

NIKE INC

FORM 10-Q (Quarterly Report)

Filed 10/15/01 for the Period Ending 08/31/01

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

NIKE INC

FORM 10-Q (Quarterly Report)

Filed 10/15/2001 For Period Ending 8/31/2001

Address	ONE BOWERMAN DR BEAVERTON, Oregon 97005-6453
Telephone	503-671-3173
CIK	0000320187
Industry	Footwear
Sector	Consumer Cyclical
Fiscal Year	05/31

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the Quarter Ended August 31, 2001 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 (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 X No .

Common Stock shares outstanding as of August 31, 2001 were:

Class A	99,122,734
Class B	169,500,843
	<u>268,623,577</u>
	=====

PART 1 - FINANCIAL INFORMATION

Item 1. Financial Statements

NIKE, Inc.

CONDENSED CONSOLIDATED BALANCE SHEET

August 31,	May 31,
2001	2001
<hr/>	
(in millions)	

ASSETS

Current assets:		
Cash and equivalents	\$ 364.9	\$ 304.0
Accounts receivable	1,784.1	1,621.4
Inventories (Note 5)	1,486.8	1,424.1
Deferred income taxes	125.3	113.3
Prepaid expenses and other current assets	219.9	162.5
	<hr/>	<hr/>
Total current assets	3,981.0	3,625.3
Property, plant and equipment	2,630.1	2,552.8
Less accumulated depreciation	991.5	934.0
	<hr/>	<hr/>
	1,638.6	1,618.8
Identifiable intangible assets and goodwill	394.2	397.3
Deferred income taxes and other assets	264.3	178.2
	<hr/>	<hr/>
	\$6,278.1	\$5,819.6
	=====	=====

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:		
Current portion of long-term debt	\$ 55.6	\$ 5.4
Notes payable	550.0	855.3
Accounts payable	445.0	432.0
Accrued liabilities	693.3	472.1
Income taxes payable	110.1	21.9
	<hr/>	<hr/>
Total current liabilities	1,854.0	1,786.7
Long-term debt	638.0	435.9
Deferred income taxes and other liabilities	104.6	102.2
Commitments and contingencies (Note 7)	--	--
Redeemable preferred stock	0.3	0.3
Shareholders' equity:		
Common stock at stated value:		
Class A convertible-99.1 and 99.1 shares outstanding	0.2	0.2
Class B-169.5 and 169.5 shares outstanding	2.6	2.6
Capital in excess of stated value	466.4	459.4
Unearned stock compensation	(9.7)	(9.9)
Accumulated other comprehensive income	(120.1)	(152.1)
Retained earnings	3,341.8	3,194.3
	<hr/>	<hr/>
Total shareholders' equity	3,681.2	3,494.5
	<hr/>	<hr/>
	\$6,278.1	\$5,819.6
	=====	=====

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

NIKE, Inc.

CONDENSED CONSOLIDATED STATEMENT OF INCOME

	Three Months Ended August 31,	
	<hr/>	
	2001	2000
	<hr/>	<hr/>
	(in millions, except per share data)	
Revenues	\$2,613.7	\$2,636.7
Costs and expenses:	<hr/>	<hr/>

Cost of sales	1,584.8	1,569.2
Selling and administrative	696.2	701.1
Interest	13.0	15.4
Other expense, net	5.5	20.0
	<hr/>	<hr/>
	2,299.5	2,305.7
	<hr/>	<hr/>
Income before income taxes and cumulative effect of accounting change	314.2	331.0
Income taxes	110.0	120.8
	<hr/>	<hr/>
Income before cumulative effect of accounting change	204.2	210.2
Cumulative effect of accounting change, net of income taxes	5.0	--
	<hr/>	<hr/>
Net income	\$ 199.2	\$ 210.2
	=====	=====
Basic earnings per common share (Note 4):		
Before accounting change	0.76	0.78
Cumulative effect of accounting change	(.02)	--
	<hr/>	<hr/>
	0.74	0.78
	=====	=====
Diluted earnings per common share (Note 4):		
Before accounting change	0.75	0.77
Cumulative effect of accounting change	(.02)	--
	<hr/>	<hr/>
	0.73	0.77
	=====	=====
Dividends declared per common share	\$ 0.12	\$ 0.12
	=====	=====

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

NIKE, Inc.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Three Months Ended August 31,	
	2001	2000
	<hr/>	<hr/>
	(in millions)	
Cash provided (used) by operations:		
Net income	\$ 199.2	\$ 210.2
Income charges (credits) not affecting cash:		
Depreciation	53.7	46.0
Deferred income taxes	(12.5)	(3.0)
Amortization and other	9.4	6.4
Changes in other working capital components	(14.4)	(83.7)
	<hr/>	<hr/>
Cash provided by operations	235.4	175.9
	<hr/>	<hr/>
Cash provided (used) by investing activities:		
Additions to property, plant and equipment	(57.3)	(69.6)
Disposals of property, plant and equipment	1.2	0.7
Decrease in other assets	4.3	4.7

Increase in other liabilities	--	0.8
	<hr/>	<hr/>
Cash used by investing activities	(51.8)	(63.4)
	<hr/>	<hr/>
Cash provided (used) by financing activities:		
Proceeds from long-term debt issuance	249.3	--
Reductions in long-term debt including current portion	(1.3)	(50.2)
(Decrease)increase in notes payable	(305.3)	107.5
Proceeds from exercise of options	4.5	8.6
Repurchase of stock	(5.1)	(5.9)
Dividends on common stock	(32.2)	(32.4)
	<hr/>	<hr/>
Cash (used) provided by financing activities	(90.1)	27.6
	<hr/>	<hr/>
Effect of exchange rate changes on cash	(32.6)	12.7
Net increase in cash and equivalents	60.9	152.8
Cash and equivalents, May 31, 2001 and 2000	304.0	254.3
	<hr/>	<hr/>
Cash and equivalents, August 31, 2001 and 2000	\$ 364.9 =====	\$ 407.1 =====

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

NIKE, Inc.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - Summary of Significant Accounting Policies:

Basis of presentation:

The accompanying unaudited condensed consolidated financial statements reflect all adjustments (consisting of normal recurring accruals) which are, in the opinion of management, necessary for a fair presentation of the results of operations for the interim period. The interim financial information and notes thereto should be read in conjunction with the Company's latest annual report on Form 10-K. The results of operations for the three (3) months ended August 31, 2001 are not necessarily indicative of results to be expected for the entire year.

Certain prior year amounts have been reclassified to conform to fiscal year 2002 presentation. These changes had no impact on previously reported results of operations or shareholders' equity.

