

# NIKE INC

## FORM 10-Q (Quarterly Report)

Filed 09/30/04 for the Period Ending 09/30/04

Address	ONE BOWERMAN DR BEAVERTON, OR 97005-6453
Telephone	5036713173
CIK	0000320187
Symbol	NKE
SIC Code	3021 - Rubber and Plastics Footwear
Industry	Footwear
Sector	Consumer Cyclical
Fiscal Year	05/31

# UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

## FORM 10-Q

FOR QUARTERLY REPORTS UNDER SECTION 13 OR 15(d) OF  
THE SECURITIES AND EXCHANGE ACT OF 1934

For the Quarter Ended August 31, 2004  
*Commission file number - 1-10635*

### NIKE, Inc.

(Exact name of registrant as specified in its charter)

OREGON	93-0584541
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
One Bowerman Drive, Beaverton, Oregon	97005-6453
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code (503) 671-6453

Indicate by check mark whether the registrant is an accelerated filer (as  
defined in Rule 12b-2 of the Exchange Act). Yes  No

Indicate by check mark whether the registrant (1) has filed all reports  
required to be filed by Section 13 or 15 (d) of the Securities Exchange  
Act of 1934 during the preceding 12 months (or for such shorter period  
that the registrant was required to file such reports), and (2) has been  
subject to such filing requirements for the past 90 days

Yes  No

Common Stock shares outstanding as of August 31, 2004 were:

Class A	77,581,484
Class B	184,895,938
	<hr/>
	262,477,422
	=====

#### PART 1 - FINANCIAL INFORMATION

##### Item 1. FINANCIAL STATEMENTS

## UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

	August 31, 2004	May 31, 2004
	(in millions)	
ASSETS		
Current assets:		
Cash and equivalents	\$ 932.1	\$ 828.0
Short-term investments	365.4	400.8
Accounts receivable, net	2,175.7	2,120.2
Inventories (Note 2)	1,645.8	1,633.6
Deferred income taxes	137.9	165.0
Prepaid expenses and other current assets	364.2	364.4
	<hr/>	<hr/>
Total current assets	5,621.1	5,512.0
Property, plant and equipment	3,177.0	3,132.3
Less accumulated depreciation	1,598.2	1,545.4
	<hr/>	<hr/>
Property, plant and equipment, net	1,578.8	1,586.9
Identifiable intangible assets, net (Note 3)	409.7	366.3
Goodwill (Note 3)	135.4	135.4
Deferred income taxes and other assets	307.9	291.0
	<hr/>	<hr/>
Total Assets	\$8,052.9	\$7,891.6
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	\$ 6.1	\$ 6.6
Notes payable	97.8	146.0
Accounts payable	688.8	763.8
Accrued liabilities (Note 4)	914.9	974.4
Income taxes payable	200.3	118.2
	<hr/>	<hr/>
Total current liabilities	1,907.9	2,009.0
Long-term debt	692.4	682.4
Deferred income taxes and other liabilities	430.2	418.2
Commitments and contingencies (Note 9)	--	--
Redeemable preferred stock	0.3	0.3
Shareholders' equity:		
Common stock at stated value:		
Class A convertible-77.6 and 77.6 shares outstanding	0.1	0.1
Class B-184.9 and 185.5 shares outstanding	2.7	2.7
Capital in excess of stated value	962.9	887.8
Unearned stock compensation	(4.5)	(5.5)
Accumulated other comprehensive loss (Note 5)	(43.1)	(86.3)
Retained earnings	4,104.0	3,982.9
	<hr/>	<hr/>
Total shareholders' equity	5,022.1	4,781.7
	<hr/>	<hr/>
Total liabilities and shareholders' equity	\$8,052.9	\$7,891.6
	=====	=====

The accompanying Notes to Unaudited Condensed Consolidated Financial  
Statements are an integral part of this statement.

NIKE, Inc.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF INCOME

	Three Months Ended August 31,	
	2004	2003
	(in millions, except per share data)	
Revenues	\$3,561.8	\$3,024.9
Cost of sales	1,976.0	1,723.4
Gross Margin	1,585.8	1,301.5
Selling and administrative	1,073.6	869.6
Interest expense, net	4.8	7.5
Other expense, net	1.9	23.8
Income before income taxes	505.5	400.6
Income taxes	178.7	139.4
Net income	\$ 326.8	\$ 261.2
Basic earnings per common share (Note 7)	\$ 1.24	\$ 0.99
Diluted earnings per common share (Note 7)	\$ 1.21	\$ 0.98
Dividends declared per common share	\$ 0.20	\$ 0.14

The accompanying Notes to Unaudited Condensed Consolidated Financial Statements  
are an integral part of this statement.

**NIKE, Inc.**

### UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended August 31,	
	2004	2003
	(in millions)	
Cash provided (used) by operations:		
Net income	\$ 326.8	\$ 261.2
Income charges not affecting cash:		
Depreciation	58.4	61.2
Deferred income taxes	11.6	0.7
Amortization and other	3.2	10.6
Income tax benefit from exercise of stock options	13.4	2.9
Changes in certain working capital components, net of the effect of acquisition of subsidiary:		
Increase in accounts receivable	(57.8)	(52.7)
Decrease (increase) in inventories	25.9	(2.5)
Decrease (increase) in prepaid expenses and other current assets	1.9	(51.1)
(Decrease) increase in accounts payable, accrued liabilities and income taxes payable	(15.9)	119.7
Cash provided by operations	367.5	350.0
Cash provided (used) by investing activities:		
Purchases of short-term investments	(275.4)	--
Maturities of short-term investments	310.0	--
Additions to property, plant and equipment	(53.8)	(42.0)

Disposals of property, plant and equipment	1.4	1.6
Increase in other assets	(5.2)	(1.7)
Decrease in other liabilities	(2.2)	(0.2)
Acquisition of subsidiary, net of cash acquired	(47.2)	--
	<hr/>	<hr/>
Cash used by investing activities	(72.4)	(42.3)
	<hr/>	<hr/>
Cash provided (used) by financing activities:		
Proceeds from long-term debt issuance	--	1.8
Reductions in long-term debt including current portion	(4.3)	(1.5)
(Decrease) increase in notes payable	(48.4)	163.4
Proceeds from exercise of options and other stock issuances	65.6	19.0
Repurchase of stock	(145.8)	(95.0)
Dividends on common stock	(52.6)	(36.9)
	<hr/>	<hr/>
Cash (used) provided by financing activities	(185.5)	50.8
	<hr/>	<hr/>
Effect of exchange rate changes on cash	(5.5)	5.3
	<hr/>	<hr/>
Net increase in cash and equivalents	104.1	363.8
Cash and equivalents, May 31, 2004 and 2003	828.0	634.0
	<hr/>	<hr/>
Cash and equivalents, August 31, 2004 and 2003	\$ 932.1	\$ 997.8
	=====	=====

The accompanying Notes to Unaudited Condensed Consolidated Financial Statements are an integral part of this statement.

## NIKE, Inc.

### NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

#### NOTE 1 - Summary of Significant Accounting Policies:

##### Basis of presentation:

The accompanying unaudited condensed consolidated financial statements reflect all adjustments (consisting of normal recurring accruals) which are, in the opinion of management, necessary for a fair presentation of the results of operations for the interim period. The interim financial information and notes thereto should be read in conjunction with the Company's latest Annual Report on Form 10-K. The results of operations for the three (3) months ended August 31, 2004 are not necessarily indicative of results to be expected for the entire year.

Certain prior year amounts have been reclassified to conform to fiscal year 2005 presentation. These changes had no impact on previously reported results of operations or shareholders' equity.

#### NOTE 2 - Inventories:

Inventories by major classification are as follows:

	Aug. 31, 2004	May 31, 2004
	<hr/>	<hr/>
	(in millions)	
Finished goods	\$1,633.0	\$1,609.7
Work-in-progress	6.5	10.6
Raw materials	6.3	13.3
	<hr/>	<hr/>
	\$1,645.8	\$1,633.6
	=====	=====

#### NOTE 3 - Identifiable Intangible Assets and Goodwill:

The following table summarizes the Company's identifiable intangible assets and goodwill balances as of August 31, 2004 and May 31, 2004:

	August 31, 2004			May 31, 2004		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
(in millions)						
Amortized intangible assets:						
Patents	\$ 28.4	\$ (12.3)	\$ 16.1	\$ 27.9	\$ (11.9)	\$ 16.0
Trademarks	53.6	(12.1)	41.5	14.1	(11.5)	2.6
Other	21.9	(11.3)	10.6	17.0	(10.8)	6.2
Total	<u>\$ 103.9</u>	<u>\$ (35.7)</u>	<u>\$ 68.2</u>	<u>\$ 59.0</u>	<u>\$ (34.2)</u>	<u>\$ 24.8</u>
	=====	=====		=====	=====	
Unamortized intangible assets - Trademarks			\$ 341.5			\$ 341.5
Identifiable intangible assets, net			<u>\$ 409.7</u>			<u>\$ 366.3</u>
			=====			=====
Goodwill			\$ 135.4			\$ 135.4
			=====			=====

Amortization expense, which is included in selling and administrative expense, was \$1.5 million and \$0.9 million for the three-month periods ended August 31, 2004 and 2003, respectively. The estimated amortization expense for intangible assets subject to amortization for each of the succeeding years ended May 31, 2005 through May 31, 2009 are as follows: 2005: \$9.3 million; 2006: \$8.6 million; 2007: \$7.7 million; 2008: \$7.2 million; 2009: \$6.2 million.

On August 11, 2004, the Company acquired Official Starter LLC and Official Starter Properties LLC (collectively "Official Starter") for \$47.2 million, including acquisition costs, net of cash acquired. The Exeter Brands Group LLC, a wholly-owned subsidiary of the Company, was formed during the three-months ended August 31, 2004 to develop the Company's business in retail channels serving value-conscious consumers and operate the Official Starter business. As a result of the acquisition, \$39.0 million was allocated to amortized trademarks and \$4.6 million was allocated to other amortized intangible assets. The weighted average amortization period is nine years in total and approximately 10 years and three years for amortized trademarks and other amortized intangible assets, respectively. The impact of the acquisition of Official Starter on the Company's financial position and results of operations for the three-months ended August 31, 2004 was immaterial.

#### NOTE 4 - Accrued Liabilities

Accrued liabilities include the following:

	August 31, 2004	May 31, 2004
(in millions)		
Fair value of derivatives	\$ 81.9	\$141.3
Compensation and benefits	263.7	339.0
Accrued taxes	117.6	87.5
Endorser compensation	110.0	86.9
Dividends payable	52.5	52.6
Other <sup>1</sup>	289.2	267.1
	<u>\$914.9</u>	<u>\$974.4</u>
	=====	=====

<sup>1</sup> Other consists of various accrued expenses and no individual item accounted for more than \$50 million of the balance at August 31, 2004 and May 31, 2004.

#### NOTE 5 - Comprehensive Income:

Comprehensive income, net of taxes, is as follows:

Three Months Ended  
August 31,

2004	2003
_____	_____

	(in millions)	
Net Income	\$326.8	\$261.2
Other Comprehensive Income:		
Change in cumulative translation adjustment and other	(14.1)	(59.2)
Changes due to cash flow hedging instruments:		
Net gain on hedge derivatives	6.9	86.5
Reclassification to net income of previously deferred (gains) and losses related to hedge derivative instruments	50.4	46.5
	<hr/>	<hr/>
Other Comprehensive Income	43.2	73.8
	<hr/>	<hr/>
Total Comprehensive Income	\$370.0	\$335.0
	=====	=====

#### NOTE 6 - Stock-Based Compensation:

The Company uses the intrinsic value method to account for stock-based compensation in accordance with Accounting Principles Board (APB) Opinion No. 25, "Accounting for Stock Issued to Employees" as permitted by Statement of Financial Accounting Standards (SFAS) No. 123 "Accounting for Stock-Based Compensation" (FAS 123). The Company's policy is to grant stock options with an exercise price equal to the market value at the date of grant, and accordingly, no compensation expense is recognized. The Company also has an Employee Stock Purchase Plan (ESPP) that qualifies as a non-compensatory employee stock purchase plan under Section 423 of the Internal Revenue Code, and accordingly, no compensation expense is recognized.

If the Company had accounted for stock options and ESPP purchase rights issued to employees in accordance with FAS 123, the Company's pro forma net income and pro forma earnings per share would have been reported as follows:

	Three Months Ended August 31,	
	2004	2003
	<hr/>	<hr/>
	(in millions, except per share data)	
Net Income as reported	\$326.8	\$261.2
Add: Stock-based compensation expense included in reported net income, net of tax	--	--
Deduct: Total stock-based employee compensation expense under fair value based method for all awards, net of tax	(14.1)	(11.3)
	<hr/>	<hr/>
Pro forma net income	\$312.7	\$249.9
	=====	=====
Earnings per share:		
Basic - as reported	1.24	0.99
Basic - pro forma	1.19	0.95
Diluted - as reported	1.21	0.98
Diluted - pro forma	1.17	0.94

The pro forma effects of applying FAS 123 may not be representative of the effects on reported net income and earnings per share for future periods since options vest over several years and additional awards are made each year.

#### NOTE 7 - Earnings Per Common Share:

The following represents a reconciliation from basic earnings per share to diluted earnings per share. Options to purchase 5.0 million and 3.9 million shares of common stock were outstanding at August 31, 2004 and August 31, 2003, respectively, but were not included in the computation of diluted earnings per share because the options' exercise prices were greater than the average market price of common shares and, therefore, the effect would be antidilutive.

