

Basketball bribes: How Adidas bankrolled a black market for top teenage talent

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T.J. Gassnola, center, mingles with basketball royalty.

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T.J. Gassnola could have been finished with basketball in 2006, after the New England recruiter admitted giving money to his youth players.

He seemed done for again in 2012, when the NCAA banned his team from prestigious summer events because of his ties to a professional sports agent.

Gassnola's issues might well have made him a pariah in college basketball circles. Instead, he gained easy access to its elite. He chatted up coaches at North Carolina State. He texted with Louisville legend Rick Pitino. He even dined with Bill Self immediately before the Kansas coach's induction into the Naismith Memorial Basketball Hall of Fame.

It was all thanks to Adidas.

The sneaker giant, desperate to boost its anemic basketball business, overlooked glaring red flags about Gassnola and elevated the street-savvy hustler to an integral role in its sports marketing operation. In return, he took their \$1 million-

plus as a do-anything bagman in the shoe war against Nike and Under Armour. He funneled at least \$150,000 to the families of sought-after recruits to entice those players to join Adidas-sponsored grassroots or college teams, he testified.

That secret deal-making came into clear view amid an unprecedented two-year FBI investigation and federal trial that criminalized corruption within college basketball. Prosecutors argued that paying families didn't simply violate amateurism rules but constituted fraud against the universities that unknowingly awarded scholarships to ineligible players.

Gassnola, 47, became one of the government's star witnesses, cutting a plea deal and agreeing to testify against his friend and former boss at Adidas, marketer Jim Gatto, Adidas consultant Merl Code and aspiring agent Christian Dawkins. Federal prosecutors won felony fraud convictions against all three men in October.

Adidas, which built its North American headquarters in Portland, has never been formally accused of wrongdoing. But the case raises a singular question: How could a handful of company insiders orchestrate a sweeping pay-to-play scandal, using Adidas money in an effort to secure talent for the Adidas brand, without meaningful financial oversight or approval by Adidas leadership?

An examination by The Oregonian/OregonLive of more than 1,500 pages of witness testimony, wiretaps, financial records and other documents released by prosecutors provides the most detailed window to date into this basketball subculture at Adidas. Gassnola counted himself among a cadre of foot-soldiers deployed to carry out covert operations for the Three Stripes brand, greasing families of marquee prospects with envelopes stuffed full of Adidas' cash.

Gassnola's illicit payments on behalf of the company have been linked to five players, including two who became top picks in the NBA Draft. He even played a bit part in a \$100,000 scheme to ensure a star recruit landed at Adidas-backed Louisville instead of the University of Oregon, which is sponsored by Nike.

The case paints an unsavory portrait of a multinational corporation that rubber-stamped scores of sham invoices in an ambitious attempt to align its brand with the best basketball players in America. Internal documents, presented as evidence during the criminal trial, exposed a paper trail that seemingly should have set off alarms at Adidas.

Gassnola alone might have raised questions. In February 2015, Adidas re-signed his grassroots program for high school all-stars, the New England Playaz, to an

exclusive deal that provided as much as \$65,000 annually for travel costs. He collected an additional \$75,000 a year as an outside consultant, although he testified that Adidas didn't provide him a written contract or any tax documents.

Yet over the same two years, Adidas paid Gassnola and the New England Playaz more than \$1 million, according to company documents obtained by prosecutors. That's more than seven times the amount detailed in Gassnola's official team contract, and nearly as much as the base salary of Adidas's chief financial officer in Germany.

What's more, Adidas today remains reliant on some of the same people who operated alongside Gassnola. In what amounted to a prosecutorial smoking gun, authorities last fall disclosed an internal Adidas email from 2015 that referenced a secretive scheme. Eight Adidas employees and consultants received the email, which called for documenting facetime with prospects to help justify expenses. But they were told "please don't include any confidential 'Black Ops' information," a phrase that Gassnola testified meant paying players.

Two people Gassnola identified at trial as members of the black ops team are still involved with prestigious grassroots programs for Adidas. He listed a sports marketer as another member who, as recently as November, posted a photo of himself and Portland Trail Blazer Damian Lillard on social media promoting Adidas. Lillard is one of only four NBA players with a signature shoe line made by the company.

Adidas from the outset has denied any knowledge of wrongdoing. In fall 2017, it hired attorneys from Debevoise & Plimpton in New York City to conduct an internal investigation. Among other things, the inquiry included interviews with some employees and consultants, plus an examination of related phone and computer records.

Adidas has declined requests to discuss its findings with The Oregonian/OregonLive and would not answer written questions. In a statement, the company said it upholds strict compliance standards "to identify potential red flags and to address them quickly."