NOTE 2 - Financial Risk Management and Derivatives:

Adoption of FAS 133

The Company adopted Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended by SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities" (FAS 133) on June 1, 2001.

In accordance with the transition provisions of FAS 133, the Company recorded a one-time transition adjustment as of June 1, 2001 on both the consolidated statement of income and the consolidated balance sheet. The transition adjustment on the consolidated statement of income was a charge of \$5.0 million, net of tax effect. This amount related to an investment that was adjusted to fair value in accordance with FAS 133. The transition adjustment on the consolidated balance sheet represented the initial recognition of the fair values of hedge derivatives outstanding on the adoption date and realized gains and losses on effective hedges for which the underlying exposure had not yet affected earnings. The transition adjustment on the consolidated balance sheet was an increase in current assets of \$116.4 million, an increase in noncurrent assets of \$87.0 million, an increase in current liabilities of \$151.6 million, and an increase in other comprehensive income of approximately \$56.8 million, net of tax effect. Of the \$56.8 million recorded in other comprehensive income as of June 1, 2001, the majority would be reclassified to earnings during the next twelve months as a result of underlying hedged transactions also being recorded in earnings. Actual amounts ultimately reclassified to earnings are dependent on the exchange rates in effect when derivative contracts outstanding at the transition date mature.

Accounting for Derivatives and Hedging Activities

The purpose of the Company's foreign currency hedging activities is to protect the Company from the risk that the eventual cash flows resulting

from the sale and purchase of products in foreign currencies will be adversely affected by changes in exchange rates. In addition, the Company seeks to manage the impact of foreign currency fluctuations related to the repayment of intercompany transactions, including intercompany borrowings. The Company does not hold or issue derivatives for trading purposes. It is the Company's policy to utilize derivatives to reduce foreign exchange risks where internal netting strategies cannot be effectively employed. Fluctuations in the value of hedging instruments are offset by fluctuations in the value of the underlying exposures being hedged.

Derivatives used by the Company to hedge the risks described above are forward exchange contracts, net purchased options and cross-currency swaps. These instruments protect against the risk that the eventual net cash inflows and outflows from foreign currency denominated transactions will be adversely affected by changes in exchange rates. The cross-currency swaps are used to hedge foreign currency denominated payments related to intercompany loan agreements. Hedged transactions are denominated primarily in European currencies, Japanese yen, Australian dollars, Canadian dollars and Korean won. The Company hedges up to 100% of anticipated exposures as much as 24 months in advance. When intercompany loans are hedged, it is typically for their expected duration, which in some circumstances may be in excess of five years.

All derivatives are recognized on the balance sheet at their fair value. Unrealized gain positions are recorded as other current assets or other non-current assets. Unrealized loss positions are recorded as accrued liabilities or other non-current liabilities.

Substantially all derivatives entered into by the Company qualify for and are designated as foreign-currency cash flow hedges, including those hedging foreign currency denominated firm commitments.

The Company considers whether any provisions in non-derivative contracts represent "embedded" derivative instruments as described in FAS 133. For the period ended August 31, 2001 the Company has concluded that no "embedded" derivative instruments warrant separate fair value accounting under FAS 133.

Changes in fair values of outstanding derivatives that are highly effective are recorded in other comprehensive income, until earnings are affected by the variability of cash flows of the hedged transaction. In most cases amounts recorded in other comprehensive income will be released to earnings after the maturity of the related derivative. The consolidated statement of income classification of effective hedge results is the same as that of the underlying exposure.

The Company formally documents all relationships between hedging instruments and hedged items, as well as its risk-management objective and strategy for undertaking hedge transactions. This process includes linking all derivatives that are designated as foreign-currency cash flow hedges to either specific assets and liabilities on the balance sheet or specific firm commitments or forecasted transactions. The Company also formally assesses, both at the hedge's inception and on an ongoing basis, whether the derivatives that are used in hedging transactions have been highly effective in offsetting changes in the cash flows of hedged items and whether those derivatives may be expected to remain highly effective in future periods. When it is determined that a derivative is not, or has ceased to be, highly effective as a hedge, the Company discontinues hedge accounting prospectively, as discussed below.

The Company discontinues hedge accounting prospectively when (1) it determines that the derivative is no longer highly effective in offsetting changes in the cash flows of a hedged item (including hedged items such as firm commitments or forecasted transactions); (2) the derivative expires or is sold, terminated, or exercised; (3) it is no longer probable that the forecasted transaction will occur; or (4) management determines that designating the derivative as a hedging instrument is no longer appropriate.

When the Company discontinues hedge accounting because it is no longer probable that the forecasted transaction will occur in the originally expected period, the gain or loss on the derivative remains in accumulated other comprehensive income and is reclassified into earnings when the forecasted transaction affects earnings. However, if it is probable that a forecasted transaction will not occur by the end of the originally specified time period or within an additional two-month period of time thereafter, the gains and losses that were accumulated in other comprehensive income will be recognized immediately in earnings. In all situations in which hedge accounting is discontinued and the derivative remains outstanding, the Company will carry the derivative at its fair value on the balance sheet, recognizing future changes in the fair value in current-period earnings.

Any hedge ineffectiveness is recorded in current-period earnings. In the quarter ended August 31, 2001 the Company recorded in other expense an insignificant loss representing the total ineffectiveness of all derivatives. Effectiveness is assessed based on forward rates.

Premiums paid on net purchased options are initially recorded as deferred charges. The Company assesses effectiveness on net purchased options based on the total cash flows method and records total changes in the options' fair value to other comprehensive income to the degree they are effective.

As of August 31, 2001, \$5.7 million of deferred net gains (net of tax) on both outstanding and matured derivatives accumulated in other comprehensive income are expected to be reclassified to earnings during the next twelve months as a result of underlying hedged transactions also being recorded in earnings. Actual amounts ultimately reclassified to earnings are dependent on the exchange rates in effect when derivatives contracts that are currently outstanding mature. As of August 31, 2001, the maximum term over which the Company is hedging exposures to the variability of cash flows for all forecasted and recorded transactions is 27 months.

The Company is exposed to credit-related losses in the event of non-performance by counterparties to hedging instruments and does not enter

into master netting arrangements. The counterparties to derivative transactions are major financial institutions with high investment grade credit ratings and, additionally, counterparties to derivatives three years or greater are AA or better rated. However, this does not eliminate the Company's exposure to credit risk with these institutions. This credit risk is generally limited to the unrealized gains in such contracts should any of these counterparties fail to perform as contracted. To manage this risk, the Company has established counterparty credit guidelines that are continually monitored and reported to senior management according to prescribed guidelines. The Company utilizes a portfolio of financial institutions either headquartered or operating in the same countries the Company conducts its business. As a result of the above considerations, the Company considers the risk of counterparty default to be minimal.