	Three Months Ended August 31,	
	2004	2003
	<hr/>	<hr/>
	2004	2003

(in millions, except per share data)

Determination of shares:		
Average common shares outstanding	262.7	262.9
Assumed conversion of dilutive stock options and awards	7.1	4.3
	<hr/>	<hr/>
Diluted average common shares outstanding	269.8	267.2
	=====	=====
Basic earnings per common share	\$ 1.24	\$ 0.99
	=====	=====
Diluted earnings per common share	\$ 1.21	\$ 0.98
	=====	=====

#### NOTE 8 - Operating Segments:

The Company's operating segments are evidence of the structure of the Company's internal organization. The major segments are defined by geographic regions with operations participating in NIKE brand sales activity. Each NIKE brand geographic segment operates predominantly in one industry: the design, production, marketing and selling of sports and fitness footwear, apparel, and equipment. The "Other" category shown below represents activities of Cole Haan Holdings Incorporated, Bauer NIKE Hockey, Inc., Hurley International LLC, NIKE Golf, Converse Inc., beginning September 4, 2003, and Exeter Brands Group LLC, beginning August 11, 2004, that are considered immaterial for individual disclosure based on the aggregation criteria in SFAS No. 131 "Disclosures about Segments of an Enterprise and Related Information".

Where applicable, "Corporate" represents items necessary to reconcile to the consolidated financial statements, which generally include corporate activity and corporate eliminations.

Net revenues as shown below represent sales to external customers for each segment. Intercompany revenues have been eliminated and are immaterial for separate disclosure. The Company evaluates performance of individual operating segments based on pre-tax income. On a consolidated basis, this amount represents income before income taxes as shown in the Unaudited Condensed Consolidated Statements of Income. Reconciling items for pre-tax income represent corporate costs that are not allocated to the operating segments for management reporting including certain currency exchange rate gains and losses on transactions and intercompany eliminations for specific items in the Unaudited Condensed Consolidated Statements of Income.

Accounts receivable, inventories, and property, plant and equipment for operating segments are regularly reviewed and therefore provided below.

	Three Months Ended August 31,	
	2004	2003
	<hr/>	<hr/>
Net Revenue		
U.S.	\$1,401.7	\$1,249.0
EUROPE, MIDDLE EAST, AFRICA	1,157.9	1,011.6
ASIA PACIFIC	406.0	348.0
AMERICAS	161.7	151.1
OTHER	434.5	265.2
	<hr/>	<hr/>
	\$3,561.8	\$3,024.9
	=====	=====
Pre-Tax Income		
U.S.	\$ 321.9	\$ 293.4
EUROPE, MIDDLE EAST, AFRICA	246.4	202.8
ASIA PACIFIC	63.4	76.4
AMERICAS	20.7	24.3
OTHER	40.3	(4.3)
CORPORATE	(187.2)	(192.0)
	<hr/>	<hr/>
	\$ 505.5	\$ 400.6
	=====	=====
	Aug. 31,	May 31,
	2004	2004

Accounts Receivable, net		
U.S.	\$ 680.8	\$ 616.6
EUROPE, MIDDLE EAST, AFRICA	792.7	724.1
ASIA PACIFIC	198.4	272.9
AMERICAS	133.0	132.1
OTHER	319.6	327.8
CORPORATE	51.2	46.7
	<u>\$2,175.7</u>	<u>\$2,120.2</u>
	=====	=====
Inventories		
U.S.	\$ 545.1	\$ 570.6
EUROPE, MIDDLE EAST, AFRICA	466.1	477.9
ASIA PACIFIC	205.7	163.9
AMERICAS	83.9	78.3
OTHER	301.9	305.5
CORPORATE	43.1	37.4
	<u>\$1,645.8</u>	<u>\$1,633.6</u>
	=====	=====
Property, Plant and Equipment, net		
U.S.	\$ 194.5	\$ 193.0
EUROPE, MIDDLE EAST, AFRICA	226.1	232.0
ASIA PACIFIC	382.5	379.7
AMERICAS	13.4	12.7
OTHER	87.5	86.9
CORPORATE	674.8	682.6
	<u>\$1,578.8</u>	<u>\$1,586.9</u>
	=====	=====

#### NOTE 9 - Commitments and Contingencies:

At August 31, 2004, the Company had letters of credit outstanding totaling \$443.3 million. These letters of credit were issued primarily for the purchase of inventory.

There have been no other significant subsequent developments relating to the commitments and contingencies reported on the Company's most recent Form 10-K.

#### Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

##### Overview

In the first quarter of fiscal 2005, revenues, net income and earnings per share were the highest achieved in any quarter of our history as a public company. Our revenues grew 18% to \$3.6 billion, net income grew 25% to \$326.8 million and we delivered diluted earnings per share of \$1.21, a 23% increase versus the first quarter of fiscal 2004. In addition to growth in our U.S. and international regions, both the acquisition of Converse and foreign currency exchange rates added to our overall growth. During the quarter, we also increased our return on invested capital and increased the level of share repurchases and dividends as compared to the first quarter of fiscal 2004.

##### Results of Operations

	Three Months Ended		
	August 31,		
%	2004	2003	change
	<u></u>	<u></u>	<u></u>
	(in millions, except per share data)		
Revenues	\$3,561.8	\$3,024.9	18%
Cost of sales	1,976.0	1,723.4	15%
Gross Margin	1,585.8	1,301.5	22%
	44.5%	43.0%	
Selling and administrative	1,073.6	869.6	23%
	30.1%	28.7%	
Net Income	326.8	261.2	25%

## Consolidated Operating Results

In the first quarter of fiscal 2005, consolidated revenues grew 18%; 3 percentage points of this growth were attributable to changes in currency exchange rates, primarily the stronger euro. Excluding the impact of changes in foreign currency, revenue growth in our international regions contributed 5 percentage points to the consolidated revenue growth as all three of our international regions posted higher revenues. The U.S. Region contributed 5 percentage points of the consolidated revenue growth. Sales in our Other businesses drove the balance of the improvement with Converse, which was acquired during the second quarter of fiscal 2004, contributing 4 percentage points to the overall revenue growth.

In the first quarter of fiscal 2005, our consolidated gross margin percentage improved 150 basis points versus the prior year, from 43.0% to 44.5%. The primary factor in the improved gross margin percentage was the change in currency hedge rates, primarily the euro, which contributed 130 basis points of the year-over-year improvement for the first quarter. As a majority of product purchases for fiscal 2005 have been hedged, we expect a positive impact on our gross margin percentage throughout fiscal 2005 due to improved year-over-year hedge rates, primarily for the euro.

First quarter selling and administrative expense, comprised of demand creation and operating overhead, grew 23% versus the prior year quarter. Demand creation (advertising and promotion) expense grew 44% to \$466.6 million in the first quarter of fiscal 2005. Three percentage points of the increase in demand creation for the first quarter period were due to changes in currency exchange rates. Excluding the impact of currency, the increase in demand creation spending for the first quarter was attributable to increased spending primarily in the U.S., Europe, Middle East and Africa (EMEA) and Asia Pacific regions for advertising around the summer's global sporting events including the integrated NIKE "Speed" campaign (21 percentage point impact), higher spending on endorsement contracts (9 percentage point impact), and incremental investment in retail development programs (6 percentage point impact). The addition of Converse also had a 3 percentage point impact on demand creation for the quarter.

Operating overhead for the first quarter of fiscal 2005 was \$607.0 million, an 11% increase over the first quarter of fiscal 2004. Currency exchange rates contributed 2 percentage points of this increase, and the addition of Converse accounted for 3 percentage points of growth. Excluding the effects of currency and Converse, operating overhead increases for the quarter were mainly attributable to: (a) normal wage increases and increased headcount (3 percentage points); (b) investment in the supply chain systems implementation in Japan and Southeast Asia (1 percentage point); and (c) investments in NIKE-owned retail stores (1 percentage point).

Other expense, net, was \$1.9 million for the first quarter of fiscal 2005, down from \$23.8 million in the first quarter of fiscal 2004. The most significant components of other expense, net, are foreign currency losses (primarily hedge losses on intercompany charges to a European subsidiary, whose functional currency is the euro), and hedge losses from that subsidiary's investments in U.S. Dollar denominated debt securities classified as available-for-sale. These losses are reflected in the Corporate line in our segment presentation of pre-tax income in Notes to Condensed Consolidated Financial Statements (Note 8 - Operating Segments). The year-over-year improvement in other expense, net, was mainly due to lower foreign currency hedge losses. Also included in other expense, net, in the first quarter of fiscal 2004 were net losses on asset disposals, including a loss of \$5.3 million for our basis in undeveloped land gifted to the NIKE Foundation.

In the first quarter of fiscal 2005, net foreign currency losses in other expense, net, were more than offset by favorable translation of foreign currency denominated profits, most significantly in EMEA. Our estimate of the net impact of these losses and the favorable translation is a \$22 million addition to consolidated income before income taxes compared to the first quarter of the prior year. Consistent with our Risk Management Program, we have also hedged a portion of anticipated intercompany charges and investments in U.S. Dollar denominated debt securities classified as available-for-sale for the balance of fiscal 2005. At current exchange rates, we expect the net impact of the hedge losses and the offsetting positive translation impact will result in a net benefit to fiscal 2005 consolidated net income, although at a significantly lower level than the benefit realized throughout fiscal 2004. See further discussion in our Annual Report on Form 10-K as of May 31, 2004.

Our effective tax rate for the first quarter of fiscal 2005 was 35.4%, which is higher than the 34.8% rate reported for the first quarter and full year of fiscal 2004. This increase compared to fiscal 2004 is largely due to lower research tax credits as a percentage of pre-tax income and the expiration of research tax credit legislation. Should the proposed research tax credits be renewed, we would include the benefit of that renewal in subsequent periods.

Worldwide futures and advance orders for our footwear and apparel scheduled for delivery from September 2004 through January 2005 were 9.9% higher than such orders reported for the comparable period of fiscal 2004. One point of this reported increase was due to changes in currency exchange rates versus the same period last year. Excluding this currency impact, higher average selling prices driven by footwear across all regions contributed 2 points of the growth in overall futures and advance orders. The remaining increase was due to volume increases for both footwear and apparel. As always, the reported futures orders growth is not necessarily indicative of our expectation of revenue growth during this period. This is because the mix of orders can shift between advance/futures and at-once orders. In addition, exchange rate fluctuations as well as differing levels of order cancellations can cause differences in the comparisons between futures orders and actual revenues. Moreover, a significant portion of our revenue is not derived from futures orders, including wholesale sales of equipment, U.S. licensed team apparel, Bauer NIKE Hockey, Cole Haan, Converse, NIKE Golf, Hurley, Exeter Brands and retail sales across all brands.

## Operating Segments

The breakdown of revenues follows:

	Three Months Ended August 31,		
	2004	2003	% change
	(in millions)		
U.S. REGION			
FOOTWEAR	\$ 921.4	\$ 822.4	12%
APPAREL	391.3	346.5	13%
EQUIPMENT	89.0	80.1	11%
TOTAL U.S.	1,401.7	1,249.0	12%
EMEA REGION			
FOOTWEAR	663.3	590.0	12%
APPAREL	409.7	341.9	20%
EQUIPMENT	84.9	79.7	7%
TOTAL EMEA	1,157.9	1,011.6	14%
ASIA PACIFIC REGION			
FOOTWEAR	218.6	202.8	8%
APPAREL	148.8	113.3	31%
EQUIPMENT	38.6	31.9	21%
TOTAL ASIA PACIFIC	406.0	348.0	17%
AMERICAS REGION			
FOOTWEAR	114.8	102.9	12%
APPAREL	35.5	38.6	-8%
EQUIPMENT	11.4	9.6	19%
TOTAL AMERICAS	161.7	151.1	7%
	3,127.3	2,759.7	13%
OTHER	434.5	265.2	64%
TOTAL REVENUES	\$3,561.8	\$3,024.9	18%
	=====	=====	

The discussion following includes disclosure of "pre-tax income" for our operating segments. We have reported pre-tax income for each of our operating segments in accordance with Statement of Financial Accounting Standard No. 131, "Disclosures about Segments of an Enterprise and Related Information." As discussed in Note 8 - Operating Segments in the accompanying Notes to Unaudited Condensed Consolidated Financial Statements, certain corporate costs are not included in pre-tax income of our operating segments.

For our largest international region, EMEA, changes in currency exchange rates accounted for 5 percentage points of the reported revenue growth for the first quarter of fiscal 2005. If we remove the effects of currency, first quarter revenue for the EMEA Region would have grown approximately 9 percentage points. The increase over the prior year was primarily driven by increased unit sales of footwear (led by soccer, followed by training products) and apparel (led by soccer products). Excluding the effect of changes in foreign currency, revenue growth was led by sales increases in Italy, the UK and the emerging markets in Central Europe, Turkey, Russia and Greece, partially offset by weaker results in France and Germany versus the same period last year.

For the EMEA Region, futures orders scheduled for delivery from September 2004 through January 2005 were 6 percentage points higher than such orders for the comparable period of fiscal 2004. Changes in currency exchange rates contributed 3 percentage points of this growth. Excluding the changes in currency exchange rates, the growth was driven by a slight increase in the region's footwear average selling price per pair and an increase in wholesale footwear and apparel unit orders.

EMEA pre-tax income for the first quarter of fiscal 2005 was \$246.4 million, up 21% versus the prior year quarter. For the quarter, higher revenues and gross margin improvements drove the increase, more than offsetting increased selling and administrative costs, primarily demand creation. The improved gross margins, which contributed 60 basis points of growth to the consolidated gross margin percentage, were primarily the result of improved year-over-year hedge rates, partially offset by investments in product costs.

In the Asia Pacific Region, revenues increased 17% in the first quarter of fiscal 2005 compared to the first quarter of fiscal 2004. Five percentage points of growth for the first quarter were due to changes in currency exchange rates. Excluding the benefit from changes in

currency exchange rates, sales in each Asia Pacific business unit (footwear, apparel and equipment) grew versus the same period last year. Excluding the effect of changes in foreign currency, significant revenue increases in China (driven by expansion of retail distribution and strong consumer demand) and continued growth in Japan were key growth drivers for the quarter.

