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What 20 years of tax records tell us about Phil Knight's giving

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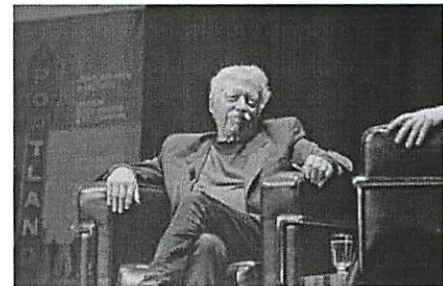
Phil Knight is seemingly on the verge of overseeing the biggest foundation in Oregon history, a development with sweeping implications for the state's civic fabric. The billionaire Nike co-founder, who stepped down from the company's board in 2016, in recent months has steered nearly \$1.7 billion in Nike stock to a charity for which he and his wife, Penny, serve as directors, according to Securities and Exchange Commission filings.

The foundation appears to be the Knight Foundation, which Knight, now 80, founded in 1997. It is the only known charity matching the description given in securities filings. The \$1.7 billion gift would put its assets above \$2.1 billion and make it larger than the Oregon Community Foundation, which has \$1.6 billion in assets and is the largest foundation in the state.

The emergence of the Knight Foundation as a charitable headwater could reshape Oregon given Knight's commitment to give away the bulk of his \$31.5 billion fortune and his longtime support of education, medical research, athletics and other charities. His lifetime gifts and pledges already exceed \$2 billion, making him the state's defining philanthropist.

Given the surge in Knight's philanthropic activity, the Business Journal sorted through decades of the Knight Foundation's tax records and interviewed sources familiar with his giving to come up with the fullest picture yet of his staggering generosity.

The reporting shows Knight's giving goes way beyond his controversial and high-profile gifts to University of Oregon athletics. Many of his gifts are easily missed or anonymous. The giving is fueled by Knight's old-fashioned sense of duty, according to those who know him.



CATHY CHENEY PORTLAND BUSINESS JOURNAL
Nike co-founder Phil Knight gave \$1.9 billion to charities in the past year, cementing his place as Oregon's defining philanthropist.

The Knight Foundation has supported everything from environmental causes (\$300,000 to the National Arbor Day Foundation) to creative writing (\$1.1 million to the Stanford University Writing Program). The bulk has gone to the philanthropic triangle of the University of Oregon, Stanford University and Oregon Health & Science University.

The most contentious gifts have gone to the University of Oregon, the birthplace of Nike and the institution with which Knight has the deepest emotional connection. Critics say Knight's largesse has given him outsized influence at the University of Oregon and elsewhere and let him unilaterally decide the state's philanthropic priorities.

Knight, who remains intensely private, declined repeated interview requests for this story. He also declined to answer written questions.

He last spoke with the *Business Journal* about his philanthropy on the day he stepped down from Nike's board on June 30, 2016. At the time, he said he didn't expect major changes in his giving.

"I've mostly given to Stanford, Oregon and OHSU," he said. "For the next few years, I don't know if that'll change dramatically. Obviously, the bulk of my Nike shares have been set up in a trust. Those shares ultimately will go to charity. But it won't be for at least 35 years."

Philanthropic roots in a Eugene locker room

Knight's philanthropy, like the company he co-founded, has roots in the athletic department at the University of Oregon.

Knight ran track at the university for legendary track coach Bill Bowerman, with whom he later co-founded Nike. In his official 2006 biography of Bowerman, Kenny Moore described how Bowerman lectured his runners about philanthropy.

"We had to promise (Bowerman) that we wouldn't write a check to the university's general pot," wrote Moore, who like Knight ran for Bowerman. "Bill made us swear we would direct our money to the business school, to the writing program, to the biology department for teaching fellowships, whatever we felt was important."

Like Knight, Bowerman was frugal, but generous with his wealth, supporting scholarships, academic and athletic programs. Bowerman also didn't much care for getting credit for his philanthropy. Bowerman often made significant gifts in another person's name, according to Moore, such as when he gave money in the name of George W. Shipman to update the computers at the University of Oregon library.