NOTE 3 - Comprehensive Income:

Comprehensive income, net of taxes, is as follows:

	Three Months Ended August 31,	
	2001	2000
	(in millions)	
Net Income	\$199.2	\$210.2
Other Comprehensive Income:		
Change in cumulative foreign currency translation adjustment	18.1	(12.7)
Change in unrealized gain/loss in securities	--	(3.8)
Recognition in net income of previously deferred unrealized loss on securities, due to accounting change	3.4	--
Changes due to cash flow hedging instruments (Note 2):		
Initial recognition of net deferred gain as of June 1, due to accounting change	53.4	--
Net deferred loss	(36.3)	--
Reclassification to net income of previously deferred net gains	(6.6)	--
Net change due to cash flow hedging instruments	10.5	--
Total Comprehensive Income	\$231.2 =====	\$193.7 =====

NOTE 4 - Earnings Per Common Share:

The following represents a reconciliation from basic earnings per share to diluted earnings per share. Options to purchase 8.1 million and 9.6 million shares of common stock were outstanding at August 31, 2001 and August 31, 2000, respectively, but were not included in the computation of diluted earnings per share because the options' exercise prices were greater than the average market price of common shares and, therefore, the effect would be antidilutive.

	Three Months Ended August 31,	
	2001	2000
	(in millions, except per share data)	
Determination of shares:		
Average common shares outstanding	268.6	269.9
Assumed conversion of dilutive stock options and awards	3.0	3.9
Diluted average common shares outstanding	271.6 =====	273.8 =====

Basic earnings per common share:		
Before cumulative effect of accounting change	0.76	0.78
Cumulative effect of accounting change	(.02)	--
	<u>\$ 0.74</u>	<u>\$ 0.78</u>
	=====	=====
Diluted earnings per common share:		
Before cumulative effect of accounting change	0.75	0.77
Cumulative effect of accounting change	(.02)	--
	<u>\$ 0.73</u>	<u>\$ 0.77</u>
	=====	=====

NOTE 5 - Inventories:

Inventories by major classification are as follows:

	Aug. 31, 2001	May 31, 2001
	<u> </u>	<u> </u>
	(in millions)	
Finished goods	\$1,461.1	\$1,399.4
Work-in-progress	17.0	15.1
Raw materials	8.7	9.6
	<u> </u>	<u> </u>
	\$1,486.8	\$1,424.1
	=====	=====

NOTE 6 - Operating Segments:

The Company's major operating segments are defined by geographic regions for subsidiaries participating in NIKE brand sales activity. Other as shown below represents activity for Cole-Haan Holdings, Inc., Bauer NIKE Hockey, Inc., and NIKE IHM, Inc., 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. The segments are evidence of the structure of the Company's internal organization. Each NIKE brand geographic segment operates predominantly in one industry: the design, production, marketing and selling of sports and fitness footwear, apparel, and equipment.

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 management pre-tax income. On a consolidated basis, this amount represents Income before income taxes and cumulative effect of accounting change as shown in the Condensed Consolidated Statement of Income. Reconciling items for management pre-tax income represent corporate costs that are not allocated to the operating segments for management reporting and intercompany eliminations for specific income statement items.

Accounts receivable, inventory, and fixed assets for operating segments are regularly reviewed and therefore provided:

	Three Months Ended August 31,	
	2001	2000
	<u> </u>	<u> </u>
Net Revenue		
USA	\$1,305.1	\$1,351.9
Europe, Middle East, Africa	759.0	775.5
Asia Pacific	263.6	240.5
Americas	160.1	150.1
Other	125.9	118.7
	<u>\$2,613.7</u>	<u>\$2,636.7</u>
	=====	=====
Management Pre-Tax Income		
USA	\$ 278.0	\$ 285.9
Europe, Middle East, Africa	135.9	140.8
Asia Pacific	49.2	36.7
Americas	27.0	24.7
Other	8.1	17.0

Corporate	(184.0)	(174.1)
	<u>\$ 314.2</u>	<u>\$ 331.0</u>
	=====	=====
	Aug. 31,	May 31,
	2001	2001
	<u> </u>	<u> </u>
Accounts Receivable, net		
USA	\$ 608.7	\$ 622.5
Europe, Middle East, Africa	695.3	512.5
Asia Pacific	144.4	194.8
Americas	163.0	144.7
Other	149.5	118.6
Corporate	23.2	28.3
	<u>\$1,784.1</u>	<u>\$1,621.4</u>
	=====	=====
Inventories, net		
USA	\$ 767.7	\$ 744.2
Europe, Middle East, Africa	320.3	298.3
Asia Pacific	152.7	125.8
Americas	76.4	72.4
Other	152.8	156.4
Corporate	16.9	27.0
	<u>1,486.8</u>	<u>\$1,424.1</u>
	=====	=====
Property, Plant and Equipment, net		
USA	\$ 257.2	\$ 263.5
Europe, Middle East, Africa	215.8	208.2
Asia Pacific	403.4	403.5
Americas	14.9	15.4
Other	112.5	113.4
Corporate	634.8	614.8
	<u>\$1,638.6</u>	<u>\$1,618.8</u>
	=====	=====

NOTE 7 - Commitments and Contingencies:

At August 31, 2001, the Company had letters of credit outstanding totaling \$777.2 million. These letters of credit were issued 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 RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Operating Results

Net income was \$204.2 million (excluding an after-tax loss of \$ 5.0 million related to the cumulative effect of an accounting change), a 2.9% decrease from net income reported in the first quarter of fiscal 2001. Pretax income before accounting change declined 5.0%, driven by a 0.9% decrease in revenues and a 1.1 point decrease in our gross margin percentage, partially offset by a \$14.5 million decrease in other expense. Net income declined at a lower rate due to a 1.5 point reduction in our effective tax rate.

The decrease in total company revenues reflected lower sales in the United States and the effects of weaker foreign currencies on reported international revenues. NIKE brand revenues in the United States region decreased 3.5% as compared to the first quarter of fiscal 2001, while NIKE brand revenues in our international regions increased 1.4%. Had the U.S. dollar remained constant with the prior year, these international revenues would have increased 10.2% and consolidated revenues would have increased 3.0%. The decline in the U.S. region reflected a decrease in footwear revenues of 7.0%, apparel revenues consistent with that of the prior year, and an increase in equipment revenues of 22.0%. The decline in footwear reflected lower demand, particularly in the mid-range price segment, and to a lesser extent, supply chain disruptions resulting from the implementation of a new global demand and supply planning system. The supply chain disruptions, which began in the third quarter of fiscal 2001, caused late deliveries, which in turn led to cancellations during the current quarter.

