

NIKE INC

FORM 10-Q (Quarterly Report)

Filed 01/12/04 for the Period Ending 11/30/03

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 November 30, 2003
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 November 30, 2003 were:

Class A	90,804,466
Class B	172,318,918
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	263,123,384
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PART 1 - FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

	November 30, 2003	May 31, 2003
	(in millions)	
ASSETS		
Current assets:		
Cash and equivalents	\$ 968.9	\$ 634.0
Accounts receivable	2,010.4	2,101.1
Inventories (Note 2)	1,592.0	1,514.9
Deferred income taxes	212.7	221.8
Prepaid expenses and other current assets	236.8	266.2
	<hr/>	<hr/>
Total current assets	5,020.8	4,738.0
Property, plant and equipment	3,082.1	2,988.8
Less accumulated depreciation	1,476.1	1,368.0
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Property, plant and equipment, net	1,606.0	1,620.8
Identifiable intangible assets, net (Notes 3 and 7)	368.5	118.2
Goodwill (Notes 3 and 7)	132.3	65.6
Deferred income taxes and other assets	248.9	229.4
	<hr/>	<hr/>
Total Assets	\$7,376.5	\$6,772.0
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	\$ 206.1	\$ 205.7
Notes payable	142.4	75.4
Accounts payable	533.1	572.7
Accrued liabilities	992.7	1,054.2
Income taxes payable	121.7	107.2
	<hr/>	<hr/>
Total current liabilities	1,996.0	2,015.2
Long-term debt	649.6	551.6
Deferred income taxes and other liabilities (Note 7)	363.3	214.2
Commitments and contingencies (Note 9)	--	--
Redeemable preferred stock	0.3	0.3
Shareholders' equity:		
Common stock at stated value:		
Class A convertible-90.8 and 97.8 shares outstanding	0.2	0.2
Class B-172.3 and 165.8 shares outstanding	2.6	2.6
Capital in excess of stated value	727.4	589.0
Unearned stock compensation	(7.0)	(0.6)
Accumulated other comprehensive loss	(159.6)	(239.7)
Retained earnings	3,803.7	3,639.2
	<hr/>	<hr/>
Total shareholders' equity	4,367.3	3,990.7
	<hr/>	<hr/>
Total liabilities and shareholders' equity	\$7,376.5	\$6,772.0
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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

Six Months Ended

	November 30,		November 30,	
	2003	2002	2003	2002
(in millions, except per share data)				
Revenues	\$2,837.1	\$2,514.7	\$5,862.0	\$5,311.0
Cost of sales	1,637.5	1,504.6	3,360.9	3,143.8
Gross Margin	1,199.6	1,010.1	2,501.1	2,167.2
Selling and administrative	902.5	761.9	1,772.1	1,566.5
Interest expense, net	8.1	7.1	15.6	14.5
Other expense, net	14.3	11.5	38.1	22.5
Income before income taxes and cumulative effect of accounting change	274.7	229.6	675.3	563.7
Income taxes	95.6	77.6	235.0	194.5
Income before cumulative effect of accounting change	179.1	152.0	440.3	369.2
Cumulative effect of accounting change, net of income taxes	--	--	--	266.1
Net income	\$ 179.1	\$ 152.0	\$ 440.3	\$ 103.1
Basic earnings per common share (Note 6):				
Before accounting change	\$ 0.68	\$ 0.57	\$ 1.67	\$ 1.39
Cumulative effect of accounting change	--	--	--	(1.00)
	\$ 0.68	\$ 0.57	\$ 1.67	\$ 0.39
Diluted earnings per common share (Note 6):				
Before accounting change	\$ 0.66	\$ 0.57	\$ 1.64	\$ 1.38
Cumulative effect of accounting change	--	--	--	(0.99)
	\$ 0.66	\$ 0.57	\$ 1.64	\$ 0.39
Dividends declared per common share	\$ 0.20	\$ 0.14	\$ 0.34	\$ 0.26

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

	Six Months Ended November 30,	
	2003	2002
(in millions)		
Cash provided (used) by operations:		
Net income	\$ 440.3	\$ 103.1
Income charges (credits) not affecting cash:		
Cumulative effect of accounting change	--	266.1
Depreciation	123.2	114.4
Deferred income taxes	12.1	0.1
Amortization and other	35.2	7.5
Income tax benefit from exercise of stock options	19.4	2.2

Work-in-progress	8.0	15.2
Raw materials	15.2	15.6
	<u> </u>	<u> </u>
	\$1,592.0	\$1,514.9
	=====	=====

NOTE 3 - Identifiable Intangible Assets and Goodwill:

The Company adopted Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets," (FAS 142) effective June 1, 2002. In accordance with FAS 142, goodwill and intangible assets with indefinite lives will no longer be amortized but instead will be measured for impairment annually in the fourth quarter, or when events indicate that an impairment exists. Intangible assets that are determined to have definite lives will continue to be amortized over their useful lives.

The following table summarizes the Company's identifiable intangible assets and goodwill balances as of November 30, 2003 and May 31, 2003:

	November 30, 2003		May 31, 2003	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	(in millions)			
Amortized intangible assets:				
Patents	\$ 25.5	\$ (11.1)	\$ 24.9	\$ (10.4)
Trademarks	13.3	(11.0)	12.9	(10.6)
Other	16.8	(6.4)	7.5	(1.1)
Total	<u>\$ 55.6</u>	<u>\$ (28.5)</u>	<u>\$ 45.3</u>	<u>\$ (22.1)</u>
	=====	=====	=====	=====
Unamortized intangible assets:				
Goodwill	\$ 132.3		\$ 65.6	
Trademarks	341.4		95.0	
Total	<u>\$ 473.7</u>		<u>\$ 160.6</u>	
	=====		=====	

Amortization expense, which is included in selling and administrative expense, was \$5.5 million and \$0.8 million for the three-month periods ended November 30, 2003 and November 30, 2002, respectively, and \$6.4 million and \$1.9 million for the six-month periods ended November 30, 2003 and November 30, 2002, respectively. The estimated amortization expense for intangible assets subject to amortization for each of the succeeding years ended May 31, 2004 through May 31, 2008 are as follows: 2004: \$11.9 million; 2005: \$3.2 million; 2006: \$2.9 million; 2007: \$2.4 million; 2008: \$2.2 million.

During the second quarter ended November 30, 2003 the Company completed the acquisition of Converse Inc. As a result, \$66.7 million was allocated to goodwill, \$246.2 million was allocated to unamortized trademarks and \$8.6 million was allocated to other amortized intangible assets. See note 7 for additional information related to the acquisition.

The change in the book value of goodwill, which relates to the Company's Other operating segment, for the six months ended November 30, 2003 is as follows:

May 31, 2003	\$ 65.6
Acquisition of Subsidiary	66.7
	<u> </u>
November 30, 2003	\$ 132.3
	=====

NOTE 4 - Comprehensive Income:

Comprehensive income, net of taxes, is as follows:

Three Months Ended November 30,		Six Months Ended November 30,	
<u> </u>	<u> </u>	<u> </u>	<u> </u>
2003	2002	2003	2002

	(in millions)			
Net Income	\$179.1	\$152.0	\$440.3	\$103.1
Other Comprehensive Income (Loss):				
Change in cumulative translation adjustment and other	75.7	4.9	16.5	17.2
Changes due to cash flow hedging instruments:				
Net loss on hedge derivatives	(104.2)	(8.3)	(17.7)	(92.5)
Reclassification to net income of previously deferred (gains) and losses related to hedge derivative instruments	34.8	24.9	81.3	47.9
Other Comprehensive Income (Loss)	6.3	21.5	80.1	(27.4)
Total Comprehensive Income	\$185.4	\$173.5	\$520.4	\$ 75.7
	=====	=====	=====	=====

NOTE 5 - 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.

If the Company had accounted for stock options 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 November 30,		Six Months Ended November 30,	
	2003	2002	2003	2002
	(in millions, except per share data)			
Net Income as reported	\$179.1	\$152.0	\$440.3	\$103.1
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	(12.1)	(11.2)	(23.3)	(19.7)
Pro forma net income	\$167.0	\$140.8	\$417.0	\$ 83.4
	=====	=====	=====	=====
Earnings per share:				
Basic - as reported	0.68	0.57	1.67	0.39
Basic - pro forma	0.63	0.53	1.58	0.31
Diluted - as reported	0.66	0.57	1.64	0.39
Diluted - pro forma	0.63	0.53	1.57	0.31

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 6 - Earnings Per Common Share:

The following represents a reconciliation from basic earnings per share to diluted earnings per share. Options to purchase 1.0 million and 12.0 million shares of common stock were outstanding at November 30, 2003 and November 30, 2002, 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 November 30,		Six Months Ended November 30,	
	2003	2002	2003	2002
	-----	-----	-----	-----

(in millions, except per share data)

Determination of shares:				
Average common shares outstanding	263.3	264.7	263.1	265.0
Assumed conversion of dilutive stock options and awards	6.2	2.8	5.2	3.3
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Diluted average common shares outstanding	269.5	267.5	268.3	268.3
	=====	=====	=====	=====
Basic earnings per common share:				
Before cumulative effect of accounting change	\$ 0.68	\$ 0.57	\$ 1.67	\$ 1.39
Cumulative effect of accounting change	--	--	--	(1.00)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	\$ 0.68	\$ 0.57	\$ 1.67	\$ 0.39
	=====	=====	=====	=====
Diluted earnings per common share:				
Before cumulative effect of accounting change	\$ 0.66	\$ 0.57	\$ 1.64	\$ 1.38
Cumulative effect of accounting change	--	--	--	(0.99)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	\$ 0.66	\$ 0.57	\$ 1.64	\$ 0.39
	=====	=====	=====	=====

NOTE 7 - Acquisition:

On September 4, 2003, the Company acquired 100 percent of the equity shares of Converse Inc. ("Converse"). Converse designs, distributes, and markets high performance and casual athletic footwear and apparel. The acquisition has been accounted for under the purchase method of accounting in accordance with SFAS No. 141, "Business Combinations". The cash purchase price, including acquisition costs, was approximately \$310 million. The results of Converse's operations have been included in the consolidated financial statements since the date of acquisition as part of the Company's Other operating segment.

All assets and liabilities of Converse have been recorded in the Company's consolidated balance sheet based on their estimated fair values at the date of acquisition. Identifiable intangible assets and goodwill relating to the purchase approximated \$254.8 and \$66.7 million, respectively. Identifiable intangible assets include \$246.2 million for trademarks that have an indefinite life, and \$8.6 million of other intangible assets that are being amortized over nine months. Deferred taxes of \$105.1 million have been provided for the purchase of the identifiable intangible assets, which is the primary reason for goodwill. The pro forma effect of the acquisition on the combined results of operations was not significant.

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, Inc., Bauer NIKE Hockey, Inc., Hurley International LLC, NIKE Golf and Converse Inc., beginning September 4, 2003, which are considered immaterial for individual disclosure.

Where applicable, "Corporate" represents items necessary to reconcile to the consolidated financial statements, which generally include corporate activity and corporate eliminations. Effective June 1, 2003 the assets, liabilities, and operating expenses of NIKE IHM, Inc., which primarily manufactures NIKE Air components, have been reclassified to the Corporate category from Other, reflecting current management of these operations. NIKE IHM, Inc. information for the applicable prior year period has been reclassified to conform to the current year presentation.

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 and cumulative effect of accounting change 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, inventory, and property, plant, and equipment for operating segments are regularly reviewed and therefore provided below:

	Three Months Ended November 30,		Six Months Ended November 30,	
	2003	2002	2003	2002
Net Revenue				
USA	\$1,085.6	\$1,032.6	\$2,339.5	\$2,315.2
EUROPE, MIDDLE EAST, AFRICA	848.9	781.2	1,862.4	1,650.6
ASIA PACIFIC	412.7	350.4	761.0	658.2
AMERICAS	156.1	133.5	309.8	275.8
OTHER	333.8	217.0	589.3	411.2
	<u>\$2,837.1</u>	<u>\$2,514.7</u>	<u>\$5,862.0</u>	<u>\$5,311.0</u>
	=====	=====	=====	=====
Pre-Tax Income				
USA	\$ 193.4	\$ 173.0	\$ 489.0	\$ 456.9
EUROPE, MIDDLE EAST, AFRICA	139.4	125.0	344.0	287.3
ASIA PACIFIC	98.7	83.9	175.5	134.6
AMERICAS	31.4	28.5	55.7	53.7
OTHER	7.3	0.5	4.1	(10.8)
CORPORATE	(195.5)	(181.3)	(393.0)	(358.0)
	<u>\$ 274.7</u>	<u>\$ 229.6</u>	<u>\$ 675.3</u>	<u>\$ 563.7</u>
	=====	=====	=====	=====
	Nov. 30, 2003	May 31, 2003		
Accounts Receivable, net				
USA	\$ 590.3	\$ 609.5		
EUROPE, MIDDLE EAST, AFRICA	687.2	792.6		
ASIA PACIFIC	269.0	245.6		
AMERICAS	136.2	130.0		
OTHER	289.7	282.0		
CORPORATE	38.0	41.4		
	<u>\$2,010.4</u>	<u>\$2,101.1</u>		
	=====	=====		
Inventories, net				
USA	\$ 606.8	\$ 640.6		
EUROPE, MIDDLE EAST, AFRICA	407.3	383.4		
ASIA PACIFIC	156.1	143.5		
AMERICAS	86.4	84.2		
OTHER	309.9	239.4		
CORPORATE	25.5	23.8		
	<u>\$1,592.0</u>	<u>\$1,514.9</u>		
	=====	=====		
Property, Plant and Equipment, net				
USA	\$ 204.8	\$ 215.7		
EUROPE, MIDDLE EAST, AFRICA	232.0	241.4		
ASIA PACIFIC	401.9	386.3		
AMERICAS	11.2	11.0		
OTHER	95.4	82.1		
CORPORATE	660.7	684.3		
	<u>\$1,606.0</u>	<u>\$1,620.8</u>		
	=====	=====		

NOTE 9 - Commitments and Contingencies:

At November 30, 2003, the Company had letters of credit outstanding totaling \$479.7 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

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.

Operating Results

Consolidated Operating Results

- Revenue for the second quarter of fiscal 2004 was \$2.8 billion, a 13% increase versus the second quarter of fiscal 2003. Revenue for the first six months of fiscal 2004 was \$5.9 billion, up 10% versus the same period of fiscal 2003.

- Gross margin for the second quarter of fiscal 2004 was 42.3% of revenues, up from 40.2% for the second quarter of the prior year. Gross margin for the first six months of fiscal 2004 was 42.7%, up from 40.8% for the first six months of the prior year.

- Selling and administrative expense for the second quarter of fiscal 2004 increased 18% versus the second quarter of the prior year, to \$902.5 million, and was 31.8% as a percentage of revenues versus 30.3% for the second quarter of the prior year. Selling and administrative expense for the first six months of fiscal 2004 increased 13% versus the first six months of the prior year, and was 30.2% as a percentage of revenues versus 29.5% for the first six months of the prior year.

- Net income for the second quarter of fiscal 2004 was \$179.1 million, an 18% increase versus the second quarter of fiscal 2003. Net income for the first six months of fiscal 2004 was \$440.3 million, up 19% versus the first six months of the prior year before the cumulative effect of accounting change in the first quarter of the prior year. Net income for the first six months of the prior year after the cumulative effect of the accounting change was \$103.1 million.

- Diluted earnings per share for the second quarter of fiscal 2004 were \$0.66, up 16% versus the second quarter of the prior year. Diluted earnings per share for the first six months of fiscal 2004 were \$1.64, a 19% increase before the cumulative effect of an accounting change in the first quarter of the prior year. Diluted earnings per share for the first six months of the prior year after the cumulative effect of the accounting change were \$0.39.

Revenue from our international regions increased 12% for the second quarter and 13% for the first six months of fiscal 2004 which contributed 6 percentage points and 7 percentage points of growth, respectively, to consolidated revenue. All of the second quarter growth and all but one percentage point of the six month growth from our international regions can be attributable to changes in currency exchange rates, primarily the euro.

As previously disclosed in our quarterly report on Form 10-Q for the quarter ended November 30, 2002, in the prior year we accelerated approximately \$66 million of deliveries from the third quarter to the second quarter as we prepared to implement new supply chain systems in our Europe, Middle East and Africa (EMEA) Region. This shift in the timing of shipments in the prior year reduced international revenue growth comparisons for the second quarter and first six months of fiscal 2004 by 6 percentage points and 3 percentage points, respectively; the impact on consolidated revenue growth was 3 percentage points and 1 percentage point, respectively.

The acquisition of Converse during the quarter contributed 2 percentage points of consolidated revenue growth in the second quarter and one percentage point of growth for the first six months of fiscal 2004. See Note 7 - Acquisitions for additional information related to the acquisition. Revenue growth in the U.S. Region contributed 2 percentage points of consolidated revenue growth in the second quarter and 40 basis points (0.40 percentage points) of growth for the first six months of fiscal 2004. The remaining increase in consolidated revenue is due to growth in our Other segment, in addition to that of Converse as noted above. See further discussion of revenues in Operating Segments below.

In the second quarter of fiscal 2004, our consolidated gross margin percentage improved 210 basis points versus the prior year, from 40.2% to 42.3%. For the first six months of fiscal 2004, our consolidated gross margin percentage improved 190 basis points compared to the first six months of the prior year, from 40.8% to 42.7%. The primary factors contributing to the improved gross margin percentages for the second quarter and year-to-date periods were as follows:

(1) A reduced level of closeout sales as a percentage of total sales, improved margins on those closeout sales, and an improved mix of product in inventory, primarily in the U.S. and EMEA regions. These factors represent approximately 90 basis points of improvement for the quarter, and 70 basis points of improvement for the year-to-date period.

(2) Higher pricing margins for in-line products (i.e. current product offerings), due to lower air freight, lower product costs from manufacturing efficiencies and reduced material costs, and a higher mix of sales of classic footwear models. These factors represent approximately 60 basis points of improvement for the quarter and 40 basis points of improvement year-to-date.

(3) Changes in currency exchange rates, primarily the Euro, represent 30 basis points and 40 basis points of improvement for the quarter and year-to-date periods, respectively.

Second quarter selling and administrative expense, comprised of demand creation and operating overhead, grew 18% versus the prior year quarter. Year-to-date fiscal 2004 selling and administrative expense increased 13% over the prior year period. Demand creation expense grew 25% to \$340.6 million in the second quarter of fiscal 2004 while year-to-date demand creation expense increased 12% to \$664.7 million. Seven percentage points of the increase for the second quarter and 6 percentage points of the year-to-date increase were due to changes in currency exchange rates. Excluding the impact of currency, the increase in demand creation spending for the second quarter is attributable to higher spending for advertising primarily in the U.S., EMEA, and Asia Pacific regions (8 percentage point impact) and higher spending on endorsement contracts primarily related to basketball in the U.S. and soccer in EMEA (5 percentage point impact). The addition of Converse also had a 3 percentage point impact on demand creation for the quarter. The overall increase in demand creation for the year-to-date period was due to the second quarter factors as explained above.

Operating overhead for the second quarter of fiscal 2004 was \$561.9 million, a 15% increase over the second quarter of fiscal 2003. For the first six months of fiscal 2004, operating overhead increased 14% to \$1,107.4 million. Currency exchange rates contributed 4 percentage points of the increase for the second quarter, and 5 percentage points of the increase for the first six months. The addition of Converse accounted for 3 percentage points of growth for the second quarter and 2 points of growth year-to-date. Excluding the effects of currency and Converse, operating overhead increases for the quarter were mainly attributable to: a) higher net bad debt expense (3 percentage points); b) increased costs to support the growth of our NIKE Golf, Cole Haan, Bauer NIKE Hockey and Hurley businesses (2 percentage points); and c) normal wage increases and some added infrastructure, including costs around our worldwide supply chain initiative, necessary to support the global business growth. The overall increase in operating overhead for the year-to-date period was consistent with those of the quarter.

Other expense, net, was \$14.3 million for the second quarter of fiscal 2004 compared to \$11.5 million in the second quarter of fiscal 2003. Other expense, net, for the first six months of fiscal 2004 was \$38.1 million compared to \$22.5 million for the same period of fiscal 2003. Beginning this fiscal year, interest income and profit sharing expense previously included in other expense, net, are included in interest expense, net, and selling and administrative, respectively. The presentation of prior year amounts has been adjusted to conform to the current classification. The most significant component of other expense, net, comprising approximately 45% of this year's quarterly and year-to-date net expense, is foreign currency losses primarily hedge losses on intercompany charges to a European subsidiary, whose functional currency is the euro. These losses are reflected in the Corporate line in our segment presentation of pre-tax income in Note 8 - Operating Segments. The hedge losses reflected that the euro has strengthened considerably since we entered into these hedge contracts.

In the second quarter and the first six months of fiscal 2004, 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 \$30 million addition to consolidated income before income taxes compared to the prior year second quarter and \$64 million compared to the first six months of the prior year. Consistent with our existing policies, we have also hedged a portion of anticipated intercompany charges for the balance of fiscal 2004. As the euro has strengthened since these hedge contracts were executed, we expect to continue to incur some hedge losses for the balance of fiscal 2004. However, 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 2004 consolidated net income versus the prior year.

Our effective tax rate for the first six months of fiscal 2004 was 34.8%, relatively consistent with the first six months of fiscal 2003 rate of 34.5%, but higher than the full year rate for fiscal 2003 of 34.1%. This increase compared to fiscal 2003 anticipates higher taxes on foreign earnings.

Included in net income for the first six months of fiscal 2003 was a \$266.1 million charge for the cumulative effect of implementing Statement of Financial Accounting Standard No. 142, "Goodwill and Other Intangible Assets," (FAS 142). This charge related to the impairment of goodwill and trademarks associated with Bauer NIKE Hockey and the goodwill of Cole Haan, reflecting that the fair values we estimated for these assets were less than the carrying values. See the Notes to Consolidated Financial Statements (Note 4 - Identifiable Intangible Assets and Goodwill) in our Annual Report on Form 10-K as of May 31, 2003 for further information.

Operating Segments

Our largest international region, EMEA, reported 9% revenue growth for the second quarter of fiscal 2004 compared to fiscal 2003 and 13% revenue growth in the first six months of fiscal 2004. All business units experienced growth in revenues for the quarter and six-month periods. The second quarter growth reflected a 15 percentage point improvement and the year-to-date period reflected a 17 percentage point improvement due to changes in currency exchange rates. As discussed above, in the prior year we accelerated approximately \$66 million of deliveries into the second quarter from the third quarter in advance of implementing new supply chain systems in Europe. This shift reduced

comparable revenue growth for the quarter by 9 percentage points and by 4 percentage points for the year-to-date period. If we remove the effects of currency and shipment timing in the prior year, fiscal 2004 revenue for the EMEA Region would have grown approximately three percent in the second quarter, primarily due to increased footwear volume, and would have been flat for the first six months.

EMEA pre-tax income for the second quarter of fiscal 2004 was \$139.4 million, up 12% versus the prior year quarter. For the first six months of fiscal 2004, pretax income grew 20% to \$344.0 million. For the quarter and the six month periods, higher revenues and gross margin improvements drove the increase, more than offsetting incremental selling and administrative costs. The improved gross margins were primarily the result of a lower level of closeout sales and higher closeout margins, and changes in currency exchange rates. See further discussion regarding gross margins and selling and administrative costs in Consolidated Operating Results.

In the Asia Pacific Region, revenues increased 18% year-over-year in the second quarter of fiscal 2004 and increased 16% year-over-year in the first six months of fiscal 2004. Five percentage points of growth for both the second quarter and the first six months were due to changes in currency exchange rates. Excluding the currency benefit, sales in each Asia Pacific business unit grew for both the quarter and year-to-date periods. The region's revenue growth was primarily attributed to volume increases. Significant revenue increases in China and Korea, driven by expansion of retail distribution and strong consumer demand, as well as continued growth in Japan were key growth drivers for the quarter and year-to-date periods.

Pre-tax income for the Asia Pacific Region increased to \$98.7 million in the second quarter of fiscal 2004, up from \$83.9 million in the second quarter of fiscal 2003, and increased from \$134.6 million to \$175.5 million in the fiscal 2004 year-to-date period. For the quarter, higher revenues and gross margin improvements drove the increase, more than offsetting incremental selling and administrative costs. The higher gross margins were attributable to improved in-line margins across footwear, apparel and equipment. For the six-month period, gross margins improved, while selling and administrative spending declined as a percent of revenue as a result of lower demand creation expenses versus the prior year investment in marketing the 2002 World Cup. See further discussion regarding gross margins and selling and administrative costs in Consolidated Operating Results.

