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Phil Knight's influence transforms University of Oregon athletics

UO leaders go to elaborate lengths to court him and his millions

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The Oregonian Staff

Phil Knight, escorted by two University of Oregon cheerleaders, walks toward a Nike auditorium stage and sits on a leather couch near fellow Ducks booster Pat Kilkenny and his wife.

It is May 2006. University officials have fashioned the venue into a basketball arena -- complete with popcorn and ticket takers -- for a private pitch aimed at getting Knight to deliver on a pledge. Three years earlier, UO President Dave Frohnmayer had called Knight "absolutely committed" to helping pay for a basketball arena to replace the aging McArthur Court. But the money hadn't materialized.

So Frohnmayer, athletic director Bill Moos, Vice President Allan Price and others go to work. On a screen, they cue Oregon basketball highlights, which bring Knight and Kilkenny to their feet. They show a video mapping the arena's interior. Standing on a hardwood floor reading Pat Kilkenny Court, they unveil an architect's model of the building they call Philip H. Knight Pavilion.

Later, Knight says no.

It would take 15 more months to secure a commitment -- a \$100 million pledge -- from Oregon's wealthiest alumnus. The university's pursuit of that gift illustrates its complex relationship with Knight.

It is an alliance at once high-profile and secretive. It has lifted UO sports to unforeseen prominence and freed it from university subsidy, but it also has raised tensions between academics and athletics. It has boosted fundraising campuswide but also diminished the school's control of projects and, at times, increased costs.

With the basketball arena, for instance, Knight or his assistant quietly negotiated for land, selected the builder

and architect and outlined the funding method and timing -- all for a project now financed by \$200 million in state-backed bonds.

Knight also has withheld donations, and school officials he has criticized publicly have sometimes reversed course or resigned with little explanation. Knight declined to be interviewed for this article.

"The one thing people could never understand is how emotional and personal he takes his relationship with the University of Oregon," said Steve Miller, a former Nike sports marketing director who left the company after a disagreement with Knight.

"It goes beyond simply saying he's a fan. . . . That university is one of his children."

"Nucleus" of UO athletics

With 20 seconds left on the clock, the University of Southern California quarterback drops back to pass. The 60,000 fans in Autzen Stadium are on their feet. The Ducks, ranked fifth in the nation this late October day, lead USC 24-17, but the Trojans are 33 yards from scoring.

Knight watches from the end zone's edge, flanked by a dozen friends and Nike employees. The pass sails toward them. Thunk. The ball strikes Oregon safety Matthew Harper's chest -- interception. A deafening cheer erupts. Oregon's national title hopes live.

In an instant, Knight's entourage collapses on him. He leans back into the giant bear hug like a boy falling into a swimming pool. Frohnmayr appears and slaps Knight's raised palm.

Knight friend David Frey explains the celebration.

"You go to the nucleus," Frey says. "You go to the center."

UO athletics orbit around Knight.

A former Ducks middle-distance runner and 1959 graduate, Knight has said that without his experiences at the school, particularly under late track coach and Nike co-founder Bill Bowerman, Oregon's largest company would not exist.

Knight's net worth, \$10.4 billion according to Forbes magazine's latest estimate, makes him the state's richest person.

He keeps some gifts private. But he told The Oregonian in 2006 that he had given about \$100 million to the university, the majority to athletics. He has since pledged about \$130 million more to athletics, including the \$100 million pledge for an athletic reserve fund, an athletic treatment center and an academic center for athletes.

Only oilman T. Boone Pickens, who has parlayed his gifts to Oklahoma State athletics into \$330 million by investing them himself, hovers near Knight's heights of college sports boosterdom. But unlike with Pickens, Knight's control of Nike gives him a worldwide reach in sports.

"He's an athletic director's dream by nature," said John Jaqua, a former Nike board member and longtime UO donor, "and he happened to get wealthy enough to be a dream fiscally."

About 20 years ago, as Nike became an international force and Knight's fortune swelled, he began giving significantly to the university. He gave \$25 million toward construction of a law center and endowed professorships and gave undisclosed millions to expand what became the Knight Library. He ranks second to businessman and Portland native Lorry I. Lokey's \$132 million in academic giving, officials say.

By the late 1990s, Knight had begun to direct most of his gifts to athletics, driving a building boom that has transformed the Ducks' facilities from mediocre to the envy of most in the nation.

"I'd hate to see where that school would be without his support and without the growth that they have demonstrated over the last decade," said David Carter, a USC sports business professor and consultant. "They're certainly among the elite nationally. Without that input, they would conceivably be an also-ran."