Knight seems to have inherited both traits. He gives strategically and he gives anonymously, according to people familiar with his giving. His "anonymous" gifts are memorialized on the walls of Oregon's most beloved cultural institutions.

In his 2008 book about Nike's early days, Nike's first Oregon salesman, Geoff Hollister, describes how Knight gave money to preserve "Pre's Rock," a memorial that marks where the iconic University of Oregon distance runner died tragically at age 24.

"(Knight) did not hesitate for a second, saying, 'I want this to remain anonymous,'" Hollister wrote.

A more formal approach to giving

In 1990, Knight, then Nike's CEO, established the Philip H. Knight Charitable Foundation Trust, seemingly in order to formalize his giving. A summary of the foundation's tax records obtained from the Oregon Department of Justice's Charitable Activities section shows the trust gave away \$6.5 million between 1990 and 1997.

Larger gifts were seemingly made outside the foundation. As the Oregonian reported in 2005, the Knights are thought to have given more from their personal estate than through foundations.

In 1994, the Knights gave \$27.4 million for the renovation of the University of Oregon's main library. In 1996, they gave \$25 million to the University of Oregon, including \$15 million for endowed chairs and professorships and \$10 million for construction of a new law school building.

Two of the tenured faculty members in the university's Center on Human Development have professorships endowed by the Knights. The center's special education program is ranked No. 3 by U.S. News & World Report.

"Without those two individuals I seriously doubt this program would be ranked the way that it is," said Christopher Murray, the center's director and a member of the University Senate. "I think (Phil Knight's) philanthropy has frankly been incredible, particularly in a state where there's extremely low public support for higher education."

In 1997, Knight folded the trust into the Knight Foundation, according to IRS records. The Business Journal reviewed the Knight Foundation's tax filings since its inception. The foundation has given away \$214 million and received \$425 million from Knight. It has made financial gifts to 14 organizations, including St. Andrew Nativity School (\$400,000) and Sisters of St. Mary's (\$500,000).

St. Andrew Nativity School President Carolyn Becic said the Knights gave the school \$1 million, more than the \$400,000 indicated in tax filings, meaning the Knight family likely wrote personal checks for the \$600,000 difference.

"That million dollars is the basis of our endowment, which is now at \$6.8 million," Becic said, in an email. "While there have been other significant gifts to our endowment, the Knights' gift was foundational."

The Northeast Portland school, which opened in 2001, serves students in grades 6-8 who are eligible for free or reduced-price lunch. Eighty percent of its students go to college. It has a \$1.9 million annual budget.

'A wealthy person's checkbook'

The Knight Foundation has operated unimaginably quiet for a foundation of its size. It has no office space, no employees and doesn't raise money from outside donors. There has only been one news story written about the foundation, a 2005 story in the Oregonian that noted the foundation could one day "generate more annual giving than all Oregon foundations combined."

At the time, Knight had a \$6.9 billion fortune. It's since grown to \$31.5 billion, according to Forbes, ranking him No. 16 on the magazine's list of the wealthiest Americans.

The Knight Foundation is what's known as a private foundation. That means it doesn't raise money from the community. It simply gives away a wealthy person's fortune.

"A private foundation is basically an institutionalized version of a wealthy person's checkbook," said Leslie Lenkowsky, professor emeritus in public affairs and philanthropy at Indiana University.

Lenkowsky said donations to private foundations are tax deductible and their earnings are tax exempt. Private foundations need to give away 5 percent of their assets each year in order to get the tax advantages, although Lenkowsky said foundations often get several years to comply.

"You don't have to comply right away," he said. "The hope is that you give the money to something worthwhile."

A review of the Knight Foundation's annual tax filings shows some years it has given away less than the 5 percent required. Other years it's given away nearly 40 percent of its assets. It gives away an average of about 10 percent of its assets annually, double the legal requirement.

The Knight Foundation also appears to be the mechanism through which Phil and Penny Knight are making good on recent mega-pledges. The Knights announced a \$105 million gift to Stanford's business school in 2006. At the time it was the largest gift they had ever made. Each of the next five years the Knight Foundation made an eight-figure gift to the Stanford University Foundation.