In the Americas Region, revenues increased 17% for the second quarter of fiscal 2004, with 8 percentage points of the growth due to changes in currency exchange rates, while the year-to-date fiscal 2004 revenues increased 12% with 5 percentage points of the growth due to changes in currency exchange rates. Excluding the currency effects, the revenue growth for the quarter and year-to-date periods was driven by stronger consumer demand in South and Central America. Sales in Mexico were up slightly, but sales were down in Canada due to lower consumer demand. Excluding the currency exchange rate impact, the region experienced sales growth for the quarter and year-to-date periods for footwear and equipment, slightly offset by a small decrease in apparel.

In the second quarter of fiscal 2004, pre-tax income for the Americas Region increased 10% from the prior year quarter, to \$31.4 million. Year-to-date fiscal 2004 pre-tax income increased 4% to \$55.7 million. The increase in pre-tax income was attributable to higher revenues partially offset by reduced gross margins and higher selling and administrative costs. The reduced gross margins are due to less favorable wholesale pricing in Mexico and less favorable currency rates on product purchases in Mexico and Brazil. See further discussion regarding selling and administrative costs in Consolidated Operating Results.

In the U.S. Region, revenues for the second quarter of fiscal 2004 grew 5% versus the second quarter of fiscal 2003, and revenues for the first six months of fiscal 2004 grew 1% versus the year-ago period. In the second quarter, footwear revenue increased 5% and apparel revenue increased 8%, while equipment revenue was down 6%. For the first six months of fiscal 2004, footwear revenue was down 1% and equipment revenue was down 5%, while apparel revenue increased 7%. The increase in apparel sales for the second quarter and six month periods was primarily driven by increased consumer demand for team licensed apparel.

The increase in footwear revenue for the quarter was due to approximately a 4 percentage point increase in average wholesale selling price, as the sales of \$100 and over (suggested retail price) product grew and closeout product sales declined compared to the prior year second quarter. Growth in NIKE retail volume also contributed to the overall footwear improvement in the quarter. The year-to-date fiscal 2004 decline in footwear revenue of 1% was primarily due to a decrease in wholesale volume resulting from the impact of our redistribution strategy, which included reduced orders from our largest customer (Foot Locker) and reduced premium product offerings to them. These redistribution changes were previously disclosed in our Annual Report on Form 10-K as of May 31, 2003. The reduction in footwear sales to Foot Locker was partially offset by growth in sales to other wholesale customers and increased sales through NIKE-owned retail stores.

During the quarter, the company announced plans to execute joint marketing programs with Foot Locker to develop innovative retail presentations of NIKE performance products at select Foot Locker locations in the U.S. beginning with the Fall 2004 season. As part of those programs, additional premium product offerings will be available to select Foot Locker locations beginning May 2004. As these plans are executed, we expect our footwear sales with Foot Locker to increase. However, since our total revenue is derived from sales to many customers, growth in sales to Foot Locker may not translate directly to growth in overall footwear revenue. See further information regarding worldwide futures and advance orders below.

For the second quarter, U.S. Region pre-tax income was \$193.4 million, a 12% increase versus the second quarter of fiscal 2003. Pre-tax income for the first six months of fiscal 2004 increased 7% to \$489.0 million. For the quarter and year-to-date periods, higher revenues and gross margins drove the increase, more than offsetting higher selling and administrative costs. The improved gross margins were primarily the result of higher in-line product margins, including reduced air freight, and improved margins on closeout sales. See further discussion regarding gross margins and selling and administrative costs in Consolidated Operating Results.

Other revenues and pre-tax income for the second quarter of fiscal 2004 include results from Bauer NIKE Hockey, Inc., Cole Haan Holdings, Inc., Converse Inc., Hurley International LLC, and NIKE Golf. Other revenues grew 54% in the second quarter of fiscal 2004 compared to fiscal 2003 and grew 43% in the first six months of fiscal 2004 versus the prior year period. The addition of Converse contributed 28 percentage points of the increase for the quarter and 15 percentage points of the increase for the first six months. The remaining increase is due to growth in each of the other businesses, most significantly NIKE Golf and Cole Haan.

Other pre-tax income improved to \$7.3 million in the second quarter of fiscal 2004 from \$0.5 million in fiscal 2003 and improved to \$4.1 million in the year-to-date fiscal 2004 period from a loss of \$10.8 million in the same period of last year. The addition of Converse combined with improved results from NIKE Golf and Cole Haan drove the year-over-year improvement.

The breakdown of revenues follows:

	Three Months Ended November 30,			Six Months Ended November 30		
	2003	2002	% change	2003	2002	% change
(in millions)						
U.S. REGION						
FOOTWEAR	\$ 624.0	\$ 596.1	5%	\$1,446.4	\$1,461.1	-1%
APPAREL	398.3	369.5	8%	744.8	698.2	7%
EQUIPMENT	63.3	67.0	-6%	148.3	155.9	-5%
TOTAL U.S.	1,085.6	1,032.6	5%	2,339.5	2,315.2	1%
EMEA REGION						
FOOTWEAR	472.5	436.7	8%	1,062.5	929.4	14%
APPAREL	324.9	294.9	10%	666.8	605.7	10%
EQUIPMENT	51.5	49.6	4%	133.1	115.5	15%
TOTAL EMEA	848.9	781.2	9%	1,862.4	1,650.6	13%
ASIA PACIFIC REGION						
FOOTWEAR	205.6	170.0	21%	408.4	350.5	17%
APPAREL	174.5	151.1	15%	287.8	250.0	15%
EQUIPMENT	32.6	29.3	11%	64.8	57.7	12%
TOTAL ASIA PACIFIC	412.7	350.4	18%	761.0	658.2	16%
AMERICAS REGION						
FOOTWEAR	103.7	83.0	25%	206.8	176.0	18%
APPAREL	41.9	40.5	3%	81.3	79.1	3%
EQUIPMENT	10.5	10.0	5%	21.7	20.7	5%
TOTAL AMERICAS	156.1	133.5	17%	309.8	275.8	12%
	2,503.3	2,297.7	9%	5,272.7	4,899.8	8%
OTHER	333.8	217.0	54%	589.3	411.2	43%
TOTAL REVENUES	\$2,837.1	\$2,514.7	13%	\$5,862.0	\$5,311.0	10%
	=====	=====		=====	=====	

The previous discussion 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 attached Notes to Consolidated Financial Statements, certain corporate costs are not included in pre-tax income of our operating segments.

Worldwide futures and advance orders for our footwear and apparel scheduled for delivery from December 2003 through April 2004 were 9.7% higher than such orders reported in the comparable period of fiscal 2003. Four points of this reported increase were due to changes in currency exchange rates versus the same period last year. 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, and retail sales across all brands.

Liquidity and Capital Resources

Cash Flow Activity

Cash provided by operations was \$769.1 million in the first six months of fiscal 2004, compared to \$400.0 million in the first six months of fiscal 2003. Our primary source of operating cash flow in the current period was net income of \$440.3 million. In addition to the improvement in net income, the year-over-year increase in cash provided by operations was attributable to changes in our investment in working capital. In the first six months of fiscal 2003, our net investment in working capital increased partially due to increased accounts receivable resulting from the accelerated shipping in EMEA as previously discussed. In the first six months of fiscal 2004, our net investment in working capital improved due to a reduction in accounts receivable resulting from improved account management combined with more normal shipping patterns.

Total cash used by investing activities during the first six months of fiscal 2004 was \$383.7 million, compared to \$107.6 million in the prior year period. The acquisition of Converse represents the most significant use of cash during the period. The remaining investing activities are consistent with the prior year and primarily reflect capital expenditures on computer equipment and software to support both normal business operations as well as our supply chain systems upgrade, continued investment in NIKE-owned retail stores, and selected warehouse improvements.

During the first six months of fiscal 2004, the principal uses of cash for financing activities were share repurchases and dividends, partially offset by proceeds from the exercise of stock options. These financing activities were higher than the prior year partially due to an increase in the market price of the company stock, which increased stock option exercises and provided additional cash flows to be utilized in the share repurchase program.

The share repurchases were part of a \$1 billion share repurchase program that began in fiscal 2001. In the current quarter, we purchased approximately 1.6 million shares of NIKE's Class B common stock for \$100.5 million, bringing purchases for the first six months of fiscal 2004 to 3.3 million shares for \$190.0 million. To date under the program, we have purchased 15.6 million shares for \$775.7 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.

As a result of the above, our cash balance increased by \$334.9 million during the first six months of fiscal 2004.

Long-term Financial Obligations and Other Commercial Commitments

As a result of modifications and additions to outstanding endorsement contracts and the impact of changes in foreign exchange rates on such obligations, the cash payments due under our endorsement contracts have changed from what was previously reported in our Annual Report on Form 10-K as of May 31, 2003.

Significant endorsement contracts entered into through the date of this report are as follows:

Description of Commitment	Cash Payments Due During the Year Ended May 31,						
	Remaining 2004	2005	2006	2007	2008	Thereafter	Total
	(In millions)						
Endorsement Contracts	197.2	323.6	275.8	266.0	166.1	405.7	1,634.4

The amounts listed for endorsement contracts represent approximate amounts of base compensation and minimum guaranteed royalty fees we are obligated to pay athlete and sport team endorsers of our products. Actual payments under some contracts may be higher than the amounts listed as these contracts provide for bonuses to be paid to the endorsers based upon athletic achievements and/or royalties on product sales in future periods. Actual payments under some contracts may also be lower as a limited number of contracts include provisions for reduced payments if athlete performance declines in future periods.

There has not been a material change to any of our other long-term contractual obligations from what was previously reported in our Annual Report on Form 10-K as of May 31, 2003.

Capital Resources

In October 2001, we filed a shelf registration statement with the securities and Exchange Commission (SEC) under which \$1.0 billion in debt securities may be issued. In May 2002, we commenced a medium-term note program under the shelf registration that allows us to issue up to \$500.0 million in medium-term notes, as our capital needs dictate. We entered into this program to provide additional liquidity to meet our working capital and general corporate cash requirements. During the second quarter, we issued three notes under the medium-term note program totaling \$100 million. Two of the notes totaling \$50 million have fixed interest rates of 5.15% and mature on October 15, 2015. The

other \$50 million note has an interest coupon rate of 4.70% and matures on October 1, 2013. For each of the 5.15% notes maturing October 15, 2015, we have entered into interest rate swap agreements whereby we receive fixed interest payments at the same rate as the notes and pay variable interest payments based on the six-month London Inter Bank Offering Rate (LIBOR) plus a spread. The swaps have the same notional amounts and maturity dates as the notes, and are accounted for as fair value hedges under Statement of Financial Accounting Standards (FAS) No. 133. For the 4.70% note maturing October 1, 2013 we have entered into an interest rate swap agreement whereby we receive fixed interest payments at the same rate as the note and pay variable interest payments based on the six-month LIBOR plus a spread for a term of three years. This swap has the same notional amount as the note, but expires October 2, 2006. Accordingly, the swap does not qualify for fair value hedge accounting, so changes in the fair value of this swap are recorded to net income each period. After issuance of these notes, \$310.0 million remains available to be issued under our medium-term note program, and another \$500.0 million remains available to be issued under our shelf registration statement. We may issue additional notes under the shelf registration in fiscal 2004 depending on general corporate needs.

On November 20, 2003 we put in place a new 5-year \$750 million revolving credit facility with a group of banks. The maturity date is November 20, 2008 and the facility can be extended for one additional year on the anniversary date. We currently have no amounts outstanding under the facility. Our previous credit facility totaled \$1 billion, and was made up of a \$500 million 364 day facility and a \$500 million multi-year facility. Based on our current long-term senior unsecured debt ratings of A and A2 from Standard and Poor's Corporation and Moody's Investor Services, respectively, the interest rate charged on any outstanding borrowings would be the prevailing LIBOR plus 0.22%. The facility fee is 0.08% of the total commitment.

If our long-term debt rating were to decline, the facility fee and interest rate under our committed credit facility would increase. Conversely, if our long-term debt rating were to improve, the facility fee and interest rate would decrease. Changes in our long-term debt rating would not trigger acceleration of maturity of any then outstanding borrowings or any future borrowings under the committed credit facilities. Under this committed credit facility, we have agreed to various covenants. These covenants include limits on our disposal of fixed assets and the amount of debt secured by liens we may incur, and set a minimum capitalization ratio. In the event we were to have any borrowings outstanding under these facilities, failed to meet any covenant, and were unable to obtain a waiver from a majority of the banks, any borrowings would become immediately due and payable. As of November 30, 2003, we were in full compliance with each of these covenants and believe it is unlikely we will fail to meet any of these covenants in the foreseeable future.

Liquidity is also provided by our commercial paper program, under which there was no amount outstanding at November 30, 2003 or May 31, 2003. 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, will be sufficient to meet our operating and capital needs in the foreseeable future.

Dividends declared per share of common stock for the second quarter of fiscal 2004 were \$0.20 per share, which reflected a \$0.06 increase compared to the previous quarterly dividend.

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, 2003.

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 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 as of November 30, 2003. 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.

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

In October 2003, the Multnomah County Circuit Court for the State of Oregon entered a stipulation dismissing with prejudice the shareholder derivative lawsuit, *Metivier v. DeNunzio, et al.*, 0104-04339, pursuant to a settlement agreement. As part of the settlement, we agreed to pay \$400,000 to plaintiffs for attorney fees. Also as part of the settlement, another related shareholder derivative lawsuit, *Lendman v. Knight, et al.*, CV-01-1153-AS, in the U.S. District Court for the District of Oregon, was dismissed with prejudice (which means the plaintiff cannot refile the action).

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, 2003.

Item 4.

Submission of Matters to a Vote of Security Holders

The Company's annual meeting of shareholders was held on September 22, 2003. The shareholders elected for the ensuing year all of management's nominees for the Board of Directors, approved the amendment to the NIKE, Inc. 1990 Stock Incentive Plan, and ratified the appointment of PricewaterhouseCoopers LLP as independent accountants for fiscal 2004.

The voting results are as follows:

	For	Votes Cast Withheld	Broker Non-Votes
Directors			
Elected by holders of Class A Common Stock:			
Thomas E. Clarke	97,386,687	3	-0-
Ralph D. DeNunzio	97,386,687	3	-0-
Richard K. Donahue	97,186,687	200,003	-0-
Delbert J. Hayes	97,386,687	3	-0-
Douglas G. Houser	97,386,687	3	-0-
Jeanne P. Jackson	97,386,687	3	-0-
Philip H. Knight	97,386,687	3	-0-
Charles W. Robinson	97,386,687	3	-0-
John R. Thompson, Jr.	97,186,687	200,003	-0-

Elected by holders of
Class B Common Stock:

Jill K. Conway	138,066,352	3,482,703	-0-
Alan B. Graf, Jr.	124,178,601	17,370,454	-0-
John E. Jaqua	132,097,292	9,451,763	-0-
A. Michael Spence	124,113,224	17,435,831	-0-

	For	Against	Abstain	Broker Non-Votes
Proposal 2 -				

Approval of the amendments
to the NIKE, Inc. 1990
Stock Incentive Plan:

Class A and Class B
Common Stock Voting
Together 153,849,747 65,362,232 1,376,452 19,656,241

Proposal 3 -
Ratify the appointment
of PricewaterhouseCoopers LLP
as independent accountants:

Class A and Class B
Common Stock Voting
Together 218,820,704 20,047,516 1,241,948 -0-

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 (incorporated by reference from Exhibit 3.2 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended August 31, 1995).

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

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

4.3 Credit Agreement dated as of November 20, 2003 among NIKE, Inc., Bank of America, N.A., individually and as Agent, and the other banks party thereto.

10.1 NIKE, Inc. 1990 Stock Incentive Plan Non-Statutory Stock Option Agreement.*

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 November 30, 2003:

September 18, 2003: Item 7. Financial Statements and Exhibits. Item 12. Results of Operations and Financial Condition. First Quarter Earnings Release.

September 25, 2003: Item 7. Financial Statements and Exhibits. Item 12. Results of Operations and Financial Condition. Transcript of Earnings Conference Call.

The following reports on Form 8-K were filed during the fiscal quarter ending November 30, 2003:

September 4, 2003: Item 5. Other Events. Press Release: NIKE, Inc. Completes Acquisition of Converse Inc.

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

BY: /s/ Donald W. Blair

Donald W. Blair
Chief Financial Officer

DATED: January 12, 2004

CREDIT AGREEMENT
Dated as of November 20, 2003
among
NIKE, INC.
as the Borrower,
BANK OF AMERICA, N.A.,
as Administrative Agent,
CITICORP USA, INC.,
as Syndication Agent,
HSBC BANK USA, THE BANK OF TOKYO MITSUBISHI, LTD. and
DEUTSCHE BANK AG NEW YORK BRANCH
as Co-Documentation Agents,
and
THE BANKS PARTY HERETO

Co-Lead Arrangers and Co-Book Managers:

BANC OF AMERICA SECURITIES LLC

and

CITIGROUP GLOBAL MARKETS INC.

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CREDIT AGREEMENT

This Credit Agreement, dated as of November 20, 2003, is among NIKE, Inc., the Banks and Bank of America, N.A., as Administrative Agent,

Citicorp USA, Inc., as Syndication Agent, and The Bank of Tokyo Mitsubishi, Ltd., Deutsche Bank AG New York Branch, and HSBC Bank USA, as Co-Documentation Agents. The parties hereto agree as follows:

ARTICLE I
DEFINITIONS AND OTHER INTERPRETIVE PROVISIONS

1.1. Defined Terms. As used in this Agreement, the following terms shall have the meanings set forth below:

"Absolute Rate" means, with respect to an Absolute Rate Loan made by a given Bank for the relevant Absolute Rate Interest Period, the rate of interest per annum (rounded to the nearest 1/1000 of 1%) offered by such Bank and accepted by the Borrower.

"Absolute Rate Advance" means a borrowing hereunder consisting of the aggregate amount of the several Absolute Rate Loans made by some or all of the Banks to the Borrower at the same time and for the same Interest Period.

"Absolute Rate Auction" means a solicitation of Competitive Bid Quotes setting forth Absolute Rates pursuant to Section 2.3.

"Absolute Rate Interest Period" means, with respect to an Absolute Rate Advance, a period of not less than 7 and not more than 183 days commencing on a Business Day selected by the Borrower pursuant to this Agreement. If such Absolute Rate Interest Period would end on a day which is not a Business Day, such Absolute Rate Interest Period shall end on the next succeeding Business Day.

"Absolute Rate Loan" means a Competitive Bid Loan which bears interest at the Absolute Rate.

"Acquisition" means any material transaction, or any series of related transactions, consummated after the date of this Agreement, by which the Borrower or any of the Subsidiaries (i) acquires any going business or all or substantially all of the assets of any firm, corporation or division thereof, whether through purchase of assets, merger or otherwise, or (ii) directly or indirectly acquires (in one transaction or as the most recent transaction in a series of transactions) at least a majority (in number of votes) of the securities of a corporation which have ordinary voting power for the election of directors (other than securities having such power only by reason of the happening of a contingency).

"Administrative Agent" means Bank of America, N.A. in its capacity as administrative agent for the Banks pursuant to Article XI, and not in its individual capacity as a Bank, and any successor Administrative Agent appointed pursuant to Article XI.

"Administrative Agent - Related Persons" means the Administrative Agent, together with its Affiliates (including, in the case of Bank of America, in its capacity as the Administrative Agent and in the case of Banc of America Securities LLC, in its capacity as the Co-Arranger), and the officers, directors, employees, agents and attorneys-in-fact of such Persons and Affiliates.

"Administrative Agent's Office" means the Administrative Agent's address and, as appropriate, account as set forth on Schedule 4, or such other address or account as the Administrative Agent may from time to time notify to the Borrower and the Banks.

"Advance" means a borrowing hereunder consisting of the aggregate amount of the several Loans made by some or all of the Banks to the Borrower on the same Borrowing Date, at the same Rate Option (or on the same interest basis in the case of Competitive Bid Advances) and, where applicable, for the same Interest Period and includes a Competitive Bid Advance.

"Affiliate" means, as to any Person, any other Person which, directly or indirectly, is in control of, is controlled by, or is under common control with, such Person. A Person shall be deemed to control another Person if the controlling Person possesses, directly or indirectly, the power to direct or cause the direction of the management and policies of the other Person, whether through the ownership of voting securities, membership interests, by contract, or otherwise.

"Agreement" means this Credit Agreement as amended, modified or supplemented from time to time.

"Agreement Accounting Principles" means generally accepted principles of accounting as in effect from time to time, applied in a manner consistent with that used in preparing the financial statements referred to in Section 5.4.

"Applicable Facility Fee Rate" means, on any date and with respect to each Commitment whether used or unused, the applicable fee (in basis points) set forth below based on the Applicable Rating Level on such date (provided, however, that on the Effective Date the Applicable Rating Level shall be deemed to be Level III):

<u>Applicable Rating Level</u>	<u>Facility Fee Rate (in basis points)</u>
Level I	6.0
Level II	7.0
Level III	8.0
Level IV	10.0
Level V	12.5
Level VI	15.0

"Applicable Margin" means, on any date and with respect to each Eurodollar Ratable Loan, the applicable margin set forth below based on the Applicable Rating Level on such date (provided, however, that on the Effective Date the Applicable Rating Level shall be deemed to be Level III):

<u>Applicable Rating</u>	<u>Level Applicable Margin (in basis points)</u>
Level I	14.0
Level II	18.0
Level III	22.0
Level IV	30.0
Level V	37.5
Level VI	60.0

"Applicable Rating Level" shall mean and be determined by the ratings issued from time to time by S&P and Moody's (or S&P or Moody's, if ratings shall be available from only one of such Rating Agencies) in respect of the Borrower's long-term, senior unsecured, non-credit-enhanced debt in accordance with the following (provided, however, that on the Effective Date the Applicable Rating Level shall be deemed to be Level III):

<u>Rating Level</u>	<u>S&P</u>	<u>Moody's</u>
Level I	More favorable than A+	More favorable than A1
Level II	A	A1
Level III	A	A2
Level IV	A-	A3
Level V	BBB+	Baa1
Level VI	Less than BBB+ or not rated	Less than Baa1 or not rated

For purposes of the foregoing, (a) if ratings are available from both S&P and Moody's, and the ratings available from such Rating Agencies do not correspond to the same rating level on the chart above, then (1) if such rating levels differ by only one level on the chart above, then the Applicable Rating Level shall correspond to the higher of the two ratings, and (2) if such rating levels differ by more than one level on the chart above, then the Applicable Rating Level shall correspond to that rating which is one rating higher than the lower of the two ratings; (b) if determinative ratings shall change (other than as a result of a change in the rating system used by any applicable Rating Agency) such that a change in the Applicable Rating Level would result, such change shall effect a change in the Applicable Rating Level as of the day on which the Administrative Agent receives notice of such change in determinative ratings (such day, a "Change Day"), and any change in the Applicable Margin shall take effect commencing on such Change Day and ending on the date immediately preceding the next Change Day; (c) if the rating system of any of the Rating Agencies shall change prior to the date all Obligations hereunder have been paid and the Commitments cancelled, the Borrower and the Majority Banks shall negotiate in good faith to amend the references to specific ratings in this definition to reflect such changed rating system, and pending such amendment, if no Applicable Rating Level is otherwise determinable based upon the foregoing, the most recent Applicable Rating Level in effect shall apply; (d) if the Borrower shall fail to give notice to the Administrative Agent of any change in rating by any Rating Agency in respect of the Borrower's long-term, senior unsecured debt on the date required by Section 6.18, the Applicable Rating Level shall be deemed to be Level VI for the period from the date such notice was required to be delivered to the date such notice is received by the Administrative Agent; and (e) upon the occurrence of and during the existence of a Default, the Applicable Rating Level shall be deemed to be Level VI.

"Applicable Utilization Fee Rate" means, on any date, the applicable fee (in basis points) set forth below based on the Applicable Rating Level on such date:

<u>Applicable Rating Level</u>	<u>Applicable Utilization Fee Rate (in basis points)</u>
Level I	5.0
Level II	5.0
Level III	10.0
Level IV	10.0
Level V	12.5
Level VI	12.5

"Approved Fund" has the meaning assigned to such term in Section 13.1(g).

"Assignment and Assumption" means an Assignment and Assumption substantially in the form of Exhibit I.