Little public discussion

Bob Simonton was in his Eugene home in January 2007, listening to a UO men's basketball game on the radio, when he heard then-athletic director Moos say Oregon was building a multimillion-dollar medical-treatment facility for athletes.

Simonton, who oversees construction for the Oregon University System, was stunned. He jumped from his chair, he recalled, drove to campus and discovered a gaping hole in the athletic department headquarters, the Casanova Center. Simonton had never heard of the project.

Soon, the State Board of Higher Education moved to tighten regulations, which since February 2008 have required universities to secure approval for construction projects of more than \$5 million -- even if a private party pays.

"That was basically added to the rules," Simonton said, "because of that project."

Price, the Oregon vice president and the university's top fundraiser, said Knight made no request for secrecy about the center and that the university followed the rules in place at the time.

Projects involving Knight often have an air of mystery. While Oklahoma State's Pickens spoke at a news conference announcing a landmark \$165 million gift, Knight skipped the one announcing his \$100 million pledge, the largest in the university's history.

Observers often assume that large, anonymous donations to athletic projects -- such as the recent \$7.8 million gift toward an \$18 million parking structure for the arena -- come from Knight, University Senate President Gordon Sayre said.

"Mr. Knight is a very private person, and that's a matter in terms of how he conducts his affairs that I greatly respect," said Frohnmayer, who announced last week he would retire as president at the end of the next academic year.

Knight's influence can be subtle. Paul Swangard, managing director of UO's Warsaw Sports Marketing Center, said he considers Knight's support important in maintaining strong ties to Nike for the benefit of students and faculty.

"I can't speak for other academic programs," Swangard said. "But certainly for (the sports marketing center), even though his support has been largely nonfinancial, we'd like the relationship to be productive. So would my

first choice for keynote speaker at commencement be Kevin Plank (founder of Nike rival Under Armour)?
Probably not."

Academic, athletic divide

In November, UO coaches, academic advisers and other officials gathered in the Stadium Club at Autzen Stadium. Howard Slusher, special assistant to Knight, and architects displayed a model of an academic center Knight plans to have built for Oregon athletes, recalled Sayre, who was at the meeting.

The three-story, \$20 million center, modeled after a library at Yale, would replace the patchwork of dark, cramped rooms that Oregon athletes use for academic support.

The center will have 325 computers and enough employees to "exceed the nationally accepted staffing ratios," according to conditions Knight included in an agreement with the university. Most of it will be off-limits to other students.

Professors have questioned such a prominent campus building only for athletes and criticized a planned water feature that some have likened to a moat.

"The symbolic statement that the big, visible buildings, your primary buildings, are going to be an arena and an academic center for athletes . . . that sort of doesn't sit too well with some of us," said Peter Keyes, associate professor of architecture and former member of a campus planning committee.

The academic center has rekindled debate, sparked largely by Knight's giving, about a perceived contrast between the university's academic facilities and its burgeoning Oregon athletic campus.

Knight's donations have helped shatter the \$600 million goal for Oregon's universitywide fundraising campaign. But they also have pushed the percentage of campaign funds going to athletics to 38 percent, far exceeding the 10 percent to 15 percent for athletics typical in other universities' fund drives.

Kilkenny, now the athletic director, said he and Knight believe investing in athletics attracts college applicants.

"College athletics allow us to get national exposure," Kilkenny said. "I think (Knight) believes he gets more bang for his buck investing in athletics over education."

And where some schools must marshal dozens of donors to build an adequate or even admirable building, Knight can afford a peerless one -- and peerless is often his priority.

The 15,000-square-foot medical-treatment center for athletes opened last year. Forget a stark room with a few tables for taping ankles. The center bristles with high-definition televisions, a waterfall, liquid-crystal privacy glass, therapy pools with underwater treadmills and video equipment, a neon-lit pharmacy, a dentist's office, a pod that measures body fat through air displacement, a lounge and a juice bar.

Jonathan Stewart, the former UO running back selected last weekend in the first round of the NFL draft, said the university's facilities are superior to those of the nine pro teams he visited.

In an e-mail seeking a state legislator's support for the basketball arena, former UO Foundation chair Bill Swindells wrote: "Given Nike's pre-eminence, is it reasonable to expect its founder to support a 'just adequate' sports facility?"

Knight's gifts to athletics have surged just as state funding has fallen to 13 percent of the university's budget, exacerbating the appearance of UO's emphasis on sports.