In the first quarter of fiscal 2005, pre-tax income for the Asia Pacific Region decreased 17% versus the first quarter of fiscal 2004, to \$63.4 million. For the quarter, higher revenues and gross margin improvements were more than offset by increased selling and administrative costs, primarily due to additional demand creation spending for the Athens Olympics and expansion of market coverage in China, and investments in operating overhead due to the implementation of new supply chain systems in Japan and Southeast Asia. The higher gross margins, which contributed 30 basis points of growth to the consolidated gross margin percentage, were primarily attributable to the benefit of better year-over-year hedge rates and a slight improvement for in-line pricing margins (net revenue for current product offerings minus landed product cost).

In the Americas Region, revenues increased 7% for the first quarter of fiscal 2005, including a 3 percentage point decline due to changes in currency exchange rates. Excluding the currency effects, revenue growth for the quarter was driven primarily by stronger consumer demand in South America and Mexico. Excluding the currency exchange rate impact, the region experienced sales growth in the footwear and equipment business units, partially offset by declines in apparel.

In the first quarter of fiscal 2005, pre-tax income for the Americas Region decreased 15% from the prior year quarter, to \$20.7 million. The decrease in pre-tax income was attributable to higher revenues more than offset by a reduced gross margin percentage and higher selling and administrative costs, primarily due to increased demand creation spending. The reduced gross margin percentage negatively impacted the consolidated gross margin percentage by 10 basis points.

In the U.S. Region, revenues for the first quarter of fiscal 2005 grew 12% versus the first quarter of fiscal 2004 with growth in all three business units. The increase in apparel sales for the first quarter was primarily driven by growth in sport performance product and team licensed apparel.

The increase in footwear revenue for the first quarter of fiscal 2005 was due to an increase in wholesale and NIKE-owned retail unit sales (8 percentage points of U.S. footwear growth) and an increase in average selling price per pair driven by wholesale (4 percentage points of U.S. footwear growth). The increase in wholesale and NIKE-owned retail unit sales is due to increased consumer demand for performance products across categories. The increase in average wholesale selling price per pair was primarily due to a larger percentage of sales of products with a suggested retail price over \$100 versus sales of products under \$100.

For the U.S. Region, futures orders scheduled for delivery from September 2004 through January 2005 increased 11% versus the same period of the prior year. Futures orders increased due to increases in wholesale footwear average selling price per pair consistent with that realized during the quarter and increased unit orders for both wholesale footwear and apparel.

For the first quarter, U.S. Region pre-tax income was \$321.9 million, a 10% increase versus the first quarter of fiscal 2004. For the quarter, higher revenues and gross margins drove the increase, more than offsetting higher selling and administrative costs, primarily demand creation. The improved gross margins, which contributed 20 basis points of growth to the consolidated gross margin percentage, were primarily the result of a lower level of close-out sales as a percentage of total sales and improved close-out pricing margins.

Other revenues and pre-tax income for the first quarter of fiscal 2005 include results from Bauer NIKE Hockey, Inc., Cole Haan Holdings Incorporated, Converse Inc., Hurley International LLC, NIKE Golf, and Exeter Brands Group LLC. The Exeter Brands Group LLC is a wholly owned subsidiary of NIKE, Inc., formed in the first quarter of fiscal 2005 to develop the Company's business in retail channels serving value-conscious consumers and operate the business obtained in the acquisition of Official Starter Properties LLC and Official Starter LLC (collectively "Official Starter"). Other revenues grew 64% in the first quarter of fiscal 2005 compared to fiscal 2004. The addition of Converse, which occurred in the second quarter of fiscal 2004, contributed 50 percentage points of the Other revenue increase for the quarter. The remaining 14 percentage point increase was due to growth in most of the Other businesses, most significantly Cole Haan which increased 30% year-over-year. The impact of the acquisition of Official Starter on the Company's results for the first quarter was immaterial.

Other pre-tax income improved to \$40.3 million in the first quarter of fiscal 2005 from a loss of \$4.3 million in fiscal 2004. The addition of Converse, which contributed \$36.9 million of pre-tax income (9 percentage points to consolidated pre-tax income growth), combined with improved results from most of the Other businesses drove the year-over-year improvement. Gross margin improvements in our Other businesses contributed 20 basis points of growth to the consolidated gross margin percentage for the quarter.

## **Liquidity and Capital Resources**

### **Cash Flow Activity**

Cash provided by operations was \$367.5 million in the first three months of fiscal 2005, compared to \$350.0 million in the first three months of fiscal 2004. Our primary source of operating cash flow in the current period was net income of \$326.8 million compared to \$261.2 million in the first quarter of last year, partially offset by a net increase in our investment in working capital.

Total cash used by investing activities during the first three months of fiscal 2005 was \$72.4 million, compared to \$42.3 million in the prior

year period. The purchase of short-term investments and acquisition of Official Starter to form Exeter Brands Group LLC were the most significant uses of cash during the period, partially offset by the maturation of short-term investments. The remaining investing activities were consistent with the prior year and primarily reflected capital expenditures on computer equipment and software (to support both normal business operations and our supply chain systems upgrade), continued investment in NIKE-owned retail stores, and warehouse improvements.

Cash used by financing activities during the first three months of fiscal 2005 was \$185.5 million, compared to cash provided by financing activities of \$50.8 million in the same period of the prior year. The principal uses of cash for financing activities were share repurchases, dividends, and repayments of short-term and long-term debt, offset by proceeds from the exercise of stock options. Cash provided by financing activities was higher in the first quarter of fiscal 2004 primarily due to the issuance of short-term debt in that period.

The share repurchases were part of a \$1.5 billion share repurchase program that was approved by the Board of Directors in June 2004. In the first quarter and to date under the program, we purchased approximately 2.1 million shares of NIKE's Class B common stock for \$155.2 million. We expect to continue to fund this program from operating cash flow. The timing and the amount of shares purchased will be dictated by our capital needs and stock market conditions.

Dividends declared per share of common stock in the first quarter of fiscal 2005 were \$0.20 per share.

### **Capital Resources**

No amounts are currently outstanding under our committed credit facility. The terms of our facility have not changed from those described in our Annual Report on Form 10-K as of May 31, 2004.

Our long-term senior unsecured debt ratings remain at A and A2 from Standard and Poor's Corporation and Moody's Investor Services, respectively.

Liquidity is also provided by our commercial paper program, under which there was no amount outstanding at August 31, 2004 or May 31, 2004. We currently have short-term debt ratings of A1 and P1 from Standard and Poor's Corporation and Moody's Investor Services, respectively.

We currently believe that cash generated by operations, together with access to external sources of funds as described above and in our Annual Report on Form 10-K as of May 31, 2004, will be sufficient to meet our operating and capital needs in the foreseeable future.

### **Critical Accounting Policies**

Our discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities.

We believe that the estimates, assumptions and judgments involved in the accounting policies described in the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section of our most recent Annual Report on Form 10-K have the greatest potential impact on our financial statements, so we consider these to be our critical accounting policies. Because of the uncertainty inherent in these matters, actual results could differ from the estimates we use in applying the critical accounting policies. Certain of these critical accounting policies affect working capital account balances, including the policies for revenue recognition, the reserve for uncollectible accounts receivable, inventory reserves, and contingent payments under endorsement contracts. These policies require that we make estimates in the preparation of our financial statements as of a given date. However, since our business cycle is relatively short, actual results related to these estimates are generally known within the six-month period following the financial statement date. Thus, these policies generally affect only the timing of reported amounts across two to three quarters.

Within the context of these critical accounting policies, we are not currently aware of any reasonably likely events or circumstances that would result in materially different amounts being reported.

### **Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

There have been no material changes from the information previously reported under Item 7A of the Company's Annual Report on Form 10-K for the fiscal year ended May 31, 2004.

### **Item 4. CONTROLS AND PROCEDURES**

The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the Company's Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and that such information is accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow for timely decisions regarding required disclosure. In

designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

The Company carries out a variety of on-going procedures, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and the Company's Chief Financial Officer, to evaluate the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based on the foregoing, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective at the reasonable assurance level as of August 31, 2004.

There has been no change in the Company's internal controls over financial reporting during the Company's most recent fiscal quarter that has materially affected, or is reasonable likely to materially affect, the Company's internal controls over financial reporting.

#### Special Note Regarding Forward-Looking Statements and Analyst Reports

Certain written and oral statements, other than purely historical information including estimates, projections, statements relating to NIKE's business plans, objectives and expected operating results, and the assumptions upon which those statements are based, made or incorporated by reference from time to time by NIKE or its representatives in this report, other reports, filings with the Securities and Exchange Commission, press releases, conferences, or otherwise, are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements include, without limitation, any statement that may predict, forecast, indicate, or imply future results, performance, or achievements, and may contain the words "believe," "anticipate," "expect," "estimate," "project," "will be," "will continue," "will likely result," or words or phrases of similar meaning. Forward-looking statements involve risks and uncertainties which may cause actual results to differ materially from the forward-looking statements. The risks and uncertainties are detailed from time to time in reports filed by NIKE with the S.E.C., including Forms 8-K, 10-Q, and 10-K, and include, among others, the following: international, national and local general economic and market conditions; the size and growth of the overall athletic footwear, apparel, and equipment markets; intense competition among designers, marketers, distributors and sellers of athletic footwear, apparel, and equipment for consumers and endorsers; demographic changes; changes in consumer preferences; popularity of particular designs, categories of products, and sports; seasonal and geographic demand for NIKE products; difficulties in anticipating or forecasting changes in consumer preferences, consumer demand for NIKE products, and the various market factors described above; difficulties in implementing, operating, and maintaining NIKE's increasingly complex information systems and controls, including, without limitation, the systems related to demand and supply planning, and inventory control; fluctuations and difficulty in forecasting operating results, including, without limitation, the fact that advance "futures" orders may not be indicative of future revenues due to the changing mix of futures and at-once orders; the ability of NIKE to sustain, manage or forecast its growth and inventories; the size, timing and mix of purchases of NIKE's products; new product development and introduction; the ability to secure and protect trademarks, patents, and other intellectual property performance and reliability of products; customer service; adverse publicity; the loss of significant customers or suppliers; dependence on distributors; business disruptions; increased costs of freight and transportation to meet delivery deadlines; changes in business strategy or development plans; general risks associated with doing business outside the United States, including, without limitation, exchange rate fluctuations, import duties, tariffs, quotas and political and economic instability; changes in government regulations; liability and other claims asserted against NIKE; the ability to attract and retain qualified personnel; and other factors referenced or incorporated by reference in this report and other reports.

The risks included here are not exhaustive. Other sections of this report may include additional factors which could adversely affect NIKE's business and financial performance. Moreover, NIKE operates in a very competitive and rapidly changing environment. New risk factors emerge from time to time and it is not possible for management to predict all such risk factors, nor can it assess the impact of all such risk factors on NIKE's business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements as a prediction of actual results.

Investors should also be aware that while NIKE does, from time to time, communicate with securities analysts, it is against NIKE's policy to disclose to them any material non-public information or other confidential commercial information. Accordingly, shareholders should not assume that NIKE agrees with any statement or report issued by any analyst irrespective of the content of the statement or report. Furthermore, NIKE has a policy against issuing or confirming financial forecasts or projections issued by others. Thus, to the extent that reports issued by securities analysts contain any projections, forecasts or opinions, such reports are not the responsibility of NIKE.

## Part II - Other Information

### Item 1.

#### Legal Proceedings

There have been no other significant developments from the information previously reported under Item 4 of the Company's Annual Report on Form 10-K for the fiscal year ended May 31, 2004.

### Item 2. Changes in Securities, Use of Proceeds and Issuer Purchases of Equity

## Securities

The following table presents a summary of share repurchases made by NIKE during the quarter ended August 31, 2004 under the four-year \$1.5 billion share repurchase program authorized by our Board of Directors and announced in June 2004.

Period	Total Number Of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
				(in millions)
June 1 - 30, 2004	---	---	---	\$ 1,500.0
July 1 - 31, 2004	1,037,200	\$ 72.62	1,037,200	\$ 1,424.7
August 1 - 31, 2004	1,105,400	\$ 72.22	1,105,400	\$ 1,344.8
Total	2,142,600 =====	\$ 72.41 =====	2,142,600 =====	

### Item 6. Exhibits and Reports on Form 8-K:

#### (a) EXHIBITS:

3.1 Restated Articles of Incorporation, as amended (incorporated by reference from Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended August 31, 1995).

3.2 Third Restated Bylaws, as amended.

4.1 Restated Articles of Incorporation, as amended (see Exhibit 3.1).

4.2 Third Restated Bylaws, as amended (see Exhibit 3.2).

10.1 NIKE, Inc. 1990 Stock Incentive Plan.\*

12.1 Computation of Ratio of Earnings to Fixed Charges.

31.1 Rule 13(a)-14(a) Certification of Chief Executive Officer.

31.2 Rule 13(a)-14(a) Certification of Chief Financial Officer.

32.1 Section 1350 Certificate of Chief Executive Officer.

32.2 Section 1350 Certificate of Chief Financial Officer.

\* Management contract or compensatory plan or arrangement.

#### (b) Reports on Form 8-K:

The following reports on Form 8-K were furnished during the fiscal quarter ending August 31, 2004:

June 24, 2004: Item 7. Financial Statements and Exhibits. Item 12. Results of Operations and Financial Condition. Fourth Quarter Earnings Release.

June 28, 2004: Item 7. Financial Statements and Exhibits. Item 12. Results of Operations and Financial Condition. Transcript of Earnings Conference Call.

August 2, 2004: Item 9. Regulation FD Disclosure.

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the

undersigned thereunto duly authorized.

