. Two, should USAT expand the number of independent Board seats and how

independence is defined. Three, whether clubs should continue to play a key role in USAT's governance.

15. In its review of its organizational structure, USAT determined to continue with a constituency based Board. The Hearing Panel continues to question whether or not this serves the best interest of USAT and the sport of Taekwondo.

16. USAT increased the size of its Board by adding an independent director (increasing independent representation on the Board from three to four), by adding a club director (increasing club representation on the Board from two to three) and by adding an athlete director (increasing athlete representation on the Board from two to three).

17. The Hearing Panel supports USAT's efforts to add independent directors to the Board. However, serious concerns exist over the definition of independence used by USAT. Board members who are intimately involved with taekwondo, who make their livelihood from taekwondo activities, or who are closely associated with stakeholders in the taekwondo community are not truly independent. Independent directors should be individuals who are outside of the taekwondo community, who are not influenced by past political factors, and, because of their professional and business life, can bring outside perspectives and talents to the Board.

18. In light of the past controversies surrounding club representation on the Board, the Hearing Panel questions USAT's determination to increase the number of directors who represent clubs. Additionally, this change only further enhances the constituency based concept of Board membership.

19. The Hearing Panel requests that the newly seated Board again revisit these issues and take a further look at USAT's governance structure. By June 7, 2013, USAT should provide additional input to the Hearing Panel on these issues.

B. Board of Directors

20. Terms of office for the Transitional Board members (excluding the independent and athlete members who could continue as Board members) expired on March 21, 2013, and with election of the new Board. USAT conducted elections to populate the new Board. All of the Board positions have been filled, except for one independent director position.

21. The Hearing Panel urges USAT to fill the independent director position as soon as possible. However, care should be taken that this position is filled with a person who is truly independent, who can bring specific skills to the Board and who can serve with integrity and professionalism.

22. USAT shall by May 3, 2013, report to the Hearing Panel on its efforts to fill the independent director position.

C. Bylaw Amendments

23. The Transitional Board adopted a number of amendments to USAT's Bylaws. However, the process utilized was confusing and remains so. On a number of occasions the Hearing Panel requested a redline version of amendments that were being considered for adoption. However, from the documents provided, it was never clear what those amendments were.

24. Further, it is unclear today which amendments were adopted and which were not. USAT has indicated that only amendments relating to governance and the Board election were adopted, but it is not easily determined which amendments related to those issues. USAT would be challenged today to provide a current set of Bylaws.

25. Further, the Transitional Board sent the amendments to its attorney for review concerning language on consistency, compliance with Colorado law, and general legal input after the amendments had been adopted. This seems to be a strange way in which to conduct the important business of amending bylaws. There is no explanation as to why USAT's attorney was not tasked with reviewing the various amendments prior to their passage, instead of being handed them after adoption.

26. USAT needs undertake a thorough review of its Bylaws to ensure that they comply with Colorado law, comply with the Act and the USOC Bylaws, are drafted so as to be understandable, and address a number of substantive issues concerning USAT's governance and the way USAT conducts its business.

27. USAT shall provide the Hearing Panel by May 3, 2013, with an accurate and complete set of current Bylaws.

28. Additionally, USAT shall by May 3, 2013, provide a plan for conducting a thorough review of its Bylaws under the supervision of a Colorado licensed attorney.

29. Further, any amendments USAT makes to its Bylaws during the probationary period shall be submitted in a redline format to the Hearing Panel prior to adoption.

D. Nominating Committee (formerly Nominating and Governance Committee)

30. The Transitional Board in adopting amendments to USAT's Bylaws, did away with USAT's Nominating Committee. Responsibilities of the Nominating Committee were transferred to the Transitional Board. The Hearing Panel is perplexed by this decision. The Nominating Committee served a valuable function in USAT's governance, including vetting Board candidates. USAT should reconsider this decision.

31. USAT shall by May 3, 2013, provide information to the Hearing Panel on whether it intends to reestablish a Nominating Committee or Nominating and Governance Committee, and if not, why.

E. Coaching Science Committee

32. The Transitional Board, as one of the amendments to the Bylaws, proposed creating a Coaching Science Committee. The Committee would consist of a minimum of fifteen members and a maximum of twenty-one members. Since this Committee is not associated with governance or Board elections, the Hearing Panel assumes that this amendment was not adopted by the Transitional Board. However, as stated previously, the Hearing Panel is not clear as to which amendments the Transitional Board adopted and which the Board did not adopt.

33. USAT shall inform the Hearing Panel by May 3, 2013, whether or not the amendment to the Bylaws creating a Coaching Science Committee was adopted.

34. If the amendment was not adopted, USAT shall inform the Hearing Panel by May 3, 2013, whether or not it intends to proceed with creation of a Coaching Science Committee.

35. If the amendment was adopted or if not adopted, but USAT intends to proceed with creation of a Coaching Science Committee, USAT shall inform the Hearing Panel by May 3, 2013, the reason for creating this Committee, whether or not the function of this Committee takes away from staff responsibilities, and the reason for having such a large Committee. Further, USAT shall inform the Hearing Panel how USAT intends to provide for adequate athlete representation on this Committee.