"As soon as we learned about the allegations more than a year ago, we engaged outside counsel to conduct a thorough investigation of our grassroots and college basketball programs, placed two individuals on administrative leave and terminated any consulting relationships related to the allegations," a company spokeswoman said.

“We continue strengthening our internal processes and controls, and remain committed to ethical and fair business practices.”

One basketball insider, with direct knowledge of Adidas’ operation, questions whether the company has gone far enough in examining a system that enabled corruption.

“What did Adidas know, what is Adidas doing to change it, and what has Adidas done since to make sure something like that never happens again?” said the person, who declined to speak on the record for fear of being blackballed in the industry.

And Adidas isn’t completely out of the crosshairs. Brian Bowen II, the high-school star whose recruitment was a bedrock component of the federal criminal case, filed a civil lawsuit against the company in November, accusing it of racketeering. The scandal upended Bowen’s basketball career; he never played a college game or fulfilled his dream of reaching the NBA.

Bowen’s attorney, Mullins McLeod, said Adidas needs to be held accountable.

“We didn’t file this lawsuit to have a conversation with Adidas,” he said. “We filed it to right a wrong. I’m in it regardless of how long it takes and how much it costs.”

BRAND LOYALTY

Thomas J. Gassnola was not afraid to break the rules – not in his personal life or in his quest to help Adidas stay relevant in the \$900 million basketball shoe market dominated by its Oregon-based rival, Nike.

Gassnola worked in nightclubs, real estate and the auto industry before making a name for himself in basketball. In 2004, he started his own club travel team, the New England Playaz, stacking it with high-school basketball all-stars.

Adidas swiftly signed on as a team sponsor.

Brash and cocksure, the 6-foot-6 Gassnola played by his own rules. The Boston Globe in 2006 reported that Gassnola had been convicted of assault, receiving stolen property, issuing a false check and petty larceny. The newspaper also reported that Gassnola acknowledged giving small amounts of cash to his players for things unrelated to basketball competition, a potential violation of college amateurism rules.

“Do I wire a kid \$40 so he can get something to eat? You're damn right I do,” Gassnola told the Globe. “I’m not leaving a kid on the side of the road who’s got nothing at home.”

Adidas didn’t flinch. “They stayed loyal to me after that article,” Gassnola testified during the federal trial.

The company remained steadfast in 2012, too, when the NCAA banned Gassnola’s program from competing in high-profile summer tournaments after an email surfaced from a professional sports agent. Andy Miller complained that Gassnola and several other youth basketball administrators weren’t doing enough to steer clients to Miller’s agency. Gassnola testified that he successfully appealed the NCAA’s decision.

Adidas did more than simply stand behind Gassnola in 2013. The company’s grassroots director at the time, Jeff Robbins, didn’t get along with him and refused to renew the Playaz’s sponsorship deal, Gassnola told jurors. Robbins, who has since left Adidas, declined to comment for this article.

Yet rather than cut Gassnola, Adidas promoted him.

Gassnola’s fortunes improved thanks to Gatto, Adidas’ director of global basketball sports marketing. One of Gatto’s main responsibilities was signing NBA players to wear the Three Stripes, Gassnola testified. Landing the next Michael Jordan or LeBron James could change the trajectory of Adidas’ lagging brand.



Jim Gatto, an Adidas marketing executive, was Gassnola's primary connection at Adidas.

He was convicted of fraud charges in October after Gassnola testified against him.

Gatto not only kept Gassnola's grassroots program afloat but hired him in 2013 to work as an outside consultant. Gassnola had forged personal relationships with high-profile coaches, sending more than 150 players to college on athletic scholarships, he testified, and Gatto wanted to tap into that network.

If everything worked, Adidas would help coaches at Adidas-sponsored schools identify and recruit high-school talent while having direct access to college players who might be stars-in-the-making.

Gassnola was assigned to basketball programs for Kansas, North Carolina State, Indiana and, for a time, Miami. Gassnola reveled in his new role for Adidas. He sent fawning text messages to the basketball elite, calling Kansas' head coach not by his name but instead "Hall of Famer."

"I viewed my job to make sure that the coaching staffs of the basketball teams were happy with us and the basketball marketing department," Gassnola testified.

Gassnola believed the other part of his job — as he made clear in dramatic testimony — was to buy off top talent to benefit Adidas.

NO FINANCIAL OVERSIGHT

Adidas enabled the flow of money to players' families by green-lighting invoices from Gassnola, including payments tied to Billy Preston, a 6-foot-10 Kansas recruit.

The scheme began in October 2016 with a meeting at the Oread Hotel in Lawrence, Kansas, during a basketball recruiting event called Late Night in the Phog. Gassnola, there on behalf of Adidas, invited Preston's mother to his room to discuss money, he testified.