NIKE, Inc. An Oregon Corporation

*/s/ Donald W. Blair*

---

*Donald W. Blair*  
*Chief Financial Officer*

*DATED: September 30, 2004*

**NIKE, Inc.****Third Restated Bylaws**(Adopted September 17, 1995;  
amended September 20, 2004)**NIKE, Inc.****Third Restated Bylaws**

## TABLE OF CONTENTS

	Page
ARTICLE 1 - Offices	1
Section 1. Principal Offices	1
Section 2. Additional Offices	1
ARTICLE 2 - Shareholders	1
Section 1. Place of Meetings	1
Section 2. Annual Meetings	1
Section 3. Special Meetings	1
Section 4. Notice of Meetings and Waiver	1
Section 5. Quorum	2
Section 6. Voting Rights	2
Section 7. Voting of Shares by Certain Holders	3
Section 8. Proxies	3
Section 9. Shareholder Lists	3
Section 10. Business of Shareholder Meetings	4
ARTICLE 3 - Directors	5
Section 1. Powers	5
Section 2. Number and Qualifications	5
Section 3. Election and Tenure	5
Section 4. Vacancies	5
Section 5. Resignation	6
Section 6. Removal	6
Section 7. Meetings - Notice and Waiver	6
Section 8. Quorum and Vote	6
Section 9. Compensation	7
ARTICLE 4 - Committees	7
Section 1. Committees of the Board of Directors	7
Section 2. Actions of the Committees	7
Section 3. Procedures	7
Section 4. Appointment of Committee Members	7
ARTICLE 5 - Officers	8
Section 1. Designation; Appointment	8
Section 2. Chairman of the Board	8
Section 3. President	9
Section 4. Vice Presidents	9
Section 5. Secretary	9
Section 6. Treasurer	9
Section 7. Assistant Officers	10
Section 8. Divisional Officers	10
ARTICLE 6 - Certificates and Transfer of Shares	10
Section 1. Certificates for Shares	10
Section 2. Transfer on the Books	11
Section 3. Lost Certificates	11
Section 4. Transfer Agents and Registrars	11
Section 5. Record Date	11
Section 6. Registered Shareholders	11
ARTICLE 7 - General Provisions	11
Section 1. Records	11
Section 2. Seal	12
Section 3. Amendment of Bylaws	12
Section 4. Action Without a Meeting	12
Section 5. Telephonic Meetings	12
Section 6. Fiscal Year	12
Section 7. Execution of Corporate Instruments	12

ARTICLE 8 - Transactions With Interested Directors	13
Section 1. Validity of Transaction	13
Section 2. Indirect Interest	13
Section 3. Authorization by Board	13
Section 4. Authorization by Shareholders	14
ARTICLE 9 - Indemnification	14
ARTICLE 10 - Limitation of Director Liability	17

NIKE, Inc.

Third Restated Bylaws

## ARTICLE 1 - Offices

Section 1. Principal Office. The registered office and principal executive offices of NIKE, Inc., an Oregon corporation (the "Corporation"), shall be located in Beaverton, Oregon, or such other location as the Board of Directors may determine.

Section 2. Additional Offices. The Corporation may also have offices at such other places, either within or without Oregon, as the Board of Directors may from time to time determine or as the business of the Corporation may require.

## ARTICLE 2 - Shareholders

Section 1. Place of Meetings. Meetings of the shareholders of the Corporation shall be held at Beaverton, Oregon, or any other place, either within or without Oregon, selected by the Board of Directors, or in the absence of a selection by the Board of Directors, by the Chairman of the Board.

Section 2. Annual Meetings. The annual meeting of the shareholders shall be held on the third Monday in September of each year if not a legal holiday, and if a legal holiday then on the next succeeding business day, at such time as may be designated by the Board of Directors and specified in the notice of the meeting. The Board of Directors shall have the discretion to designate a different annual meeting date for any year, provided that the date so designated is within 60 days of the date specified in the preceding sentence. At the annual meeting, the shareholders shall elect by vote a Board of Directors, consider reports of the affairs of the Corporation, and transact such other business as may properly be brought before the meeting.

Section 3. Special Meetings. The Corporation shall hold a special meeting of shareholders upon the call of the Chairman of the Board or the Board of Directors, or if the holders of at least 10 percent of all votes entitled to be cast on any issue proposed to be considered at the special meeting sign, date and deliver to the Secretary of the Corporation one or more written demands for the meeting describing the purpose or purposes for which it is to be held. Special meetings of the shareholders may not be called by any other person or persons.

Section 4. Notice of Meetings and Waiver.

(a) General. The Corporation shall notify shareholders in writing of the date, time and place of each annual and special shareholders meeting not earlier than 60 days nor less than ten days before the meeting date. Except as otherwise required by applicable

1

law, the Corporation is required to give notice only to shareholders entitled to vote at the meeting. Such notice is effective when mailed if it is mailed postage prepaid and is correctly addressed to the shareholder's address shown in the Corporation's current record of shareholders. Except as otherwise required by applicable law, notice of an annual meeting need not include a description of the purpose or purposes for which the meeting is called. Notice of a special meeting shall include a description of the purpose or purposes for which the meeting is called.

(b) Adjourned Meetings. If an annual or special shareholders meeting is adjourned to a different date, time or place, notice need not be given of the new date, time or place if the new date, time or place is announced at the meeting before adjournment. If a new record date for the adjourned meeting is fixed, or is required by law to be fixed, notice of the adjourned meeting shall be given to persons who are shareholders as of the new record date. A determination of shareholders entitled to notice of or to vote at a shareholders meeting is effective for any adjournment of the meeting unless the Board of Directors fixes a new record date, which it must do if the meeting is adjourned to a date more than 120 days after the date fixed for the original meeting.

(c) Waiver of Notice. A shareholder's attendance at a meeting waives objection to (i) lack of notice or defective notice of the meeting, unless the shareholder at the beginning of the meeting objects to holding the meeting or transacting business at the meeting, and (ii) consideration of a particular matter at the meeting that is not within the purpose or purposes described in the meeting notice, unless the shareholder objects to considering the matter when it is presented.

Section 5. Quorum. Shares entitled to vote as a separate voting group may take action on a matter at a meeting only if a quorum of those shares exists with respect to that matter. Unless otherwise required by law, a majority of the votes entitled to be cast on the matter by the voting group

constitutes a quorum of that voting group for action on that matter. Once a share is represented for any purpose at a meeting, it is deemed present for quorum purposes for the remainder of the meeting and for any adjournment of that meeting unless a new record date is or must be set for that adjourned meeting. In the absence of a quorum, a majority of those present in person or represented by proxy may adjourn the meeting from time to time until a quorum exists. Any business that might have been transacted at the original meeting may be transacted at the adjourned meeting if a quorum exists.

**Section 6. Voting Rights.** The voting rights of holders of stock of the Corporation, and the circumstances under which any class of stock has special voting rights and the manner of exercise thereof, are as set forth in the Restated Articles of Incorporation, as amended (the "Restated Articles"). Only shares of stock are entitled to vote. Except as otherwise provided in the Restated Articles or by applicable law: (i) each outstanding share, regardless of class, is entitled to one vote on each matter voted on at a shareholders meeting; (ii) if a quorum exists, action on a matter, other than the election of directors, by a voting group shall be approved if the votes cast within the voting group favoring the action exceed the votes cast within the voting group opposing the action; and (iii) directors shall be elected by a plurality of the votes cast by holders of the shares entitled to vote in the election at a meeting at which a quorum is present.

2

**Section 7. Voting of Shares by Certain Holders.** If the name signed on a vote, consent, waiver or proxy corresponds to the name of a shareholder, the Corporation, if acting in good faith, is entitled to accept the vote, consent, waiver or proxy and give it effect as the act of the shareholder. If the name signed on a vote, consent, waiver or proxy does not correspond to the name of its shareholder, the Corporation, if acting in good faith, is nevertheless entitled to accept the vote, consent, waiver or proxy and give it effect as the act of the shareholder if authorized by ORS 60.237 or any successor provision dealing with acceptance of votes.

Shares of the Corporation are not entitled to be voted if (i) they are owned, directly or indirectly, by another domestic or foreign corporation, and (ii) the Corporation owns, directly or indirectly, a majority of the shares entitled to be voted for the directors of such other corporation. This paragraph does not limit the power of a corporation to vote any shares, including its own shares, held by it in a fiduciary capacity.

Any redeemable shares that the Corporation may issue are not entitled to be voted after notice of redemption is mailed to the holders and a sum sufficient to redeem the shares has been deposited with a bank, trust company or other financial institution under an irrevocable obligation to pay the holders the redemption price on surrender of the shares.

**Section 8. Proxies.** A shareholder entitled to vote or to execute any waiver or consent may do so either in person or by written proxy duly executed and filed at or before the meeting at which it is to be used with the Secretary at the Corporation or other officer or agent of the Corporation authorized to tabulate votes. An appointment of a proxy is effective when received by the Secretary or other officer or agent of the Corporation authorized to tabulate votes. An appointment is valid for 11 months unless a longer period is expressly provided in the appointment form. An appointment of a proxy is revocable by the shareholder unless the appointment form conspicuously states that it is irrevocable and the appointment is coupled with an interest.

**Section 9. Shareholder Lists.** After fixing a record date for a meeting, the Corporation shall prepare an alphabetical list of the names of all of its shareholders who are entitled to notice of the meeting. The list shall be arranged by voting group, and within each voting group, by class or series of shares and show the address of and the number of shares held by each shareholder. The shareholder list shall be available for inspection by any shareholder, beginning two business days after notice of the meeting for which the list was prepared is given and continuing through the meeting. Such list shall be kept on file at the Corporation's principal office or at a place identified in the meeting notice in the city where the meeting will be held. A shareholder, or the shareholder's agent or attorney, shall be entitled on written demand to inspect and, subject to the requirements of law, to copy the list during regular business hours and at the shareholder's expense during the period it is available for inspection. The Corporation shall make the shareholder list available at the meeting, and any shareholder, or the shareholder's agent or attorney, is entitled to inspect the list at any time during the meeting or any adjournment. The original stock transfer book shall be prima facie evidence as to who are the shareholders entitled to inspect such list or to vote at any meeting of shareholders. Refusal or failure to prepare or make

3

available the shareholder list does not affect the validity of action taken at the meeting.

**Section 10. Business of Shareholder Meetings.**

(a) The Chairman of the Board, or such other officer of the Corporation designated by the Board of Directors, shall call meetings of the shareholders to order and shall act as presiding officer thereof. Unless otherwise determined by the Board of Directors prior to the meeting, the presiding officer, or any person he or she designates, shall also have the authority in his or her sole discretion to regulate the conduct of any such meeting, including, without limitation: the establishment of rules for determining if business is to be brought before such meeting; the establishment of procedures for the maintenance of order and safety; setting limitations on the time allotted to questions or comments on the affairs of the Corporation; imposing restrictions on entry to such meeting of shareholders after the time prescribed for the commencement thereof; determining the opening and closing of the voting polls; imposing restrictions on the persons (other than shareholders or their proxies) who may attend such meeting; ascertaining whether any shareholder or his or her proxy may be excluded from such meeting based upon any determination by the presiding officer, in his or her discretion, that any such person has disrupted or is likely to disrupt the proceedings thereat; and by determining the circumstances in which any person may make a statement or ask questions at such meeting.

(b) Only business within the purpose or purposes described in the meeting notice may be conducted at a special shareholders meeting.

(c) At the annual meeting of the shareholders, only such business shall be conducted as shall have been properly brought before the meeting. To be properly brought before an annual meeting, business must be (i) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board of Directors, (ii) otherwise brought before the meeting by or at the direction of the Board of Directors, or (iii) otherwise properly brought before the meeting by a shareholder, and (iv) under law, an appropriate subject of shareholder action.

(d) In addition to any other applicable requirements, including, without limitation, requirements relating to solicitation of proxies and proposals of security holders under the Securities Exchange Act of 1934, as amended, (the "Proxy Rules") for business to be properly brought before the annual meeting by a shareholder, including nominations of persons for election to the Board of Directors, the shareholder must have given timely notice thereof in writing to the Secretary of the Corporation. To be timely, a shareholder's notice must be received by the Secretary at the principal executive offices of the Corporation, not less than 60 days prior to the meeting. A shareholder's notice to the Secretary shall set forth as to each matter the shareholder proposes to bring before the annual meeting: (i) a brief description of the business desired to be brought before the annual meeting; (ii) the name and address, as they appear on the Corporation's books, of the shareholder proposing such business; (iii) the class and number of shares of the Corporation which are beneficially owned by the shareholder; (iv) any material interest of the shareholder in such business; (v) a description of all arrangements or understandings between such shareholder and any other person or persons in connection with the proposal of such business, (vi) a representation that such shareholder intends to appear in person or by proxy at the annual

4

meeting to bring such business before the meeting; and (vii) with regard to nominations, all information required by the Proxy Rules.

(e) No business shall be conducted at an annual or special meeting except in accordance with the procedures set forth in this Section 10. The presiding officer at a shareholders meeting shall, if the facts warrant, determine and declare to the meeting that business was not properly brought before the meeting in accordance with the provisions of this Section. If the presiding officer should so determine, he or she shall so declare to the meeting and any such business not properly brought before the meeting shall not be transacted.

(f) The Chairman of the Board shall, in advance of any meeting of shareholders, appoint one or more inspectors of election to act at the meeting. The inspectors of election shall decide upon the qualifications of voters, count the votes, declare the results and make a written report thereof.

### **ARTICLE 3 - Directors**

Section 1. Powers. The Corporation shall have a Board of Directors. All corporate powers shall be exercised by or under the authority of, and the business and affairs of the Corporation shall be managed under the direction of, the Board of Directors.

Section 2. Number and Qualifications. The number of directors shall be determined by resolution of the Board of Directors, and shall not be less than five. Any decrease in the number of directors designated by the Board of Directors shall not shorten an incumbent director's term. Directors need not be residents of Oregon or shareholders of the Corporation.

Section 3. Election and Tenure. The directors shall be elected at the annual meeting of the shareholders, by separate vote of the Class A and Class B Common Stock in the manner required by the Restated Articles. Their term of office shall begin immediately after election. The terms of all directors, including a director elected to fill a vacancy, expire at the next annual shareholders meeting following their election. Despite the expiration of a director's term, the director shall continue to serve until his or her successor is elected and qualifies or until there is a decrease in the number of directors.