In 2007, the Knights announced a \$100 million gift to University of Oregon athletics. The money created the Oregon Athletics Legacy Fund, which served as an endowment and a financial backstop for the Matthew Knight basketball arena.

Each of the next three years, the Knight Foundation made a significant gift to the University of Oregon athletics foundation, including a \$20.4 million gift in 2010.

A 2007 Register-Guard story described the \$100 million gift as the largest in university history and quoted Knight as saying his previous gifts to the university were "in the neighborhood" of \$100 million.

"As I approach 70 years of age, I've started to be a little more aggressive in my charitable contributions, and this really started about a year or so ago," Knight said.

Knight announced a \$100 million gift to Oregon Health & Science University in 2008. Knight Foundation tax records show seven-figure gifts to the OHSU Foundation each year between 2012 and 2016, including a \$25 million gift in 2016.

Lenkowsky said private foundations can run afoul of tax officials when they use private foundations to self-deal, such as employing family members or leasing real estate from companies they control. The Knight Foundation doesn't employ anybody. And it doesn't lease office space. Tax documents are sent to Knight at Nike Inc.

The four directors of the foundation: Phil and Penny Knight, son Travis Knight and Lisa McKillips, Knight's longtime assistant. None of them receive compensation, according to tax records.

A \$500 million surprise for OHSU

On Sept. 20, 2013, Phil Knight walked to the podium at a gala for Oregon Health & Science University at the Nines hotel. He wore an all-black tuxedo. A week earlier, Knight had asked Dr. Brian Druker, the hospital's celebrated cancer doctor, if he could introduce him.

Druker welcomed the introduction. He asked Knight if he needed anything.

"No," Knight responded. "I'm going to be short."

Knight's speech that night lasted less than two minutes. He said he and Penny would give OHSU \$500 million for cancer research if the hospital raised \$500 million in matching funds.

"I had absolutely no clue what he was going to say," Druker recalled.

For Druker, the night was the culmination of two years of effort. The hospital had spent a year formulating a pitch to Knight, ultimately asking for \$1 billion for cancer research. It took six months to formalize the pitch. Knight had it on his desk for six months before the gala at the Nines.

When Knight made the staggering commitment, Druker turned to his wife for advice. She told him to forget the speech he had written.

"Good luck," she said. "And don't forget to thank them."

The night effectively started the latest stage of Knight's unparalleled Oregon career – mega-philanthropist. Since then, he's announced a \$400 million gift to Stanford University for the creation of a Rhodes Scholar-like program and \$500 million for the University of Oregon for the creation of a new science campus.

The Knight Foundation's 2017 tax return should be filed within the next few weeks. The nearly \$1.7 billion in Nike stock Phil Knight seemingly gave to the foundation between December 2017 and October 2018 will likely be used to fulfill Knight's recent mega-pledges. Knight has also steered nearly \$200 million to a separate charity in recent months, bringing his philanthropic giving in the last year to nearly \$1.9 billion.

'Significant strings'

Knight's emergence as the state's defining philanthropist coincides with the renewal of decades-old criticisms about the structure of his gifts and a shift in how he's perceived.

The new book "University of Nike" traces Knight's decades of giving to the University of Oregon and argues Knight is a cold, calculating puppeteer who uses his philanthropy to bend the university to his will. It focuses on Knight's well-documented falling out with the university in 2000 over its participation in a labor rights group. The university split with the group a year later. Knight and the university have since reconciled.

The book notes the university's growing reliance on private philanthropy in the wake of declining taxpayer support for higher education, much of it due to the passage of Measure 5 in 1990 that limited property taxes that fueled schools and universities.

The Knight family's known giving to the University of Oregon now exceeds \$750 million. Numerous buildings on the Eugene campus bear the Knight family name, including the main library and the law school building. In 2016, the Chronicle of Philanthropy named Phil Knight the most generous donor to higher education in America.

The University of Oregon declined comment on the book. It also declined an interview request about Knight's giving. It gave the Business Journal a summary of Knight's philanthropy and a prepared statement.