Stop taking money from other people, Gassnola recalled telling her. "Just come to me, and I'll take care of it."

Gassnola testified that he told Gatto about his plan to pay Preston's mom, and later specified that he would make an initial payment of \$30,000. Gatto approved that payment and all others, Gassnola told jurors.

Two weeks later, Gassnola submitted an invoice for a “Basketball Team Tournaments Fee” for \$50,000. No one at Adidas balked, even though tournament fees typically cost \$500 to \$1,000, Gassnola testified.

Gatto approved the invoice and handed it off to an administrative assistant, with the direction: “Please process for payment.” Adidas deposited the money into Gassnola’s account for the New England Playaz.

Gassnola then met Preston’s mother at a hotel in New York City the first week of November. He handed her an envelope with \$30,000 cash from Adidas, he testified, then spent the remaining \$20,000 buying tickets to the Super Bowl and the college football championship game.

A few weeks later, on Nov. 18, Preston publicly announced his commitment to Kansas.

More money from Adidas followed.

Gassnola submitted a \$90,000 invoice to Gatto in January 2017, this time for a consultant fee and travel and expenses for the first quarter.

Gatto approved it and once again directed an administrative assistant to process the payment. Adidas deposited the money, and Gassnola promptly withdrew a portion, \$27,500.

Gassnola testified that he arranged a handoff inside his hotel room on the Las Vegas strip, where he was staying for an annual Adidas event for administrators of grassroots basketball clubs. Gassnola said he gave Preston’s mom \$20,000 cash and kept the remaining \$7,500 for gambling and shopping.

Such perks were apparently commonplace for Gassnola. He testified that Gatto told him to keep expenses in check. But Gassnola said he didn’t listen, insisting to “stay in nice hotels, fly first class, rent nice cars.”

Gassnola said Gatto told him to submit itemized receipts. He didn’t.

“He would reprimand me,” testified Gassnola, who reported \$200,000 to \$300,000 in annual expenses. “He would tell me, ‘You can’t do this, you have to do it a certain way.’”

Adidas kept the money flowing anyway.

Gassnola submitted a \$70,000 invoice to Gatto in May 2017 labeled “Tournament Activation/Fee.”

Gatto approved the invoice and directed a staffer in the grassroots division to process the payment. Adidas deposited the money into Gassnola’s account for the New England Playaz.

Gassnola soon wired \$15,000 to Preston’s mom instead of arranging a cash handoff. “I got lazy,” he testified. Gassnola testified that he paid \$90,000 total to Preston’s family.

In all, Adidas issued 26 payments to Gassnola or Gassnola’s New England Playaz over a two-year period ending in August 2017, according to records released by prosecutors. The sum: \$1,001,331.67.

Several top leaders at Adidas had knowledge about the size of some payments, records show. None has been accused of wrongdoing.

Gerald Adams, an Adidas finance director, was copied on two payment requests and had a role approving one invoice totaling \$151,500, documents show. Chris McGuire, senior director of U.S. sports marketing for Adidas, was listed by prosecutors as an “approver/budget manager” for payments to Gassnola’s team totaling more than \$300,000. And Zion Armstrong, who is now the president of Adidas’ North American operations, was listed by prosecutors as an “approver/budget manager” for a \$42,500 payment to Gassnola’s team.

Neither Adams, McGuire nor Armstrong responded to requests for comment.

Michael Schachter, an attorney representing Gatto, called attention to Adidas’ payments to Gassnola during closing arguments of the criminal case.

Schachter asked rhetorically whether Gatto’s boss, Michael Ladinig, knew what Gatto was doing. Ladinig, who left the company and now works for a California maker of water sports equipment, declined to comment for this report. He has not been accused of wrongdoing.

Adidas handed Gatto a discretionary budget “with really no oversight,” Gatto’s attorney said. “Why do you think that was?”

OREGON CONNECTION

Basketball insiders for Adidas separately schemed to keep a blue-chip prospect in the Adidas family and away from the Oregon Ducks, records and testimony from the trial show.

Bowen was a high school sophomore in Michigan when Adidas money began rolling in. Gassnola testified that he heard from Dawkins, the aspiring agent, in 2015 that Bowen's family wanted \$25,000 to send the star player to an Adidas grassroots team.

"I said I would get it done," Gassnola told jurors.

Gassnola testified that he sent \$7,000 to Dawkins or Bowen's father, placing the money in an envelope tucked inside a magazine. As for the remainder? "Chris Rivers at Adidas took care of the rest of it," Gassnola testified.

Rivers, director of grassroots basketball at the time, has not been accused of wrongdoing. But prosecutors presented evidence showing Rivers did send money to Bowen's father in May 2016.