Revenues from our international regions represented 45.3% of total company revenues compared to 44.2% in the first quarter of fiscal 2001. In the Europe, Middle East, and Africa (EMEA) region, revenues reported in U.S. dollars decreased 2.1%, but increased 6.4% in constant dollars. In our Asia Pacific region, reported revenues grew 9.6%, an increase of 22.6% in constant dollars. In our Americas region, reported revenues grew 6.7%, a 9.7% increase in constant dollars.

The breakdown of revenues follows:

	Three Months Ended August 31,		
	2001	2000	% change
	(in millions)		
U.S.A. REGION			
FOOTWEAR	\$869.7	\$934.9	-7%
APPAREL	324.3	325.9	-
EQUIPMENT AND OTHER	111.1	91.1	22%
TOTAL U.S.A.	<u>1,305.1</u>	<u>1,351.9</u>	-3%
EMEA REGION			
FOOTWEAR	426.5	424.0	1%
APPAREL	275.9	296.7	-7%
EQUIPMENT AND OTHER	56.6	54.8	3%
TOTAL EMEA	<u>759.0</u>	<u>775.5</u>	-2%
ASIA PACIFIC REGION			
FOOTWEAR	167.1	152.0	10%
APPAREL	70.0	64.7	8%
EQUIPMENT AND OTHER	26.5	23.8	11%
TOTAL ASIA PACIFIC	<u>263.6</u>	<u>240.5</u>	10%
AMERICAS REGION			
FOOTWEAR	99.1	101.5	-2%
APPAREL	49.7	42.2	18%
EQUIPMENT AND OTHER	11.3	6.4	77%
TOTAL AMERICAS	<u>160.1</u>	<u>150.1</u>	7%
TOTAL NIKE BRAND	<u>2,487.8</u>	<u>2,518.0</u>	-1%
OTHER	125.9	118.7	6%
TOTAL REVENUES	<u>\$2,613.7</u> =====	<u>\$2,636.7</u> =====	-1%

Our gross margin percentage declined 110 basis points, from 40.5% to 39.4%. The primary drivers of the decrease were the effect of the weakening of the euro against the U.S. dollar, relative to the first quarter of fiscal year 2001 and lower margins in U.S. licensed team apparel.

Selling and administrative expense fell 0.7% as compared to the first quarter of fiscal 2001, driven by lower demand creation spending. In the first quarter of last year, we incurred significant expenses for marketing related to the 2000 Summer Olympics and the 2000 European Football Championships. Although we expect demand creation spending will increase for the full fiscal year, the spending will be focused in the second half of the year. The lower demand creation spending in the current quarter was partially offset by increased operational overhead, due in part to the cost of additional retail stores this year and investments in our supply chain initiative.

Interest expense in the first quarter of fiscal 2002 dropped from \$15.5 million to \$13.0 million, a decline of 15.6%. The decrease reflected lower interest rates and lower average debt levels in the current year as we have used operating free cash flow to reduce debt.

Other expense was \$5.5 million in the first quarter of fiscal 2002 versus \$20.0 million in fiscal 2001. Significant amounts included in other expense were interest income, profit sharing expense, goodwill amortization, and certain foreign currency gains and losses.

Our effective tax rate decreased as compared to the first quarter last year, from 36.5% to 35.0%. The drop was primarily due to lower taxes on a portion of foreign earnings that have been permanently reinvested offshore.

Futures Orders

Worldwide futures and advance orders for NIKE brand athletic footwear and apparel scheduled for delivery from September 2001 through January 2002 were 6% higher than such orders booked in the comparable period of fiscal 2001. The percentage growth in these orders is not necessarily indicative of our expectation of revenue growth in subsequent periods. 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 future orders and actual revenues. Finally, 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, and Cole Haan, and retail sales across all brands.

The terrorist attacks of September 11, 2001 and subsequent world events have created a significant amount of uncertainty about the future prospects for the U.S. and world economies. The overall effect on the demand for NIKE products is also uncertain. As might be expected, sales in Nike-owned retail stores declined significantly in the days immediately following the attacks, although in subsequent weeks this business has recovered somewhat from these very depressed levels. Requests for order cancellations have also increased. It is still unclear what negative effect all of these events will have on our business for the full year. In the face of this uncertainty, we are developing contingency plans, focused particularly on inventory and cost management with the goal of reducing the potential impact on earnings. We continue to expect earnings growth for the full fiscal year.

Euro Conversion

On January 1, 1999, eleven of the fifteen member countries of the European Union established permanent, fixed conversion rates between their existing currencies and the European Union's new common currency, the euro. In January 2001, an additional country, Greece, also established a fixed conversion rate to the euro. During the transition period ending December 31, 2001, public and private parties may pay for goods and services using either the euro or the participating country's legacy currency. Beginning January 1, 2002, euro denominated bills and coins will be issued, and the legacy currencies will be completely withdrawn from circulation on June 30, 2002.

We have had a dedicated project team working on the euro transition strategy since January 1998. We have made modifications to information technology systems supporting marketing, order management, purchasing, invoicing, payroll, and cash management functions, in order to make them euro compliant. All major systems have been converted and are euro compliant, well ahead of the end of the transitional period.

We believe the introduction of the euro may create a move towards a greater level of wholesale price harmonization, although differing country costs and value added tax rates will continue to result in price differences at the retail level. Over the past three years, we have been actively working to assess and, where necessary, adjust pricing practices to operate effectively in this new environment.

The costs of adapting our systems and practices to the implementation of the euro were generally related to the modification of existing systems and totaled approximately \$8 million. These costs were expensed as incurred, primarily in fiscal 2000. We believe that the conversion to the euro will not have a material impact on our financial condition or results of operations.

Recently Issued Accounting Standard

In July 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standard No. 142, "Goodwill and Other Intangible Assets" (FAS 142). Our adoption date will be June 1, 2002. As required by FAS 142, we will perform an impairment test on goodwill and other intangible assets as of the adoption date. Thereafter, we will perform impairment tests annually and whenever events or circumstances indicate that the value of goodwill or other intangible assets might be impaired. Amortization of goodwill and certain other intangible assets, including those recorded in past business combinations, will cease. As a result of the elimination of this amortization, other expense will decrease by approximately \$13 million annually. We have not yet determined the impact of FAS 142's impairment test provisions on our results of operations and financial position.

Liquidity and Capital Resources

Cash provided by operations was \$235.4 million in the first three months of fiscal 2002, compared to \$175.9 million in the first three months of fiscal 2001. Our primary source of operating cash flow was net income of \$199.2 million. Cash provided by operations increased as compared to last year as smaller increases in working capital used less cash. The increase in working capital during the first quarter of last year was due to the timing of certain payments and the restructuring of our agreement with NIAC in fiscal 2000.

