

## ***Three Found Guilty in N.C.A.A. Basketball Recruiting Scheme***

By **Marc Tracy**

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A jury returned unanimous guilty verdicts against two former Adidas employees and an aspiring sports agent in Manhattan federal court Wednesday after more than two days' deliberation, concluding that it constituted fraud for the defendants to funnel money to the families of college basketball recruits in exchange for the prospects' commitment to teams sponsored by Adidas.

James Gatto, Adidas's former head of global basketball marketing; Merl Code Jr., another former Adidas employee; and an aspiring agent named Christian Dawkins were found guilty of wire fraud and conspiracy to commit wire fraud, after a three-week trial.

The three men could face several years in prison. Judge Lewis A. Kaplan set sentencing for March 5, just before the start of N.C.A.A. basketball's postseason. But the larger question is whether the verdicts will have any effect on what is still widely considered business as usual in college basketball.

Current and former college sports officials say basketball operators likely are still connecting families of valuable prospects with money in violation of N.C.A.A. amateurism rules. However, some operators may be chilled by the fact that, as of Wednesday, three people involved in such a scheme have been convicted of federal crimes.

Gatto's attorney indicated afterward that his client would appeal.

The allegations, first revealed in September 2017, laid bare what many had long assumed or known about college basketball at its highest levels: that its top players — who for a decade have been required to wait at least a year after high school before entering the N.B.A., and who are prohibited by N.C.A.A. rules from accepting payment beyond scholarships and related costs — were getting money under the table via a murky underworld of agents, “runners” and other interested parties.

The charges in this case also further exposed the outsize influence of the major basketball apparel companies — Nike, Adidas and Under Armour — on college sports. They invest millions of dollars establishing a pipeline of loyalists that begins with their own pre-college “grass-roots” leagues, runs through college teams they sponsor and culminates in star players whom they sign to endorse their clothes, gear and sneakers.

In this case, federal prosecutors said that the defendants had funneled money from Adidas to prospects who wound up at three teams sponsored by the sneaker giant: Louisville, Kansas and North Carolina State.

These schools, prosecutors asserted, were victims, since they were unwittingly playing ineligible athletes, risking N.C.A.A. penalties.

“As a jury has now found,” said Robert S. Khuzami, the Deputy United States Attorney for the Southern District of New York, “the defendants not only deceived universities into issuing scholarships under false pretenses, they deprived the universities of their economic rights and tarnished an ideal which makes college sports a beloved tradition by so many fans all over the world.”

In a statement, Adidas said it had “strengthened our internal processes and controls and remain committed to ethical and fair business practices.”

Though the verdicts’ larger impact on college basketball was not immediately clear, after Wednesday the following may be safely said: There is precedent that cheating N.C.A.A. bylaws can have consequences beyond collegiate infractions.

“Now you don’t just have to worry about what the N.C.A.A. does to you — you have to worry about going to jail,” said Dan Beebe, a former Big 12 commissioner who consults with conferences.

There are still two other trials stemming from the charges to come, involving four assistant coaches from different major programs who were accused of plotting to direct players to various managers, including Dawkins, in exchange for kickbacks.

The basketball establishment has already started reacting to the charges. An N.C.A.A. commission convened to reform the sport, chaired by Condoleezza Rice, the former secretary of state, had its proposals implemented a couple months ago.

At the same time, the college sports establishment has indicated no movement toward reforming the economic system that appeared to prompt the scheme: multimillion-dollar apparel sponsorships; huge financial incentives to win big; and amateurism rules that bar paying players.

The scandal eventually may lead to the end of the N.B.A.’s “one-and-done” rule, which currently bars players from entering the draft until one year after their high school class’ graduation. Last week, the N.B.A. announced a new program in its development league designed to encourage the best would-be freshmen to skip college and instead enter the G League and train for a year while receiving a \$125,000 salary.

The N.C.A.A. is also expected to, at some point, investigate the schools involved for violations. Prosecutors had asked the organization to hold off on such probes as long as their own process was still playing out.

Wednesday's news also demonstrated that universities may be considered victims of fraud in a legal sense even when their employees, such as assistant coaches, are in on the schemes. There was testimony, for instance, that suggested that an assistant coach at Louisville knew that Adidas employees had arranged for money to be sent to the father of a prospect.

"They're defrauding their own organization, their own employer," Beebe said, "because they sign off on compliance forms that indicate they're going to comply."

Kansas Coach Bill Self announced Wednesday that Silvio De Sousa would sit out an exhibition game Thursday pending an investigation, after an attorney said in his closing argument that Self had asked that an Adidas employee arrange to pay his guardian.

Rick Pitino, the Hall of Fame former Louisville coach who was fired in the wake of the charges, was also aware of the scheme involving his team, the attorney said. Neither head coach was clearly implicated in witness testimony, although text messages and phone calls suggested they were aware that Adidas associates were involved in recruiting. Pitino has denied knowledge of the plan. Self declined to comment Wednesday morning while the trial was still pending.

In a statement Wednesday afternoon, Kansas's president and athletic director said: "Some of the information we were aware of, and some is new to us. The new information needs to be evaluated and understood. We have already been in contact with the N.C.A.A. regarding trial developments and will continue to work with N.C.A.A. staff moving forward."

Louisville had no comment Wednesday.

In the most prominent scheme, Dawkins, Code and Gatto worked to send \$100,000 in four installments to the father of Brian Bowen II after the son, a top prospect, committed to Louisville in the spring of 2017.

Munish Sood, a money manager who was initially charged before reaching an agreement with the government, testified that he was in on the plan. Bowen's father, Brian Bowen Sr., confirmed much of the allegations in his own testimony, though he said that his son never knew about the deal, or the thousands of dollars he received from other sources related to where his son plied his ample talents.

Brian Bowen II was removed from practices at Louisville when the charges came out. He transferred to South Carolina but was not permitted to play, and then entered the N.B.A draft before withdrawing to play for a professional team in Australia.

The three men charged in the case had pleaded not guilty, and none of them took the stand. Their primary defense was that their behavior may have violated N.C.A.A. bylaws, but that it was not a federal crime.

“N.C.A.A. rules were broken,” Michael Schachter, one of Gatto’s attorneys, said in his opening argument. “Jim and Adidas helped out financially a few families whose sons are among the most talented athletes in America. That happened.”

However, he added: “The N.C.A.A.’s rules are not the laws of this country. The N.C.A.A. is not the U.S. Congress.”

***Correction: October 24, 2018***

*An earlier version of this article misstated Robert S. Khuzami’s title. He is the Deputy United States Attorney for the Southern District of New York, not the United States Attorney for the Southern District of New York.*

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