"Our major donor just happens to be the most powerful man in the sports-equipment industry," said recently retired English professor James Earl, who has criticized what he sees as a growing disparity between academics and athletics. "So the direction in which we're going to always have to lean, in order to keep the relationship, is to keep our athletic program expanding as fast as he wants it to."

Changes follow strife

Knight addressed the perception of his power at UO in a December 2006 interview with The Oregonian.

"My degree of influence is somewhat overstated," he said, rebutting accusations that he gives or withholds donations to get the results he wants. "I just don't think that's right at all."

But at least three officials who upset Knight capitulated or left the university.

The biggest public clash came in 2000, when Frohnmayer approved UO joining a workers' rights organization that opposed Nike's labor practices in Asia. Knight responded by halting donations to the school, including withholding an anticipated \$30 million gift to expand Autzen Stadium.

"The bonds of trust, which allowed me to give at a high level, have been shredded," Knight said in a statement. Kilkenny resigned from the UO Foundation's Board of Trustees in support of Knight.

A year later, Oregon withdrew from the group and Knight ultimately paid for about \$35 million of Autzen's \$90 million expansion, sources say. Frohnmayer said recently that the episode didn't change his relationship with Knight.

"Our fathers knew each other in law school," Frohnmayer said.

But after Autzen reopened, Moos said the delay drove up costs by \$10 million.

"Everybody learned a lesson that you could do some serious damage by annoying this man," Earl said.

During a January 2004 radio interview, Moos expressed interest in the athletic director's post at Pacific-10 Conference rival University of Washington, in his home state. The next month, as Moos prepared to speak at an event in Portland for boosters, Knight and others booed, according to people at the event.

That same year, Knight and other members of the Lane Ducks, a track-and-field booster club, stopped donating to Oregon's track program to protest coach Martin Smith's de-emphasis of distance running and prickly personality.

One week after the Oregon men's team finished a best-ever sixth place at the NCAA indoor national championships, Smith resigned with a \$500,000 severance.

Days later, Knight told The Oregonian: "Bill Moos had 10 chances to make the right decision regarding the University of Oregon track and field program and missed every one of them. It's hard to be that perfect."

Smith did not return messages seeking comment.

In summer 2006, two months after the administrators' basketball arena pitch at Nike, Knight again expressed displeasure over Jim Bartko, an associate athletic director and Knight's main liaison at UO, leaving for a similar-level job at the University of California. Knight hinted at the price Oregon could pay for Bartko's departure.

"I would just say this doesn't help it, doesn't help my involvement with the basketball arena," Knight told the Eugene Register-Guard newspaper. "At the end of the day, you basically want to have your charitable contributions go where they'll be used well, and there are a couple of clouds on that."

Four months later, Moos announced his resignation and accepted a \$1.8 million severance package.

A signed agreement with the university prevents Moos from speaking publicly about the conclusion of his employment with the university except to confirm that it was voluntary.

"I look back fondly on my time at Oregon and remain appreciative of the support that Phil and Nike gave to the program," Moos said.

In the December 2006 interview with The Oregonian, Knight maintained he had nothing to do with Moos' decision to step down, offering in a half-joking tone that "maybe I made his life so miserable" that Moos wanted to leave.

Asked whether Knight's wishes influenced Smith's and Moos' departures, Frohnmayer said, "I don't know how to answer that question with any degree of precision. They left for their own reasons."

After Moos resigned, Oregon hired two men who are friendly with Knight. In February 2007 Frohnmayer picked Kilkenny -- a successful insurance company owner, booster and former UO student who didn't graduate -- as athletic director. Kilkenny had paid the bulk of Moos' buyout a few months earlier.

Soon after Kilkenny became athletic director, he rehired Bartko.

Assistant plays major role

Behind the scenes, Knight's special assistant, Slusher, often negotiates for Knight in university business.

Slusher, Knight's longtime right-hand man at Nike, oversaw construction of the company's campus, which opened in 1990 near Beaverton. The \$75 million project resulted in more than \$12 million in liens from contractors who say they weren't fully paid.

Slusher earned the nickname "Agent Orange" for his scorched-earth bargaining tactics during his days as a sports agent. He once owned a Mercedes-Benz with a vanity plate "4GRUMP," state motor vehicle records show.

In 2003, Slusher approached Bob Albers about selling Williams Bakery, a large commercial facility near campus, so the university could build a basketball arena on the land.

Slusher declined to comment for this story.