F. Financial Health and Controls

36. USAT has addressed a number of findings and recommendations made by the USOC Audit Division. However, USAT's financial position is still precarious. It owes the USOC approximately \$220,000. USAT's 2012 audit conducted by its external auditing firm has not yet been issued. However, it appears that the opinion letter accompanying the audit may again contain a "going concern" statement questioning USAT's ability to carry out its existing activities and commitments.

37. In spite of repeated requests by the Hearing Panel for USAT to hire a certified public accountant ("CPA") or other financial expert, experienced in budgeting, analysis, and strategic financial planning, USAT has refused to do so.

38. USAT shall address hiring a CPA or financial expert and report back to the Hearing Panel by May 3, 2013.

39. USAT needs to develop a strategy for dealing with its financial position, including a viable plan for getting out of debt. By June 7, 2013, USAT shall provide a budget to the Hearing Panel that includes a payment plan for addressing USAT's debt to the USOC.

G. Strategic Plan

40. It appears that the Transitional Board failed to focus on a long range strategic plan, instead getting mired in taekwondo politics and in the day-to-day activities of USAT.

41. USAT shall by June 7, 2013, provide a long range strategic plan to the USOC NGB Organizational Development Division and the Hearing Panel setting forth a comprehensive plan for improving USAT's operations, including goals and benchmarks to be met in the coming year and for the quadrennial ending 2016.

H. High Performance Plan

42. USAT has not followed its high performance plan, which among other things included sending athletes to international competitions. This needs to be addressed as athlete opportunities are being hindered.

43. Now that USAT has hired a new National Team Coach, the high performance plan should be reviewed and implemented so as to provide the training and competitive opportunities necessary for the support and development of international level athletes.

44. Prior to May 15, 2013, USAT's newly hired National Team Coach and its High Performance Director shall meet with the USOC Sport Performance Division to go over the plan.

45. Additionally, USAT shall by May 31, 2013, report to the USOC Sport Performance Division and the Hearing Panel on the high performance plan and on benchmarks for its implementation.

I. Grievances/Complaints

46. USAT continues to struggle with its grievance/complaint process. It has failed to handle grievances/complaints in a consistent way. On at least one occasion the Transitional Board determined to ignore the findings of the hearing panel who heard the grievance/complaint.

47. USAT shall by May 3, 2013, report to the Hearing Panel on all grievances/complaints filed with it within the last year. It shall also report on the status or outcome of those grievances.

J. Chief Executive Officer

48. USAT and its Chief Executive Officer (“CEO”) parted ways in February 2013. This person had provided capable leadership to USAT and had made a concerted effort to deal with USAT’s financial situation. USAT hired an interim CEO who has had a long relationship with the taekwondo community and who brings different strengths to the CEO position. It is vital that USAT have a capable and committed CEO who can work with the Board and who has the support of staff.

49. By June 7, 2013, USAT shall report to the Hearing Panel on its plans related to hiring a permanent CEO. Such plans shall include a timeline and a process whereby a permanent CEO will be hired.

K. Board Minutes

50. One of the issues that has affected USAT is its transparency to its members. The Hearing Panel notes that Board minutes have not been posted on USAT’s website since

December 29, 2012. However, the Transitional Board has conducted several meetings since that time. This does not serve USAT well.

51. USAT shall by April 19, 2013, post minutes from all of its Board meetings on its website.

52. Additionally, USAT shall report to the Hearing Panel by April 19, 2013, on the process going forward by which its Board minutes will be recorded, approved and posted on its website. This report shall include who is responsible for this task.

L. Meeting Notices

53. The Transitional Board fell into the practice of not noticing its meetings, and then waiving the notice requirement. Not only does this cause problems for Board members in scheduling their time, but it does not keep USAT's membership informed as to when meetings will be conducted or what the agendas are for those meetings.

54. USAT shall create a yearly meeting schedule and provide that schedule to the Hearing Panel by June 7, 2013. This schedule should also be posted on its website.

IV. ADVISORY ASSISTANCE

55. The Advisory Committee, which was put in place by the Hearing Panel, has been providing guidance to USAT on an ongoing basis and when requested. The Committee members have provided valuable advice to USAT and have given a considerable amount of their time to USAT. Their assistance is commendable and they are recognized for their services. The Hearing Panel releases them of their obligation.

56. As of the date of this Order, USAT shall now look to the USOC NGB Organizational Development Division to assist with governance and other issues affecting USAT.

57. Glenn Merry will continue in his role as liaison between USAT and the Hearing Panel. USAT should continue to report to Mr. Merry every two weeks and seek his guidance when advisable.


58. The Hearing Panel may also request further information and schedule a hearing to enlist information from USAT at a later date.

V. ORDER

59. USAT is ordered to comply with all requests for information set forth in this Report and Order.

60. This Report and Order, with its recommendations, is further provided to the USOC Board for its consideration and action.

Dated this 5th day of April, 2013.



Susanne Lyons, Chair

Sarah Konrad, Panel Member
Glenn Merry, Panel Member