"We are extremely grateful to Phil and Penny Knight individually for their generous support of this university over many decades, as well as their support of other academic institutions and vital causes in Oregon and beyond," the university said. "The Knights care deeply about education, health care,

sports and so much more, and they are unquestionably the most generous philanthropists in our state's history. Their support for both academic and athletic programs at University of Oregon has transformed this campus in profoundly positive ways. The state of Oregon, our citizenry and this institution are all better for it."

Not everybody on campus celebrates Knight's gifts, especially his more than \$250 million in gifts to University of Oregon athletics. Knight has helped fund the construction of numerous athletic facilities, including the Matthew Knight Arena, Marcus Mariota Sports Performance Complex, the football team's training center and an academic center for athletes.

"The negative aspect for me has been the emphasis on big-time athletics," said economics professor Bill Harbaugh, who serves as president of the University Senate. "I don't think it's a positive for the university's reputation to be associated with big-time sports."

Knight's also been criticized for meddling, especially in the construction of athletic facilities funded by his gifts. In a 2014 interview with USA Today, Knight said he's been hands-on with some of his gifts to athletic programs because of his expertise.

"I knew my way around sports and sports management a little bit, and I wanted to be involved," he said.

Others on campus have criticized the caveats that come with some of Knight's gifts.

"Every gift by Knight comes with significant strings, such as requiring additional funding from other donors or the state to obtain Knight's donation," said biology professor Nathan Tublitz, in an email.

As one example, Knight funded the John E. Jaqua Academic Center for Student Athletes with a \$42 million gift in 2010. The university pays \$2 million a year for tutoring and other services for student athletes at the center. It previously paid \$600,000 a year for the same services, putting it on the hook for \$1.4 million a year that otherwise could go scholarships for low-income students and tuition relief.

The Knights pledged \$500 million in 2016 for a three-building science campus — \$50 million a year over 10 years — with the expectation that the university will raise a matching \$500 million. The campus is under construction.

"Although the university administration will never admit it, the immediate consequence of Knight's donation is that the university must, now and for many years to come, focus nearly all its substantial fundraising mechanisms to generate the additional \$500 million for the Knight campus," Tublitz said.

The result, he said, is less fundraising for scholarships, higher tuition, larger classes and less funding for everything from mental health services to sexual violence prevention.

It's mostly unclear what the university has agreed to do in return for Knight's generosity. University's typically execute gift letters with donors in exchange for big donations. The gift letters function like contracts. The Business Journal filed a public records request for copies of gift letters the university executed with Knight. As of press time, the Business Journal had not received any documents.

'Inspired a movement'

Recipients of Knight's generosity brush off the argument that he gives with strings attached.

"What Phil and Penny did when they challenged us (to raise a matching \$500 million) was brilliant," Druker said. "What they did tapped into everybody's desire to be part of something bigger."

Druker characterized Knight's philanthropy as "well informed and strategic," not meddling.

"He allows us to do what we think is best," he said.

Druker said he calls Knight whenever he hires a new researcher or the hospital makes a breakthrough. The OHSU Foundation, the nonprofit arm of the hospital, also provides Knight a report every year that outlines what they've accomplished with his philanthropy.

The Business Journal requested copies of the reports and was told they're not public records because the foundation is a nonprofit.

Those who know Knight object to the characterization that he is cold and calculating, often describing him as warm and emotional.

"He's a man with enormous humility," Druker said. "I see a man with a huge heart, incredible loyalty and an incredible desire to drive excellence and bring out the best in people."

Susan Gary is a professor in the University of Oregon law school and a member of the University Senate.

"I've never had the sense that Knight has ever overstepped (his role) as a donor," she said. "I think donors have visions for how their money should be used and that's perfectly appropriate."

In a sign that concern about Knight's influence on campus may be ebbing, University Senate members, including Gary and Senate President Harbaugh, on April 25 approved an honorary degree for Phil Knight.

"The net effect (of his philanthropy) on the university has been positive," Harbaugh said. "I wouldn't have said that before the \$500 million science campus. I would have said it's negative. That's a lot of money. It shows that he cares about something other than sports. It makes me think there's more potential there."

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