According to Albers, chief executive of Williams Bakery's parent company, United States Bakery, Slusher

promised to bargain fairly. The two talked cordially in their first few meetings in summer 2003, Albers said.

But at the would-be deal clincher at a Portland law firm, Slusher grew hostile and demanded Albers drop his \$14 million asking price by \$5 million, Albers said.

"I thought my mouth was going to fall open and catch flies," Albers said. "It wasn't anything that we'd agreed to." Albers and his group stormed out.

Nearly a year later, Albers said, university officials wooed him back to the negotiating table by promising to keep Slusher away. In 2005, the university paid \$22 million for the land, financing the purchase with state-backed bonds.

Slusher also played a major role in selecting the contractors for Oregon's arena project, as first reported by The Oregonian.

In early 2003, the university started its typical open-search process for a builder and architect, filing a public notice and interviewing firms. Oregon hired an architect, HKS of Dallas, Texas, and filed a public notice seeking a general contractor with "specific recent experience in at least three similar arena construction projects."

But during that search, the UO Foundation formed a nonprofit called National Championship Properties to run the arena project, with Knight and Slusher on the NCP board. In November 2003, university officials issued a memo saying: "The donors suggested, and Administration concurred, that by allowing the non-profit final control of the many aspects of the design and construction process, they could ensure the project was completed in a cost-efficient and timely manner."

With Slusher leading the way, NCP dismissed the university-selected architect. NCP selected lead firms -- Hoffman Construction Co. and TVA Architects Inc. -- that had never worked on an arena but had worked for Knight and Nike.

TVA designed the Nike campus, and TVA and Hoffman paired to build its Lance Armstrong Center. The two are designing and building the headquarters of Laika Inc., the Tualatin animation firm owned by Knight.

Despite the university's goal of speediness and efficiency, arena project costs rose from an estimated \$90 million to \$130 million to \$200 million in five years. The project kept stalling, even after the university bought a site in 2005. One reason: Knight hadn't given any money.

A climb without Knight

On that May 2006 day, at the arena pitch in the Nike auditorium, Oregon officials tugged at Knight's heart.

They dangled the possibility of a tournament called the Phil Knight Classic featuring Oregon, Gonzaga and Arizona, Bartko said. Former Oregon football star Joey Harrington surprised Knight with a six-figure check to go toward an academic center in the arena.

"We pulled out some tricks," said Bartko, who organized the pitch.

But without Knight's support, the arena project sputtered again. An August 2004 report by Eugene consulting firm ECONorthwest helps explain why the university kept waiting.

The proposed "Mac 2" arena, evoking current UO arena McArthur Court, would generate \$120 million to \$130 million in donations, the report said. But the university stood to lose about \$110 million of that from Knight and his wife, Penny, if it wasn't a "showcase facility" that was on campus as opposed to near it, the report said.

The report also concluded that building a modestly priced arena without the Knights' money could be more difficult than accommodating their desire for a more elaborate one.

The university stuck with Knight.

Successful return to Nike

In August, the wait paid off.

With Knight friends Kilkenny and Bartko now leading Oregon's athletic department, school officials returned to the Nike campus. In an unusual move, officials brought the Oregon football team to one of Nike's fields for an intrasquad scrimmage.

Afterward, the administrators and several dozen of Oregon's most prominent donors crammed into a small auditorium. They watched as Knight, tears welling, pledged \$100 million to the school's athletic department. The crowd gasped, then applauded, Frohnmayer said.

Finally, Oregon's arena project was up and running.

In October, after questions from The Oregonian, athletic officials acknowledged that Knight's gift would not be used directly for the arena but as a financial backstop for the department, in effect serving as collateral for the bonds. Later, upon request, university officials showed The Oregonian a gift agreement signed by Knight saying he could withdraw his pledge by June 1 if UO did not secure public financing.

In February, the Legislature voted to approve \$200 million in state-backed bonds.

Next month, the university plans to seek final approval from the State Board of Higher Education to use that bonding. Oregon also needs approval to hire the contractors NCP selected outside the typical university search process.

Yet even after the last payment of Knight's \$100 million pledge arrives, he will retain his nearly unique hold on Oregon's athletic department and the forces that shape it. UO employees whisper about the possibility that Knight, 70, could donate a large portion of his estate to the university in his will.

Frohnmayer declined to say whether he had discussed a bequest with Knight.

University officials express frustration at the scrutiny of Knight's gifts, which they say should be celebrated.

"Phil is an extraordinarily passionate guy," said Price, the university vice president. "And he really challenges the whole university to be great, to not settle for just being OK."

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