Section 4. Vacancies. A vacancy in the Board of Directors shall exist upon the death, resignation or removal of any director or upon an increase in the number of directors. If a vacancy occurs on the Board of Directors as a result of death, resignation or removal from office of a director who is elected by a separate class vote of the common stock, it shall be filled by the affirmative vote of a majority of the remaining directors similarly elected by such class. If none shall be remaining, the vacancy shall be filled by all directors then in office. If the directors remaining in office constitute fewer than a quorum of the Board, they may fill the vacancy by an affirmative vote of a majority of all of the directors remaining in office. If a vacancy occurs on the Board of Directors as a result of an increase in the number of directors, the Board of Directors may fill such vacancy,

5

provided they may not elect more than three additional directors in any period between annual shareholders meetings to fill such vacancies.

Section 5. Resignation. A director may resign at any time by delivering written notice to the Chairman of the Board of Directors, the Board of Directors or the Corporation.

Section 6. Removal. The shareholders may remove one or more directors with or without cause. If a director is elected by a voting group of shareholders, only the shareholders of that voting group may participate in the vote to remove the director. A director may be removed by the shareholders only at a meeting called for the purpose of removing the director and the meeting notice must state that the purpose, or one of the purposes, of the meeting is removal of the director.

## Section 7. Meetings - Notice and Waiver.

- (a) The Board of Directors may hold regular or special meetings in or out of Oregon.
- (b) Regular meetings of the Board of Directors may be held without notice of the date, time, place or purpose of the meeting. The Board of Directors may fix, by resolution, the time and place for the holding of regular meetings.
- (c) Special meetings of the Board of Directors for any purpose or purposes may be called at any time by the Chairman of the Board, or a majority of directors. Notice of special meetings of the Board of Directors shall be preceded by at least 48 hours' notice of the date, time, place and general purpose of the meeting. The notice shall be given orally, either in person or by telephone, or shall be delivered in writing, either personally, by mail or by facsimile or by telegram.
- (d) Notice of the time and place of holding any adjourned meeting need not be given if such time and place are fixed at the meeting adjourned.
- (e) The transaction of all business at any meeting of the Board of Directors, or any committee thereof, however called or noticed, or wherever held, shall be as valid as though had at a meeting duly held after regular call and notice, if a quorum be present, and if, either before or after the meeting, each of the directors not present shall sign a written waiver of notice, or consent to holding such meeting, or an approval of the minutes thereof. All such waivers, consents or approvals shall be filed with the corporate records or made a part of the minutes of the meeting. A director's attendance at or participation in a meeting waives any required notice to the director of the meeting unless the director at the beginning of the meeting, or promptly upon the director's arrival, objects to holding the meeting or transacting business at the meeting and does not thereafter vote for or assent to action taken at the meeting.

## Section 8. Quorum and Vote.

- (a) A majority of the directors in office shall constitute a quorum for the transaction of business. A majority of the directors present, in the absence of a quorum, may adjourn from time to time but

6

may not transact any business. If a quorum is present when a vote is taken, the affirmative vote of a majority of directors present is the act of the Board of Directors, unless a different vote is required by law.

- (b) A director who is present at a meeting of the Board of Directors, or is present at a meeting of a committee of the Board of Directors, when corporate action is taken, is deemed to have assented to the action taken unless (i) the director objects at the beginning of the meeting, or promptly upon the director's arrival, to holding the meeting or transacting business at the meeting, (ii) the director's dissent or abstention from the action taken is entered in the minutes of the meeting, or (iii) the director delivers written notice of dissent or abstention to the presiding officer of the meeting before its adjournment or to the Corporation immediately after adjournment of the meeting. The right of dissent or abstention is not available to a director who votes in favor of the action taken.

Section 9. Compensation. Directors shall be entitled to such compensation for their services as may be approved by the Board of Directors, including, without limitation, an annual fee, a fixed sum for attending each Board and committee meeting, and their expenses of attendance at each meeting of the Board or a committee. No such payment shall preclude any director from serving the Corporation in any other capacity as an officer, agent, employee, consultant or otherwise and receiving compensation for that service.

## **ARTICLE 4 - Committees**

Section 1. Committees of the Board of Directors. The Board of Directors shall designate an Executive Committee, a Nominating and Corporate Governance Committee, an Audit Committee, a Compensation Committee, a Finance Committee, and a Corporate Responsibility Committee, each of which shall have powers and authority of the Board of Directors to the extent provided for in charters for each committee adopted by the Board of Directors. The Board of Directors may designate one or more additional committees of the Board with such powers as shall be specified in charters adopted by the Board. Each committee shall consist of one or such greater number of directors as shall be determined from time to time by resolution of the Board of Directors.

Section 2. Actions of the Committees. Each committee shall keep regular minutes of its meetings. All action taken by a committee shall be reported to the Board of Directors at its meeting next succeeding such action and shall be subject to approval and revision by the Board, provided that no legal rights of third parties shall be affected by such revisions.

Section 3. Procedures. The provisions of Article 3 of these Bylaws governing meetings, notice and waiver of notice, and quorum and voting requirements of the Board of Directors shall apply to committees and their members as well.

Section 4. Appointment of Committee Members. The members of each committee shall be appointed by the Board of Directors by resolution and shall serve until the first meeting of the Board of Directors after the

annual meeting of shareholders and until their successors are elected and qualified or until the members' earlier resignation or removal. The Board of Directors shall designate the Chair of each committee other than the Executive Committee. The Chairman of the Board shall serve as Chair of the Executive Committee. The Board may also designate the Vice Chair of any committee, as appropriate. Vacancies may be filled by the Board of Directors at any meeting.

With the approval of the Board of Directors, the Chairman of the Board may designate one or more directors to serve as an alternate member or members at any committee meeting to replace any absent or disqualified member. The Chairman of the Board may designate a committee member as acting Chair of that committee, in the absence of the elected committee Chair or a Vice Chair.

## **ARTICLE 5 - Officers**

### **Section 1. Designation; Appointment.**

(a) The officers of the Corporation shall be a Chairman of the Board and Chief Executive Officer, a President and Chief Operating Officer, one or more Vice Presidents, a Treasurer, a Secretary and such other officers and assistant officers as the Board of Directors or the Chairman of the Board shall from time to time appoint, none of whom need be members of the Board of Directors. The officers shall hold office at the pleasure of the Board of Directors if appointed by the Board, or the Chairman of the Board if appointed by the Chairman. Subject to the terms of any contract of employment between the Corporation and such officer, any officer appointed by the Board of Directors or the Chairman of the Board may be removed at any time by the Board of Directors or the Chairman, respectively.

The same individual may simultaneously hold more than one office in the Corporation. A vacancy in any office because of death, resignation, removal or any other cause shall be filled in the manner prescribed in these Bylaws for regular appointments to such office. The salaries and other compensation of the officers of the Corporation shall be fixed by or in the manner designated by the Board of Directors.

(b) Any officer may resign at any time by giving written notice to the Board of Directors, the Chairman of the Board of Directors or the Secretary. Unless the notice specifies a later effective date, a resignation is effective at the earliest of the following: (i) when received; (ii) five days after its deposit in the United States mail, as evidenced by the postmark, if mailed postage prepaid and correctly addressed; or (iii) on the date shown on the return receipt, if sent by registered or certified mail, return receipt requested and the receipt is signed by or on behalf of the addressee. Once delivered, a notice of resignation is irrevocable unless revocation is permitted by the Board of Directors. If a resignation is made effective at a later date and the Corporation accepts the future effective date, the Board of Directors may fill the pending vacancy before the effective date, if the Board of Directors provides that the successor shall not take office until the effective date.

**Section 2. Chairman of the Board.** The Chairman of the Board shall preside at all meetings of the Board of Directors and shareholders and will be the Chief Executive Officer of the Corporation. Subject to the control of the Board of Directors, the Chairman of the Board shall have

8

general supervision, direction and control of the business and affairs of the Corporation and shall perform other duties commonly incident to such office. The Chairman of the Board will have authority to execute on behalf of the Corporation all contracts, deeds, agreements, stock certificates and other instruments. The Chairman of the Board will be the Chair of the Executive Committee and an ex officio a member of all other standing committees, will have the general powers and duties of management usually vested in the Chief Executive Officer of a corporation and will have such other powers and duties as may be prescribed by the Board of Directors or these Bylaws.

**Section 3. President.** The President will be the Chief Operating Officer of the Corporation, and will have such duties of general supervision, direction and control of the business and affairs of the Corporation as are authorized by the Board of Directors and the Chairman of the Board. In the absence of the Chairman of the Board, the President will perform the duties and responsibilities of the Chairman of the Board. The President will be ex officio a member of all the standing committees, have the general powers and duties of management usually vested in the office of Chief Operating Officer of a corporation and will have such other powers and duties as may be prescribed by the Board of Directors, the Chairman of the Board or these Bylaws.

**Section 4. Vice Presidents.** Each Executive Vice President, Senior Vice President and Vice President shall have such powers and perform such duties as may be assigned to the officer by the Board of Directors or by the Chairman of the Board or the President or these Bylaws. In the absence or disability of the Chairman of the Board and the President, the Chairman of the Board's duties and powers shall be performed and exercised by a senior officer designated by the Board of Directors or the Chairman of the Board.

**Section 5. Secretary.** The Secretary shall attend all meetings of the shareholders and of the Board of Directors, and shall record all acts and proceedings thereof in the minute book of the Corporation. The Secretary shall give notice in conformity with these Bylaws of all meetings of the shareholders, of the Board of Directors and any committee thereof requiring notice. The Secretary shall perform all other duties given him in these Bylaws and other duties commonly incident to such office and shall also perform such other duties and have such other powers as the Board of Directors or the Chairman of the Board may designate from time to time. An Assistant Secretary is authorized to assume and perform the duties of the Secretary in the absence of the Secretary, and to also perform such other duties and have such other powers as the Board of Directors or the Chairman of the Board shall designate from time to time.

**Section 6. Treasurer.** The Treasurer shall perform all duties and acts incident to the position of Treasurer, shall have custody and be responsible for the Corporation's funds and securities, shall supervise the investments of its funds, and shall deposit all money and other valuable effects in

the name and to the credit of the Corporation in such depositories as may be designated by the Board of Directors. The Treasurer shall disburse the funds of the Corporation as may be authorized, taking proper vouchers for such disbursements, and shall render to the Board of Directors, whenever required, an account of all the transactions of the Treasurer and of the financial condition of the Corporation. The Treasurer shall perform such other duties as may be

9

assigned, and shall report to the Chief Financial Officer or, in the absence of the Chief Financial Officer, to the Chairman of the Board. In the absence of the Treasurer, an Assistant Treasurer is authorized to assume the duties of the Treasurer, and to also perform such other duties and have such other powers as the Board of Directors or the Chairman of the Board shall designate from time to time.

Section 7. Assistant Officers. Such other officers as the Board of Directors, the Chairman of the Board or the President may designate, including a Deputy Chairman of the Board of Directors and Assistant Officers, shall perform such duties and have such powers as from time to time may be assigned to them by the Board of Directors or the Chairman of the Board.

Section 8. Divisional Officers. The Board of Directors or the Chairman of the Board may from time to time appoint persons to hold nominal titles as officers of divisions or of other areas of the Corporation's business ("Divisional Officers"). No Divisional Officer shall by reason of such appointment become a corporate officer or have the authority of a corporate officer. Each Divisional Officer shall only perform such duties and have such powers as may be assigned to the person by the Board of Directors or the Chairman of the Board. Any title given to any Divisional Officer may be withdrawn, with or without cause at any time, by the Board of Directors or the Chairman, and any duty or authority delegated to any such person may be withdrawn, with or without cause at any time, by the Board of Directors or the Chairman.

## **ARTICLE 6 - Certificates and Transfer of Shares**

### Section 1. Certificates for Shares.

(a) Form. Certificates for shares shall be in such form as the

\_\_\_\_\_ Board of Directors may designate, shall state the name of the Corporation and the state law under which the Corporation is organized, shall state the name of the person to whom the shares represented by the certificate are issued, and shall state the number and class of shares and the designation of the series, if any, the certificate represents. If the Corporation is authorized to issue different classes of shares or different series within a class, the designations, relative rights, preferences and limitations applicable to each class, the variations in rights, preferences and limitations determined for each series and the authority of the Board of Directors to determine variations for future series shall be summarized on the front or back of each certificate, or each certificate may state conspicuously on its front or back that the Corporation shall furnish shareholders with this information on request in writing and without charge.

(b) Signing. Each certificate for shares shall be signed, either manually or in facsimile, by (i) the Chairman of the Board or the President and (ii) the Secretary or an Assistant Secretary of the Corporation. The certificates may bear the corporate seal or its facsimile. If any officer who has signed a share certificate, either manually or in facsimile, no longer holds office when the certificate is issued, the certificate shall nevertheless be valid.

10

Section 2. Transfer on the Books. Upon surrender to the Corporation of a certificate for shares duly endorsed or accompanied by proper evidence of succession, assignment or authority to transfer, and subject to any limitations on transfer appearing on the certificate or in the Corporation's stock transfer records, the Corporation shall issue a new certificate to the person entitled thereto, cancel the old certificate and record the transaction upon its books.

Section 3. Lost Certificates. In the event a certificate is represented to be lost, stolen or destroyed, a new certificate shall be issued in place thereof upon such proof of the loss, theft or destruction and upon the giving of such bond or other indemnity as may be required by the Corporation.

Section 4. Transfer Agents and Registrars. The Board of Directors may from time to time appoint one or more transfer agents and one or more registrars for the shares of the Corporation who will have such powers and duties as the Board of Directors may specify.

Section 5. Record Date. In order that the Corporation may determine the shareholders entitled to notice of or to vote at any meeting of shareholders or any adjournment thereof, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the Board of Directors may fix, in advance, a record date, which shall not be more than 70 nor less than 10 days before the date of such meeting, nor more than 70 days prior to any other action. If no record date is fixed by the Board of Directors, the record date for determining shareholders entitled to notice of or to vote at a meeting of shareholders shall be the close of business on the day next preceding the day on which notice of such meeting is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held. A determination of shareholders of record entitled to notice of or to vote at a meeting of shareholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

Section 6. Registered Shareholders. The Corporation shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares to receive dividends, and to vote as such owner, and shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person whether or not it shall have express or other notice thereof, except as otherwise provided

by law.