"Attorney Costs" means and includes all fees, expenses and disbursements of any law firm or other external counsel and, without duplication, the allocated cost of internal legal services and all expenses and disbursements of internal counsel.

"Bank of America" means Bank of America, N.A., and its successors.

"Banks" means the financial institutions acting as lenders hereunder, listed on the signature pages of this Agreement and their respective successors and assigns.

"Base Rate" means for any day a fluctuating rate per annum equal to the higher of (a) the Federal Funds Rate plus 1/2 of 1%, and (b) the rate of interest in effect for such day as publicly announced from time to time by Bank of America as its "prime rate." The "prime rate" is a rate set by Bank of America based upon various factors including Bank of America's costs and desired return, general economic conditions and other factors, and is used as a reference point for pricing some loans, which may be priced at, above, or below such announced rate. Any change in such rate announced by Bank of America shall take effect at the opening of business on the day specified in the public announcement of such change.

"Borrower" means NIKE, Inc., an Oregon corporation.

"Borrowing Date" means a date on which an Advance is made hereunder.

"Business Day" means (i) with respect to any borrowing, payment or rate selection of Eurodollar Ratable Advances or Eurodollar Bid Rate Advances, a day other than Saturday or Sunday on which banks are open for business in San Francisco and New York City and on which dealings in United States dollars are carried on in the London interbank market, and (ii) for all other purposes, a day other than Saturday or Sunday on which banks are open for business in San Francisco and New York City.

"Capitalization Ratio" means, with respect to the Borrower and its Subsidiaries on a consolidated basis, the ratio of (i) Indebtedness to (ii) the sum of (x) Indebtedness and (y) net worth as determined in accordance with generally accepted accounting principles.

"Capitalized Lease" of a Person means any lease of property by such Person as lessee which would be capitalized on a balance sheet of such Person prepared in accordance with Agreement Accounting Principles.

"Capitalized Lease Obligations" of a Person means the amount of obligations of such Person under Capitalized Leases which would be shown as a liability on a balance sheet of such Person prepared in accordance with Agreement Accounting Principles.

"Co-Arrangers" means Banc of America Securities LLC and Citigroup Global Markets Inc., each in its capacity as a co-lead arranger and a co-book manager.

"Code" means the Internal Revenue Code of 1986.

"Co-Documentation Agents" means HSBC Bank USA, The Bank of Tokyo Mitsubishi, Ltd., and Deutsche Bank AG New York Branch, each in its capacity as a co-documentation agent and not in its individual capacity as a Bank.

"Commitment" means for each Bank, the obligation of the Bank to make Loans not exceeding the amount set forth opposite the Bank's name in Schedule 3 hereof or in the Assignment and Assumption pursuant to which such Bank becomes a party hereto, as applicable, as such amount may be modified from time to time pursuant to the terms of this Agreement and any Assignment and Assumption (collectively, the "Commitments").

"Competitive Bid Advance" means a borrowing hereunder prior to the Termination Date consisting of the aggregate amount of the several Competitive Bid Loans made by some or all of the Banks to the Borrower at the same time and for the same Interest Period.

"Competitive Bid Borrowing Notice" is defined in Section 2.3.6.

"Competitive Bid Loan" means a Eurodollar Bid Rate Loan or an **Absolute Rate Loan, or both, as the case may be.**

"Competitive Bid Margin" means the margin above or below the applicable Eurodollar Base Rate offered for a Eurodollar Bid Rate Loan, expressed as a percentage (rounded to the nearest 1/1000 of 1%) to be added or subtracted from such Eurodollar Base Rate.

"Competitive Bid Note" means a promissory note in substantially the form of Exhibit A-2 hereto, with appropriate insertions, duly executed and delivered to the Administrative Agent by the Borrower for the account of a Bank and payable to the order of such Bank, including any amendment, modification, renewal or replacement of such promissory note.

"Competitive Bid Quote" means a Competitive Bid Quote substantially in the form of Exhibit D hereto completed and delivered by a Bank to the Administrative Agent in accordance with Section 2.3.4.

"Competitive Bid Quote Request" means a Competitive Bid Quote Request substantially in the form of Exhibit B hereto completed and delivered by the Borrower to the Administrative Agent in accordance with Section 2.3.2.

"Controlled Group" means all members of a controlled group of corporations and all trades or businesses (whether or not incorporated) under common control which, together with the Borrower or any Subsidiary, are treated as a single employer under Section 414(b) or 414(c) of the Code.

"Conversion/Continuation Date" means any date on which, under Section 2.2.4, the Borrower (a) converts an Advance bearing interest based on a Rate Option to an Advance bearing interest based on another Rate Option, or (b) continues an Advance bearing interest based on the same

Rate Option, but with a new Interest Period.

"Debtor Relief Laws" means the Bankruptcy Code of the United States, and all other liquidation, conservatorship, bankruptcy, assignment for the benefit of creditors, moratorium, rearrangement, receivership, insolvency, reorganization, or similar debtor relief Laws of the United States or other applicable jurisdictions from time to time in effect and affecting the rights of creditors generally.

"Default" means an event described in Article VII.

"Dollars" and "\$" mean lawful money of the United States of **America**.

"Effective Date" means the date on which all conditions set forth in Section 4.1 are satisfied or waived by the Administrative Agent and the Banks (or, in the case of Section 4.1(k), waived by the Person entitled to receive the applicable payment), provided such date shall not be later than November 20, 2003.

"Eligible Assignee" has the meaning assigned to such term in Section 13.1(g).

"Environmental Laws" means the Resource Conservation and Recovery Act of 1987, the Comprehensive Environmental Response, Compensation and Liability Act, any so-called "Superfund" or "Superlien" law, the Toxic Substances Control Act, and any other federal, state or local statute, law, ordinance, code, rule, regulation, order or decree regulating, relating to, or imposing liability or standards of conduct concerning, any hazardous materials or other hazardous or toxic substance, as now or at any time hereafter in effect.

"ERISA" means the Employee Retirement Income Security Act of 1974 and any regulations issued pursuant thereto.

"Eurodollar Auction" means a solicitation of Competitive Bid Quotes setting forth Eurodollar Bid Rates pursuant to Section 2.3.

"Eurodollar Base Rate" means for any Interest Period with respect to any Eurodollar Ratable Advance or a Eurodollar Bid Rate Advance:

(a) the rate per annum equal to the rate determined by the Administrative Agent to be the offered rate that appears on the page of the Telerate screen (or any successor thereto) that displays an average British Bankers Association Interest Settlement Rate for deposits in Dollars (for delivery on the first day of such Interest Period) with a term equivalent to such Interest Period, determined as of approximately 11:00 a.m. (London time) two Business Days prior to the first day of such Interest Period, or

(b) if the rate referenced in the preceding clause (a) does not appear on such page or service or such page or service shall not be available, the rate per annum equal to the rate determined by the Administrative Agent to be the offered rate on such other page or other service that displays an average British Bankers Association Interest Settlement Rate for deposits in Dollars (for delivery on the first day of such Interest Period) with a term equivalent to such Interest Period, determined as of approximately 11:00 a.m. (London time) two Business Days prior to the first day of such Interest Period, or

(c) if the rates referenced in the preceding clauses (a) and (b) are not available, the rate per annum determined by the Administrative Agent as the rate of interest at which deposits in Dollars for delivery on the first day of such Interest Period in same day funds in the approximate amount of the Eurodollar Ratable Advance or Eurodollar Bid Rate Advance being made (or that would be made by Bank of America if such Advance were a Eurodollar Ratable Advance), continued or converted by Bank of America and with a term equivalent to such Interest Period would be offered by Bank of America's London Branch to major banks in the interbank eurodollar market at their request at approximately 4:00 p.m. (London time) two Business Days prior to the first day of such Interest Period.

"Eurodollar Bid Rate" means, with respect to a Eurodollar Bid Rate Loan made by a given Bank for the relevant Eurodollar Interest Period, the sum of (i) the Eurodollar Base Rate and (ii) the Competitive Bid Margin offered by such Bank and accepted by the Borrower.

"Eurodollar Bid Rate Advance" means a Competitive Bid Advance which bears interest at a Eurodollar Bid Rate.

"Eurodollar Bid Rate Loan" means a Loan which bears interest at the Eurodollar Bid Rate.

"Eurodollar Ratable Advance" means an Advance which bears interest at a Eurodollar Rate requested by the Borrower pursuant to Section 2.2.

"Eurodollar Ratable Loan" means a Loan which bears interest at a Eurodollar Rate requested by the Borrower pursuant to Section 2.2.

"Eurodollar Interest Period" means, with respect to a Eurodollar Ratable Advance or a Eurodollar Bid Rate Advance, a period of one, two, three or six months commencing on a Business Day selected by the Borrower pursuant to this Agreement. Such Eurodollar Interest Period shall end on (but exclude) the day which corresponds numerically to such date one, two, three or six months thereafter, provided, however, that if there is no such numerically corresponding day in such next, second, third or sixth succeeding month, such Eurodollar Interest Period shall end on the last Business Day of such next, second, third or sixth succeeding month. If a Eurodollar Interest Period would otherwise end on a day which is not a Business Day, such Eurodollar Interest Period shall end on the next succeeding Business Day, provided, however, that if said next succeeding Business Day falls in a new month, such Eurodollar Interest Period shall end on the immediately preceding Business Day.

"Eurodollar Rate" means, with respect to a Eurodollar Ratable Advance for the relevant Eurodollar Interest Period, the sum of (i) the Eurodollar Base Rate applicable to that Eurodollar Interest Period plus (ii) the Applicable Margin.

"Existing Credit Agreement" means that certain Credit Agreement dated as of November 17, 2000, as amended by that certain First Amendment to Credit Agreement dated as of November 16, 2001 and as further amended by that Second Amendment to Credit Agreement dated as of November 15, 2002 among the Borrower, Bank of America, as Agent, and the other financial institutions party thereto.

"Federal Funds Rate" means, for any day, the rate per annum equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers on such day, as published by the Federal Reserve Bank on the Business Day next succeeding such day; provided that (a) if such day is not a Business Day, the Federal Funds Rate for such day shall be such rate on such transactions on the next preceding Business Day as so published on the next succeeding Business Day, and (b) if no such rate is so published on such next succeeding Business Day, the Federal Funds Rate for such day shall be the average rate (rounded upward, if necessary, to a whole multiple of 1/100 of 1%) charged to Bank of America on such day on such transactions as determined by the Administrative Agent.

"Fixed Rate" means the Eurodollar Rate, the Eurodollar Bid Rate or the Absolute Rate.

"Fixed Rate Advance" means an Advance which bears interest at a **Fixed Rate**.

"Fixed Rate Loan" means a Loan which bears interest at a **Fixed Rate**.

"Floating Rate" means, for any day, a rate per annum equal to the **Base Rate**.

"Floating Rate Advance" means an Advance which bears interest at the Floating Rate.

"Floating Rate Loan" means a Loan which bears interest at the **Floating Rate**.

"Fund" has the meaning assigned to that term in Section 13.1(g).

"Further Taxes" means any and all present or future taxes, levies, assessments, imposts, duties, deductions, fees, withholdings or similar charges (including net income taxes and franchise taxes), and all liabilities with respect thereto, imposed by any jurisdiction on account of amounts payable or paid pursuant to Section 3.1.

"Governmental Authority" means any nation or government, any state or other political subdivision thereof, any agency, authority, instrumentality, regulatory body, court, administrative tribunal, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government, and any corporation or other entity owned or controlled, through stock or capital ownership or otherwise, by any of the foregoing.

"Indebtedness" of a Person means such Person's (i) obligations for borrowed money, (ii) obligations representing the deferred purchase price of property or services other than accounts payable arising in the ordinary course of such Person's business payable on terms customary in the trade, (iii) obligations, whether or not assumed, secured by Liens or payable out of the proceeds or production from property now or hereafter owned or acquired by such Person, (iv) obligations which are evidenced by notes, acceptances, or other instruments, (v) Capitalized Lease Obligations, (vi) net liabilities under interest rate swap, foreign exchange or cap agreements, and (vii) liability under any arrangement by which such Person assumes, guarantees, contingently agrees to purchase or provide funds for the payment of, or otherwise becomes or is contingently liable upon, the obligation or liability of any other Person, or agrees to maintain the net worth or working capital or other financial condition of any other Person.

"Indemnified Liabilities" has the meaning specified in Section 10.7.

"Interest Period" means a Eurodollar Interest Period or an **Absolute Rate Interest Period**.

"Invitation for Competitive Bid Quotes" means an Invitation for Competitive Bid Quotes substantially in the form of Exhibit C hereto, completed and delivered by the Administrative Agent to the Banks in accordance with Section 2.3.3.

"IRS" means the Internal Revenue Service of the United States

Treasury.

"Knight Family" means, collectively, Philip H. Knight, and his wife, children, parents and siblings, and any trust, corporation or partnership with respect to his assets established for estate planning purposes.

"Laws" means, collectively, all international, foreign, Federal,

state and local statutes, treaties, rules, guidelines, regulations, ordinances, codes and administrative or judicial precedents or authorities, including the interpretation or administration thereof by any Governmental Authority charged with the enforcement, interpretation or administration thereof, and all applicable administrative orders, directed duties, requests, licenses, authorizations and permits of, and agreements with, any Governmental Authority, in each case whether or not having the force of law.

"Lending Office" means, as to any Bank, the office or offices of such Bank described as such on Schedule 4, or such other office or offices as a Bank may from time to time notify the Borrower and the Administrative Agent.

"Lien" means any security interest, mortgage, pledge, lien

(statutory or other), claim, charge, encumbrance, title retention agreement, lessor's interest under a Capitalized Lease or analogous instrument, in, of or on any Person's assets or properties in favor of any other Person.

"Loan" means, with respect to a Bank, such Bank's portion, if any,

of any Advance.

"Loan Documents" means this Agreement and the Notes.

"Majority Banks" means Banks in the aggregate having more than 50% of the combined Commitments at such time of all Banks or, if the Commitments have been terminated, Banks in the aggregate holding more than 50% of the aggregate unpaid principal amount of the outstanding Loans.

"Material Adverse Effect" means with respect to any matter that such matter (i) could reasonably be expected to materially and adversely affect the business, properties, condition (financial or otherwise), or results of operations of the Borrower or the Borrower and its Subsidiaries taken as a whole, or (ii) has been brought by or before any court or arbitrator or any governmental body, agency or official, and draws into question the validity or enforceability of any material provision of any Loan Document against any obligor party thereto.

"Material Subsidiary" means, at any time, any Subsidiary having at such time either (i) total (gross) revenues for the preceding four fiscal quarter period in excess of 10% of the Borrower's consolidated total (gross) revenues for such period, or (ii) total assets, as of the last day of the preceding fiscal quarter, having a net book value in excess of 10% of the net book value of the Borrower's consolidated total assets on such date, in each case, based upon the Borrower's most recent annual or quarterly financial statements delivered to the Administrative Agent under Section 6.1.

"Moody's" means Moody's Investors Service, Inc. and any successor thereto that is a nationally-recognized rating agency.

"Multiemployer Plan" means a Plan maintained pursuant to a collective bargaining agreement or any other arrangement to which the Borrower or any member of the Controlled Group is a party to which more than one employer is obligated to make contributions.

"Notes" means, collectively, the Competitive Bid Notes and the Ratable Notes; and "Note" means any one of the Notes.

"Notice of Conversion/Continuation" is defined in Section 2.2.4.

"Obligations" means all unpaid principal of and accrued and unpaid interest on the Loans, all accrued and unpaid fees and all other reimbursements, indemnities or other obligations of the Borrower to the Banks or to any Bank, the Administrative Agent or any indemnified party hereunder arising under the Loan Documents.

"Occupational Safety and Health Law" means the Occupational Safety and Health Act of 1970 and any other Law regulating, relating to or imposing liability or standards of conduct concerning employee health and/or safety.

"Other Taxes" means any present or future stamp, court or documentary taxes or any other excise or property taxes, charges or similar levies which arise from any payment made hereunder or from the execution, delivery, performance, enforcement or registration of, or otherwise with respect to, this Agreement or any other Loan Documents, excluding, in the case of each Bank and the Administrative Agent, respectively, taxes imposed on or measured by its net income by the jurisdiction (or any political subdivision thereof) under the laws of which such Bank or the Administrative Agent, as the case may be, is organized or maintains a lending office.

"Participant" is defined in Section 13.1(d).

"Payment Date" means the last Business Day of each February, May, August and November.

"PBGC" means the Pension Benefit Guaranty Corporation and its

successors and assigns.

"Person" means any individual, trustee, corporation, general partnership, limited partnership, limited liability company, joint stock company, trust, unincorporated organization, bank, business association, firm, joint venture or Governmental Authority.

"Plan" means an employee pension benefit plan which is covered by

Title IV of ERISA or subject to the minimum funding standards under Section 412 of the Code as to which the Borrower or any member of the Controlled Group may have any liability.

"Ratable Advance" means a borrowing hereunder consisting of the aggregate amount of the several Ratable Loans made by the Banks to the Borrower at the same time, at the same Rate Option and for the same Interest Period.

"Ratable Borrowing Notice" is defined in Section 2.2.3.

"Ratable Loan" means a Loan made by a Bank to the Borrower pursuant to Section 2.2.1 hereof.

"Ratable Note" means a promissory note in substantially the form of Exhibit A-1 hereto, duly executed and delivered to the Administrative Agent by the Borrower for the account of a Bank and payable to the order of such Bank in the amount of its Commitment, including any amendment, modification, renewal or replacement of such promissory note.

"Rate Option" means the Eurodollar Rate or the Floating Rate.

"Rating Agency" means S&P and Moody's.

"Regulation D" means Regulation D of the Board of Governors of the Federal Reserve System from time to time in effect and shall include any successor or other regulation or official interpretation of said Board of Governors relating to reserve requirements applicable to member banks of the Federal Reserve System.

"Regulations U and X" means Regulations U and X of the Board of Governors of the Federal Reserve System from time to time in effect and shall include any successor or other regulation or official interpretation of said Board of Governors relating to the extension of credit by banks for the purpose of purchasing or carrying margin stocks applicable to member banks of the Federal Reserve System.

"Reportable Event" means any of the events set forth in Section 4043(c) of ERISA, other than events for which the 30-day notice period has been waived.

"Reserve Requirement" means, with respect to a Eurodollar Interest Period, the maximum aggregate reserve requirement (including all basic, supplemental, marginal and other reserves) which is imposed under Regulation D on eurocurrency liabilities (as defined in Regulation D). The Reserve Requirement shall be adjusted automatically on and as of the effective date of any change in the applicable reserve requirement.

"S&P" means Standard & Poor's Ratings Services, a division of The

McGraw-Hill Companies, Inc. and any successor thereto that is a nationally-recognized rating agency.

"Single Employer Plan" means a Plan maintained by the Borrower or any member of the Controlled Group for employees of the Borrower or any member of the Controlled Group.

"Subsidiary" of a Person means a corporation, partnership, joint venture, limited liability company or other business entity of which a majority of the shares of securities or other interests having ordinary voting power for the election of directors or other governing body (other than securities or interests having such power only by reason of the happening of a contingency) are at the time beneficially owned, or the management of which is otherwise controlled, directly, or indirectly through one or more intermediaries, or both, by such Person. Unless otherwise specified, all references herein to a "Subsidiary" or to "Subsidiaries" shall refer to a Subsidiary or Subsidiaries of the Borrower.

"Substantial Portion" is defined in Section 6.12.

"Syndication Agent" means Citicorp USA, Inc. in its capacity as syndication agent and not in its individual capacity as a Bank.

"Taxes" means any and all present or future taxes, levies, assessments, imposts, duties deductions, fees withholdings or similar charges, and all liabilities with respect thereto, excluding, in the case of each Bank and the Administrative Agent, respectively, taxes imposed on or measured by its net income by the jurisdiction (or any political subdivision thereof) under the laws of which such Bank or the Administrative Agent, as the case may be, is organized or maintains a lending office.

"Termination Date" means November 20, 2008 unless the Commitments or this Agreement are earlier cancelled or terminated pursuant to the terms hereof.

"Unfriendly Acquisition" means the Acquisition of a corporation, limited liability company or similar business entity if the Acquisition has not been approved by the board of directors (or comparable governing body) of such entity.

"Unfunded Liabilities" means, (i) in the case of Single Employer Plans, the amount (if any) by which the present value of all vested nonforfeitable benefits under such Plan exceeds the fair market value of all Plan assets allocable to such benefits, all determined as of the then most recent valuation date for such Plans, and (ii) in the case of Multiemployer Plans, the withdrawal liability that would be incurred by the Controlled Group if all members of the Controlled Group completely withdrew from all Multiemployer Plans.

"Unmatured Default" means an event which but for the lapse of time or the giving of notice, or both, would constitute a Default.

1.2. Other Interpretive Provisions.

(a) The meanings of defined terms are equally applicable to the singular and plural forms of the defined terms.

(b) (i) The words "herein" and "hereunder" and words of similar import when used in any Loan Document shall refer to such Loan Document

as a whole and not to any particular provision thereof.

(ii) Unless otherwise specified herein, Article, Section, Exhibit and Schedule references are to this Agreement.

(iii) The term "including" is by way of example and not limitation.

(iv) The term "documents" includes any and all instruments, documents, agreements, certificates, notices, reports, financial statements and other writings, however evidenced.

(c) In the computation of periods of time from a specified date to a later specified date, the word "from" means "from and including;" the words "to" and "until" each mean "to but excluding;" and the word "through" means "to and including."

1.3. References to Agreements and Laws. Unless otherwise expressly provided herein, (a) references to agreements (including the Loan Documents) and other contractual instruments shall be deemed to include all subsequent amendments, restatements, extensions, supplements and other modifications thereto, but only to the extent that such amendments, restatements, extensions, supplements and other modifications are not prohibited by any Loan Document; and (b) references to any Law shall include all statutory and regulatory provisions consolidating, amending, replacing, supplementing, reforming or interpreting such Law.

ARTICLE II **THE FACILITY**

2.1. The Facility.

From the Effective Date until the Termination Date, each Bank severally agrees to make Ratable Loans to the Borrower from time to time in amounts not to exceed in the aggregate at any one time outstanding, the amount of its Commitment.

(i) Each Bank may, in its sole discretion and not subject to the amount of its Commitment, make bids to make Competitive Bid Loans to the Borrower in accordance with Section 2.3.

(ii) In no event may the aggregate principal amount of all outstanding Advances (including both the Ratable Advances and the Competitive Bid Advances) exceed the Commitments.

(iii) Subject to the terms of this Agreement, the Borrower may borrow, repay and re-borrow within the limits of each Bank's Commitment at any time prior to the Termination Date.

2.2. Ratable Advances.

2.2.1. General.

Each Ratable Advance hereunder shall consist of borrowings made from the several Banks ratably in proportion to the amounts of their respective Commitments. For so long as any Competitive Bid Advances are outstanding, the aggregate outstanding amount of Competitive Bid Advances shall reduce each Bank's Commitment ratably in the proportion such Bank's Commitment bears to the Commitments regardless of which Bank or Banks make such Competitive Bid Advances. No Bank shall be obligated to make a Loan hereunder if the aggregate principal amount of such Bank's Ratable Loans outstanding would exceed its Commitment. Upon the request of any Bank made through the Administrative Agent, the Borrower shall execute and deliver to such Bank (through the Administrative Agent) a Ratable Note, which shall evidence such Bank's Ratable Advances.

2.2.2. Ratable Advance Rate Options. The Ratable Advances may be Floating Rate Advances or Eurodollar Ratable Advances, or a combination thereof, selected by the Borrower in accordance with Section 2.2.3, and as converted or continued in accordance with Section 2.2.4; provided that no Advance may mature after the Termination Date.

2.2.3. Method of Selecting Rate Options and Interest Periods for Ratable Advances. The Borrower shall select the Rate Option and, if applicable, Interest Period applicable to each Ratable Advance from time to time. The Borrower shall give the Administrative Agent irrevocable notice in the form attached hereto as Exhibit F (a "Ratable Borrowing Notice") not later than 8:00 a.m. (San Francisco time) (a) on the Business Day preceding the Borrowing Date of each Floating Rate Advance, and (b) three Business Days before the Borrowing Date for each Eurodollar Ratable Advance. Notwithstanding the foregoing, a Ratable Borrowing Notice for a Floating Rate Advance may be given not later than 15 minutes after the time which the Borrower is required to reject one or more bids offered in connection with an Absolute Rate Auction pursuant to Section 2.3.6 and a Ratable Borrowing Notice for a Eurodollar Ratable Advance may be given not later than 15 minutes after the time the Borrower is required to reject one or more bids offered in connection with a Eurodollar Auction pursuant to Section 2.3.6. A Ratable Borrowing Notice shall specify:

(a) the Borrowing Date, which shall be a Business Day, of such Ratable Advance;

(b) the aggregate amount of such Ratable Advance;

(c) the Rate Option selected for such Ratable Advance; and

(d) in the case of each Fixed Rate Advance, the Interest Period applicable thereto (which may not end after the Termination Date).