Total cash used by investing activities during the first quarter of fiscal 2002 was \$51.8 million, compared to \$63.4 million invested during fiscal 2001. The decrease reflected lower capital spending on our campus expansion, which has been completed, and on our new distribution facilities in Japan, which began operating in April 2002. The most significant capital expenditures during the first quarter of fiscal 2002 were related to computer equipment and software, driven by our supply chain initiative.

Net cash used by financing activities in the first quarter of fiscal 2002 was \$90.1 million, versus cash provided by financing activities of \$27.6 million in the first quarter of the prior year. The biggest use of cash in the current quarter was repayment of debt with available free cash flows. Additional uses included the payment of dividends to shareholders and the repurchase of common shares.

The share repurchases were part of a \$1 billion share repurchase program that began in fiscal 2001. In the first quarter of this fiscal year, we purchased approximately 400,000 shares of NIKE's Class B common stock for \$20.0 million. We expect to fund the current program from operating free cash flow. The timing and the amount of shares purchased will be dictated by our capital needs and stock market conditions.

In August 2001, we issued a \$250 million corporate bond, maturing in August 2006, with an interest rate of 5.5%. With the proceeds, we

reduced the amount of commercial paper outstanding.

On October 10, 2001, we filed a debt registration statement with the Securities and Exchange Commission for \$1 billion. The Company had \$250 million remaining under our shelf registration statement filed in April 1999, which was incorporated into the new \$1 billion registration. We have not issued any debt under the new registration statement.

We currently believe that cash generated by operations, together with access to external sources of funds, will be sufficient to meet our operating and capital needs. Significant short and long-term lines of credit are maintained with banks, which, along with cash on hand, provide adequate operating liquidity. Liquidity is also provided by our commercial paper program, under which there was \$449.6 million and \$710.0 million outstanding at August 31, 2001 and May 31, 2001, respectively.

At August 31, 2001, letters of credit of \$777.2 million were outstanding for the purchase of inventories.

Dividends per share of common stock for the first quarter of fiscal 2002 remained at \$.12 per share, the same level as the previous year.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There were no material changes to the disclosure made in the Annual Report on Form 10-K for the fiscal year ended May 31, 2001 regarding this matter.

Special Note Regarding Forward-Looking Statements and Analyst Reports

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

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

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

Part II - Other Information

Item 1. Legal Proceedings:

There have been no material changes from the information previously reported under Item 3 of the Company's Annual Report on Form 10-K for the fiscal year ended May 31, 2001.

Item 4.

Submission of Matters to a Vote of Security Holders

The Company's annual meeting of shareholders was held on September 17, 2001. The shareholders elected for the ensuing year all of management's nominees for the Board of Directors and ratified the appointment of PricewaterhouseCoopers LLP as independent accountants for fiscal 2002.

The voting results are as follows:

Election of Directors				
	For	Votes Cast Withheld	Broker Non-Votes	
Directors Elected by holders of Class A Common Stock:				
Ralph D. DeNunzio	96,094,842	-0-	-0-	
Richard K. Donahue	96,094,842	-0-	-0-	
Douglas G. Houser	96,094,842	-0-	-0-	
John E. Jaqua	96,094,842	-0-	-0-	
Philip H. Knight	96,094,842	-0-	-0-	
Charles W. Robinson	96,094,842	-0-	-0-	
A. Michael Spence	96,094,842	-0-	-0-	
John R. Thompson, Jr.	96,094,842	-0-	-0-	
Elected by holders of Class B Common Stock:				
Thomas E. Clarke	132,324,703	13,436,348	-0-	
Jill K. Conway	138,764,029	6,997,022	-0-	
Delbert J. Hayes	140,208,872	5,552,179	-0-	
Proposal 2 -	For	Against	Abstain	Broker Non-Votes

Approval of the NIKE, Inc. Employee Stock Purchase Plan:

Class A and Class B Common Stock Voting Together	230,447,852	10,421,498	986,539	-0-
Proposal 3 - Shareholder Proposal:				
Class A and Class B Common Stock Voting Together	8,374,650	196,534,264	12,250,744	-0-
Proposal 4 - Ratify the appointment				

of PricewaterhouseCoopers LLP
as independent accountants:

Class A and Class B
Common Stock Voting
Together 238,724,098 2,281,966 849,829 -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 Indenture between the Company and The First National Bank of Chicago, as Trustee (incorporated by reference from Exhibit 4.01 to Amendment No. 1 to Registration Statement No. 333-15953 filed by the Company on November 26, 1996).
- 10.1 Credit Agreement dated as of November 17, 2000 among NIKE, Inc., Bank of America, N.A., individually and as Agent, and the other banks party thereto (incorporated by reference from Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended November 30, 2000).
- 10.2 Form of non-employee director Stock Option Agreement (incorporated by reference from Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended November 30, 2000).*
- 10.3 Form of Indemnity Agreement entered into between the Company and each of its officers and directors (incorporated by reference from the Company's definitive proxy statement filed in connection with its annual meeting of shareholders held on September 21, 1987).
- 10.4 NIKE, Inc. 1990 Stock Incentive Plan (incorporated by reference from the Company's definitive proxy statement filed in connection with its annual meeting of shareholders held on September 18, 2000).*
- 10.5 NIKE, Inc. Executive Performance Sharing Plan (incorporated by reference from the Company's definitive proxy statement filed in connection with its annual meeting of shareholders held on September 18, 2000).*
- 10.6 NIKE, Inc. Long-Term Incentive Plan (incorporated by reference from the Company's definitive proxy statement filed in connection with its annual meeting of shareholders held on September 22, 1997).*
- 10.7 Collateral Assignment Split-Dollar Agreement between NIKE, Inc. and Philip H. Knight dated March 10, 1994 (incorporated by reference from Exhibit 10.7 to the Company's Annual Report on Form 10-K for the fiscal year ended May 31, 1994).*
- 10.8 Covenant Not To Compete And Non-Disclosure Agreement between NIKE, Inc. and Thomas E. Clarke dated August 31, 1994.*
- 10.9 Covenant Not To Compete And Non-Disclosure Agreement between NIKE, Inc. and Mark G. Parker dated October 6, 1994.*
- 10.10 NIKE, Inc. Deferred Compensation Plan dated January 1, 2000.*
- 12.1 Computation of Ratio of Earnings to Charges.

* Management contract or compensatory plan or arrangement.

(b) Reports on Form 8-K:

There were no reports on Form 8-K filed during the fiscal quarter ending August 31, 2001.