## **ARTICLE 7 - General Provisions**

Section 1. Records. The Corporation shall maintain all records required by law. All such records shall be kept at its principal office, registered office or at any other place designated by the Chairman of the Board of the Corporation, or as otherwise provided by applicable law. The records of the Corporation allowed to be inspected by shareholders shall be open to inspection by the shareholders or the

11

shareholders' agents or attorneys in the manner and to the extent required by applicable law.

Section 2. Seal. The corporate seal, if any, shall be circular in

form and shall have inscribed thereon the name of the Corporation and the state of incorporation.

Section 3. Amendment of Bylaws. Except as otherwise provided by applicable law or by the Restated Articles, the Board of Directors may amend or repeal these Bylaws at any regular or special meeting. The Corporation's shareholders may also amend or repeal these Bylaws, as authorized by applicable laws.

Section 4. Action Without a Meeting. Any action required or permitted by law to be taken at any meeting of the Board of Directors, or at any meeting of a committee of the Board of Directors, or at any meeting of shareholders may be taken without a meeting if the action is taken by all members of the Board or the Committee or all shareholders. The action shall be evidenced by one or more written consents describing the action taken, signed by each director, committee member or shareholder and included in the minutes or filed with the corporate records reflecting the action taken. Action taken under this Section 4 is effective when the last director or shareholder signs the consent, unless the consent specifies an earlier or later effective date. A consent signed under this section has the effect of a meeting vote and may be described as such in any document.

Section 5. Telephonic Meetings. The Board of Directors or any committee thereof may permit any or all directors to participate in a regular or special meeting by, or conduct the meeting through, use of any means of communication by which all directors participating may simultaneously hear each other during the meeting. All directors participating in a Board or committee meeting by this means shall be deemed to be present in person at the meeting.

Section 6. Fiscal Year. The fiscal year of the Corporation shall extend from June 1 until May 31 of the following calendar year.

Section 7. Execution of Corporate Instruments.

(a) The Board of Directors may, in its discretion, determine the method and designate the signatory officer or officers, or other person or persons, to execute any corporate instrument or document, and such execution or signature shall be binding upon the Corporation.

(b) Unless otherwise specifically determined by the Board of Directors or otherwise required by law, formal contracts of the Corporation, promissory notes, deeds of trusts, mortgages and other evidences of indebtedness of the Corporation, and other corporate instruments shall be executed, signed or endorsed by the Chairman of the Board, the President, the Treasurer, or any Vice President. All other instruments and documents requiring the corporate signature may be executed as aforesaid or in such other manner as may be directed by the Board of Directors.

(c) All checks and drafts drawn on banks or other depositories

12

on funds to the credit of the Corporation or in special accounts of the Corporation shall be signed by such person or persons as the Board of Directors shall authorize so to do.

## **ARTICLE 8 - Transactions With Interested Directors**

Section 1. Validity of Transaction.

(a) No transaction involving the Corporation shall be voidable by the Corporation solely because of a director's direct or indirect interest in the transaction if:

(i) The material facts of the transaction and the director's interest were disclosed or known to the Board of Directors or a committee of the Board of Directors, and the Board of Directors or committee authorized, approved or ratified the transaction;

(ii) The material facts of the transaction and the director's interest were disclosed or known to the shareholders entitled to vote and the

shareholders authorized, approved or ratified the transaction by the affirmative vote of the holders of a majority of the issued and outstanding shares of the Corporation, or by written consent; or

(iii) The transaction was fair and reasonable to the Corporation.

(b) This Article 8 shall not invalidate any contract, transaction or determination that would otherwise be valid under applicable law.

Section 2. Indirect Interest. Solely for purposes of this Article 8, a director of the Corporation has an indirect interest in a transaction if another entity in which the director has a material financial interest or in which the director is a general partner is a party to the transaction; or the transaction with another entity of which the director is a director, officer or trustee is a party to the transaction and the transaction is or should be considered by the Board of Directors.

Section 3. Authorization by Board. For purposes of Section 1 of this Article 8, a transaction in which a director has an interest is authorized, approved or ratified by the Board of Directors if it receives the affirmative vote of a majority of the directors on the Board of Directors, or on the committee, who have no direct or indirect interest in the transaction. A transaction may not be authorized, approved or ratified under this Article 8 by a single director. If a majority of the directors who have no direct or indirect interest in the transaction vote to authorize, approve or ratify the transaction, a quorum shall be present for the purpose of taking action under this Article 8. The presence of, or a vote cast by, a director with a direct or indirect interest in the transaction shall not affect the validity of any action taken under Section 1 of this Article 8 by the Board of Directors or a committee thereof, if the transaction is otherwise authorized, approved or ratified as provided in Section 1 of this Article 8.

13

Section 4. Authorization by Shareholders. For purposes of Section 1 of this Article 8, a transaction in which a director has an interest is authorized, approved or ratified if it receives the vote of a majority of the shares entitled to vote under this Article 8 voting as a single voting group. Shares owned by or voted under the control of a director who has a direct or indirect interest in the transaction, and shares owned by or voted under the control of any entity described in paragraph (a) of Section 2 of this Article 8 may be counted in a vote of shareholders to determine whether to authorize, approve or ratify a transaction by vote of the shareholders under Section 1 of this Article 8. A majority of the shares, whether or not present, that are entitled to be counted in a vote on the transaction under this Article 8 constitutes a quorum for the purpose of taking action under this Article 8.

#### **ARTICLE 9 - Indemnification**

(a) The Corporation shall indemnify to the fullest extent permitted by law, any person who is made, or threatened to be made, a party to or witness in, or is otherwise involved in, any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative, investigative, or otherwise (including any action, suit or proceeding by or in the right of the Corporation) by reason of the fact that:

(i) the person is or was a director or officer of the Corporation or any of its subsidiaries;

(ii) the person is or was serving as a fiduciary within the meaning of the Employee Retirement Income Security Act of 1974 with respect to any employee benefit plan of the Corporation or any of its subsidiaries; or

(iii) the person is or was serving, at the request of the Corporation or any of its subsidiaries, as a director or officer, or as a fiduciary of an employee benefit plan, of another corporation, partnership, joint venture, trust or other enterprise.

(b) The Corporation may indemnify its employees and other agents to the fullest extent permitted by law.

(c) The expenses incurred by a director or officer or other indemnified person in connection with any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative, investigative, or otherwise, which the director or officer is made or threatened to be made a party to or witness in, or is otherwise involved in, shall be paid by the Corporation in advance upon written request if the indemnified person:

(i) furnishes the Corporation a written affirmation that in good faith the person believes that he or she is entitled to be indemnified by the Corporation; and

(ii) furnishes the Corporation a written undertaking to repay such advance to the extent that it is ultimately determined by a court that such person is not entitled to be indemnified by the Corporation. Such advances shall be made without regard to the person's ability to repay such expenses and without regard to the person's ultimate entitlement to indemnification under this Article or otherwise.

14

(d) The rights of indemnification provided in this Article 9 shall be in addition to any rights to which a person may otherwise be entitled under any articles of incorporation, bylaw, agreement, statute, policy of insurance, vote of shareholders or Board of Directors, or otherwise; shall continue as to a person who has ceased to be a director, officer, employee or agent of the Corporation; and shall inure to the benefit of the heirs, executors and administrators of such person.

(e) Any repeal of this Article 9 shall be prospective only and no repeal or modification of this Article 9 shall adversely affect any right or protection that is based upon this Article 9 and pertains to an act or omission that occurred prior to the time of such repeal or modification.

(f) As a condition precedent to indemnification under this Article 9, not later than 30 days after receipt by the director or officer of notice of the commencement of any proceeding the director or officer shall, if a claim in respect of the proceeding is to be made against the Corporation under this Article 9, notify the Corporation in writing of the commencement of the proceeding. The failure to properly notify the Corporation shall not relieve the Corporation from any liability which it may have to the director or officer otherwise than under this Article 9. With respect to any proceeding as to which the director or officer so notifies the Corporation of the commencement:

(i) The Corporation shall be entitled to participate in the proceeding at its own expense.

(ii) Except as otherwise provided in this paragraph (f), the Corporation may, at its option and jointly with any other indemnifying party similarly notified and electing to assume such defense, assume the defense of the proceeding, with legal counsel reasonably satisfactory to the director or officer. The director or officer shall have the right to use separate legal counsel in the proceeding, but the corporation shall not be liable to the director or officer under this Article 9 for the fees and expenses of separate legal counsel incurred after notice from the Corporation of its assumption of the defense, unless (A) the director or officer reasonably concludes that there may be a conflict of interest between the Corporation and the director or officer in the conduct of the defense of the proceeding, or (B) the Corporation does not use legal counsel to assume the defense of such proceeding. The Corporation shall not be entitled to assume the defense of any proceeding brought by or on behalf of the Corporation or as to which the director or officer has made the conclusion provided for in (A) above.

(iii) If two or more persons who may be entitled to indemnification from the Corporation, including the director or officer seeking indemnification, are parties to any proceeding, the Corporation may require the director or officer to use the same legal counsel as the other parties. The director or officer shall have the right to use separate legal counsel in the proceeding, but the Corporation shall not be liable to the director or officer under this Article 9 for the fees and expenses of separate legal counsel incurred after notice from the Corporation of the requirement to use the same legal counsel as the other parties, unless the director or officer reasonably concludes that there may be a conflict of interest between the director or officer and any of the other parties required by the Corporation to be represented by the same legal counsel.

(iv) The Corporation shall not be liable to indemnify the director or officer under this Article 9 for any amounts paid in

15

settlement of any proceeding effected without its written consent, which shall not be unreasonably withheld. The director or officer shall permit the Corporation to settle any proceeding that the Corporation assumes the defense of, except that the Corporation shall not settle any action or claim in any manner that would impose any penalty or limitation on the director or officer without such person's written consent.

(g) Notwithstanding any provision in this Article 9, the Corporation shall not be obligated under this Article 9 to make any indemnification or advance any expenses in connection with any claim made against any director or officer:

(i) for which payment is required to be made to or on behalf of the director or officer under any insurance policy, except with respect to any excess amount to which the director or officer is entitled under this Article 9 beyond the amount of payment under such insurance policy;

(ii) if a court having jurisdiction in the matter finally determines that such indemnification is not lawful under any applicable statute or public policy;

(iii) in connection with any proceeding (or part of any proceeding) initiated by the director or officer, or any proceeding by the director or officer against the Corporation or its directors, officers, employees or other persons entitled to be indemnified by the Corporation, unless: (A) the Corporation is expressly required by law to make the indemnification; (B) the proceeding was authorized by the Board of Directors; or (C) the director or officer initiated the proceeding pursuant to subsection (i) of this Article 9 and the director or officer is successful in whole or in part in such proceeding; or

(iv) for an accounting of profits made from the purchase and sale by the director or officer of securities of the Corporation within the meaning of Section 16(b) of the Exchange Act, or similar provision of any state statutory law or common law.

(h) In the event of payment under this Article 9, the Corporation shall be subrogated to the extent of such payment to all of the rights of recovery of the director or officer. The director or officer shall execute all documents required and shall do all acts that may be necessary to secure such rights and to enable the Corporation effectively to bring suit to enforce such rights.

(i) Without the necessity of entering into an express contract, all rights to indemnification and advances to directors and officers under this Article 9 shall be deemed to be contractual rights and be effective to the same extent and as if provided for in a contract between the Corporation and the director or officer. Any director or officer may enforce any right to indemnification or advances under this Article 9 in any court of competent jurisdiction if: (i) the Corporation denies the claim for indemnification or advances, in whole or in part, or (ii) the Corporation does not dispose of such claim within 45 days of request therefor. It shall be a defense to any such enforcement action (other than an action brought to enforce a claim for advancement of expenses pursuant to, and in compliance with, this Article 9) that the director or officer is not entitled to indemnification under this Article 9. However, except as provided in subsection (f) of this Article 9, the Corporation shall not

assert any defense to an action brought to enforce a claim for advancement of expenses pursuant to this Article 9 if the director or officer has tendered to the Corporation the

16

affirmation and undertaking required hereunder. The burden of proving by clear and convincing evidence that indemnification is not appropriate shall be on the Corporation. Neither the failure of the Corporation (including its Board of Directors or independent legal counsel) to have made a determination prior to the commencement of such action that indemnification is proper in the circumstances because the director or officer has met the applicable standard of conduct nor an actual determination by the Corporation (including its Board of Directors or independent legal counsel) that indemnification is improper because the director or officer has not met such applicable standard of conduct, shall be asserted as a defense to the action or create a presumption that the director or officer is not entitled to indemnification under this Article 9 or otherwise. The director's or officer's expenses incurred in connection with successfully establishing such person's right to indemnification or advances, in whole or in part, in any proceeding shall also be paid or reimbursed by the Corporation.

(j) The rights conferred on any person by this Article 9 shall continue as to a person who has ceased to be a director, officer, employee or other agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

(k) To the fullest extent permitted by law, the Corporation, upon approval by the Board of Directors, may purchase insurance on behalf of any person required or permitted to be indemnified pursuant to this Article 9.

(l) If this Article 9 or any portion hereof shall be invalidated on any ground by any court of competent jurisdiction, then the Corporation shall nevertheless indemnify each director and officer to the full extent not prohibited by any applicable portion of this Article 9 that shall not have been invalidated, or by any other applicable law.

#### **ARTICLE 10 - Limitation of Director Liability**

To the fullest extent permitted by law, no director of the Corporation shall be personally liable to the Corporation or its shareholders for monetary damages for conduct as a director. Without limiting the generality of the foregoing, if the Oregon Revised Statutes are amended, after this Article 10 becomes effective, to authorize corporate action further eliminating or limiting the personal liability of directors of the Corporation, then the liability of directors of the Corporation shall be eliminated or limited to the fullest extent permitted by the Oregon Revised Statutes, as so amended. No amendment or repeal of this Article 10, nor the adoption of any provision of these Bylaws inconsistent with this Article 10, nor a change in the law, shall adversely affect any right or protection that is based upon this Article 10 and pertains to conduct that occurred prior to the time of such amendment, repeal, adoption or change. No change in the law shall reduce or eliminate the rights and protections set forth in this Article 10 unless the change in the law specifically requires such reduction or elimination.