2.2.4. Conversion and Continuation Elections.

(a) The Borrower may, upon irrevocable written notice to the Administrative Agent in accordance with subsection 2.2.4(b): (i) elect, as of any Business Day, in the case of a Floating Rate Advance, or as of the last day of the applicable Interest Period, in the case of a Eurodollar Ratable Advance, to convert such Advance into an Advance bearing interest based on another Rate Option; or (ii) elect, as of the last day of the applicable Interest Period, to continue a Eurodollar Ratable Advance or Floating Rate Advance having an Interest Period expiring on such day; except, that during the existence of a Default or Unmatured Default, the Borrower may not elect to have any Advance converted into or continued as a Eurodollar Ratable Advance unless the Majority Banks consent thereto. All conversions and continuations of Advances shall be made ratably according to the respective outstanding principal amounts of the Loans with respect to which the notice was given held by each Bank.

(b) The Borrower shall deliver a notice of conversion/continuation in the form attached hereto as Exhibit G (a "Notice of Conversion/Continuation") to be received by the Administrative Agent not later than 8:00 a.m. (San Francisco time) (i) on the Business Day preceding the Conversion/Continuation Date if the Advance is to be converted into or continued as a Floating Rate Advance, and (ii) three Business Days before the Conversion/Continuation Date if the Advance is to be converted into or continued as a Eurodollar Ratable Advance; specifying:

(i) the Conversion/Continuation Date, which shall be a Business Day, of such Ratable Advance;

(ii) the aggregate amount of such Ratable Advance to be converted or continued;

(iii) the Rate Option for such Ratable Advance resulting from the conversion or continuation; and

(iv) in the case of each Fixed Rate Advance, the Interest Period applicable thereto (which may not end after the Termination Date).

(c) If upon the expiration of any Interest Period applicable to a Eurodollar Ratable Advance, the Borrower has failed to select timely a new Interest Period to be applicable to such Advance, or if any Default or Unmatured Default then exists, the Borrower shall be deemed to have elected to convert such Advance into a Floating Rate Advance effective as of the expiration date of such Interest Period.

2.3. Competitive Bid Advances.

2.3.1. Competitive Bid Option. In addition to Ratable Advances pursuant to Section 2.2, but subject to the terms and conditions of this Agreement (including any limitations as to the maximum aggregate principal amount of all outstanding Advances), the Borrower may, as set forth in this Section 2.3, request the Banks, prior to the Termination Date, to make offers to make Competitive Bid Advances to the Borrower. Each Bank may, but shall have no obligation to, make such offers and the Borrower may, but shall have no obligation to, accept any such offers in the manner set forth in this Section 2.3. Upon the request of any Bank made through the Administrative Agent, the Borrower shall execute and deliver to such Bank (through the Administrative Agent) a Competitive Bid Note, which shall evidence such Bank's Competitive Bid Advances.

2.3.2. Competitive Bid Quote Request. When the Borrower wishes to request offers to make Competitive Bid Loans under this Section 2.3, it shall transmit to the Administrative Agent by telecopy a Competitive Bid Quote Request substantially in the form of Exhibit B hereto so as to be received no later than (i) 8:00 a.m. (San Francisco time) at least four Business Days prior to the Borrowing Date proposed therein, in the case of a Eurodollar Auction, or (ii) 8:00 a.m. (San Francisco time) at least one Business Day prior to the Borrowing Date proposed therein, in the case of an Absolute Rate Auction specifying:

(a) the proposed Borrowing Date, which shall be a Business Day, for the proposed Competitive Bid Advance;

(b) the aggregate principal amount of such Competitive Bid Advance;

(c) whether the Competitive Bid Quotes requested are to set forth a Eurodollar Bid Rate or an Absolute Rate, or both; and

(d) the Interest Period applicable thereto (which may not end after the Termination Date).

The Borrower may request offers to make Competitive Bid Loans for more than one Interest Period in a single Competitive Bid Quote Request. No Competitive Bid Quote Request shall be given within 5 Business Days (or, in either case upon reasonable prior notice to the Banks, such other number of days as the Borrower and the Administrative Agent may agree) of any other Competitive Bid Quote Request. Each Competitive Bid Quote Request shall be in Dollars in a minimum amount of \$5,000,000 (and in integral multiples of \$1,000,000 in excess

thereof). A Competitive Bid Quote Request that does not conform substantially to the format of Exhibit B hereto shall be rejected, and the Administrative Agent shall promptly notify the Borrower of such rejection by telecopy.

2.3.3. Invitation for Competitive Bid Quotes. Promptly and in any event before the close of business on the same Business Day of receipt of a Competitive Bid Quote Request that is not rejected pursuant to Section 2.3.2, the Administrative Agent shall send to each of the Banks by telecopy an Invitation for Competitive Bid Quotes substantially in the form of Exhibit C hereto, which shall constitute an invitation by the Borrower to each Bank to submit Competitive Bid Quotes offering to make the Competitive Bid Loans to which such Competitive Bid Quote Request relates in accordance with this Section 2.3.

2.3.4. Submission and Contents of Competitive Bid Quotes.

(a) Each Bank may, in its sole discretion, submit a Competitive Bid Quote containing an offer or offers to make Competitive Bid Loans in response to any Invitation for Competitive Bid Quotes. Each Competitive Bid Quote must comply with the requirements of this Section 2.3.4 and must be submitted to the Administrative Agent by telecopy at the Administrative Agent's Office not later than (a) 9:00 a.m. (San Francisco time) at least three Business Days prior to the proposed Borrowing Date, in the case of a Eurodollar Auction or (b) 9:00 a.m. (San Francisco time) on the proposed Borrowing Date, in the case of an Absolute Rate Auction (or, in either case upon reasonable prior notice to the Banks, such other time and date as the Borrower and the Administrative Agent may agree); provided that Competitive Bid Quotes submitted by Bank of America may only be submitted if Bank of America notifies the Borrower of the terms of the offer or offers contained therein not later than 15 minutes prior to the latest time at which the relevant Competitive Bid Quotes must be submitted by the other Banks. Subject to Articles IV and VIII, any Competitive Bid Quote so made shall be irrevocable except with the written consent of the Administrative Agent given on the instructions of the Borrower.

(b) Each Competitive Bid Quote shall be in substantially the form of Exhibit D hereto and shall in any case specify:

(i) the proposed Borrowing Date, which shall be the same as that set forth in the applicable Invitation for Competitive Bid Quotes,

(ii) the principal amount of the Competitive Bid Loan for which each such offer is being made, which principal amount may be greater than, less than or equal to the Commitment, of the quoting Bank, (2) must be at least \$5,000,000 and an integral multiple of \$1,000,000, and (3) may not exceed the principal amount of Competitive Bid Loans for which offers were requested,

(iii) in the case of a Eurodollar Auction, the Competitive Bid Margin offered for each such Competitive Bid Loan,

(iv) the minimum or maximum amount, if any, of the Competitive Bid Loan which may be accepted by the Borrower,

(v) in the case of an Absolute Rate Auction, the Absolute Rate offered for each such Competitive Bid Loan, and

(vi) the identity of the quoting Bank.

(c) The Administrative Agent shall reject any Competitive Bid Quote that:

(i) is not substantially in the form of Exhibit D hereto or does not specify all of the information required by Section 2.3.4(b);

(ii) contains qualifying, conditional or similar language, other than any such language contained in Exhibit D hereto;

(iii) proposes terms other than or in addition to those set forth in the applicable Invitation for Competitive Bid Quotes; or

(iv) arrives after the time set forth in Section 2.3.4(a).

If any Competitive Bid Quote shall be rejected pursuant to this Section 2.3.4(c), then the Administrative Agent shall notify the relevant Bank of such rejection as soon as practical.

2.3.5. Notice to Borrower. The Administrative Agent shall promptly notify the Borrower of the terms (i) of any Competitive Bid Quote submitted by a Bank that is in accordance with Section 2.3.4, and

(ii) of any Competitive Bid Quote that is in accordance with Section 2.3.4 and amends, modifies or is otherwise inconsistent with a previous Competitive Bid Quote submitted by such Bank with respect to the same Competitive Bid Quote Request. Any such subsequent Competitive Bid Quote shall be disregarded by the Administrative Agent unless such subsequent Competitive Bid Quote specifically states that it is submitted solely to correct a manifest error in such former Competitive Bid Quote. The Administrative Agent's notice to the Borrower shall specify the aggregate principal amount of Competitive Bid Loans for which offers have been received for each Interest Period specified in the related Competitive Bid Quote Request and the respective principal amounts and Eurodollar Bid Rates or Absolute Rates, as the case may be, so offered.

2.3.6. Acceptance and Notice by Borrower. Not later than (i) 10:00 a.m. (San Francisco time) at least three Business Days prior to the proposed Borrowing Date, in the case of a Eurodollar Auction, or

(ii) 10:00 a.m. (San Francisco time) on the proposed Borrowing Date, in the case of an Absolute Rate Auction (or, in either case upon reasonable prior notice to the Banks, such other time and date as the Borrower and the Administrative Agent may agree), the Borrower shall notify the Administrative Agent of its acceptance or rejection of the offers so notified to it pursuant to Section 2.3.5; provided, however, that the failure by the Borrower to give such notice to the Administrative Agent shall be deemed to be a rejection of all such offers. In the case of acceptance, such notice (a "Competitive Bid Borrowing Notice") shall specify the aggregate principal amount of offers for each Interest Period that are accepted. The Borrower may accept any Competitive Bid Quote in whole or in part (subject to the terms of Section 2.3.4(b)(iv)); provided that:

(a) the aggregate principal amount of each Competitive Bid Advance may not exceed the applicable amount set forth in the related Competitive Bid Quote Request;

(b) acceptance of offers may only be made on the basis of ascending Eurodollar Bid Rates or Absolute Rates, as the case may be; and

(c) the Borrower may not accept any offer that is described in Section 2.3.4(c) or that otherwise fails to comply with the requirements of this Agreement for the purpose of obtaining a Competitive Bid Loan under this Agreement.

2.3.7. Allocation by Administrative Agent. If offers are made by two or more Banks with the same Eurodollar Bid Rates or Absolute Rates, as the case may be, for a greater aggregate principal amount than the amount in respect of which offers are accepted for the related Interest Period, the principal amount of Competitive Bid Loans in respect of which such offers are accepted shall be allocated by the Administrative Agent among such Banks as nearly as possible (in such multiples, not less than \$1,000,000, as the Administrative Agent may deem appropriate) in proportion to the aggregate principal amount of such offers; provided, however, that no Bank shall be allocated a portion of any Competitive Bid Advance which is less than the minimum amount which such Bank has indicated that it is willing to accept. Allocations by the Administrative Agent of the amounts of Competitive Bid Loans shall be conclusive in the absence of manifest error. The Administrative Agent shall promptly, but in any event on the same Business Day, notify each Bank of its receipt of a Competitive Bid Borrowing Notice and the aggregate principal amount of such Competitive Bid Advance allocated to each participating Bank.

2.4. Fees.

2.4.1. Arrangement, Structuring and Agency Fees. The Borrower shall pay such arrangement, structuring and agency fees to Bank of America and the Administrative Agent in the amounts and at the times specified in the letter agreement, dated October 8, 2003, between the Borrower, Bank of America and Banc of America Securities LLC (the "Fee Letter"). Such fees shall be fully earned when paid and shall be nonrefundable for any reason whatsoever.

2.4.2. Administration Fee. The Borrower hereby agrees to pay to the Administrative Agent an administration fee for Competitive Bid Quote Requests in such amounts as are from time to time agreed upon by the Borrower and the Administrative Agent.

2.4.3. Facility Fees.

(a) Facility Fees. The Borrower shall pay to the Administrative Agent for the account of each Bank in accordance with its pro rata share of the Commitments, a facility fee equal to the Applicable Facility Fee Rate times the actual daily amount of the Commitments, regardless of usage (without giving effect to any reduction in Commitments due to outstanding Competitive Bid Loans). The facility fee shall accrue at all times from the Effective Date until the Termination Date and shall be due and payable quarterly in arrears on each Payment Date, commencing with the first Payment Date to occur after the Effective Date, and on the Termination Date.

(b) Calculation of Facility Fees. The facility fees shall be calculated quarterly in arrears, and if there is any change in the Applicable Facility Fee Rate during any quarter, the actual daily amount shall be computed and multiplied by the Applicable Facility Fee Rate separately for each period during such quarter that such Applicable Facility Fee Rate was in effect. The facility fees shall accrue at all times, including at any time during which one or more of the conditions in Article IV is not met.

2.4.4. Utilization Fee.

(a) Fees. The Borrower shall pay to the

Administrative Agent for the account of each Bank in accordance with its pro rata share of the Commitments, a utilization fee equal to the Applicable Utilization Fee Rate times the actual daily aggregate outstanding Loans on each day that the aggregate outstanding amount of the Loans equals or exceeds 33.0% of the Commitments (without giving effect to any reduction in Commitments due to outstanding Competitive Bid Loans). The utilization fee shall be due and payable quarterly in arrears on each Payment Date, commencing with the first Payment Date to occur after the Effective Date, and on the Termination Date.

(b) Calculation of Utilization Fee. The utilization fee shall be calculated quarterly in arrears. The utilization fee shall accrue at all times, including at any time during which one or more of the conditions in Article IV is not met.

2.4.5. Banks' Participation Fee. On the Effective Date, the Borrower shall pay to the Administrative Agent, for the account of the Banks in accordance with their respective pro rata shares, a participation fee in an amount set forth in the Fee Letter. Such participation fees are for the credit facility committed to by the Banks under this Agreement and are fully earned on the date paid. The participation fee paid to each Bank is solely for its own account and is nonrefundable for any reason whatsoever.

2.4.6. Computation of Fees. Computation of all fees shall be calculated on the basis of a year of 360 days and the actual number of days elapsed, which results in a higher yield to the payee thereof than a method based on a year of 365 or 366 days.

2.5. General Facility Terms.

2.5.1. Method of Borrowing. Not later than 11:00 a.m. (San Francisco time) on each Borrowing Date, each Bank shall make available its Loan or Loans in funds immediately available to the Administrative Agent at the Administrative Agent's Office. Unless otherwise instructed by the Borrower, the Administrative Agent shall deposit the funds so received from the Banks in the Borrower's account at Bank of America's main office in San Francisco.

2.5.2. Minimum Amount of Each Advance. Each Ratable Advance, and each conversion and continuation with respect to a Ratable Advance, shall be in the minimum amount of \$10,000,000 (and in integral multiples of \$1,000,000 if in excess thereof); provided, however, that any Floating Rate Advance may be in the aggregate amount of the unused Commitments.

2.5.3. Repayment. Except for optional payments pursuant to Section 2.5.4, (a) each Competitive Bid Advance shall be paid in full by the Borrower on the last day of the Interest Period applicable thereto, and (b) each Ratable Advance shall be paid in full by the Borrower on the last day of the Interest Period applicable thereto, unless such Ratable Advance is converted or continued in accordance with Section 2.2.4; but in any event all Advances shall be paid in full on the Termination Date.

2.5.4. Optional Principal Payments. The Borrower may, upon notice to the Administrative Agent, from time to time pay all outstanding Ratable Advances, or, in a minimum aggregate amount of \$10,000,000 (and in multiples of \$1,000,000 if in excess thereof), any portion of the outstanding Ratable Advances provided that such notice must be received by the Administrative Agent not later than 11:00 a.m. (San Francisco time) (i) three Business Days' prior to any date of prepayment with respect to Eurodollar Ratable Advances and (ii) on the date of prepayment with respect to Floating Rate Advances. All such payments shall be made in immediately available funds to the Administrative Agent at the Administrative Agent's Office by 11:00 a.m. (San Francisco time) on the date of payment. A Competitive Bid Advance may not be prepaid prior to the last day of its applicable Interest Period without the prior consent of the Bank which originally made such Loan, which consent may be given or withheld at the Bank's sole and absolute discretion. Any prepayment of a Fixed Rate Advance prior to the end of an applicable Interest Period shall be subject to the indemnification provided in Section 3.4.

2.5.5. Interest Periods. Subject to the provisions of Section 2.5.6, each Advance shall bear interest (i) with respect to any Floating Rate Advance, on the outstanding principal amount from the applicable borrowing date until payment in full, and (ii) with respect to any other Advance, from the first day of the Interest Period applicable thereto to the earlier of (a) the last day of such Interest Period, or (b) the date of any earlier prepayment as permitted by Section 2.5.4, at the interest rate determined as applicable to such Advance, subject to the Borrower's right to convert or continue Ratable Advances pursuant to Section 2.2.4. The Borrower shall not request a Fixed Rate Advance if, after giving effect to the requested Fixed Rate Advance, more than 20 separate Fixed Rate Advances would be outstanding.

2.5.6. Rate after Maturity. Except as provided in the next sentence, any Advance not paid at maturity, whether by acceleration or otherwise, shall bear interest until paid in full at a rate per annum equal to the Base Rate plus 1% per annum. In the case of a Fixed Rate Advance the maturity of which is accelerated, such Fixed Rate Advance shall bear interest for the remainder of the applicable Interest Period, at the higher of (a) the rate otherwise applicable to such Interest Period plus 1% per annum, or (b) the Base Rate plus 1% per annum.

2.5.7. Interest Payment Dates; Interest Basis. Interest accrued on each (i) Floating Rate Advance shall be payable on each Payment Date and (ii) other Advance shall be payable on the last day of its applicable Interest Period, and on any date on which such Advance is prepaid, whether due to acceleration or otherwise. Interest accrued on each Fixed Rate Advance having an Interest Period longer than three months shall also be payable on the last day of each three-month interval during such Interest Period. Interest on all Floating Rate Advances calculated on the basis of the Base Rate shall be calculated on the basis of a year of 365 or 366 days, as the case may be, and the actual number of days elapsed. Interest on all other Advances shall be calculated for the actual number of days elapsed on the basis of a year of 360 days and the actual number of days elapsed, which results in a higher yield to the payee thereof than a method based on a year of 365 or 366 days. Interest shall be payable for the day an Advance is made but not for the day of any payment on the amount paid if payment is received prior to 11:00 a.m. (San Francisco time) at the place of payment. If any payment of principal or interest on an Advance shall become due on a day which is not a Business Day, such payment shall be made on the next succeeding Business Day and, in the case of a principal payment, such extension of time shall be included in computing interest in connection with such payment.

2.5.8. Method of Payment. All payments to be made by the Borrower shall be made without condition or deduction for any counterclaim, defense, recoupment or setoff, without prejudice to Borrower's right to later assert any counterclaim, defense, recoupment or setoff. Except as specifically provided in this Agreement and in the following sentence, all payments by the Borrower hereunder shall be made to the Administrative Agent, for the account of the respective Banks to which such payment is owed, at the Administrative Agent's Office in Dollars and in immediately available funds not later than 11:00 a.m. (San Francisco time) on the date when due and shall be applied (i) first, ratably among the Banks with respect to any principal and interest due in connection with Ratable Advances, (ii) second, after all amounts described in clause (i) have been satisfied, ratably among those Banks for whom any payment of principal and interest is due in connection with any Competitive Bid Advances, and (iii) third, after all amounts described in clauses (i) and (ii) have been satisfied, ratably to any other Obligations then due to the Banks. If such payment is received by the Administrative Agent by 11:00 a.m. (San Francisco time) such delivery to the Banks shall be made on the same day and if received thereafter shall be made on the next succeeding Business Day. The Administrative Agent is hereby authorized to charge the account of the Borrower held at Bank of America for each payment of principal, interest and fees owing by the Borrower as it becomes due hereunder.

2.5.9. Notes; Telephonic Notices; Designation of Borrower. Each Bank is hereby authorized to record on the schedule attached to each of its Notes, or otherwise record in accordance with its usual practice, the date and amount of each of its Loans of the type evidenced by such Note; provided, however, that any failure to so record shall not affect the Borrower's Obligations under this Agreement or any Note. The Borrower hereby authorizes the Banks and the Administrative Agent to extend, continue and convert Advances, effect Rate Option selections and submit Competitive Bid Quotes based on telephonic notices made by any person or persons the Administrative Agent or any Bank in good faith believes to be an authorized officer or an officer, employee or agent of the Borrower designated by an authorized officer. The Borrower agrees to deliver promptly to the Administrative Agent a written or telecopy confirmation of each telephonic notice signed by an authorized officer. If the written or telecopy confirmation differs in any material respect from the action taken by the Administrative Agent and the Banks, the records of the Administrative Agent and the Banks shall govern absent manifest error.

2.5.10. Notification of Advances, Interest Rates and Prepayments. The Administrative Agent will notify each Bank of the contents of each Ratable Borrowing Notice, Notice of Conversion/Continuation (or automatic conversion pursuant to subsection 2.2.4(c)), and payment notice received by it hereunder promptly and in any event (provided such items were timely received by the Administrative Agent from the Borrower) before the close of business on the same Business Day of receipt thereof (or, in the case of borrowing notices with respect to Floating Rate Advances, within one hour of receipt thereof). The Administrative Agent will notify each Bank of the interest rate applicable to each Fixed Rate Advance promptly upon determination of such interest rate and will give each Bank prompt notice of each change in the Base Rate in respect of any outstanding Floating Rate Advance.

2.5.11. Non-Receipt of Funds by the Administrative Agent. Unless the Borrower or any Bank has notified the Administrative Agent, prior to the date any payment is required to be made by it to the Administrative Agent hereunder, that the Borrower or such Bank, as the case may be, will not make such payment, the Administrative Agent may assume that the Borrower or such Bank, as the case may be, has timely made such payment and may (but shall not be so required to), in reliance thereon, make available a corresponding amount to the Person entitled thereto. If and to the extent that such payment was not in fact made to the Administrative Agent in immediately available funds, then:

(i) if the Borrower failed to make such payment, each Bank shall forthwith on demand repay to the Administrative Agent the portion of such assumed payment that was made available to such Bank in immediately available funds, together with interest thereon in respect of each day from and including the date such amount was made available by the Administrative Agent to such Bank to the date such amount is repaid to the Administrative Agent in immediately available funds at the Federal Funds Rate from time to time in effect; and

(ii) if any Bank failed to make such payment, such Bank shall forthwith on demand pay to the Administrative Agent the amount thereof in immediately available funds, together with interest thereon for the period from the date such amount was made available by the Administrative Agent to the Borrower to the date such amount is recovered by the Administrative Agent (the "Compensation Period") at a rate per annum equal to the Federal Funds Rate from time to time in effect. If such Bank pays such amount to the Administrative Agent, then such amount shall constitute such Bank's Ratable Loan or Competitive Bid Loan, as the case may be, included in the applicable Borrowing. If such Bank does not pay such amount forthwith upon the Administrative Agent's demand therefor, the Administrative Agent may make a demand therefor upon the Borrower, and the Borrower shall pay such amount to the Administrative Agent, together with interest thereon for the Compensation Period at a rate per annum equal to the rate of interest applicable to the applicable Borrowing. Nothing herein shall be deemed to relieve any Bank from its obligation to fulfill its Commitment or to prejudice any rights which the Administrative Agent or the Borrower may have against any Bank as a result of any default by such Bank hereunder.

A notice of the Administrative Agent to any Bank or the Borrower with respect to any amount owing under this Section 2.5.11 shall be conclusive, absent manifest error.

2.5.12. Cancellation. The Borrower may, at any time after the Effective Date, upon not less than five Business Days' prior written notice to the Administrative Agent, terminate or permanently reduce the Commitments in whole, or in a minimum aggregate amount of \$10,000,000 (and in integral multiples of \$1,000,000 in excess thereof); unless, after giving effect thereto and to any prepayments of Loans made on the effective date thereof, the then-outstanding principal amount of the Loans would exceed the amount of the combined Commitments then in effect. All accrued commitment fees to, but not including, the effective date of any reduction or termination of Commitments shall be paid on the effective date of such reduction or termination. Once the Commitments are reduced in accordance with this Section, they may not be increased.

2.5.13. Lending Offices. Each Bank may from time to time, by written or telecopy notice to the Administrative Agent and the Borrower, change its Lending Office and for whose account Loan payments are to be made.