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: October 15, 2001

COVENANT NOT TO COMPETE

AND NON-DISCLOSURE AGREEMENT

PARTIES:

Thomas E. Clarke (EMPLOYEE)

NIKE, Inc., an Oregon corporation, and its divisions, subsidiaries and affiliates (NIKE)

DATE: August 31, 1994

RECITALS:

A. This Covenant Not to Compete is executed upon the EMPLOYEE's advancement to the position of President and nomination to the Board of Directors of NIKE.

B. Over the course of EMPLOYEE's employment with NIKE, EMPLOYEE will be or has been exposed to and/or in a position to generate confidential information including but not limited to confidential techniques, methods, styles, designs and design concepts, developments, customer lists, vendor lists, contract factory lists, pricing information, manufacturing plans, business plans, marketing plans, sales information, methods of operation, knowledge and data relating to processes, products, machines, compounds and compositions, formulae, lasts and molds. It is anticipated that EMPLOYEE will continue to be exposed to confidential information, will be exposed to more confidential information and to confidential information of greater sensitivity as EMPLOYEE advances in the company. This confidential information is information peculiar to NIKE's business. The nature of NIKE's business is highly competitive and disclosure of any confidential information would result in severe damage to NIKE and be difficult to measure.

C. NIKE makes use of the confidential information described in paragraph B above throughout the world. This confidential information of NIKE can be used to NIKE's detriment anywhere in the world.

D. The provisions of this Covenant Not to Compete and Non-Disclosure Agreement are a condition of EMPLOYEE's employment advancement with NIKE.

E. The provisions of this Covenant Not to Compete and Non-Disclosure Agreement are reasonable.

AGREEMENTS:

1. COVENANT NOT TO COMPETE. During the period of time EMPLOYEE is employed by NIKE, under the terms of any employment contract or otherwise, and for one (1) year thereafter, EMPLOYEE will not directly or indirectly, own, manage, operate, join, control, or participate in the ownership, management, operation or control of, or be employed by or connected in any manner with, any business engaged anywhere in the world in the athletic footwear business, athletic apparel business, or any other business which directly competes with NIKE or any of its subsidiaries or affiliated corporations. This provision is (a) subject to NIKE's option to waive all or any portion of the one (1) year time period of non-competition following termination more specifically provided for in paragraph 2; and (b) subject to NIKE's option to specifically identify, at the time of termination, those businesses which EMPLOYEE may not be employed by or connected with for the period of non-competition. NIKE agrees to act in good faith in its exercise of the above-noted options.

2. ADDITIONAL CONSIDERATION.

a. As additional consideration for the covenant not to compete described in paragraph 1 above, it is agreed that:

(i) If EMPLOYEE voluntarily leaves the employ of NIKE, NIKE shall pay EMPLOYEE a monthly payment equal to one-half (1/2) of EMPLOYEE's last monthly salary for the one (1) year period after termination of employment, payable on the first day of each month, or

(ii) If EMPLOYEE is involuntarily terminated, NIKE shall pay EMPLOYEE a monthly payment equal to EMPLOYEE's last monthly salary for the one (1) year period after termination of employment, payable on the first day of each month.

b. NIKE has the option, for whatever reason, to elect to waive all or a portion of the one (1) year period of non-competition following termination, by giving EMPLOYEE written notice of such election not less than 30 (thirty) days prior to the effective date of the waiver. In that event, NIKE shall not be obligated to pay EMPLOYEE under this paragraph for any months as to which the covenant not to compete has been waived.

3. LESSER RESTRICTIONS. Should any of the terms of paragraphs 1 and 2 above be found unreasonable or invalid by any court of competent jurisdiction, the parties agree to accept as binding, in lieu thereof, the maximum terms enforceable by law.

4. EXTENSION OF TIME. The covenant not to compete described in paragraphs 1, 2 and 3 above shall be extended by a time period equal to any time consumed in enforcement of the obligations hereunder during which EMPLOYEE engaged in activities violating the covenant not to compete.

5. NON-DISCLOSURE AGREEMENT. During the period of employment by NIKE and forever thereafter, EMPLOYEE will hold in confidence all information of a confidential nature, including but not limited to the information described in Recital "B", (all of which information of a confidential nature shall hereinafter be referred to as "confidential information") and will not, at any time, directly or indirectly, use any confidential information for any purpose outside the scope of EMPLOYEE's employment with NIKE or disclose any confidential information to any person or organization without the prior written consent of NIKE. Specifically, but not by way of limitation, EMPLOYEE shall not ever copy, transmit, reproduce, summarize, quote, publish or make any commercial or other use whatsoever of any confidential information without the prior written consent of NIKE.

6. RETURN OF CONFIDENTIAL INFORMATION. Upon termination and upon written request by NIKE at any time, EMPLOYEE shall return to NIKE all documents, records, notebooks and other similar repositories of or containing confidential information, including all copies thereof, then in EMPLOYEE's possession, whether prepared by EMPLOYEE or others, and deliver to NIKE any and all other confidential information, in whatever form, that may be in EMPLOYEE's possession or under EMPLOYEE's control.

7. UNAUTHORIZED USE. During the period of employment with NIKE and thereafter, EMPLOYEE shall notify NIKE immediately of the unauthorized possession, use or knowledge of any confidential information by any person employed or not employed by NIKE at the time of such possession, use or knowledge. EMPLOYEE shall promptly furnish details of such possession, use or knowledge to NIKE, will assist in preventing the reoccurrence of such possession, use or knowledge, and shall cooperate with NIKE in any litigation against third parties deemed necessary by NIKE to protect the confidential information. EMPLOYEE's compliance with this paragraph shall not be construed in any way as a waiver of any of NIKE's rights or remedies against EMPLOYEE arising out of or related to such unauthorized possession, use or knowledge.

8. INJUNCTIVE RELIEF. The remedy at law for any breach of this Covenant Not to Compete and Non-Disclosure Agreement will be inadequate. It is reasonable to require that EMPLOYEE not compete with NIKE in order to protect NIKE from unfair use of the confidential information. NIKE shall be entitled to injunctive relief in addition to any other remedy it may have. A breach of this Covenant Not to Compete and Non-Disclosure Agreement during the period of EMPLOYEE'S employment with NIKE shall be considered a breach of the terms of that employment and NIKE shall have the right to terminate EMPLOYEE's employment in addition to any other rights or remedies NIKE may have.

9. WAIVER, AMENDMENT, MODIFICATION OR CANCELLATION. No waiver, amendment, modification or cancellation of any term or condition of this Covenant Not to Compete and Non-Disclosure Agreement shall be effective unless executed in writing by the party charged therewith. No written waiver shall excuse the performance of any act other than the act or acts specifically referred to therein.