17

## EXHIBIT 10.1

### NIKE, Inc. 1990 Stock Incentive Plan

1. Purpose. The purpose of this Stock Incentive Plan (the "Plan") is to enable NIKE, Inc. (the "Company") to attract and retain as directors, officers, employees, consultants, advisors and independent contractors people of initiative and ability and to provide additional incentives to such persons.

2. Shares Subject to the Plan. Subject to adjustment as provided below and in paragraph 10, the shares to be offered under the Plan shall consist of Class B Common Stock of the Company ("Shares"), and the total number of Shares that may be issued under the Plan shall not exceed fifty million (50,000,000) Shares. If an option or stock appreciation right granted under the Plan expires, terminates or is canceled, the unissued Shares subject to such option or stock appreciation right shall again be available under the Plan. If Shares sold or awarded as a bonus under the Plan are forfeited to the Company or repurchased by the Company, the number of Shares forfeited or repurchased shall again be available under the Plan.

3. Effective Date and Duration of Plan.

(a) Effective Date. The Plan shall become effective when adopted by the Board of Directors of the Company. However, no option or stock appreciation right granted under the Plan shall become exercisable until the Plan is approved by the affirmative vote of the holders of a majority of the Common Stock of the Company represented at a shareholders meeting at which a quorum is present and any awards under the Plan prior to such approval shall be conditioned on and subject to such approval. Subject to this limitation, options and stock appreciation rights may be granted and Shares may be awarded as bonuses or sold under the Plan at any time after the effective date and before termination of the Plan.

(b) Duration. The Plan shall continue in effect until all Shares available for issuance under the Plan have been issued and all restrictions on such Shares have lapsed. The Board of Directors may suspend or terminate the Plan at any time except with respect to options and Shares subject to restrictions then outstanding under the Plan. Termination shall not affect any outstanding options, any right of the Company to repurchase Shares or the forfeitability of Shares issued under the Plan.

4. Administration.

The Plan shall be administered by a committee appointed by the Board of Directors of the Company consisting of not less than two directors (the "Committee"), which shall determine and designate from time to time the individuals to whom awards shall be made, the amount of the awards and the other terms and conditions of the awards, except that only the Board of Directors may amend or terminate the Plan as provided in paragraphs 3 and 13. Subject to the provisions of the Plan, the Committee may from time to time adopt and amend rules and regulations relating to administration of the Plan, advance the lapse of any waiting period, accelerate any exercise date, waive or modify any restriction applicable to Shares (except those restrictions imposed by law) and make all other determinations in the judgment of the Committee necessary or desirable for the administration of the Plan. The interpretation and construction of the provisions of the Plan and related agreements by the Committee shall be final and conclusive. The Committee may correct any defect or supply any omission or reconcile any inconsistency in the Plan or in any related agreement in the manner and to the extent it shall deem expedient to carry the Plan into effect, and it shall be the sole and final judge of such expediency. Notwithstanding anything to the contrary contained in this Paragraph 4, the Board of Directors may delegate to the Chief Executive Officer of the Company, as a one-member committee of the Board of Directors, the authority to grant awards with respect to a maximum of 50,000 Shares to any eligible employee who is not, at the time of such grant, subject to the reporting requirements and liability provisions contained in Section 16 of the Securities Exchange Act of 1934 (the "Exchange Act") and the regulations thereunder.

5. Types of Awards; Eligibility. The Committee may, from time to time, take the following action, separately or in combination, under the Plan: (i) grant Incentive Stock Options, as defined in Section 422 of the Internal Revenue Code of 1986, as amended (the "Code"), as provided in paragraph 6(b); (ii) grant options other than Incentive Stock Options ("Non-Statutory Stock Options") as provided in paragraph 6(c); (iii) award stock bonuses as provided in paragraph 7; (iv) sell shares subject to restrictions as provided in paragraph 8; and (v) grant stock appreciation rights as provided in paragraph 9. Any such awards may be made to employees, including employees who are officers or directors, of the Company or any parent or subsidiary corporation of the Company and to other individuals described in paragraph 1 who the Committee believes have made or will make an important contribution to the Company or its subsidiaries; provided, however, that only employees of the Company shall be eligible to receive Incentive Stock Options under the Plan. The Committee shall select the individuals to whom awards shall be made. The Committee shall specify the action taken with respect to each individual to whom an award is made under the Plan. No employee may be granted options or stock appreciation rights under the Plan for more than 200,000 Shares in any calendar year.

6. Option Grants.

(a) Grant. The Committee may grant options under the Plan. With respect to each option grant, the Committee shall determine the number of Shares subject to the option, the option price, the period of the option, the time or times at which the option may be exercised and whether the option is an Incentive Stock Option or a Non-Statutory Stock Option.

(b) Incentive Stock Options. Incentive Stock Options shall be subject to the following terms and conditions:

(i) An Incentive Stock Option may be granted under the Plan to an employee possessing more than 10 percent of the total combined voting power of all classes of stock of the Company or of any parent or subsidiary of the Company only if the option price is at least 110 percent of

the fair market value of the Shares subject to the option on the date it is granted, as described in paragraph 6(b)(iii), and the option by its terms is not exercisable after the expiration of five years from the date it is granted.

(ii) Subject to paragraphs 6(b)(i) and 6(d), Incentive Stock Options granted under the Plan shall continue in effect for the period fixed by the Committee, except that no Incentive Stock Option shall be exercisable after the expiration of 10 years from the date it is granted.

(iii) The option price per share shall be determined by the Committee at the time of grant. Subject to paragraph 6(b)(i), the option price shall not be less than 100 percent of the fair market value of the Shares covered by the Incentive Stock Option at the date the option is granted. The fair market value shall be deemed to be the closing price of the Class B Common Stock of the Company as reported in the New York Stock Exchange Composite Transactions in the Wall Street Journal on the day preceding the date the option is granted, or if there has been no sale on that date, on the last preceding date on which a sale occurred, or such other reported value of the Class B Common Stock of the Company as shall be specified by the Committee.

(iv) No Incentive Stock Option shall be granted on or after the tenth anniversary of the last action by the Board of Directors approving an increase in the number of shares available for issuance under the Plan, which action was subsequently approved within 12 months by the shareholders.

(c) Non-Statutory Stock Options. The option price for Non-Statutory Stock Options shall be determined by the Committee at the time of grant. The option price may not be less than 75 percent of the fair market value of the Shares covered by the Non-Statutory Stock Option on the date the option is granted. The fair market value of Shares covered by a Non-Statutory Stock Option shall be determined pursuant to paragraph 6(b)(iii).

(d) Exercise of Options. Except as provided in paragraph 6(f), no option granted under the Plan may be exercised unless at the time of such exercise the optionee is employed by the Company or any parent or subsidiary corporation of the Company and shall have been so employed continuously since the date such option was granted. Absence on leave or on account of illness or disability under rules established by the Committee shall not, however, be deemed an interruption of employment for this purpose. Except as provided in paragraphs 6(f), 10 and 11, options granted under the Plan may be exercised from time to time over the period stated in each option in such amounts and at such times as shall be prescribed by the Committee, provided that options shall not be exercised for fractional shares. Unless otherwise determined by the Committee, if the optionee does not exercise an option in any one year with respect to the full number of Shares to which the optionee is entitled in that year, the optionee's rights shall be cumulative and the optionee may purchase those Shares in any subsequent year during the term of the option.

(e) Nontransferability. Except as provided below, each stock option granted under the Plan by its terms shall be nonassignable and nontransferable by the optionee, either voluntarily or by operation of law, and each option by its terms shall be exercisable during the optionee's lifetime only by the optionee. A stock option may be transferred by will or by the laws of descent and distribution of the state or country of the optionee's domicile at the time of death. A Non-Statutory Stock Option shall also be transferable pursuant to a qualified domestic relations order as defined under the Code or Title I of the Employee Retirement Income Security Act. The Committee may, in its discretion, authorize all or a portion of a Non-Statutory Stock Option granted to an optionee to be on terms which permit transfer by the optionee to (i) the spouse, children or grandchildren of the optionee ("Immediate Family Members"), (ii) a trust or trusts for the exclusive benefit of Immediate Family Members, or (iii) a partnership in which Immediate Family Members are the only partners, provided that (x) there may be no consideration for any transfer, (y) the stock option agreement pursuant to which the options are granted must expressly provide for transferability in a manner consistent with this paragraph, and (z) subsequent transfers of transferred options shall be prohibited except by will or by the laws of descent and distribution. Following any transfer, options shall continue to be subject to the same terms and conditions as were applicable immediately prior to transfer, provided that for purposes of paragraphs 6(d), 6(g), 10 and 11 the term "optionee" shall be deemed to refer to the transferee. The events of termination of employment of paragraph 6(f), shall continue to be applied with respect to the original optionee, following which the options shall be exercisable by the transferee only to the extent, and for the periods specified, and all other references to employment, termination of employment, life or death of the optionee, shall continue to be applied with respect to the original optionee.

(f) Termination of Employment or Death.

(i) Unless otherwise provided at the time of grant, in the event the employment of the optionee by the Company or a parent or subsidiary corporation of the Company terminates for any reason other than because of retirement, physical disability or death, the option may be exercised at any time prior to the expiration date of the option or the expiration of three months after the date of such termination of employment, whichever is the shorter period, but only if and to the extent the optionee was entitled to exercise the option at the date of such termination.

(ii) Unless otherwise provided at the time of grant, in the event the employment of the optionee by the Company or a parent or subsidiary corporation of the Company terminates as a result of the optionee's retirement, the option may be exercised by the optionee to the extent specified in this paragraph 6(f)(ii) at any time prior to the expiration date of the option or the expiration of three months after the date of such termination of employment, whichever is the shorter period. For purposes of this paragraph 6(f), "retirement" means a termination of employment that occurs at a time when (A) the optionee's retirement point total is at least 55, and (B) the optionee has at least five full years of service as an employee of the Company or a parent or subsidiary corporation of the Company. For purposes of this paragraph 6(f), "retirement point total" means the sum of the optionee's age in full years plus the optionee's full years of service as an employee of the Company or a parent or subsidiary corporation of the Company. Upon retirement, the optionee may exercise the portion of the option that the optionee was entitled to exercise immediately prior to retirement plus a percentage of the remaining unvested portion of the option based on the

optionee's retirement point total at the time of retirement as set forth in the following table:

Retirement Point Total	Percent of Unvested Option That Becomes Exercisable
55 or 56	20%
57	40%
58	60%
59	80%
60	100%

(iii) Unless otherwise provided at the time of grant, in the event the employment of the optionee by the Company or a parent or subsidiary corporation of the Company terminates because the optionee becomes disabled (within the meaning of Section 22(e)(3) of the Code), the option may be exercised by the optionee free of the limitations on the amount that may be purchased in any one year specified in the option agreement at any time prior to the expiration date of the option or the expiration of one year after the date of such termination, whichever is the shorter period.

(iv) Unless otherwise provided at the time of grant, in the event of the death of the optionee while in the employ of the Company or a parent or subsidiary corporation of the Company, the option may be exercised free of the limitations on the amount that may be purchased in any one year specified in the option agreement at any time prior to the expiration date of the option or the expiration of one year after the date of such death, whichever is the shorter period, but only by the person or persons to whom such optionee's rights under the option shall pass by the optionee's will or by the laws of descent and distribution of the state or country of domicile at the time of death.

(v) The Committee, at the time of grant or at any time thereafter, may extend the three-month and one-year expiration periods any length of time not later than the original expiration date of the option, and may increase the portion of an option that is exercisable, subject to such terms and conditions as the Committee may determine.

(vi) To the extent that the option of any deceased optionee or of any optionee whose employment terminates is not exercised within the applicable period, all further rights to purchase Shares pursuant to such option shall cease and terminate.

(g) Purchase of Shares. Unless the Committee determines otherwise, Shares may be acquired pursuant to an option granted under the Plan only upon receipt by the Company of notice in writing from the optionee of the optionee's intention to exercise, specifying the number of Shares as to which the optionee desires to exercise the option and the date on which the optionee desires to complete the transaction, and if required in order to comply with the Securities Act of 1933, as amended, containing a representation that it is the optionee's present intention to acquire the Shares for investment and not with a view to distribution. Unless the Committee determines otherwise, on or before the date specified for completion of the purchase of Shares pursuant to an option, the optionee must have paid the Company the full purchase price of such Shares in cash or with the consent of the Committee, in whole or in part, in Common Stock of the Company valued at fair market value. The fair market value of Common Stock of the Company provided in payment of the purchase price shall be the closing price of the Common Stock of the Company as reported in the New York Stock Exchange Composite Transactions in the Wall Street Journal or such other reported value of the Common Stock of the Company as shall be specified by the Committee, on the date the option is exercised, or if such date is not a trading day, then on the immediately preceding trading day. No Shares shall be issued until full payment therefor has been made. With the consent of the Committee, an optionee may request the Company to apply automatically the Shares to be received upon the exercise of a portion of a stock option (even though stock certificates have not yet been issued) to satisfy the purchase price for additional portions of the option. Each optionee who has exercised an option shall immediately upon notification of the amount due, if any, pay to the Company in cash amounts necessary to satisfy any applicable federal, state and local tax withholding requirements. If additional withholding is or becomes required beyond any amount deposited before delivery of the certificates, the optionee shall pay such amount to the Company on demand. If the optionee fails to pay the amount demanded, the Company may withhold that amount from other amounts payable by the Company to the optionee, including salary, subject to applicable law. With the consent of the Committee, an optionee may satisfy this obligation, in whole or in part, by having the Company withhold from the Shares to be issued upon the exercise that number of Shares that would satisfy the withholding amount due or by delivering Common Stock of the Company to the Company to satisfy the withholding amount. Upon the exercise of an option, the number of Shares reserved for issuance under the Plan shall be reduced by the number of Shares issued upon exercise of the option.