ARTICLE III **TAXES, CHANGE IN CIRCUMSTANCES**

3.1. Taxes.

(a) Any and all payments by the Borrower to each Bank or the Administrative Agent under this Agreement and any other Loan Document shall be made free and clear of, and without deduction or withholding for, any Taxes. In addition, the Borrower agrees to pay all Other Taxes.

(b) If the Borrower shall be required by law to deduct or withhold any Taxes, Other Taxes or Further Taxes from or in respect of any sum payable hereunder to any Bank or the Administrative Agent, then:

(i) the sum payable shall be increased as necessary so that, after making all required deductions and withholdings (including deductions and

withholdings applicable to additional sums payable under this Section), such Bank or the Administrative Agent, as the case may be, receives and retains an amount equal to the sum it would have received and retained had no such deductions or withholdings been made;

(ii) the Borrower shall make such deductions and withholdings;

(iii) the Borrower shall pay the full amount deducted or withheld to the relevant taxing authority or other authority in accordance with applicable Law; and

(iv) the Borrower shall also pay to each Bank or the Administrative Agent for the account of such Bank, at the time interest is paid, Further Taxes in the amount that the respective Bank specifies as necessary to preserve the after-tax yield the Bank would have received if such Taxes, Other Taxes or Further Taxes had not been imposed.

(c) The Borrower agrees to indemnify and hold harmless each Bank and the Administrative Agent for the full amount of (i) Taxes, (ii) Other Taxes, and (iii) Further Taxes in the amount that the respective Bank specifies as necessary to preserve the after-tax yield the Bank would have received if such Taxes, Other Taxes or Further Taxes had not been imposed, and any liability (including penalties, interest, additions to tax and expenses) arising therefrom or with respect thereto, whether or not such Taxes, Other Taxes or Further Taxes were correctly or legally asserted. Payment under this indemnification shall be made within 30 days after the date the Bank or the Administrative Agent makes written demand therefor.

(d) Within 30 days after the date of any payment by the Borrower of Taxes, Other Taxes or Further Taxes, the Borrower shall furnish to each Bank or the Administrative Agent the original or a certified copy of a receipt evidencing payment thereof, or other evidence of payment satisfactory to such Bank or the Administrative Agent.

3.2. Yield Protection. If, after the date hereof, because of the enactment of, or any change in, any Law or any governmental or quasi-governmental rule, regulation, policy, guideline or directive (whether or not having the force of law), or any interpretation thereof (other than such enactments or changes that are not effective as of August 31, 2003 but are scheduled to become effective thereafter pursuant to such laws, rules, regulations, policies, guidelines, directives or interpretations that are effective as of August 31, 2003), which

(a) imposes or increases or deems applicable any reserve, assessment, insurance charge, special deposit or similar requirement against assets of, deposits with or for the account of, or credit extended by, any Bank (other than reserves and assessments taken into account in determining the interest rate applicable to Fixed Rate Advances), or

(b) imposes any other condition the result of which is to increase the cost to any Bank of making, funding or maintaining loans or reduces any amount receivable by any Bank in connection with loans, or requires any Bank to make any payment calculated by reference to the amount of loans held or interest received by it, by an amount deemed material by such Bank, or

(c) affects the amount of capital required or expected to be maintained by any Bank or any corporation controlling any Bank and such Bank determines the amount of capital required is increased by or based upon the existence of this Agreement or its obligation to make Loans hereunder or of commitments of this type,

Then, within 15 days of demand by such Bank through the Administrative Agent, the Borrower shall pay such Bank that portion of such increased expense incurred (including, in the case of Section 3.2(c), any reduction in the rate of return on capital to an amount below that which it could have achieved but for such law, rule, regulation, policy, guideline or directive and after taking into account such Bank's policies as to capital adequacy) or reduction in an amount received which such Bank determines is attributable to making, funding and maintaining its Loans and its Commitment. Notwithstanding the foregoing, if a Bank fails to make a claim within 90 days after it becomes, or ought reasonably to have become, aware of any event giving rise to a claim under this Section 3.2, then such Bank shall be entitled to make any claim under this Section 3.2 only in respect of any amounts due under this Section 3.2 that are attributable to the period following the 90th day preceding the day upon which the Bank makes such claim.

3.3. Availability of Rate Options. If any Bank determines that maintenance of any of its Fixed Rate Loans at a suitable Lending Office would violate any applicable law, rule, regulation or directive, whether or not having the force of law, such Bank shall so notify the Administrative Agent and the Administrative Agent shall suspend the availability of the affected Rate Option and require any Fixed Rate Advances outstanding under the affected Rate Option to be repaid; or if any Bank determines that (i) deposits of a type or maturity appropriate to match fund Fixed Rate Advances are not available, the Administrative Agent shall suspend the availability of the affected Rate Option with respect to any Fixed Rate Advances made after the date of any such determination, or (ii) a Rate Option does not accurately reflect the cost of making a Fixed Rate Advance at such Rate Option, such Bank shall so notify the Administrative Agent and then the Administrative Agent shall suspend the availability of the affected Rate Option with respect to any Fixed Rate Advances made after the date of any such determination.

3.4. Funding Indemnification. If any payment of a Fixed Rate Advance occurs on a date which is not the last day of the applicable Interest Period, whether because of acceleration, prepayment, automatic conversion or otherwise, or the Borrower requests a Fixed Rate Advance, or the continuation or conversion of an Advance as or to a Fixed Rate Advance, and the Borrower does not borrow, continue or convert such Fixed Rate Advance on the date specified by the Borrower except by reason of default by the Banks, the Borrower will indemnify each Bank for any loss or cost incurred by it resulting therefrom, including any loss or cost in liquidating or employing deposits acquired to fund or maintain the Fixed Rate Advance.

3.5. Regulation D Compensation. Each Bank may through the Administrative Agent request the Borrower to pay and upon such request the Borrower shall pay, contemporaneously with each payment of interest on the Borrower's Eurodollar Ratable Loans, additional interest on such Loans at a rate per annum determined by such Bank up to but not exceeding the excess of (i) (A) the Eurodollar Base Rate divided by (B) one minus the Reserve Requirement with respect to Eurodollar liabilities over (ii) the Eurodollar Base Rate. Any Bank wishing to require payment of such additional interest (x) shall so notify the Borrower and the Administrative Agent, in which case such additional interest on the Eurodollar Ratable Loans of such Bank shall be payable to such Bank at the place indicated in such notice with respect to each Interest Period commencing at least five Business Days after the giving of such notice, and (y) shall notify the Borrower at least five Business Days prior to each date on which interest is payable on the Eurodollar Ratable Loans of the amount then due it under this Section.

3.6. Bank Statements; Survival of Indemnity. To the extent reasonably possible, each Bank shall designate an alternate Lending Office with respect to its Fixed Rate Loans to reduce any liability of the Borrower to such Bank under Section 3.1 or 3.2 or to avoid the unavailability of a Rate Option under Section 3.3, so long as such designation is not prohibited by applicable legal and regulatory restrictions and not disadvantageous to such Bank as determined in its sole discretion. Each Bank shall deliver to the Borrower through the Administrative Agent a written statement of such Bank as to the amount due, if any, under Sections 3.1, 3.2 or 3.4, simultaneously with making a request for payment under said Sections 3.1, 3.2 or 3.4. Such written statement shall set forth in reasonable detail the calculations upon which such Bank determined such amount and shall be final, conclusive and binding on the Borrower in the absence of manifest error. Determination of amounts payable under such Sections in connection with a Fixed Rate Loan shall be calculated as though each Bank funded its Fixed Rate Loan through the purchase of a deposit of the type and maturity corresponding to the deposit used as a reference in determining the Fixed Rate for such Loan, whether in fact that is the case or not. Unless otherwise provided herein, the amount specified in the written statement shall be payable on demand after receipt by the Borrower of the written statement. The Obligations of the Borrower under Sections 3.1, 3.2 and 3.4 shall survive payment of the Obligations and termination of this Agreement.

3.7. Removal of Banks. If (i) the obligation of any Bank to make or continue any Loans as, or convert Loans to, Eurodollar Ratable Loans has been suspended pursuant to Section 3.3, or (ii) any Bank has demanded compensation under Section 3.1 or 3.2, the Borrower may elect to terminate this Agreement as to such Bank, provided that (i) the Borrower notifies such Bank through the Administrative Agent of such election at least five Business Days before any date fixed for a borrowing, (ii) the Borrower repays all outstanding Obligations to such Bank at the end of the respective Interest Periods applicable thereto and (iii) no Default or Unmatured Default exists. Upon receipt by the Administrative Agent of such notice, the Commitment of such Bank shall terminate.

ARTICLE IV **CONDITIONS PRECEDENT**

4.1. Closing. Concurrently with the execution of this Agreement and prior to making the initial Advance, the Borrower will deliver to the Administrative Agent, with sufficient copies for the Banks, the following documents, in form and substance satisfactory to the Administrative Agent and the Banks:

(a) Executed copies of this Agreement.

(b) Competitive Bid Notes and Ratable Notes payable to the order of each of the Banks requesting Notes.

(c) Copies, certified as of a date not more than one week prior to the Effective Date by the Secretary or Assistant Secretary (or comparable officer) of the Borrower, of its Board of Directors' (or Executive Committee's) resolutions authorizing execution of the Loan Documents.

(d) An incumbency certificate, executed as of a date not more than one week prior to the Effective Date by the Secretary or Assistant Secretary (or comparable officer) of the Borrower which shall identify by name and title and bear the signature of the officers of the Borrower authorized to sign the Loan Documents and to make borrowings hereunder, upon which certificate the Administrative Agent and the Banks shall be entitled to rely until informed of any change in writing by the Borrower.

(e) A written opinion of the Borrower's in-house counsel, addressed to the Administrative Agent and the Banks in substantially the form of Exhibit E hereto (which opinion the Borrower hereby expressly instructs such counsel to prepare and deliver to the Administrative Agent and the Banks for their benefit).

(f) One copy of the Articles of Incorporation (or comparable document) of the Borrower, together with all amendments, certified as of a recent date by the appropriate governmental officer in the State of Oregon.

(g) A copy, certified by the Secretary or Assistant Secretary (or comparable officer) of the Borrower, of its Bylaws.

(h) A certificate, signed by the chief financial officer of the Borrower, stating that (x) on the Effective Date no Default or Unmatured Default has occurred and is continuing and (y) there has not occurred a material adverse change since May 31, 2003 in the business, assets, liabilities, operations or financial condition of the Borrower and its Subsidiaries taken as a whole or in the facts and information regarding such entities as represented to date.

(i) Evidence satisfactory to the Administrative Agent that the Existing Credit Agreement has been terminated and no loans or other amounts are outstanding thereunder.

(j) Such other documents as any Bank or its counsel may have reasonably requested prior to execution of the Agreement.

(k) Any fees required to be paid on or before the Effective Date shall have been paid.

4.2. Each Advance. The Banks shall not be required to make any Advance, unless on the applicable Borrowing Date:

(a) No Default or Unmatured Default has occurred and is continuing, or would result from such proposed Advance.

(b) The representations and warranties contained in Article V are true and correct as of such Borrowing Date except for changes in the Schedules hereto reflecting transactions permitted by this Agreement.

Each Ratable Borrowing Notice or Competitive Bid Quote Request with respect to each such Advance shall constitute a representation and warranty by the Borrower that the conditions contained in Sections 4.2(a) and (b) have been satisfied.

ARTICLE V

REPRESENTATIONS AND WARRANTIES

The Borrower represents and warrants to the Banks that:

5.1. Corporate Existence. The Borrower is a corporation duly incorporated and validly existing under the laws of the State of Oregon and is duly qualified and has all requisite authority to conduct its business in each jurisdiction in which its business is conducted.

5.2. Authorization and Validity. The Borrower has the corporate power and authority and legal right to execute and deliver the Loan Documents and to perform its Obligations thereunder. The execution and delivery by the Borrower of the Loan Documents and the performance of its Obligations thereunder have been duly authorized by proper corporate proceedings, and the Loan Documents constitute legal, valid and binding Obligations of the Borrower enforceable against the Borrower in accordance with their terms, except as enforceability may be limited by bankruptcy, insolvency or similar laws affecting the enforcement of creditors' rights generally.

5.3. No Conflict; Government Consent. Neither the execution and delivery by the Borrower of the Loan Documents, nor the consummation of the transactions therein contemplated, nor compliance with the provisions thereof will violate any Law, order, writ, judgment, injunction, decree or award binding on the Borrower or any Subsidiary or the Borrower's or any Subsidiary's articles of incorporation or bylaws or the provisions of any indenture, instrument or agreement to which the Borrower or any Subsidiary is a party or is subject, or by which it, or its property, is bound, or conflict with or constitute a default thereunder, or result in the creation or imposition of any Lien in, of or on the property of the Borrower or a Subsidiary pursuant to the terms of any such indenture, instrument or agreement. No order, consent, approval, license, authorization, or validation of, or filing, recording or registration with, or exemption by, any Governmental Authority, or any subdivision thereof, is required to authorize, or is required in connection with the execution, delivery and performance of, or the legality, validity, binding effect or enforceability of, any of the Loan Documents.

5.4. Financial Statements. The May 31, 2003 and the August 31, 2003 consolidated financial statements of the Borrower and the Subsidiaries heretofore delivered to the Banks were prepared in accordance with generally accepted accounting principles in effect on the date such statements were prepared and fairly present the consolidated financial condition and operations of the Borrower and the Subsidiaries at such date and the consolidated results of their operations for the period then ended.

5.5. Taxes. The Borrower and the Subsidiaries have filed all United States federal tax returns and all other United States and foreign tax returns which are required to be filed and have paid all taxes due pursuant to said returns or pursuant to any assessment received by the Borrower or any Subsidiary, except such taxes, if any, as are being contested in good faith and as to which adequate reserves have been provided. The United States income tax returns of the Borrower and the Subsidiaries have been audited by the Internal Revenue Service through the fiscal year ended May 31, 1994. No tax liens have been filed and no claims are being asserted with respect to any such taxes. The charges, accruals and reserves on the books of the Borrower and the Subsidiaries in respect of any taxes or other governmental charges are adequate.

5.6. Litigation and Contingent Obligations. There is no litigation, arbitration, governmental investigation, proceeding or inquiry pending or, to the knowledge of any of the Borrower's officers, threatened against or affecting the Borrower or any Subsidiary which might materially adversely affect the business, properties, financial condition prospects, or results of operations of the Borrower or the ability of the Borrower to perform its Obligations under the Loan Documents. The Borrower has no material contingent obligations not provided for or disclosed in the financial statements referred to in Section 5.4.

5.7. Subsidiaries. Schedule 1 hereto contains an accurate list of all of the presently existing Subsidiaries of the Borrower, setting forth their respective jurisdictions of incorporation and the percentage of their respective capital stock owned by the Borrower or other Subsidiaries as of the Effective Date. All of the issued and outstanding shares of capital stock of such Subsidiaries have been duly authorized and issued and are fully paid and non-assessable. Each Subsidiary is duly organized or formed and validly existing under the laws of its jurisdiction of incorporation or organization and is duly qualified and has all requisite power and authority to conduct its business in each jurisdiction in which its business is conducted.

5.8. ERISA. There are no material Unfunded Liabilities. Each Plan complies in all material respects with all applicable requirements of Law

and regulations, no Reportable Event has occurred with respect to any Plan, neither the Borrower nor any other members of the Controlled Group has withdrawn from any Plan or initiated steps to do so, and no steps have been taken to terminate any Plan.

5.9. Accuracy of Information. No information, exhibit or report furnished by the Borrower or any Subsidiary to the Administrative Agent or to any Bank in connection with the negotiation of, or compliance with, the Loan Documents contained any material misstatement of fact or omitted to state a material fact or any fact necessary to make the statements contained therein not misleading.

5.10. Regulation U. Neither the Borrower nor any Subsidiary owns any margin stock (as defined in Regulation U).

5.11. Material Agreements. Neither the Borrower nor any Subsidiary is a party to any agreement or instrument or subject to any charter or other corporate restriction which might have a Material Adverse Effect. Neither the Borrower nor any Subsidiary is in default in the performance, observance or fulfillment of any of the obligations, covenants or conditions contained in (i) any agreement to which it is a party, which default might have a Material Adverse Effect or (ii) any agreement or instrument evidencing or governing Indebtedness.

5.12. Compliance With Laws. The Borrower and its Subsidiaries have complied with all applicable statutes, rules, regulations, orders and restrictions of any domestic or foreign government or any instrumentality or agency thereof, having jurisdiction over the conduct of their respective businesses or the ownership of their respective properties where failure to comply might have a Material Adverse Effect.

5.13. Ownership of Properties. Except as set forth on Schedule 2 hereto, on the date of this Agreement, the Borrower and its

Subsidiaries will have good title, free of all Liens other than those permitted by Section 6.15, to all of the properties and assets reflected in the financial statements as owned by them.

5.14. Post-Retirement Benefits. The amount of the present value of the expected cost of post-retirement medical and insurance benefits payable by the Borrower and its Subsidiaries to their employees and former employees, as estimated by the Borrower in accordance with reasonable procedures and assumptions, is not material to the financial condition of the Borrower.

5.15 Environmental and Safety and Health Matters. To the best of the knowledge of the Borrower, the Borrower and each Subsidiary are in compliance with all Environmental Laws and Occupational and Health Laws where failure to comply would reasonably be expected to have a Material Adverse Effect on the ability of the Borrower to perform its obligations hereunder. Neither the Borrower nor any Subsidiary has received notice of any claims that any of them is not in compliance in all material respects with the Environmental Laws where failure to comply would reasonably be expected to have a Material Adverse Effect on the ability of the Borrower to perform its Obligations.

ARTICLE VI **COVENANTS**

During the term of this Agreement, unless the Majority Banks shall otherwise consent in writing:

6.1. Financial Reporting. The Borrower will maintain, for itself and each Material Subsidiary, a system of accounting established and administered in accordance with generally accepted accounting principles, and furnish to the Administrative Agent with sufficient copies for each Bank:

(a) Within 100 days after the close of each of its fiscal years, an unqualified audit report certified by independent certified public accountants, acceptable to the Banks, prepared in accordance with generally accepted accounting principles on a consolidated basis for itself and the Subsidiaries, including balance sheets as of the end of such period, related profit and loss and reconciliation of surplus statements, and a statement of cash flows.

(b) Within 50 days after the close of each of the first three quarterly periods of each of its fiscal years, for itself and the Subsidiaries, a consolidated unaudited balance sheet as at the close of such period, and a consolidated profit and loss statement and a consolidated statement of cash flows for the period from the beginning of such fiscal year to the end of such quarter, all certified by its chief financial officer.

(c) Together with the financial statements required hereunder, a compliance certificate in substantially the form of Exhibit H hereto signed by its chief financial officer showing the calculations necessary to determine compliance with this Agreement and stating that no Default or Unmatured Default exists or, if any Default or Unmatured Default exists, stating the nature and status thereof.

(d) Promptly upon the furnishing thereof to the shareholders of the Borrower, copies of all financial statements, reports and proxy statements so furnished.

(e) Promptly upon the filing thereof, copies of all S?1's, 10?Ks and 10?Qs (and any substitute which may hereafter be required) which the Borrower or any Material Subsidiary files with the Securities and Exchange Commission.

(f) Promptly after the Borrower has notified the Administrative Agent of any intention by the Borrower to treat the Loans as being a "reportable transaction" (within the meaning of Treasury Regulation Section 1.6011-4), a duly completed copy of IRS Form 8886 or any successor form.

(g) Such other information (including non?financial nformation) as the Administrative Agent or any Bank may from time to time reasonably

request.

Documents required to be delivered pursuant to clauses

(a), (b), (d) and (e) of this Section 6.1 (to the extent any such documents are included in materials otherwise filed with the SEC) may be delivered electronically and if so delivered, shall be deemed to have been delivered on the date (i) on which the Borrower posts such documents, or provides a link thereto on the Borrower's website on the Internet at the website address at www.nikebiz.com; or (ii) on which such documents are posted on the Borrower's behalf on IntraLinks/IntraAgency or another relevant website, if any, to which each Bank and the Administrative Agent have access (whether a commercial, third-party website or whether sponsored by the Administrative Agent); provided that: (i) the Borrower shall deliver paper copies of such documents to the Administrative Agent or any Bank that requests the Borrower to deliver such paper copies until a written request to cease delivering paper copies is given by the Administrative Agent or such Bank and (ii) the Borrower shall notify (which may be by facsimile or electronic mail) the Administrative Agent and each Bank of the posting of any such documents and provide to the Administrative Agent by electronic mail electronic versions (i.e., soft copies) of such documents.

Notwithstanding anything contained herein, in every instance the Borrower shall be required to provide paper copies of the Compliance Certificates required by Section 6.1(c) to the Administrative Agent and each of the Banks. Except for such Compliance Certificates, the Administrative Agent shall have no obligation to request the delivery or to maintain copies of the documents referred to above, and in any event shall have no responsibility to monitor compliance by the Borrower with any such request for delivery, and each Bank shall be solely responsible for requesting delivery to it or maintaining its copies of such documents.

6.2. Use of Proceeds. The Borrower will, and the Borrower will cause each Subsidiary to, use the proceeds of the Advances for working capital purposes and general corporate purposes; provided that the proceeds of the Advances shall not be used for the direct financing of an Unfriendly Acquisition, a bid to make an Unfriendly Acquisition or any steps preliminary to an Unfriendly Acquisition or a bid to make an Unfriendly Acquisition. The Borrower will not, nor will the Borrower permit any Subsidiary to, use any of the proceeds of the Loans to purchase or carry any "margin stock" (as defined in Regulations U and

X) or to extend credit to any person to purchase or carry any margin stock, or extend credit to any person for any of the aforesaid purposes.

6.3. Notice of Default. The Borrower will, and will cause each Subsidiary to, give prompt notice in writing to the Administrative Agent and Banks of (i) the occurrence of any Default or Unmatured Default, (ii) any other development, financial, legal or otherwise, which the Borrower reasonably expects will have a Material Adverse Effect or would materially adversely affect the ability of the Borrower to repay the Obligations, and (iii) receipt of any notice that the operations of the Borrower or any Subsidiary are not in compliance with requirements of any applicable Environmental Law or any Occupational Safety and Health Law where failure to comply would reasonably be expected to have a Material Adverse Effect on the ability of the Borrower to perform its Obligations hereunder, or receipt of notice that any properties or assets of the Borrower or any Subsidiary are subject to an Environmental Lien securing obligations in excess of \$20,000,000. As used herein, "Environmental Lien" means a Lien in favor of any Governmental Authority for (i) any liability under any Environmental Law, or (ii) damages arising from or costs incurred by such Governmental Authority in response to a spillage, disposal or release into the environment of any hazardous or toxic substance.

6.4. Preservation of Existence; Conduct of Business. The Borrower will, and will cause each Subsidiary to, do all things necessary to remain duly incorporated and validly existing as a corporation in its jurisdiction of incorporation and maintain all requisite authority to conduct its business in each jurisdiction in which its business is conducted; provided that the Borrower may liquidate or dissolve any Subsidiary into the Borrower or any other Subsidiary, provided, however, that a Material Subsidiary may not liquidate or dissolve into a Subsidiary that is not a Material Subsidiary. The Borrower will not, and will not permit any Subsidiary to, engage in any material line of business substantially different from those lines of business carried on by the Borrower and its Subsidiaries on the date hereof or such other lines of business as are reasonably related thereto.

6.5. Taxes. The Borrower will, and will cause each Subsidiary to, pay when due all taxes, assessments and governmental charges and levies upon it or its income, profits or property, except those which are being contested in good faith by appropriate proceedings and with respect to which adequate reserves have been set aside.

6.6. Insurance. The Borrower will, and will cause each Subsidiary to, maintain with financially sound and reputable insurance companies insurance, or a program of self-insurance, on all their property in such amounts and covering such risks as is consistent with sound business practice, and the Borrower will furnish to the Administrative Agent upon any Bank's request full information as to the insurance carried.

6.7. Compliance with Laws. The Borrower will, and will cause each Subsidiary to, comply with all laws, rules, regulations, orders, writs, judgments, injunctions, decrees or awards to which it may be subject where noncompliance could reasonably be expected to have a Material Adverse Effect.