10. APPLICABLE LAW/JURISDICTION/VENUE. This Covenant Not to Compete and Non-Disclosure Agreement, and EMPLOYEE's employment hereunder, shall be construed according to the laws of the state of Oregon and EMPLOYEE hereby submits to the jurisdiction of the courts of the state of Oregon and waives application of any foreign law relating to this Agreement and EMPLOYEE's employment by NIKE. Any suit or action of any kind relating to this Agreement or the subject matter hereof shall be brought in a court located in Washington County, Oregon.

EMPLOYEE

NIKE, Inc.

By: /s/ Thomas E. Clarke

By: /s/ Philip H. Knight

Name: Thomas E. Clarke

Name: Philip H. Knight

COVENANT NOT TO COMPETE

AND NON-DISCLOSURE AGREEMENT

PARTIES:

Mark G. Parker (EMPLOYEE)

NIKE, Inc., an Oregon corporation, and its divisions, subsidiaries and affiliates (NIKE)

DATE: October 6, 1994

RECITALS:

A. This Covenant Not to Compete is executed upon the EMPLOYEE's assumption of additional responsibilities for worldwide marketing and development activities of NIKE.

B. Over the course of EMPLOYEE's employment with NIKE, EMPLOYEE will be or has been exposed to and/or in a position to generate confidential information including but not limited to confidential techniques, methods, styles, designs and design concepts, developments, customer lists, vendor lists, contract factory lists, pricing information, manufacturing plans, business plans, marketing plans, sales information, methods of operation, knowledge and data relating to processes, products, machines, compounds and compositions, formulae, lasts and molds. It is anticipated that EMPLOYEE will continue to be exposed to confidential information, will be exposed to more confidential information and to confidential information of greater sensitivity as EMPLOYEE advances in the company. This confidential information is information peculiar to NIKE's business. The nature of NIKE's business is highly competitive and disclosure of any confidential information would result in severe damage to NIKE and be difficult to measure.

C. NIKE makes use of the confidential information described in paragraph B above throughout the world. This confidential information of NIKE can be used to NIKE's detriment anywhere in the world.

D. The provisions of this Covenant Not to Compete and Non-Disclosure Agreement are a condition of EMPLOYEE's employment advancement with NIKE.

E. The provisions of this Covenant Not to Compete and Non-Disclosure Agreement are reasonable.

AGREEMENTS:

1. COVENANT NOT TO COMPETE. During the period of time EMPLOYEE is employed by NIKE, under the terms of any employment contract or otherwise, and for one (1) year thereafter, EMPLOYEE will not directly or indirectly, own, manage, operate, join, control, or participate in the ownership, management, operation or control of, or be employed by or connected in any manner with, any business engaged anywhere in the world in the athletic footwear business, athletic apparel business, or any other business which directly competes with NIKE or any of its subsidiaries or affiliated corporations. This provision is (a) subject to NIKE's option to waive, but only with the concurrence of the EMPLOYEE, all or any portion of the one (1) year time period of non-competition following termination more specifically provided for in paragraph 2; and (b) subject to NIKE's option to specifically identify, at the time of termination, those businesses which EMPLOYEE may not be employed by or connected with for the period of non-competition. NIKE agrees to act in good faith in its exercise of the above-noted options.

2. ADDITIONAL CONSIDERATION.

a. As additional consideration for the covenant not to compete described in paragraph 1 above, it is agreed that:

(i) If EMPLOYEE voluntarily leaves the employ of NIKE at any time during the term hereof, NIKE shall pay EMPLOYEE an amount per month equal to one-twenty-fourth (1/24) of EMPLOYEE's then current "Annual NIKE Income" (defined herein to mean base salary and bonuses received by EMPLOYEE during the twelve (12) month period immediately preceding termination), or \$20,833.34 per month, whichever is greater, for the one (1) year period of non-competition following voluntary termination of employment, payable on the first day of each month, or

(ii) If EMPLOYEE is involuntarily terminated by NIKE at any time during the term hereof, either with or without cause, NIKE shall pay EMPLOYEE an amount per month equal to one-twelfth (1/12) of EMPLOYEE's then current Annual NIKE Income, or \$41,666.67 per month, whichever is greater, for the one (1) year period of non-competition following involuntary termination of employment, payable on the first day of each month.

b. NIKE may waive all or any portion of the one

(1) year period of non-competition following termination, subject to the following provisions:

(i) At any time during, or prior to the commencement of, the one (1) year period, NIKE may tender to EMPLOYEE thirty (30) days written notice of its desire to waive all or the then remaining portion of the one (1) year period of non-competition. Within the thirty (30) day notice period, EMPLOYEE will have the option of accepting or rejecting NIKE's tender by advising NIKE in writing of EMPLOYEE's election to accept the waiver, in which event EMPLOYEE would be free to compete at the end of the thirty (30) day notice period and all payments to EMPLOYEE hereunder would cease, or to reject the waiver, in which event EMPLOYEE would continue to be prohibited from competing for the remaining portion of the one (1) year period of non-competition and payments to EMPLOYEE would continue as herein provided.

(ii) However, notwithstanding anything contained in subparagraph 2(b)(i) above, if EMPLOYEE is terminated by NIKE "for cause" (defined herein to include only continual and repeated neglect of duties and dishonesty) NIKE shall have the unqualified right to waive, without EMPLOYEE's consent, all or any portion of the one (1) year period of non-competition following termination, by giving EMPLOYEE written notice of such election not less than thirty (30) days prior to the effective date of the waiver. In that event, NIKE shall not be obligated to pay EMPLOYEE hereunder for any months as to which the covenant not to compete has been waived.

3. LESSER RESTRICTIONS. Should any of the terms of paragraphs 1 and 2 above be found unreasonable or invalid by any court of competent jurisdiction, the parties agree to accept as binding, in lieu thereof, the maximum terms enforceable by law.

4. EXTENSION OF TIME. The covenant not to compete described in paragraphs 1, 2 and 3 above shall be extended by a time period equal to any time consumed in enforcement of the obligations hereunder during which EMPLOYEE engaged in activities violating the covenant not to compete.

5. NON-DISCLOSURE AGREEMENT. During the period of employment by NIKE and forever thereafter, EMPLOYEE will hold in confidence all information of a confidential nature, including but not limited to the information described in Recital "B", (all of which information of a confidential nature shall hereinafter be referred to as "confidential information") and will not, any time, directly or indirectly, use any confidential information for any purpose outside the scope of EMPLOYEE's employment with NIKE or disclose any confidential information to any person or organization without the prior written consent of NIKE. Specifically, but not by way of limitation, EMPLOYEE shall not ever copy, transmit, reproduce, summarize, quote, publish or make any commercial or other use whatsoever of any confidential information without the prior written consent of NIKE.