7. Stock Bonuses. The Committee may award Shares under the Plan as stock bonuses. Shares awarded as a stock bonus shall be subject to the terms, conditions, and restrictions determined by the Committee. The restrictions may include restrictions concerning transferability and forfeiture of the Shares awarded, together with such other restrictions as may be determined by the Committee. The Committee may require the recipient to sign an agreement as a condition of the award, but may not require the recipient to pay any monetary consideration other than amounts necessary to satisfy tax withholding requirements. The agreement may contain any terms, conditions, restrictions, representations and warranties required by the Committee. The certificates representing the Shares awarded shall bear any legends required by the Committee. The Company may require any recipient of a stock bonus to pay to the Company in cash upon demand amounts necessary to satisfy any applicable federal, state or local tax withholding requirements. If the recipient fails to pay the amount demanded, the Company may withhold that amount from other amounts payable by the Company to the recipient, including salary, subject to applicable law. With the consent of the Committee, a recipient may deliver Common Stock of the Company to the Company to satisfy this withholding obligation. Upon the issuance of a stock bonus, the number of Shares reserved for issuance under the Plan shall be reduced by the number of Shares issued.

8. Restricted Stock. The Committee may issue Shares under the Plan for such consideration (including promissory notes and services) as determined by the Committee, provided that in no event shall the consideration be less than 75 percent of fair market value of the Shares at the time of issuance. Shares issued under the Plan shall be subject to the terms, conditions and restrictions determined by the Committee. The

restrictions may include restrictions concerning transferability, repurchase by the Company and forfeiture of the Shares issued, together with such other restrictions as may be determined by the Committee. All Shares issued pursuant to this paragraph 8 shall be subject to a purchase agreement, which shall be executed by the Company and the prospective recipient of the Shares prior to the delivery of certificates representing such Shares to the recipient. The purchase agreement may contain any terms, conditions, restrictions, representations and warranties required by the Committee. The certificates representing the Shares shall bear any legends required by the Committee. The Company may require any purchaser of restricted stock to pay to the Company in cash upon demand amounts necessary to satisfy any applicable federal, state or local tax withholding requirements. If the purchaser fails to pay the amount demanded, the Company may withhold that amount from other amounts payable by the Company to the purchaser, including salary, subject to applicable law. With the consent of the Committee, a purchaser may deliver Common Stock of the Company to the Company to satisfy this withholding obligation. Upon the issuance of restricted stock, the number of Shares reserved for issuance under the Plan shall be reduced by the number of Shares issued.

#### 9. Stock Appreciation Rights.

(a) Grant. Stock appreciation rights may be granted under the Plan by the Committee, subject to such rules, terms, and conditions as the Committee prescribes.

(b) Exercise.

(i) A stock appreciation right shall be exercisable only at the time or times established by the Committee. If a stock appreciation right is granted in connection with an option, the stock appreciation right shall be exercisable only to the extent and on the same conditions that the related option could be exercised. Upon exercise of a stock appreciation right, any option or portion thereof to which the stock appreciation right relates terminates. If a stock appreciation right is granted in connection with an option, upon exercise of the option, the stock appreciation right or portion thereof to which the option relates terminates.

(ii) The Committee may withdraw any stock appreciation right granted under the Plan at any time and may impose any conditions upon the exercise of a stock appreciation right or adopt rules and regulations from time to time affecting the rights of holders of stock appreciation rights. Such rules and regulations may govern the right to exercise stock appreciation rights granted before adoption or amendment of such rules and regulations as well as stock appreciation rights granted thereafter.

(iii) Each stock appreciation right shall entitle the holder, upon exercise, to receive from the Company in exchange therefor an amount equal in value to the excess of the fair market value on the date of exercise of one share of Class B Common Stock of the Company over its fair market value on the date of grant (or, in the case of a stock appreciation right granted in connection with an option, the option price per Share under the option to which the stock appreciation right relates), multiplied by the number of Shares covered by the stock appreciation right or the option, or portion thereof, that is surrendered. Payment by the Company upon exercise of a stock appreciation right may be made in Shares valued at fair market value, in cash, or partly in Shares and partly in cash, all as determined by the Committee.

(iv) For purposes of this paragraph 9, the fair market value of the Class B Common Stock of the Company on the date a stock appreciation right is exercised shall be the closing price of the Class B Common Stock of the Company as reported in the New York Stock Exchange Composite Transactions in the Wall Street Journal, or such other reported value of the Class B Common Stock of the Company as shall be specified by the Committee, on the date the stock appreciation right is exercised, or if such date is not a trading day, then on the immediately preceding trading day.

(v) No fractional shares shall be issued upon exercise of a stock appreciation right. In lieu thereof, cash shall be paid in an amount equal to the value of the fractional share.

(vi) Each stock appreciation right granted under the Plan by its terms shall be nonassignable and nontransferable by the holder, either voluntarily or by operation of law, except by will or by the laws of descent and distribution of the state or county of the holder's domicile at the time of death, and each stock appreciation right by its terms shall be exercisable during the holder's lifetime only by the holder; provided, however, that a stock appreciation right not granted in connection with an Incentive Stock Option shall also be transferable pursuant to a qualified domestic relations order as defined under the Code or Title I of the Employee Retirement Income Security Act.

(vii) Each participant who has exercised a stock appreciation right shall, upon notification of the amount due, pay to the Company in cash amounts necessary to satisfy any applicable federal, state or local tax withholding requirements. If the participant fails to pay the amount demanded, the Company may withhold that amount from other amounts payable by the Company to the participant including salary, subject to applicable law. With the consent of the Committee a participant may satisfy this obligation, in whole or in part, by having the Company withhold from any Shares to be issued upon the exercise that number of Shares that would satisfy the withholding amount due or by delivering Common Stock of the Company to the Company to satisfy the withholding amount.

(viii) Upon the exercise of a stock appreciation right for Shares, the number of Shares reserved for issuance under the Plan shall be reduced by the number of Shares issued. Cash payments of stock appreciation rights shall not reduce the number of Shares reserved for issuance under the Plan.

10. Changes in Capital Structure. If the outstanding shares of Common Stock of the Company are hereafter increased or decreased or changed into or exchanged for a different number or kind of shares or other securities of the Company or of another corporation by reason of any reorganization, merger, consolidation, plan of exchange, recapitalization, reclassification, stock split-up, combination of shares or dividend payable in shares, appropriate adjustment shall be made by the Committee in the number and kind of shares available for awards under the

Plan, provided that this paragraph 10 shall not apply with respect to transactions referred to in paragraph 11. In addition, the Committee shall make appropriate adjustment in the number and kind of shares as to which outstanding options and stock appreciation rights, or portions thereof then unexercised, shall be exercisable, to the end that the optionee's proportionate interest is maintained as before the occurrence of such event. The Committee may also require that any securities issued in respect of or exchanged for Shares issued hereunder that are subject to restrictions be subject to similar restrictions. Notwithstanding the foregoing, the Committee shall have no obligation to effect any adjustment that would or might result in the issuance of fractional shares, and any fractional shares resulting from any adjustment may be disregarded or provided for in any manner determined by the Committee. Any such adjustments made by the Committee shall be conclusive. In the event of a merger, consolidation or plan of exchange affecting the Company to which paragraph 11 does not apply, in lieu of providing for options and stock appreciation rights as provided above in this paragraph 10, the Committee may, in its sole discretion, provide a 30-day period prior to such event during which optionees shall have the right to exercise options and stock appreciation rights in whole or in part without any limitation on exercisability and upon the expiration of such 30-day period all unexercised options and stock appreciation rights shall immediately terminate.

#### 11. Special Acceleration in Certain Events.

(a) Special Acceleration. Notwithstanding any other provisions of the Plan, a special acceleration ("Special Acceleration") of options and stock appreciation rights outstanding under the Plan shall occur with the effect set forth in paragraph 11(b) at any time when the shareholders of the Company approve one of the following ("Approved Transactions"):

(i) Any consolidation, merger, plan of exchange, or transaction involving the Company ("Merger") in which the Company is not the continuing or surviving corporation or pursuant to which the Common Stock of the Company would be converted into cash, securities or other property, other than a Merger involving the Company in which the holders of the Common Stock of the Company immediately prior to the Merger have the same proportionate ownership of common stock of the surviving corporation after the Merger; or

(ii) Any sale, lease, exchange, or other transfer (in one transaction or a series of related transactions) of all or substantially all of the assets of the Company or the adoption of any plan or proposal for the liquidation or dissolution of the Company.

(b) Effect on Outstanding Options and Stock Appreciation Rights. Except as provided below in this paragraph 11(b), upon a Special Acceleration pursuant to paragraph 11(a), all options and stock appreciation rights then outstanding under the Plan shall immediately become exercisable in full during the remainder of their terms; provided, the Committee may, in its sole discretion, provide a 30-day period prior to an Approved Transaction during which optionees shall have the right to exercise options and stock appreciation rights, in whole or in part, without any limitation on exercisability, and upon the expiration of such 30-day period all unexercised options and stock appreciation rights shall immediately terminate.

12. Corporate Mergers, Acquisitions, etc. The Committee may also grant options, stock appreciation rights, and stock bonuses and issue restricted stock under the Plan having terms, conditions and provisions that vary from those specified in this Plan, provided that any such awards are granted in substitution for, or in connection with the assumption of, existing options, stock appreciation rights, stock bonuses, and restricted stock, awarded or issued by another corporation and assumed or otherwise agreed to be provided for by the Company pursuant to or by reason of a transaction involving a corporate merger, consolidation, plan of exchange, acquisition of property or stock, separation, reorganization or liquidation to which the Company or a parent or subsidiary corporation of the Company is a party.

13. Amendment of Plan. The Board of Directors may at any time, and from time to time, modify or amend the Plan in such respects as it shall deem advisable because of changes in the law while the Plan is in effect or for any other reason. Except as provided in paragraphs 6(f), 9, 10 and 11, however, no change in an award already granted shall be made without the written consent of the holder of such award.

14. Approvals. The obligations of the Company under the Plan are subject to the approval of state and federal authorities or agencies with jurisdiction in the matter. The Company will use its best efforts to take steps required by state or federal law or applicable regulations, including rules and regulations of the Securities and Exchange Commission and any stock exchange or trading system on which the Company's shares may then be listed or admitted for trading, in connection with the grants under the Plan. The foregoing notwithstanding, the Company shall not be obligated to issue or deliver Class B Common Stock under the Plan if such issuance or delivery would violate applicable state or federal securities laws.

15. Employment and Service Rights. Nothing in the Plan or any award pursuant to the Plan shall (i) confer upon any employee any right to be continued in the employment of the Company or any parent or subsidiary corporation of the Company or shall interfere in any way with the right of the Company or any parent or subsidiary corporation of the Company by whom such employee is employed to terminate such employee's employment at any time, for any reason, with or without cause, or to increase or decrease such employee's compensation or benefits, or (ii) confer upon any person engaged by the Company any right to be retained or employed by the Company or to the continuation, extension, renewal, or modification of any compensation, contract, or arrangement with or by the Company.

16. Rights as a Shareholder. The recipient of any award under the Plan shall have no rights as a shareholder with respect to any Shares until the date of issue to the recipient of a stock certificate for such Shares. Except as otherwise expressly provided in the Plan, no adjustment shall be made for dividends or other rights for which the record date is prior to the date such stock certificate is issued.

**EXHIBIT 12.1****NIKE, INC.  
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES**

	Three Months Ended August 31,	
	2004	2003
	(in millions)	
Net income	\$326.8	\$261.2
Income taxes	178.7	139.4
Income before income taxes	505.5	400.6
Add fixed charges		
Interest expense (A)	9.4	10.9
Interest component of leases (B)	18.4	16.5
Total fixed charges	27.8	27.4
Earnings before income taxes and fixed charges (C)	\$ 533.3	\$428.0
Ratio of earnings to total fixed charges	19.2	15.6

(A) Interest expense includes both expensed and capitalized. (B) Interest component of leases includes one-third of rental expense, which approximates the interest component of operating leases.

(C) Earnings before income taxes and fixed charges is exclusive of capitalized interest.

## EXHIBIT 31.1

### Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Philip H. Knight, certify that:

1. I have reviewed this quarterly report on Form 10-Q of NIKE, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - c) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

*Date: September 30, 2004*

*/s/ Philip H. Knight*

---

*Philip H. Knight  
Chief Executive Officer*

## EXHIBIT 31.2

### Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Donald W. Blair, certify that:

1. I have reviewed this quarterly report on Form 10-Q of NIKE, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - c) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

*Date: September 30, 2004*

*/s/ Donald W. Blair*

---

*Donald W. Blair  
Chief Financial Officer*

**EXHIBIT 32.1**

**Certification of Chief Executive Officer**

Pursuant to 18 U.S.C. Section 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of NIKE, Inc. (the "Company") hereby certifies, to such officer's knowledge, that:

- (i) the Quarterly Report on Form 10-Q of the Company for the fiscal quarter ended August 31, 2004 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and
- (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

*Date: September 30, 2004*

*/s/ Philip H. Knight*

---

*Philip H. Knight  
Chief Executive Officer*

A signed original of this written statement required by Section 906 has been provided to NIKE, Inc. and will be retained by NIKE, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

**EXHIBIT 32.2**

**Certification of Chief Financial Officer**

Pursuant to 18 U.S.C. Section 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of NIKE, Inc. (the "Company") hereby certifies, to such officer's knowledge, that:

(i) the Quarterly Report on Form 10-Q of the Company for the fiscal quarter ended August 31, 2004 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

*Date: September 30, 2004*

*/s/Donald W. Blair*

---

*Donald W. Blair  
Chief Financial Officer*

A signed original of this written statement required by Section 906 has been provided to NIKE, Inc. and will be retained by NIKE, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.