6.8. Maintenance of Properties; Trademarks and Franchises. The Borrower will, and will cause each Subsidiary to, do all things necessary to maintain, preserve, protect and keep its properties in good repair, working order and condition, and make all necessary and proper repairs, renewals and replacements so that its business carried on in connection therewith may be properly conducted at all times. The Borrower and each Subsidiary own, are licensed or otherwise have the lawful right to use, and will continue to own, be licensed or have the lawful right to use, all permits and other governmental approvals, patents, trademarks, trade names, copyrights, technology, know-how and processes used in or necessary for the conduct of their businesses as currently conducted. The use of such permits and other governmental approvals, patents, trademarks, trade names, copyrights, technology, know-how and processes by the Borrower and each of its Subsidiaries does not infringe on the rights of any Person.

6.9. Inspection. Subject to Section 10.12 hereof, the Borrower will, and will cause each Subsidiary to, permit the Administrative Agent or any Bank, by their respective representatives and agents, to inspect any of the properties, corporate books and financial records of the Borrower and

each Subsidiary, to examine and make copies of the books of accounts and other financial records of the Borrower and each Subsidiary, and to discuss the affairs, finances and accounts of the Borrower and each Subsidiary with, and to be advised as to the same by, their respective officers at such reasonable times and intervals as the Administrative Agent or any Bank may designate.

6.10. Dividends. The Borrower will not, nor will it permit any Subsidiary to, declare or pay any dividends on its capital stock (other than dividends payable in its own capital stock) or redeem, repurchase or otherwise acquire or retire any of its capital stock at any time outstanding, if, after giving effect thereto, the Borrower or any Subsidiary is in violation of any of the provisions hereof.

6.11. Merger. The Borrower will not, nor will it permit any Material Subsidiary to, merge or consolidate with or into any other Person, except that (a) a Material Subsidiary may merge or consolidate with the Borrower or another Material Subsidiary, provided, that in connection with any merger or consolidation involving the Borrower, the Borrower is the surviving entity, and (b) the Borrower or a Material Subsidiary may merge or consolidate with any other Person to effect an Acquisition permitted by Section 6.14, provided, that the Borrower or such Material Subsidiary, as applicable, is the surviving entity.

6.12 Sale of Assets. The Borrower will not, nor will it permit any Subsidiary to, lease, sell or otherwise dispose of all or any of its property, assets or business to any other Person except (i) sales of inventory in the ordinary course of business, and (ii) any other disposals of assets (including sale and leasebacks but excluding the sale and leaseback of the Borrower's headquarters in Beaverton, Oregon) so long as the aggregate book value of the assets so disposed by the Borrower and its Subsidiaries in any period of twelve consecutive months, commencing on or after the date hereof, does not exceed 20% of the aggregate book value of the assets of the Borrower and its Subsidiaries, taken as a whole ("Substantial Portion"), as of the end of the fiscal quarter immediately preceding the date of calculation.

6.13. Sale and Leaseback. The Borrower will not, nor will it permit any Subsidiary to, sell or transfer any property in order to concurrently or subsequently lease as lessee such or similar property except with respect to sales of property or sale and leaseback transactions which would be permitted by Section 6.12.

6.14. Acquisitions. The Borrower will not, nor will it permit any Subsidiary to, make any Acquisition if the Acquisition is of a Person engaged in businesses not permitted by Section 6.4.

6.15. Liens. The Borrower will not, nor will it permit any Subsidiary to, create, incur, or suffer to exist any Lien in, of or on the property of the Borrower or any Subsidiary, except:

(a) Liens for taxes, assessments or governmental charges or levies on its property if the same shall not at the time be delinquent or thereafter can be paid without penalty, or are being contested in good faith and by appropriate proceedings.

(b) Liens imposed by law, such as carriers', warehousemen's and mechanics' liens and other similar liens arising in the ordinary course of business which secure payment of obligations not more than 30 days past due.

(c) Liens arising out of pledges or deposits under worker's compensation laws, unemployment insurance, old age pensions, or other social security or retirement benefits, or similar legislation.

(d) Utility easements, building restrictions and such other encumbrances or charges against real property as are of a nature generally existing with respect to properties of a similar character and which do not in any material way affect the marketability of the same or interfere with the use thereof in the business of the Borrower or the Subsidiaries.

(e) Liens existing on the date hereof and described in Schedule 2 hereto.

(f) Liens incurred in connection with the purchase by the Borrower or a Subsidiary of tangible assets (excluding inventory) provided the Indebtedness secured thereby does not exceed the purchase price of such asset, plus any related interest and fees and the Lien attaches only to the asset so purchased.

(g) Liens incurred in connection with the acquisition of real estate and construction of buildings for or on behalf of the Borrower or a Subsidiary provided that:

(i) the Indebtedness secured by such Lien does not exceed the cost of such construction, plus any related interest and fees, and

(ii) the aggregate book value of all real estate and buildings subject to Liens permitted by this subparagraph (g), does not exceed 20% of the Borrower's net worth at the time of determination.

(h) Liens not otherwise permitted hereunder, on property other than accounts receivable and inventory, provided that the aggregate amount of Indebtedness secured thereby (other than those referred to in (a) through (g) above) shall not at any one time exceed \$100,000,000 or its Dollar equivalent at such time in other currencies.

(i) Liens filed in connection with the construction of, and additions to, the Borrower's headquarters in Beaverton, Oregon in an aggregate amount which do not reflect obligations of the Borrower in excess of \$100,000,000.

6.16. Affiliates. The Borrower will not, and will not permit any Subsidiary to, enter into any transaction (including the purchase or sale of any property or service) with, or make any payment or transfer to, any Affiliate except in the ordinary course of business and pursuant to the reasonable requirements of the Borrower's or such Subsidiary's business and upon fair and reasonable terms no less favorable to the Borrower than the Borrower or such Subsidiary would obtain in a comparable arm's length transaction.

6.17. Capitalization Ratio. The Borrower will not as of the end of any fiscal quarter from and after the Effective Date permit the Capitalization Ratio to exceed 0.50 to 1.00.

6.18. Notice of Rating Change. The Borrower shall, no later than ten (10) Business Days after the chief executive officer, the president, any corporate vice president or the treasurer of the Borrower obtains knowledge of any such change, give notice to the Administrative Agent (by telephone, followed promptly by written notice transmitted by facsimile with a hard copy sent promptly thereafter) of any change in rating by any Rating Agency in respect of the Borrower's long-term, senior unsecured, non-credit-enhanced debt, together with the details thereof, and of any announcement by any Rating Agency that its rating in respect of such senior unsecured long-term debt is "under review" or that any such debt rating has been placed on a "CreditWatch List"(r) or "watch list" or that any similar action has been taken by such Rating Agency.

ARTICLE VII DEFAULTS

The occurrence of any one or more of the following events shall constitute a Default:

7.1. Any representation or warranty made or deemed made by or on behalf of the Borrower or any Subsidiary to the Banks or the Administrative Agent under or in connection with this Agreement, any Loan, or any certificate or information delivered in connection with this Agreement or any other Loan Document shall be materially false on the date as of which made.

7.2. Nonpayment of principal of any Loan when due, or nonpayment of interest upon any Loan or of any commitment fee or other Obligations under any of the Loan Documents within five days after the same becomes due.

7.3. The breach by the Borrower of any of the terms or provisions of Sections 6.10, 6.11, 6.12, 6.13, 6.14, 6.15, 6.16 or 6.17. The breach by the Borrower (other than a breach which

6.18. constitutes a Default under Section 7.1, 7.2 or the preceding sentence of this Section 7.3) of any of the terms or provisions of this Agreement which is not remedied within 30 days after written notice from the Administrative Agent or any Bank.

7.4. Failure of the Borrower or any Subsidiary to pay any Indebtedness in an aggregate principal amount in excess of \$50,000,000 within 30 days after the Borrower knows or ought reasonably to have known, that such Indebtedness was due; or the default by the Borrower or any Subsidiary in the performance of any term, provision or condition contained in any agreement under any such Indebtedness was created or is governed, or any other event shall occur or condition exist, the effect of which is to cause, or to permit the holder or holders of such Indebtedness to cause such Indebtedness to become due prior to its stated maturity; or any such Indebtedness of the Borrower or any Subsidiary shall be declared to be due and payable or required to be prepaid (other than by a regularly scheduled payment) prior to the stated maturity thereof; or the Borrower or any Subsidiary shall not pay, or admit in writing its inability to pay, its debts generally as they become due.

7.5. The Borrower or any Subsidiary shall (i) have an order for relief entered with respect to it under any Debtor Relief Law as now or hereafter in effect, (ii) make an assignment for the benefit of creditors, (iii) apply for, seek, consent to, or acquiesce in, the appointment of a receiver, custodian, trustee, examiner, liquidator or similar official for it or any substantial part of its property, (iv) institute any proceeding seeking an order for relief under any Debtor Relief Law as now or hereafter in effect or seeking to adjudicate it a bankrupt or insolvent, or seeking dissolution, winding up, liquidation, reorganization, arrangement, adjustment or composition of it or its debts under any Debtor Relief Law or fail to file an answer or other pleading denying the material allegations of any such proceeding filed against it, (v) take any corporate action to authorize or effect any of the foregoing actions set forth in this Section 7.5, or (vi) fail to contest in good faith any appointment or proceeding described in Section 7.6.

7.6. Without the application, approval or consent of the Borrower or any Subsidiary, a receiver, trustee, examiner, liquidator or similar official shall be appointed for the Borrower or any Subsidiary or any substantial part of its property, or a proceeding described in Section 7.5(iv) shall be instituted against the Borrower or any Subsidiary and such appointment continues undischarged or such proceeding continues undismissed or unstayed for a period of 30 days with respect to any such appointment or proceeding against the Borrower or a Subsidiary incorporated within the United States and 60 days with respect to any Subsidiary incorporated outside of the United States.

7.7. Any court, government or governmental agency shall condemn, seize or otherwise appropriate, or take custody or control of all or any Substantial Portion of the property of the Borrower or any Subsidiary.

7.8. The Borrower or any Subsidiary shall fail within 30 days to pay, bond or otherwise discharge, one or more judgments or orders for the payment of money in excess of \$20,000,000 in the aggregate, which are not stayed on appeal or otherwise being appropriately contested in good faith. Any Liens arising out of such judgments or orders are subject to the provisions of Section 6.15(h).

7.9. Any Reportable Event shall occur in connection with any Plan or any material Unfunded Liabilities shall exist.

7.10. Any Change in Control shall occur. "Change in Control" means either (a) with respect to any capital stock of the Borrower that is publicly traded, the acquisition after the date of this Agreement by any Person or two or more Persons acting in concert, other than the Knight Family, of beneficial ownership (within the meaning of Rule 13d?3 of the Securities and Exchange Commission under the Securities Exchange Act of 1934) of 50% or more of the outstanding shares of such capital stock which are entitled to vote in the election of directors; or (b) with respect to any capital stock of the Borrower that is not publicly traded, if the Knight Family shall at any time fail to own and control 67% or more of the outstanding shares of such capital stock.

7.11. There occurs under any agreement or arrangement designed to protect at least one of the parties thereto from the fluctuations of interest rates, exchange rates or forward rates applicable to such party's assets, liabilities or exchange transactions, including, but not limited to, interest rate exchange agreements, forward currency exchange agreements, interest rate cap or collar protection agreements, forward rate currency or interest rate options, puts and warrants (each, a "Swap Contract"), an "early termination date" (as defined in such Swap Contract) resulting from (a) any "event of default" (as defined in such Swap Contract) under such Swap Contract as to which the Borrower or any Subsidiary is the defaulting party, or (b) any "termination event" (as defined in such Swap Contract) as to which the Borrower or any Subsidiary is an affected party, and, in either event, the net mark-to-market value for such Swap Contract, as determined by the Borrower based upon one or more mid-market or other readily available quotations provided by any recognized dealer in such Swap Contracts, owed by the Borrower or such Subsidiary as a result thereof is greater than \$20,000,000.

ARTICLE VIII

ACCELERATION, WAIVERS, AMENDMENTS AND REMEDIES

8.1. Acceleration. If any Default described in Section 7.5, 7.6 or 7.7 occurs, the obligations of the Banks to make Loans to the Borrower hereunder shall automatically terminate and the Obligations of the Borrower shall immediately become due and payable without any election or action on the part of the Administrative Agent or any Bank. If any other Default occurs, the Majority Banks may terminate or suspend the obligations of the Banks to make Loans to the Borrower hereunder, or declare the Obligations of the Borrower to be due and payable, or both, whereupon such Obligations shall become immediately due and payable, without presentment, demand, protest or notice of any kind, all of which the Borrower hereby expressly waives.

If, within 14 days after acceleration of the maturity of the Obligations or termination of the obligations of the Banks to make Loans hereunder as a result of any Default (other than any Default as described in Section 7.5, 7.6, 7.7 or 7.10) and before any judgment or decree for the payment of the Obligations due shall have been obtained or entered, the Majority Banks (in their sole discretion) shall so direct, the Administrative Agent shall, by notice to the Borrower, rescind and annul such acceleration and/or termination.

8.2. Amendments and Waivers. No amendment or waiver of any provision of this Agreement or any other Loan Document, and no consent to any departure by the Borrower therefrom, shall be effective unless in writing signed by the Majority Banks and the Borrower and acknowledged by the Administrative Agent, and each such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; provided, however, that no such amendment, waiver or consent shall:

- (a) waive any condition set forth in Section 4.1 without the written consent of each Bank;
- (b) extend or increase the Commitment of any Bank (or reinstate any Commitment terminated pursuant to Section 8.1) without the written consent of such Bank;
- (c) postpone any date fixed by this Agreement or any other Loan Document for any payment of principal, interest, fees or other amounts due to the Banks (or any of them) hereunder or under any other Loan Document without the written consent of each Bank directly affected thereby;
- (d) reduce the principal of, or the rate of interest specified herein on, any Loan, or any fees or other amounts payable hereunder or under any other Loan Document, or change the manner of computation of any financial ratio (including any change in any applicable defined term) used in determining the Applicable Margin, Applicable Facility Fee Rate, or Applicable Utilization Fee Rate, as the case may be, that would result in a reduction of any interest rate on any Loan or any fee payable hereunder without the written consent of each Bank directly affected thereby;
- (e) change Section 2.5.8 or Section 12.2 in a manner that would alter the pro rata sharing of payments required thereby without the written consent of each Bank; or
- (f) change any provision of this Section or the definition of "Majority Banks" or any other provision hereof specifying the number or percentage of Banks required to amend, waive or otherwise modify any rights hereunder or make any determination or grant any consent hereunder, without the written consent of each Bank;

provided, that no amendment, waiver or consent shall, unless in writing and signed by the Administrative Agent in addition to the Banks required above, affect the rights or duties of the Administrative Agent under this Agreement or any other Loan Document; and provided further that the Fee Letter may be amended, or rights or privileges thereunder waived, in a writing executed only by the parties thereto.

8.3. Preservation of Rights. No delay or omission of the Banks or the Administrative Agent to exercise any right under the Loan Documents shall impair such right or be construed to be a waiver of any Default or an acquiescence therein, and the making of a Loan notwithstanding the existence of a Default or the inability of the Borrower to satisfy the conditions precedent to such Loan shall not constitute any waiver or acquiescence. Any single or partial exercise of any such right shall not preclude other or further exercise thereof or the exercise of any other

right, and no waiver, amendment or other variation of the terms, conditions or provisions of the Loan Documents whatsoever shall be valid unless in writing signed by the Banks and the Administrative Agent required pursuant to Section 8.2, and then only to the extent in such writing specifically set forth. All remedies contained in the Loan Documents or by law afforded shall be cumulative and all shall be available to the Administrative Agent and the Banks until the Obligations have been paid in full.

ARTICLE IX **NOTICES**

9.1. Giving Notice. Except as otherwise permitted by Section 2.5.9 with respect to borrowing notices, all notices and other communications provided to any party hereto under this Agreement or any other Loan Document shall be in writing or by facsimile and addressed or delivered to such party at its address set forth below its signature hereto or at such other address as may be designated by such party in a notice to the other parties. Any notice, if mailed by certified mail, return receipt requested and properly addressed with postage prepaid, shall be deemed given when received and receipt confirmed; any notice, if transmitted by facsimile, shall be deemed given when legibly transmitted and receipt confirmed.

9.2. Change of Address. The Borrower, the Administrative Agent and any Bank may each change the address for notices by a notice in writing, in the case of the Borrower or the Administrative Agent, to the other parties hereto and, in the case of any Bank, to the Borrower and the Administrative Agent.

ARTICLE X **GENERAL PROVISIONS**

10.1. Survival of Representations. All representations and warranties made hereunder and in any other Loan Document or other document delivered pursuant hereto or thereto or in connection herewith or therewith shall survive the execution and delivery hereof and thereof. Such representations and warranties have been or will be relied upon by the Administrative Agent and each Bank, regardless of any investigation made by the Administrative Agent or any Bank or on their behalf and notwithstanding that the Administrative Agent or any Bank may have had notice or knowledge of any Default or Unmatured Default at the time of any Loan or Commitment, and shall continue in full force and effect as long as any Loan or any other Obligation shall remain unpaid or unsatisfied.

10.2. Governmental Regulation. Anything contained in this Agreement to the contrary notwithstanding, no Bank shall be obligated to extend credit to the Borrower in violation of any limitation or prohibition provided by any applicable statute or regulation.

10.3. Taxes. Any taxes (excluding income taxes) or other similar assessments or charges payable or ruled payable by any Governmental Authority in respect of the Loan Documents shall be paid by the Borrower, together with interest and penalties, if any.

10.4. Headings. Section headings in the Loan Documents are for convenience of reference only, and shall not govern the interpretation of any of the provisions of the Loan Documents.

10.5. Entire Agreement. This Agreement, together with the other Loan Documents, comprises the complete and integrated agreement of the parties on the subject matter hereof and thereof and supersedes all prior agreements, written or oral, on such subject matter. In the event of any conflict between the provisions of this Agreement and those of any other Loan Document, the provisions of this Agreement shall control; provided that the inclusion of supplemental rights or remedies in favor of the Administrative Agent or the Banks in any other Loan Document shall not be deemed a conflict with this Agreement. Each Loan Document was drafted with the joint participation of the respective parties thereto and shall be construed neither against nor in favor of any party, but rather in accordance with the fair meaning thereof.

10.6. Several Obligations. The obligations of the Banks hereunder to make Ratable Loans are several and not joint. No Bank shall be the partner or agent of any other (except to the extent to which the Administrative Agent is authorized to act as such). The failure of any Bank to perform any of its obligations hereunder shall not relieve any other Bank from any of its obligations hereunder. This Agreement shall not be construed so as to confer any right or benefit upon any Person other than the parties to this Agreement and their respective successors and assigns.

10.7. Expenses; Indemnification.

(a) The Borrower agrees (a) to pay or reimburse the Administrative Agent for all costs and expenses incurred in connection with the development, preparation, negotiation and execution of this Agreement and the other Loan Documents and any amendment, waiver, consent or other modification of the provisions hereof and thereof (whether or not the transactions contemplated hereby or thereby are consummated), and the consummation and administration of the transactions contemplated hereby and thereby, including all Attorney Costs, and (b) to pay or reimburse the Administrative Agent and each Bank for all costs and expenses incurred in connection with the enforcement, attempted enforcement, or preservation of any rights or remedies under this Agreement or the other Loan Documents (including all such costs and expenses incurred during any "workout" or restructuring in respect of the Obligations and during any legal proceeding, including any proceeding under any Debtor Relief Law), including all Attorney Costs. The foregoing costs and expenses shall include all search, filing, recording, title insurance and appraisal charges and fees and taxes related thereto, and other out-of-pocket expenses incurred by the Administrative Agent and the cost of independent public accountants and other outside experts retained by the Administrative Agent or any Bank. All amounts due under this Section 10.7 shall be payable within ten Business Days after demand therefor. The agreements in this Section shall survive the termination of the Commitments and repayment of all other Obligations.

(b) Whether or not the transactions contemplated hereby are consummated, the Borrower shall indemnify and hold harmless each Administrative Agent-Related Person, each Bank and their respective Affiliates, directors, officers, employees, counsel, agents and attorneys-in-fact (collectively the "Indemnitees") from and against any and all liabilities, obligations, losses, damages, penalties, claims, demands, actions, judgments, suits, costs, expenses and disbursements (including Attorney Costs) of any kind or nature whatsoever which may at any time be imposed on, incurred by or asserted against any such Indemnitee in any way relating to or arising out of or in connection with (a) the execution, delivery, enforcement, performance or administration of any Loan Document or any other agreement, letter or instrument delivered in connection with the transactions contemplated thereby or the consummation of the transactions contemplated thereby, (b) any Commitment or Loan or the use or proposed use of the proceeds therefrom, or (c) any actual or prospective claim, litigation, investigation or proceeding by third parties relating to any of the foregoing, whether based on contract, tort or any other theory (including any investigation of, preparation for, or defense of any pending or threatened claim, investigation, litigation or proceeding) and regardless of whether any Indemnitee is a party thereto (all the foregoing, collectively, the "Indemnified Liabilities"); provided that such indemnity shall not, as to any Indemnitee, be available to the extent that such liabilities, obligations, losses, damages, penalties, claims, demands, actions, judgments, suits, costs, expenses or disbursements have resulted from the gross negligence or willful misconduct of such Indemnitee, subject to Oregon Revised Statutes

Section 20.096 No Indemnitee shall be liable for any damages arising from the use by others of any information or other materials obtained through IntraLinks or other similar information transmission systems in connection with this Agreement, nor shall any Indemnitee have any liability for any indirect or consequential damages relating to this Agreement or any other Loan Document or arising out of its activities in connection herewith or therewith (whether before or after the Closing Date). All amounts due under this Section 10.7 shall be payable within ten Business Days after demand therefor. The agreements in this Section shall survive the resignation of the Administrative Agent, the replacement of any Bank, the termination of the Commitments and the repayment, satisfaction or discharge of all the other Obligations.

10.8. Numbers of Documents. All statements, notices, closing documents, and requests hereunder shall be furnished to the Administrative Agent with sufficient counterparts so that the Administrative Agent may furnish one to each of the Banks.

10.9. Accounting. Except as provided to the contrary herein, all accounting terms used herein shall be interpreted and all accounting determinations hereunder shall be made in accordance with Agreement Accounting Principles. The Borrower will not make any change in its fiscal year or in the accounting principles and methods used in preparing its financial statements.

10.10. Severability of Provisions. Any provision of this Agreement and the other Loan Documents to which the Borrower is a party that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions thereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

10.11. Nonliability of Banks. The relationship between the Borrower and the Banks and the Administrative Agent with respect to this Agreement shall be solely that of borrower and lender. Neither the Administrative Agent nor any Bank shall have any fiduciary responsibilities to the Borrower with respect to this Agreement. Neither the Administrative Agent nor any Bank undertakes under this Agreement any responsibility to the Borrower to review or inform the Borrower of any matter in connection with any phase of the Borrower's business or operations.

10.12. Confidentiality. Each of the Administrative Agent and the Banks agrees to maintain the confidentiality of the Information (as defined below); except that Information may be disclosed (a) to its and its Affiliates' directors, officers, employees and agents, including accountants, legal counsel and other advisors who are involved with the lending facility contemplated by this Agreement (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential); (b) to the extent requested by any regulatory authority (including any bank examiner or self-regulatory authority, such as the National Association of Insurance Commissioners); (c) to the extent required by applicable Laws or regulations or by any subpoena or similar legal process; (d) to any other party hereto; (e) in connection with the exercise of any remedies hereunder or under any other Loan Document or any action or proceeding relating to this Agreement or any other Loan Document or the enforcement of rights hereunder or thereunder; (f) subject to an agreement containing provisions substantially the same as those of this Section, to (i) any assignee of or Participant in, or any prospective assignee of or Participant in, any of its rights or obligations under this Agreement or (ii) any actual or prospective counterparty (or its professional advisor) to any swap or derivative transaction relating to the Borrower and its obligations; (g) with the consent of the Borrower; or (h) to the extent such Information (x) becomes publicly available other than as a result of a breach of this Section or (y) becomes available to the Administrative Agent or any Bank on a nonconfidential basis from a source other than the Borrower. For purposes of this Section, "Information" means all information received from the Borrower relating to the Borrower or its business, other than any such information that is available to the Administrative Agent or any Bank on a nonconfidential basis prior to disclosure by the Borrower; provided that, in the case of information received from the Borrower after the date hereof, such information is clearly identified in writing at the time of delivery as confidential. Any Person required to maintain the confidentiality of Information as provided in this Section shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord to its own confidential information. Notwithstanding anything herein to the contrary, "Information" shall not include, and the Administrative Agent and each Bank may disclose without limitation of any kind, any information with respect to the "tax treatment" and "tax structure" (in each case, within the meaning of Treasury Regulation Section 1.6011-4) of the transactions contemplated hereby and all materials of any kind (including opinions or other tax analyses) that are provided to the Administrative Agent or such Bank relating to such tax treatment and tax structure; provided that with respect to any document or similar item that in either case contains information concerning the tax treatment or tax structure of the transaction as well as other information, this sentence shall only apply to such portions of the document or similar item that relate to the tax treatment or tax structure of the Loans and transactions contemplated hereby.