Rivers wrote a \$2,000 check from his personal business in Wilsonville, In Your Eye Sports Inc., to Bowen's dad for "staff help," according to documents released by prosecutors. Bowen's father testified that he didn't do any work for Rivers. Rivers, who was placed on leave and no longer works for Adidas, did not respond to requests to comment for this story.

One year later, in May 2017, representatives for Adidas were working to place Bowen at an Adidas-sponsored college. This time, Bowen was considering playing for the Oregon Ducks.

Extremely late during the recruiting process, Dawkins texted an outside consultant for Adidas seeking advice. "Any adidas schools that make sense for Bowen?" Dawkins asked Code on May 18, 2017.

A few days later, Code texted Dawkins with an urgent message: "Don't send Bowen to Oregon!!! Call me"

Dawkins had been on the phone with an assistant basketball coach at Oregon, Tony Stubblefield, when the May 22 text came from Code, phone records show. Dawkins called immediately. Later that night, Dawkins called Gassnola.

A day later, Dawkins was texting directly with Pitino, the head coach at the Adidas-sponsored University of Louisville.

“Would you have interest in Brian Bowen or are you done recruiting?” Dawkins asked in a text message.

“We would love to have him,” responded Pitino, who lost his job in the scandal but has not been accused by prosecutors of wrongdoing.

Dawkins, Code, and Gatto worked over the next few days to finalize a deal. “I can hold Oregon off I’m pretty sure,” Dawkins texted Code while payment details were being arranged.

Gassnola grew impatient, even though he wasn’t directly involved. “Bowen needs to commit this evening,” Gassnola texted Dawkins.

Bowen decided to attend Louisville instead of Oregon. Gatto agreed to pay \$100,000 from Adidas to Bowen’s family, prosecutors proved. Bowen never knew about the scheme, the player’s father testified.

But this time, Gassnola testified, Gatto decided to funnel Adidas’ money through Code instead of Gassnola.

“He said, ‘There’s enough going through your account. Let’s just do it this way.’”

‘BLACK OPP’S’

Adidas continues to rely on some of the same basketball insiders whom Gassnola identified as operating alongside him.

During last fall’s trial, prosecutors disclosed a 2015 email written by Rivers, Adidas’ former grassroots director. The email went to eight Adidas employees or contractors, including Gassnola and Gatto, under the subject line: “adidas Soul Patrol aka BlackOpp’s Update #1”



The Adidas "black opp's" team was led by a team that worked out of Adidas North America's Portland headquarters.

Rivers instructed email recipients to do a better job of documenting for him and Gatto any expenses or meetings that would help Adidas sign an NBA prospect. But, using quotation marks, Rivers told them not to document any “confidential ‘Black Opp’s’ information.”

Gassnola filled in the blanks for jurors.

What is “confidential ‘Black Opp’s information?’ Payments to players and families of players,” Gassnola testified.

Was there a “Black Opp’s” group at Adidas? “Yes.”

Who did that group refer to? “Other people on this email that were in basketball sports marketing,” Gassnola testified.

A source with knowledge of Adidas’ business disputed Gassnola’s characterizations, saying “confidential ‘Black Opp’s’ information” was a more nuanced term. To some, the source said, it meant paying for meals, rental cars, flights or providing apparel, which could represent a potential violation of amateurism rules but is less salacious than plying families with cash.

Whatever the case, Gassnola was unequivocal about why he was making “Black Opp’s” payments to benefit Adidas.

“These players were either part of our grassroots circuit, we wanted them on our grassroots circuit, they were going to our universities or in the process of going to our universities,” he testified.

NO IMPACT

The prospects for Adidas are looking up even as the men directly involved in the pay-to-play scandal face an uncertain future.

Gassnola’s day of reckoning was originally supposed to be Friday. But the sentencing was delayed and has not been rescheduled, according to Justice Department spokesman James Margolin.

Gatto, Code and Dawkins are set for sentencing March 5. They each face a maximum penalty of several decades in prison, although a sentence of several years is more likely. Dawkins and Code also face a second trial April 22 for their alleged roles bribing college coaches.

Bowen, the recruit who was at the center of the federal criminal case, is now playing for a professional basketball team in Australia. He’s averaging 6 points per game.

The basketball scandal hasn’t hurt Adidas’ bottom line.

Kasper Rorsted, chief executive for Adidas AG in Germany, spent all of 55 seconds addressing the scandal with stock analysts in the initial aftermath of the allegations and arrests in 2017.

Basketball represented just 1 percent of Adidas’ revenue in the United States, Rorsted explained.

“So, while the allegations are serious, and we take them serious,” he said at the time, “we do not expect them to have any business impact.”

Rorsted was right. Adidas’ stock is now trading at more than \$114 per share, an increase of about 12 percent.

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