10.13. CHOICE OF LAW. THE LOAN DOCUMENTS (OTHER THAN THOSE CONTAINING A CONTRARY EXPRESS CHOICE OF

LAW PROVISION) SHALL BE CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS (AND NOT THE LAW OF CONFLICTS) OF THE STATE OF OREGON BUT GIVING EFFECT TO FEDERAL LAWS APPLICABLE TO NATIONAL BANKS.

10.14. CONSENT TO JURISDICTION. THE BORROWER HEREBY IRREVOCABLY SUBMITS TO THE NON-EXCLUSIVE JURISDICTION OF ANY UNITED STATES FEDERAL OR OREGON STATE COURT SITTING IN PORTLAND, OREGON IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO ANY LOAN DOCUMENTS AND THE BORROWER HEREBY IRREVOCABLY AGREES THAT ALL CLAIMS IN RESPECT OF SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN ANY SUCH COURT AND IRREVOCABLY WAIVES ANY OBJECTION IT MAY NOW OR HEREAFTER HAVE AS TO THE VENUE OF ANY SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN SUCH A COURT OR THAT SUCH COURT IS AN INCONVENIENT FORUM. NOTHING HEREIN SHALL LIMIT THE RIGHT OF ANY ADMINISTRATIVE AGENT OR ANY BANK TO BRING PROCEEDINGS AGAINST THE BORROWER IN THE COURTS OF ANY OTHER JURISDICTION.

10.15. WAIVER OF JURY TRIAL. THE BORROWER, THE ADMINISTRATIVE AGENT AND EACH BANK HEREBY WAIVE TRIAL BY JURY IN ANY JUDICIAL PROCEEDING INVOLVING, DIRECTLY OR INDIRECTLY, ANY MATTER (WHETHER SOUNDING IN TORT, CONTRACT OR OTHERWISE) IN ANY WAY ARISING OUT OF, RELATED TO, OR CONNECTED WITH ANY LOAN DOCUMENT OR THE RELATIONSHIP ESTABLISHED THEREUNDER.

10.16. OREGON LEGAL NOTICE. UNDER OREGON LAW, MOST AGREEMENTS, PROMISES AND COMMITMENTS MADE BY US AFTER THE EFFECTIVE DATE OF THIS ACT CONCERNING LOANS AND OTHER CREDIT EXTENSIONS WHICH ARE NOT FOR PERSONAL, FAMILY OR HOUSEHOLD PURPOSES OR SECURED SOLELY BY THE BORROWER'S RESIDENCE MUST BE IN WRITING, EXPRESS CONSIDERATION AND BE SIGNED BY US TO BE ENFORCEABLE. THE TERM "THIS ACT" MEANS CHAPTER 967 OREGON LAWS 1989. THE TERM "US" MEANS THE ADMINISTRATIVE AGENT AND THE BANKS. THE EFFECTIVE DATE OF THIS ACT IS OCTOBER 3, 1989.

10.17. Counterparts. This Agreement may be executed in any number of counterparts, all of which taken together shall constitute one agreement, and any of the parties hereto may execute this Agreement by signing any such counterpart.

ARTICLE XI

THE ADMINISTRATIVE AGENT

11.1. Appointment and Authorization of Administrative Agent. Each Bank hereby irrevocably, subject to Section 11.9, appoints, designates and authorizes the Administrative Agent to take such action on its behalf under the provisions of this Agreement and each other Loan Document and to exercise such powers and perform such duties as are expressly delegated to it by the terms of this Agreement or any other Loan Document, together with such powers as are reasonably incidental thereto. Notwithstanding any provision to the contrary contained elsewhere herein or in any other Loan Document, the Administrative Agent shall not have any duties or responsibilities, except those expressly set forth herein, nor shall the Administrative Agent have or be deemed to have any fiduciary relationship with any Bank or participant, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or any other Loan Document or otherwise exist against the Administrative Agent. Without limiting the generality of the foregoing sentence, the use of the term "agent" herein and in the other Loan Documents with reference to the Administrative Agent is not intended to connote any fiduciary or other implied (or express) obligations arising under agency doctrine of any applicable Law. Instead, such term is used merely as a matter of market custom, and is intended to create or reflect only an administrative relationship between independent contracting parties.

11.2. Delegation of Duties. The Administrative Agent may execute any of its duties under this Agreement or any other Loan Document by or through agents, employees or attorneys-in-fact and shall be entitled to advice of counsel and other consultants or experts concerning all matters pertaining to such duties. The Administrative Agent shall not be responsible for the negligence or misconduct of any agent or attorney-in-fact that it selects in the absence of gross negligence or willful misconduct.

11.3. Liability of Administrative Agent. No Administrative Agent-Related Person shall (a) be liable for any action taken or omitted to be taken by any of them under or in connection with this Agreement or any other Loan Document or the transactions contemplated hereby (except for its own gross negligence or willful misconduct in connection with its duties expressly set forth herein), or (b) be responsible in any manner to any Bank or participant for any recital, statement, representation or warranty made by Borrower or any Subsidiary or Affiliate of the Borrower, or any officer thereof, contained herein or in any other Loan Document, or in any certificate, report, statement or other document referred to or provided for in, or received by the Administrative Agent under or in connection with, this Agreement or any other Loan Document, or the validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement or any other Loan Document, or for any failure of Borrower or any other party to any Loan Document to perform its obligations hereunder or thereunder. No Administrative Agent-Related Person shall be under any obligation to any Bank or participant to ascertain or to inquire as to the observance or performance of any of the agreements contained in, or conditions of, this Agreement or any other Loan Document, or to inspect the properties, books or records of Borrower or any of its Subsidiaries or Affiliates thereof.

11.4. Reliance by Administrative Agent.

(a) The Administrative Agent shall be entitled to rely, and shall be fully protected in relying, upon any writing, communication, signature, resolution, representation, notice, consent, certificate, affidavit, letter, telegram, facsimile, telex or telephone message, electronic mail message, statement or other document or conversation believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons, and upon advice and statements of legal counsel (including counsel to Borrower), independent accountants and other experts selected by the Administrative Agent. The Administrative Agent shall be fully justified in failing or refusing to take any action under any Loan Document unless it shall first receive such advice or concurrence of the Majority Banks as it deems appropriate and, if it so requests, it shall

first be indemnified to its satisfaction by the Banks against any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action. The Administrative Agent shall in all cases be fully protected in acting, or in refraining from acting, under this Agreement or any other Loan Document in accordance with a request or consent of the Majority Banks (or such greater number of Banks as may be expressly required hereby in any instance) and such request and any action taken or failure to act pursuant thereto shall be binding upon all the Banks.

(b) For purposes of determining compliance with the conditions specified in Section 4.1, each Bank that has signed this Agreement shall be deemed to have consented to, approved or accepted or to be satisfied with, each document or other matter required thereunder to be consented to or approved by or acceptable or satisfactory to a Bank unless the Administrative Agent shall have received notice from such Bank prior to the proposed Closing Date specifying its objection thereto.

11.5. Notice of Default. The Administrative Agent shall not be deemed to have knowledge or notice of the occurrence of any Default or Unmatured Default, except with respect to defaults in the payment of principal, interest and fees required to be paid to the Administrative Agent for the account of the Banks, unless the Administrative Agent shall have received written notice from a Bank or the Borrower referring to this Agreement, describing such Default and stating that such notice is a "notice of default." The Administrative Agent will notify the Banks of its receipt of any such notice. The Administrative Agent shall take such action with respect to such Default as may be directed by the Majority Banks in accordance with Article VIII; provided, however, that unless and until the Administrative Agent has received any such direction, the Administrative Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Default as it shall deem advisable or in the best interest of the Banks.

11.6. Credit Decision; Disclosure of Information by Administrative Agent. Each Bank acknowledges that no Administrative Agent-Related Person has made any representation or warranty to it, and that no act by the Administrative Agent hereafter taken, including any consent to and acceptance of any assignment or review of the affairs of Borrower and its Subsidiaries or Affiliates thereof, shall be deemed to constitute any representation or warranty by any Administrative Agent-Related Person to any Bank as to any matter, including whether Administrative Agent-Related Persons have disclosed material information in their possession. Each Bank represents to the Administrative Agent that it has, independently and without reliance upon any Administrative Agent-Related Person and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, prospects, operations, property, financial and other condition and creditworthiness of the Borrower and its Subsidiaries, and all applicable bank or other regulatory Laws relating to the transactions contemplated hereby, and made its own decision to enter into this Agreement and to extend credit to the Borrower hereunder. Each Bank also represents that it will, independently and without reliance upon any Administrative Agent-Related Person and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit analysis, appraisals and decisions in taking or not taking action under this Agreement and the other Loan Documents, and to make such investigations as it deems necessary to inform itself as to the business, prospects, operations, property, financial and other condition and creditworthiness of the Borrower. Except for notices, reports and other documents expressly required to be furnished to the Banks by the Administrative Agent herein, the Administrative Agent shall not have any duty or responsibility to provide any Bank with any credit or other information concerning the business, prospects, operations, property, financial and other condition or creditworthiness of Borrower or any of its Affiliates which may come into the possession of any Administrative Agent-Related Person.

11.7. Indemnification of Administrative Agent. Whether or not the transactions contemplated hereby are consummated, the Banks shall indemnify upon demand each Administrative Agent-Related Person (to the extent not reimbursed by or on behalf of Borrower and without limiting the obligation of Borrower to do so), pro rata, and hold harmless each Administrative Agent-Related Person from and against any and all Indemnified Liabilities incurred by it; provided, however, that no Bank shall be liable for the payment to any Administrative Agent-Related Person of any portion of such Indemnified Liabilities to the extent determined in a final, nonappealable judgment by a court of competent jurisdiction to have resulted from such Administrative Agent-Related Person's own gross negligence or willful misconduct; provided, however, that no action taken in accordance with the directions of the Majority Banks shall be deemed to constitute gross negligence or willful misconduct for purposes of this Section. Without limitation of the foregoing, each Bank shall reimburse the Administrative Agent upon demand for its ratable share of any costs or out-of-pocket expenses (including Attorney Costs) incurred by the Administrative Agent in connection with the preparation, execution, delivery, administration, modification, amendment or enforcement (whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under, this Agreement, any other Loan Document, or any document contemplated by or referred to herein, to the extent that the Administrative Agent is not reimbursed for such expenses by or on behalf of the Borrower. The undertaking in this Section shall survive termination of the Commitments, the payment of all other Obligations and the resignation of the Administrative Agent.

11.8. Administrative Agent in Individual Capacity. Bank of America and its Affiliates may make loans to, accept deposits from, acquire equity interests in and generally engage in any kind of banking, trust, financial advisory, underwriting or other business with Borrower and its Affiliates as though Bank of America were not the Administrative Agent hereunder and without notice to or consent of the Banks. The Banks acknowledge that, pursuant to such activities, Bank of America or its Affiliates may receive information regarding Borrower or its Affiliates (including information that may be subject to confidentiality obligations in favor of Borrower or such Affiliate) and acknowledge that the Administrative Agent shall be under no obligation to provide such information to them. With respect to its Loans, Bank of America shall have the same rights and powers under this Agreement as any other Bank and may exercise such rights and powers as though it were not the Administrative Agent, and the terms "Bank" and "Banks" include Bank of America in its individual capacity.

11.9. Successor Administrative Agent. The Administrative Agent may, and at the request of the Majority Banks shall, resign as Administrative Agent upon 30 days' notice to the Banks. If the Administrative Agent resigns under this Agreement, the Majority Banks shall appoint from among the Banks a successor administrative agent for the Banks, which successor administrative agent shall be consented to by the Borrower at all times other than during the existence of a Default (which consent of the Borrower shall not be unreasonably withheld or delayed). If no successor administrative agent is appointed prior to the effective date of the resignation of the Administrative Agent, the Administrative Agent

may appoint, after consulting with the Banks and the Borrower, a successor administrative agent from among the Banks. Upon the acceptance of its appointment as successor administrative agent hereunder, the Person acting as such successor administrative agent shall succeed to all the rights, powers and duties of the retiring Administrative Agent and the term "Administrative Agent" shall mean such successor agent and the retiring Administrative Agent's appointment, powers and duties as Administrative Agent shall be terminated. After any retiring Administrative Agent's resignation hereunder as Administrative Agent, the provisions of this Article XI and Section 10.7 shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Administrative Agent under this Agreement. If no successor administrative agent has accepted appointment as Administrative Agent by the date which is 30 days following a retiring Administrative Agent's notice of resignation, the retiring Administrative Agent's resignation shall nevertheless thereupon become effective and the Banks shall perform all of the duties of the Administrative Agent hereunder until such time, if any, as the Majority Banks appoint a successor agent as provided for above.

11.10. Foreign Banks. Each Bank that is a "foreign corporation, partnership or trust" within the meaning of the Code shall deliver to the Administrative Agent, prior to receipt of any payment subject to withholding under the Code (or after accepting an assignment of an interest herein), two duly signed completed copies of either IRS Form W-8BEN or any successor thereto (relating to such Person and entitling it to an exemption from, or reduction of, withholding tax on all payments to be made to such Person by the Borrower pursuant to this Agreement) or IRS Form W-8ECI or any successor thereto (relating to all payments to be made to such Person by the Borrower pursuant to this Agreement) or such other evidence satisfactory to the Borrower and the Administrative Agent that such Person is entitled to an exemption from, or reduction of, U.S. withholding tax. Thereafter and from time to time, each such Person shall, to the extent it may lawfully do so, (a) promptly submit to the Administrative Agent such additional duly completed and signed copies of one of such forms (or such successor forms as shall be adopted from time to time by the relevant United States taxing authorities) as may then be available under then current United States laws and regulations to avoid, or such evidence as is satisfactory to the Borrower and the Administrative Agent of any available exemption from or reduction of, United States withholding taxes in respect of all payments to be made to such Person by the Borrower pursuant to this Agreement, (b) promptly notify the Administrative Agent of any change in circumstances which would modify or render invalid any claimed exemption or reduction, and (c) take such steps as shall not be materially disadvantageous to it, in the reasonable judgment of such Bank, and as may be reasonably necessary (including the re-designation of its Lending Office) to avoid any requirement of applicable Laws that the Borrower make any deduction or withholding for taxes from amounts payable to such Person. If such Person, to the extent it may lawfully do so, fails to deliver the above forms or other documentation, then the Administrative Agent may withhold from any interest payment to such Person an amount equivalent to the applicable withholding tax imposed by Sections 1441 and 1442 of the Code, without reduction. If any Governmental Authority asserts that the Administrative Agent did not properly withhold any tax or other amount from payments made in respect of such Person, such Person shall indemnify the Administrative Agent therefor, including all penalties and interest, any taxes imposed by any jurisdiction on the amounts payable to the Administrative Agent under this Section, and costs and expenses (including Attorney Costs) of the Administrative Agent. The obligations of the Banks under this Section shall survive the payment of all Obligations and the resignation or replacement of the Administrative Agent.

11.11. Administrative Agent May File Proofs of Claim. In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceeding relative to Borrower, the Administrative Agent (irrespective of whether the principal of any Loan shall then be due and payable as herein expressed or by declaration or otherwise and irrespective of whether the Administrative Agent shall have made any demand on the Borrower) shall be entitled and empowered, by intervention in such proceeding or otherwise

(a) to file and prove a claim for the whole amount of the principal and interest owing and unpaid in respect of the Loans and all other Obligations that are owing and unpaid and to file such other documents as may be necessary or advisable in order to have the claims of the Banks and the Administrative Agent (including any claim for the reasonable compensation, expenses, disbursements and advances of the Banks and the Administrative Agent and their respective agents and counsel and all other amounts due the Banks and the Administrative Agent under Sections 2.4 and 10.7 allowed in such judicial proceeding; and

(b) to collect and receive any monies or other property payable or deliverable on any such claims and to distribute the same;

and any custodian, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceeding is hereby authorized by each Bank to make such payments to the Administrative Agent and, in the event that the Administrative Agent shall consent to the making of such payments directly to the Banks, to pay to the Administrative Agent any amount due for the reasonable compensation, expenses, disbursements and advances of the Administrative Agent and its agents and counsel, and any other amounts due the Administrative Agent under Sections 2.4 and 10.7.

Nothing contained herein shall be deemed to authorize the Administrative Agent to authorize or consent to or accept or adopt on behalf of any Bank any plan of reorganization, arrangement, adjustment or composition affecting the Obligations or the rights of any Bank or to authorize the Administrative Agent to vote in respect of the claim of any Bank in any such proceeding.

11.12. Other Agents; Co-Lead Arrangers. None of the Persons identified in this Agreement as a "Syndication Agent," "Co- Documentation Agent" or "Co-Arranger" shall have any right, power, obligation, liability, responsibility or duty under this Agreement other than those applicable to all Banks as such. Without limiting the foregoing, none of the Persons so identified shall have or be deemed to have any fiduciary relationship with any Bank. Each Bank acknowledges that it has not relied, and will not rely, on any of the Persons so identified in deciding to enter into this Agreement or in taking or not taking action hereunder.

ARTICLE XII

SETOFF; RATABLE PAYMENTS

12.1. Setoff. In addition to any rights and remedies of the Banks provided by law, if the Borrower becomes insolvent, however evidenced, or any Default or Unmatured Default occurs and is continuing, each Bank is authorized at any time and from time to time, without prior notice to the Borrower, any such notice being waived by the Borrower to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held by, and other indebtedness at any time owing by, such Bank to or for the credit or the account of the Borrower against any and all Obligations owing to such Bank, now or hereafter existing, irrespective of whether or not the Administrative Agent or such Bank shall have made demand under this Agreement or any other Loan Document and although such Obligations may be contingent or unmatured. Each Bank agrees promptly to notify the Borrower and the Administrative Agent after any such set-off and application made by such Bank; provided, however, that the failure to give such notice shall not affect the validity of such set-off and application.

12.2. Ratable Payments. If any Bank, whether by setoff or otherwise, has payment made to it upon its Loans in a greater proportion than that received by any other Bank (except as specifically contemplated by the terms of this Agreement), such Bank agrees, promptly upon demand, to purchase a portion of the Loans held by the other Banks so that after such purchase each Bank will hold its ratable proportion of Loans. If any Bank, whether in connection with setoff or amounts which might be subject to setoff or otherwise, receives collateral or other protection for its Obligations or such amounts which may be subject to set off, such Bank agrees, promptly upon demand, to take such action necessary such that all Banks share in the benefits of such collateral ratably in proportion to their Loans. In case any such payment is disturbed by legal process, or otherwise, appropriate further adjustments shall be made. Nothing in this Section shall impair the right of any Bank to exercise any right of set-off or counterclaim it may have and apply the amount subject to such exercise to the payment of indebtedness of the Borrower other than the Obligations.

ARTICLE XIII **BENEFIT OF AGREEMENT; ASSIGNMENTS; PARTICIPATIONS**

13.1 Successors and Assigns.

(a) The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby, except that the Borrower may not assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of each Bank and no Bank may assign or otherwise transfer any of its rights or obligations hereunder except (i) to an Eligible Assignee in accordance with the provisions of subsection (b) of this Section or (ii) by way of participation in accordance with the provisions of subsection (d) of this Section (and any other attempted assignment or transfer by any party hereto shall be null and void). Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby, Participants to the extent provided in subsection (d) of this Section and, to the extent expressly contemplated hereby, the Indemnitees) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b) Any Bank may at any time assign to one or more Eligible Assignees all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans at the time owing to it); provided that (i) except in the case of an assignment of the entire remaining amount of the assigning Bank's Commitment and the Loans at the time owing to it or in the case of an assignment to a Bank or an Affiliate of a Bank or an Approved Fund (as defined in subsection (g) of this Section) with respect to a Bank, the aggregate amount of the Commitment (which for this purpose includes Loans outstanding thereunder) subject to each such assignment, determined as of the date the Assignment and Assumption with respect to such assignment is delivered to the Administrative Agent or, if "Trade Date" is specified in the Assignment and Assumption, as of the Trade Date, shall not be less than \$10,000,000 unless each of the Administrative Agent and, so long as no Default has occurred and is continuing, the Borrower otherwise consents (each such consent not to be unreasonably withheld or delayed); (ii) each partial assignment shall be made as an assignment of a proportionate part of all the assigning Bank's rights and obligations under this Agreement with respect to the Loans or the Commitment assigned, except that this clause (ii) shall not apply to rights in respect of Competitive Bid Loans; (iii) any assignment of a Commitment must be approved by the Administrative Agent, which approval shall not be unreasonably withheld or delayed, unless the Person that is the proposed assignee is itself a Bank or an Affiliate of a Bank (whether or not the proposed assignee would otherwise qualify as an Eligible Assignee); and (iv) the parties to each assignment shall execute and deliver to the Administrative Agent an Assignment and Assumption, together with a processing and recordation fee of \$3,500. Subject to acceptance and recording thereof by the Administrative Agent pursuant to subsection (c) of this Section, from and after the effective date specified in each Assignment and Assumption, the Eligible Assignee thereunder, if not already a party hereto, shall become a party to this Agreement and, to the extent of the interest assigned by such Assignment and Assumption, have the rights and obligations of a Bank under this Agreement, and the assigning Bank thereunder shall, to the extent of the interest assigned by such Assignment and Assumption, be released from its obligations under this Agreement (and, in the case of an Assignment and Assumption covering all of the assigning Bank's rights and obligations under this Agreement, such Bank shall cease to be a party hereto but shall continue to be entitled to the benefits of Sections 3.1, 3.2, 3.4 and 10.7 with respect to facts and circumstances occurring prior to the effective date of such assignment). Upon request, the Borrower (at its expense) shall execute and deliver a Note to the assignee Bank.

(c) The Administrative Agent, acting solely for this purpose as an agent of the Borrower, shall maintain at the Administrative Agent's Office a copy of each Assignment and Assumption delivered to it and a register for the recordation of the names and addresses of the Banks, and the Commitments of, and principal amounts of the Loans owing to, each Bank pursuant to the terms hereof from time to time (the "Register"). The entries in the Register shall be conclusive, and the Borrower, the Administrative Agent and the Banks may treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Bank hereunder for all purposes of this Agreement, notwithstanding notice to the contrary. The Register shall be available for inspection by the Borrower and any Bank, at any reasonable time and from time to time upon reasonable prior notice.

(d) Any Bank may at any time, without the consent of, or notice to, the Borrower or the Administrative Agent, sell participations to any Person

(other than a natural person or the Borrower or any of the Borrower's Affiliates or Subsidiaries) (each, a "Participant") in all or a portion of such Bank's rights and/or obligations under this Agreement (including all or a portion of its Commitment and/or the Loans owing to it); provided that (i) such Bank's obligations under this Agreement shall remain unchanged, (ii) such Bank shall remain solely responsible to the other parties hereto for the performance of such obligations and (iii) the Borrower, the Administrative Agent and the other Banks shall continue to deal solely and directly with such Bank in connection with such Bank's rights and obligations under this Agreement. Any agreement or instrument pursuant to which a Bank sells such a participation shall provide that such Bank shall retain the sole right to enforce this Agreement and to approve any amendment, modification or waiver of any provision of this Agreement. Subject to subsection (e) of this Section, the Borrower agrees that each Participant shall be entitled to the benefits of Sections 3.1, 3.2 and 3.4 to the same extent as if it were a Bank and had acquired its interest by assignment pursuant to subsection (b) of this Section. To the extent permitted by law, each Participant also shall be entitled to the benefits of Section 12.1 as though it were a Bank, provided such Participant agrees to be subject to Section 12.2 as though it were a Bank.

(e) A Participant shall not be entitled to receive any greater payment under Section 3.1 or 3.4 than the applicable Bank would have been entitled to receive with respect to the participation sold to such Participant, unless the sale of the participation to such Participant is made with the Borrower's prior written consent. A Participant that would be a Foreign Bank if it were a Bank shall not be entitled to the benefits of Section 3.1 unless the Borrower is notified of the participation sold to such Participant and such Participant agrees, for the benefit of the Borrower, to comply with Section 11.10 as though it were a Bank.

(f) Any Bank may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement (including under its Note, if any) to secure obligations of such Bank, including any pledge or assignment to secure obligations to a Federal Reserve Bank; provided that no such pledge or assignment shall release such Bank from any of its obligations hereunder or substitute any such pledgee or assignee for such Bank as a party hereto.

(g) As used herein, the following terms have the following meanings:

"Eligible Assignee" means (a) a Bank; (b) an Affiliate of a Bank; (c) an Approved Fund; and (d) any other Person (other than a natural person) approved by (i) the Administrative Agent, and (ii) unless a Default has occurred and is continuing, the Borrower (each such approval not to be unreasonably withheld or delayed); provided that notwithstanding the foregoing, "Eligible Assignee" shall not include the Borrower or any of the Borrower's Affiliates or Subsidiaries.

"Fund" means any Person (other than a natural person) that is (or will be) engaged in making, purchasing, holding or otherwise investing in commercial loans and similar extensions of credit in the ordinary course of its business.

"Approved Fund" means any Fund that is administered or managed by (a) a Bank, (b) an Affiliate of a Bank or (c) an entity or an Affiliate of an entity that administers or manages a Bank.

[Remainder of page intentionally left blank.]

IN WITNESS WHEREOF, the Borrower, the Banks and the Administrative Agent have executed this Agreement as of the date first above written.

NIKE, INC., as the Borrower

By: _____
Marcia A. Stilwell
Treasurer
One Bowerman Drive
Beaverton, OR 97005-6453
Attention: Marcia A. Stilwell, Treasurer
Telephone: (503) 532-2100
Facsimile: (503) 532-2616

**BANK OF AMERICA N.A.,
as Administrative Agent**

By: _____
Annie Cuenco
Assistant Vice President

**BANK OF AMERICA N.A.,
as a Bank**

By: _____
J. Casey Cosgrove
Vice President

Send Notices for Advances/Conversions/Continuations to:

Bank of America N.A.

1850 Gateway Blvd.
Concord, CA 94520-3282
Attn: Sally Escosa, Credit Services Rep.
Telephone: (925) 675-8421
Facsimile: (888) 969-2637
Email: rosalia.m.escosa@bankofamerica.com

Send All Other Notices to:

Bank of America N.A.

Mail Code: CA5-701-05-19
1455 Market Street, 5th Floor
San Francisco, CA 94103
Attn: Annie Cuenco
Telephone: (415) 436-4008
Facsimile: (415) 503-5007
Email: anna.cuenco@bankofamerica.com

With a copy to:

Bank of America, N.A.

Mail Code: IL1-231-10-06
231 S. La Salle Street
Chicago, IL 60604
Attn: J. Casey Cosgrove, Vice President

CITICORP USA, INC.,
as Syndication Agent and as a Bank

By: _____
Name:
Title:

Send Notices for Advances/Conversions/Continuations to:

Citibank, N.A.

Two Penns Way
New Castle, DE 19720
Attn: Sally Schoenleber, Loan
Administrator
Tel: (302) 894-6061
Fax: (302) 894-6120

Send All Other Notices to:

Citicorp North America.

787 W. 5th St., 29th Fl.
Los Angeles, CA 90071
Attn: Deborah Ironson, Managing Director
Tel: (213) 239-1424
Fax: (213) 623-3592

HSBC BANK USA,
as Co-Documentation Agent and as a Bank
By: _____

Name:
Title:

Send Notices for Advances/Conversions/Continuations to:

HSBC Bank USA
1 HSBC Center, 26th Floor
Buffalo, NY 14203
Attn: Donna Riley, Loan Administrator
Telephone: (716) 841-4178
Facsimile: (716) 841-0269

Send All Other Notices to:

HSBC Bank USA
452 Fifth Avenue, 5th Floor
New York, NY 10018
Attn: Jeremy Bollington, Senior Vice
President
Telephone: (212) 525-2499
Facsimile: (212) 575-2479

THE BANK OF TOKYO-MITSUBISHI, LTD.,
as Co-Documentation Agent and as a Bank
By: _____

Name:
Title:

Send Notices for Advances/Conversions/Continuations to:

The Bank of Tokyo-Mitsubishi, Ltd.

2300 Pacwest Center
1211 S. W. Fifth Ave.
Portland, OR 97204
Attn: Hiroki Nakazawa, Vice President and
Manager
Telephone: (503) 222-5130
Facsimile: (503) 222-0215

Send All Other Notices to:

The Bank of Tokyo-Mitsubishi, Ltd.
2300 Pacwest Center
1211 S. W. Fifth Ave.
Portland, OR 97204

Attn: Hiroki Nakazawa, Vice President and Manager Telephone: (503) 222-5130 Facsimile: (503) 222-0215

DEUTSCHE BANK AG NEW YORK BRANCH,
as Co-Documentation Agent and as a Bank
By: _____

Name:
Title:

By: _____
Name:
Title:

Send Notices for Advances/Conversions/Continuations to:

Deutsche Bank AG New York Branch 90 Hudson Street (Mailstop JCY05-0511) Jersey City, NJ 07302 Attn: Carmen Melendez Telephone: (201) 593-2224 Facsimile: (201) 593-2313/2314

Send All Other Notices to:

Deutsche Bank AG New York Branch 90 Hudson Street (Mailstop JCY05-0511) Jersey City, NJ 07302 Attn: Carmen Melendez Telephone: (201) 593-2224 Facsimile: (201) 593-2313/2314

BANK ONE, NA
as a Bank

By: _____

Name:

Title:

Send Notices for Advances/Conversions/Continuations to:

Bank One, NA 131 South Dearborn IL1-0010
Chicago, IL 60603 Attn: Deborah A. Turner Telephone: (312) 385-7081 Facsimile: (312) 385-7097

Send All Other Notices to:

Bank One, NA 333 South Grand Avenue, 36th Floor Los Angeles, CA 90017 Attn: Betty Francis-Samilton Telephone: (213) 576-1514
Facsimile: (213) 576-1565

With a Copy to:

Bank One, NA
333 South Grand Avenue, 36th Floor
Los Angeles, CA 90017
Attn: Kandis A. Jaffrey
Telephone: (213) 576-1520
Facsimile: (213) 576-1565

ROYAL BANK OF CANADA,
as a Bank

By: _____

Name:

Title:

Send All Notices to:

Royal Bank of Canada New York Branch One Liberty Plaza, 4th Floor New York, NY 10006-1404 Attn: Manager, Loans Administration
Telephone: (212) 428-6369 Facsimile: (212) 428-2372

With Copies to:

Royal Bank of Canada
New York Branch
One Liberty Plaza, 4th Floor
New York, NY 10006-1404
Attn: Credit and Transaction Management
Telephone: (212) 428-6249
Facsimile: (212) 428-2319

Royal Bank of Canada
New York Branch
One Liberty Plaza, 4th Floor
New York, NY 10006-1404
Attn: Dana Dratch
Telephone: (212) 428-2325
Facsimile: (212) 428-6459

THE NORTHERN TRUST COMPANY,
as a Bank

By: _____

Name:

Title:

Send Notices for Advances/Conversions/Continuations to:

The Northern Trust Company 50 S. LaSalle St.

Chicago, IL 60675
Attn: Linda Honda
Telephone: (312) 444-3532
Facsimile: (312) 630-1566

Send All Other Notices to:

The Northern Trust Company 50 S. LaSalle St.

Chicago, IL 60675
Attn: Linda Honda
Telephone: (312) 444-3532
Facsimile: (312) 630-1566

**U.S. BANK NATIONAL ASSOCIATION,
as a Bank**

By: _____

Name:

Title:

Send Notices for Advances/Conversions/Continuations to:

U.S. Bank National Association 555 S. W. Oak St., PD-OR-P4CB, 4th Floor Portland, OR 97204 Attn: Janet E. Jordan, Vice President
Telephone: (503) 275-5871 Facsimile: (503) 275-5428

Send All Other Notices to:

U.S. Bank National Association 555 S. W. Oak St., PD-OR-P7LN, 7th Floor Portland, OR 97204 Attn: Lennie Regalado, Participation Specialist
Telephone: (503) 275-4395 Facsimile: (503) 275-4600

**WELLS FARGO BANK, N.A.,
as a Bank**

By: _____

Steven J. Anderson
Senior Vice President

Send Notices for Advances/Conversions/Continuations to:

Wells Fargo Bank, N.A.

300 S.W. 5th Avenue, 7th Floor
MAC P6101-076
Portland, OR 97201
Attn: Lisa Larpenteur, Vice President
Telephone: (503) 886-2216
Facsimile: (503) 886-2211

Send All Other Notices to:

Wells Fargo Bank, N.A.

MAC: A0187-081
201 Third St.
San Francisco, CA 94103
Attn: Ginnie Padgett, Vice President and
Manager
Telephone: (415) 477-5374
Facsimile: (415) 512-1943

**WESTPAC BANKING CORPORATION,
as a Bank**

By: _____

Name:

Title:

Send Notices for Advances/Conversions/Continuations to:

Westpac Banking Corporation 575 Fifth Ave., 39th Floor New York, NY 10017 Attn: Andrew Ramsay, Head of Relationship Management
Telephone: (212) 551-1809 Facsimile: (212) 551-2769

Send All Other Notices to:

Westpac Banking Corporation 575 Fifth Ave., 39th Floor New York, NY 10017 Attn: Andrew Ramsay, Head of Relationship Management
Telephone: (212) 551-1809 Facsimile: (212) 551-2769

With a Copy to:

Westpac Banking Corporation
575 Fifth Ave., 39th Floor
New York, NY 10017
Attn: John Hopkins, Vice President &
Legal Counsel
Telephone: (212) 551-1835
Facsimile: (212) 551-2777

FLEET NATIONAL BANK,
as a Bank

By: _____
Name:
Title:

Send Notices for Advances/Conversions/Continuations to:

Fleet National Bank Two Portland Square P.O. Box 1280 Portland, ME 04104 Attn: William Williamson, Sr. Vice President Telephone: (207) 874-5114 Facsimile: (207) 874-5167

Send All Other Notices to:

Fleet National Bank Two Portland Square P.O. Box 1280 Portland, ME 04104 Attn: Peg Cyr, Loan Administrator Telephone: (207) 874-5109
Facsimile: (207) 874-5167

With a Copy to:

Hinkley, Allen & Snyder
1500 Fleet Center
Providence, RI 02903
Attn: Malcolm Farmer, Partner
Telephone: (617) 345-9000
Facsimile: (401) 274-2000

MERRILL LYNCH BANK USA,
as a Bank

By: _____
Name:
Title:

Send Notices for Advances/Conversions/Continuations to:

Merrill Lynch Bank USA 15 W. South Temple, Suite 300 Salt Lake City, UT 84101 Attn: Derek Befus, Portfolio Manager Telephone: (801) 526-6814 Facsimile: (801) 531-7470

Send All Other Notices to:

Merrill Lynch Bank USA
15 W. South Temple, Suite 300
Salt Lake City, UT 4101
Attn: Julie Young, Manager Operations
Telephone: (801) 526-8331
Facsimile: (801) 359-4667

THE ROYAL BANK OF SCOTLAND PLC
as a Bank

By: _____
Name:
Title:

Send Notices for Advances/Conversions/Continuations to:

The Royal Bank of Scotland PLC 101 Park Avenue New York, NY 10178 Attn: Juanita Baird Telephone: (212) 401-1420 Facsimile: (212) 401-1336

Send All Other Notices to:

The Royal Bank of Scotland PLC 101 Park Avenue New York, NY 10178 Attn: Jayne Seaford, Senior Vice President Telephone: (212) 401-3768 Facsimile: (212) 401-3456

DANSKE BANK A/S, CAYMAN BRANCH
as a Bank

By: _____
Name:
Title:

By: _____
Name:
Title:

Send Notices for Advances/Conversions/Continuations to:

Danske Bank A/S, Cayman Branch c/o Danske Bank A/S, New York Branch 299 Park Avenue - 14th Floor New York, NY 10171 Attn: Loan Administration Telephone: (212) 984-8462 Facsimile: (212) 984-9570

Send All Other Notices to:

Danske Bank A/S, Cayman Branch c/o Danske Bank A/S, New York Branch 299 Park Avenue - 14th Floor New York, NY 10171 Attn: Angelo J. Balestrieri, Vice President Telephone: (212) 984-8473 Facsimile: (212) 984-9568

**BANCO SANTANDER CENTRAL HISPANO,
NEW YORK BRANCH**
as a Bank

By: _____
Name:
Title:

Send Notices for Advances/Conversions/Continuations to:

Banco Santander Central Hispano, New York Branch
45 E. 53rd Street New York, NY 10128 Attn: Martha Pulito, Vice President Telephone: (212) 350-3634 Facsimile: (212) 350-3690

Send All Other Notices to:

Banco Santander Central Hispano, New York Branch
45 E. 53rd Street New York, NY 10128 Attn: Martha Pulito, Vice President Telephone: (212) 350-3634 Facsimile: (212) 350-3690

With a Copy to:

Banco Santander Central Hispano, New York

Branch
45 E. 53rd Street
New York, NY 10128
Attn: Ligia Castro, Assistant Vice
President
Telephone: (212) 350-3677
Facsimile: (212) 350-3647/3638

CREDIT LYONNAIS NEW YORK BRANCH
as a Bank

By: _____

Name:

Title:

Send Notices for Advances/Conversions/Continuations to:

Credit Lyonnais New York Branch 515 S. Flower St., Suite 2200 Los Angeles, CA 90071 Attn: Denise Nakamura Telephone: (213) 362-5951
Facsimile: (213) 623-3437

Send All Other Notices to:

Credit Lyonnais New York Branch 515 S. Flower St., Suite 2200 Los Angeles, CA 90071 Attn: Denise Nakamura Telephone: (213) 362-5951
Facsimile: (213) 623-3437

EXHIBIT 10.1

NIKE, INC.
1990 STOCK INCENTIVE PLAN
NON-STATUTORY STOCK OPTION AGREEMENT

Pursuant to the 1990 Stock Incentive Plan (the "Plan") of NIKE, Inc., an Oregon corporation (the "Company"), the Company grants to _____ (the "Optionee") the right and the option (the "Option") to purchase all or any part of _____ shares of the Company's Class B Common Stock at a purchase price of \$_____ per share, subject to the terms and conditions of this agreement between the Company and the Optionee (this "Agreement"). By accepting this Option grant, the Optionee agrees to all of the terms and conditions of the Option grant. The terms and conditions of the Option grant set forth in attached Exhibit A are incorporated into and made a part of this Agreement.

1. Grant Date; Expiration Date. The Grant Date for this Option is _____. The Option shall continue in effect until _____ (the "Expiration Date") unless earlier terminated as provided in Sections 1, 4 or 5 of Exhibit A. The Option shall not be exercisable on or after the Expiration Date.
2. Vesting of Option. The Vesting Reference Date of this Option is _____. Until it expires or is terminated as provided in Sections 1, 4 or 5 of Exhibit A, the Option may be exercised from time to time to purchase whole shares as to which it has become exercisable. The Option shall become exercisable for 25% of the shares on each of the first four anniversaries of the Vesting Reference Date, so that the Option will be fully exercisable on the fourth anniversary of the Vesting Reference Date.
3. Non-Statutory Stock Option. The Company hereby designates the Option to be a non-statutory stock option, rather than an Incentive Stock Option as defined in Section 422 of the United States Internal Revenue Code of 1986, as amended.

NIKE, Inc.

By: /s/Philip H. Knight

Philip H. Knight,
Chief Executive Officer

NIKE, INC.

EXHIBIT A TO
1990 STOCK INCENTIVE PLAN
NON-STATUTORY STOCK OPTION AGREEMENT

1. Termination of Employment or Service.

1.1 General Rule. Except as provided in this Section 1, the Option may not be exercised unless at the time of exercise the Optionee is employed by or in the service of the Company and shall have been so employed or provided such service continuously since the Grant Date. For purposes of this Exhibit A, the Optionee is considered to be employed by or in the service of the Company if the Optionee is employed by or in the service of the Company or any parent or subsidiary corporation of the Company (an "Employer").

1.2 Termination Generally. If the Optionee's employment or service with the Company terminates for any reason other than because of the Optionee's total disability, death or retirement as provided in Sections 1.3, 1.4 or 1.5, the Option may be exercised at any time before the Expiration Date or the expiration of three months after the date of termination, whichever is the shorter period, but only if and to the extent the Optionee was entitled to exercise the Option at the date of termination.

1.3 Termination Because of Total Disability. If the Optionee's employment or service with the Company terminates because of total disability, the Option shall immediately become exercisable in full and may be exercised at any time before the Expiration Date or before the date that is one year after the date of termination, whichever is the shorter period. The term "total disability" means a medically determinable mental or physical impairment that is expected to result in death or has lasted or is expected to last for a continuous period of 12 months or more and that, in the opinion of the Company and two independent physicians, causes the Optionee to be unable to perform duties as an employee, director, officer or consultant of the Employer and unable to be engaged in any substantial gainful activity. Total disability shall be deemed to have occurred on the first day after the two independent physicians have furnished their written opinion of total disability to the Company and the Company has reached an opinion of total disability.

1.4 Termination Because of Death. If the Optionee dies while employed by or in the service of the Company, the Option shall immediately become exercisable in full and may be exercised at any time before the Expiration Date or before the date that is one year after the date of death, whichever is the shorter period, but only by the person or persons to whom the 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.

1.5 Termination Because of Retirement. If the Optionee's employment or service with the Company terminates because of the Optionee's

retirement, the Option may be exercised at any time before the Expiration Date or before the expiration of three months after the date of termination, whichever is the shorter period, but only to the extent specified in this

Section 1.5. For purposes of this Section 1.5, the term "retirement" means a termination of employment or service that occurs at a time when (a) the Optionee's retirement point total is at least 55, and (b) the Optionee has been employed by or in the service of the Company or a parent or subsidiary corporation of the Company for at least five full years. For purposes of this

Section 1.5, the term "retirement point total" means the sum of the Optionee's age in full years plus the number of full years that the Optionee has been employed by or in the service of the Company or a parent or subsidiary corporation of the Company. Upon the Optionee's 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%

1.6 Absence on Leave. Absence on leave or on account of illness or disability under rules established by the committee of the Board of Directors of the Company appointed to administer the Plan (the "Committee") shall not be deemed an interruption of employment or service.

1.7 Failure to Exercise Option. To the extent that following termination of employment or service, the Option is not exercised within the applicable periods described above, all further rights to purchase shares pursuant to the Option shall cease and terminate.

2. Method of Exercise of Option. The Option may be exercised only by notice in writing from the Optionee to the Company of the Optionee's binding commitment to purchase shares, specifying the number of shares the Optionee desires to purchase under the Option and the date on which the Optionee agrees to complete the transaction and, if required to comply with the Securities Act of 1933, containing a representation that it is the Optionee's intention to acquire the shares for investment and not with a view to distribution. On or before the date specified for completion of the purchase, the Optionee must pay the Company the full purchase price of those shares in cash or by check. Unless the Committee determines otherwise, no shares shall be issued until full payment for the shares has been made, including all amounts owed for tax withholding. The Optionee shall, immediately upon notification of the amount due, if any, pay to the Company in cash or by check amounts necessary to satisfy any applicable federal, state and local tax withholding requirements. If additional withholding is or becomes required (as a result of exercise of the Option or as a result of disposition of shares acquired pursuant to exercise of the Option) beyond any amount deposited before delivery of the certificates, the Optionee shall pay such amount to the Company, in cash or by check, on demand. If the Optionee fails to pay the amount demanded, the Company or the Employer may withhold that amount from other amounts payable to the Optionee, including salary, subject to applicable law.

3. Nontransferability. The Option is nonassignable and nontransferable by the Optionee, either voluntarily or by operation of law, except as provided below and except 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, and during the Optionee's lifetime, the Option is exercisable only by the Optionee. The Option shall also be transferable pursuant to a qualified domestic relations order as defined under the Internal Revenue Code of 1986 or Title I of the Employee Retirement Income Security Act. Following any permitted transfer, the Option shall continue to be subject to the same terms and conditions as were applicable immediately prior to the transfer, provided that, except for purposes of Section 1, the term "Optionee" shall be deemed to refer to the transferee. All references in Section 1 to employment or service, termination of employment or service and total disability, death and retirement shall continue to be applied with respect to the original Optionee. Following any termination of employment or service or total disability, death or retirement of the original Optionee as described in Section 1, the Option shall be exercisable by the transferee only to the extent and for the periods specified.

4. 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 subject to the Option, or the unexercised portion thereof, so that the Optionee's proportionate interest before and after the occurrence of the event is maintained; provided, however, that this Section 4 shall not apply with respect to Approved Transactions (as defined below). 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 any merger, consolidation or plan of exchange affecting the Company to which Section 5 does not apply, the Committee may, in its sole discretion, provide a 30-day period prior to such event during which the Optionee shall have the right to exercise the Option, in whole or in part, without any limitation on exercisability, and upon the expiration of such 30-day period, the Option shall immediately terminate.

5. Special Acceleration in Certain Events. Notwithstanding any other provision in this Agreement, the Option shall, at any time when the shareholders of the Company approve an Approved Transaction, immediately become exercisable in full during the remainder of the term of the Option; provided, however, that the Committee may, in its sole discretion, provide a 30-day period prior to the Approved Transaction

during which the Optionee shall have the right to exercise the Option, in whole or in part, without any limitation on exercisability, and upon the expiration of such 30-day period, the Option shall immediately terminate. For purposes of this Section 5, the term "Approved Transaction" means (a) any consolidation, merger, plan of exchange or transaction involving the Company (a "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 (b) 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.

6. Conditions on Obligations. The Company shall not be obligated to issue shares of Class B Common Stock upon exercise of the Option if the Company is advised by its legal counsel that such issuance would violate applicable state or federal laws, including securities laws. The Company will use its best efforts to take steps required by state or federal law or applicable regulations in connection with issuance of shares upon exercise of the Option.

7. No Right to Employment or Service. Nothing in the Plan or this Agreement shall (a) confer upon the Optionee any right to be continued in the employment of an Employer or interfere in any way with the Employer's right to terminate the Optionee's employment at will at any time, for any reason, with or without cause, or to decrease the Optionee's compensation or benefits, or (b) confer upon the Optionee any right to be retained or employed by the Employer or to the continuation, extension, renewal or modification of any compensation, contract or arrangement with or by the Employer. The determination of whether to grant any option under the Plan is made by the Company in its sole discretion. The grant of the Option shall not confer upon the Optionee any right to receive any additional option or other award under the Plan or otherwise.

8. Successors of Company. This Agreement shall be binding upon and shall inure to the benefit of any successor of the Company but, except as provided herein, the Option may not be assigned or otherwise transferred by the Optionee.

9. Rights as a Shareholder. The Optionee shall have no rights as a shareholder with respect to any shares of Class B Common Stock until the date the Optionee becomes the holder of record of those shares. No adjustment shall be made for dividends or other rights for which the record date occurs before the date the Optionee becomes the holder of record.

10. Amendments. The Company may at any time amend this Agreement to extend the expiration periods provided in Section 1 or to increase the portion of the Option that is exercisable. Otherwise, this Agreement may not be amended without the written consent of the Optionee and the Company.

11. Committee Determinations. The Optionee agrees to accept as binding, conclusive and final all decisions and interpretations of the Committee or other administrator of the Plan as to the provisions of the Plan or this Agreement or any questions arising thereunder.

12. Governing Law. This Agreement shall be governed by the laws of the state of Oregon.

13. Complete Agreement. This Agreement constitutes the entire agreement between the Optionee and the Company, both oral and written concerning the matters addressed herein, and all prior agreements or representations concerning the matters addressed herein, whether written or oral, express or implied, are terminated and of no further effect.

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

	Six Months Ended November 30,	
	2003	2002
	(in millions)	
Net income	\$440.3	\$103.1
Income taxes	235.0	194.5
Cumulative effect of accounting change	--	266.1
	<hr/>	<hr/>
Income before income taxes and cumulative effect of accounting change	675.3	563.7
	<hr/>	<hr/>
Add fixed charges		
Interest expense (A)	22.8	22.2
Interest component of leases (B)	33.5	30.0
	<hr/>	<hr/>
Total fixed charges	56.3	52.2
	<hr/>	<hr/>
Earnings before income taxes and fixed charges (C)	\$731.5	\$615.1
	=====	=====
Ratio of earnings to total fixed charges	13.0	11.8
	=====	=====

(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: January 12, 2004

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: January 12, 2004

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 November 30, 2003 (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: January 12, 2004

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 November 30, 2003 (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: January 12, 2004

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.