6. RETURN OF CONFIDENTIAL INFORMATION. Upon termination and upon written request by NIKE at any time, EMPLOYEE shall return to NIKE all documents, records, notebooks and other similar repositories of or containing confidential information, including all copies thereof, then in EMPLOYEE's possession, whether prepared by EMPLOYEE or others, and deliver to NIKE any and all other confidential information, in whatever form, that may be in EMPLOYEE's possession or under EMPLOYEE's control.

7. UNAUTHORIZED USE. During the period of employment with NIKE and thereafter, EMPLOYEE shall notify NIKE immediately of the unauthorized possession, use or knowledge of any confidential information by any person employed or not employed by NIKE at the time of such possession, use or knowledge. EMPLOYEE shall promptly furnish details of such possession, use or knowledge to NIKE, will assist in preventing the reoccurrence of such possession, use or knowledge, and shall cooperate with NIKE in any litigation against third parties deemed necessary by NIKE to protect the confidential information. EMPLOYEE's compliance with this paragraph shall not be construed in any way as a waiver of any of NIKE's rights or remedies against EMPLOYEE arising out of or related to such unauthorized possession, use or knowledge.

8. INJUNCTIVE RELIEF. The remedy at law for any breach of this Covenant Not to Compete and Non-Disclosure Agreement will be inadequate. It is reasonable to require that EMPLOYEE not compete with NIKE in order to protect NIKE from unfair use of the confidential information. NIKE shall be entitled to injunctive relief in addition to any other remedy it may have. A breach of this Covenant Not to Compete and Non-Disclosure Agreement during the period of EMPLOYEE's employment in addition to any other rights or remedies NIKE may have.

9. WAIVER, AMENDMENT, MODIFICATION OR CANCELLATION. No waiver, amendment, modification or cancellation of any term or condition of this Covenant Not to Compete and Non-Disclosure Agreement shall be effective unless executed in writing by the party charged therewith. No written waiver shall excuse the performance of any act other than the act or acts specifically referred to therein.

10. APPLICABLE LAW/JURISDICTION/VENUE. This Covenant Not to Compete and Non-Disclosure Agreement, and EMPLOYEE's employment hereunder, shall be construed according to the laws of the state of Oregon and EMPLOYEE hereby submits to the jurisdiction of the courts of the state of Oregon and waives application of any foreign law relating to this Agreement and EMPLOYEE's employment by NIKE. Any suit or action of any kind relating to this Agreement or the subject matter hereof shall be brought in a court located in Washington County, Oregon.

EMPLOYEE

NIKE, Inc.

By: /s/ Mark G. Parker

By: /s/ Philip H. Knight

Name: Mark G. Parker

Name: Philip H. Knight

DEFERRED COMPENSATION PLAN
(as Amended and Restated Effective as of January 1, 2000)

This Plan is amended and restated effective as of January 1, 2000 by NIKE, Inc. (the "Company"), acting on behalf of itself and its designated subsidiaries. Throughout, the term "Company" shall include wherever relevant any entity that is directly or indirectly controlled by the Company or any entity in which the Company has a significant equity or investment interest, as determined by the Company.

RECITALS

1. The Company adopted the Supplemental Executive Savings Plan effective February 1, 1994 (the "SESP"). The SESP was adopted to provide an opportunity for eligible employees to set aside additional amounts for retirement on a tax deferred basis and to provide a limited make-up of profit sharing contributions lost as a result of the limit on compensation under Section 401(a)(17) of the Internal Revenue Code of 1986 (the "Code") under the Company's 401(k) Savings and Profit Sharing Plan for employees of NIKE, Inc. (the "Profit Sharing Plan"). The SESP is a nonqualified deferred compensation plan for the benefit of a select group of management or highly-compensated employees of the Company.
2. The Company adopted the Supplemental Executive Profit Sharing Plan effective as of June 1, 1995 (the "SESPSP") to expand the make-up of profit sharing contributions lost under the Profit Sharing Plan and to separate the restoration provisions from the elective deferral provisions of the SESP.
3. Effective as of January 1, 1998, the Company combined the SEPSPP and the SESP and made certain other changes. The resulting plan was renamed the NIKE, Inc. Deferred Compensation Plan (the "Plan"). The Company now wishes to again amend and restate the Plan, effective as of January 1, 2000.
4. Under the Plan, the Company is obligated to pay vested accrued benefits to Plan Participants and their Beneficiary or Beneficiaries from the Company's general assets.
5. In connection with the Plan, the Company is party to an agreement (the "Trust Agreement") with Northern Trust Company as trustee (the "Trustee") under an irrevocable trust (the "Trust").
6. The Company intends to make contributions to the Trust so that such contributions will be held by the Trustee and invested, reinvested and distributed, all in accordance with the provisions of this Plan and the Trust Agreement.
7. The Company intends that amounts contributed to the Trust and the earnings thereon shall be used by the Trustee if necessary to satisfy the liabilities of the Company under the Plan with respect to each Plan participant for whom an Account has been established and such utilization shall be in accordance with the procedures set forth herein.
8. The Company intends that the Trust be a "grantor trust" with the principal and income of the Trust treated as assets and income of the Company for federal and state income tax purposes.
9. The Company intends that the assets of the Trust shall at all times be subject to the claims of the general creditors of the Company as provided in the Trust Agreement.
10. The Company intends that the existence of the Trust shall not alter the characterization of the Plan as "unfunded" for purposes of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and shall not be construed to provide income to Plan participants under the Plan prior to actual payment of the vested accrued benefits thereunder. NOW THEREFORE, the Company does hereby adopt this amended and restated Plan as follows and does also hereby agree that the Plan shall be structured, held and disposed of as follows:

ARTICLE I

TITLE AND DEFINITIONS

1.1 Title

This Plan shall be known as the NIKE, Inc. Deferred Compensation Plan.

1.2 Definitions

Whenever the following words and phrases are used in this Plan, with the first letter capitalized, they shall have the meanings specified below.

"Account" means for each Participant the bookkeeping account maintained by the Committee that is credited with amounts equal to (1) the portion of the Participant's Salary that he or she elects to defer, (2) the portion of the Participant's Bonus that he or she elects to defer, (3) the portion of the Participant's Commissions that he or she elects to defer, (4) the portion of the Participant's Fees that he or she elects to defer, (5) Company contributions, if any, made to the Plan for the Participant's benefit, and (6) adjustments to reflect deemed earnings pursuant to Section 4.1(d).

"Actuarial Equivalent" means the actuarial present value determined by the actuary appointed by the Company, in accordance with generally accepted actuarial principles, with a discount for mortality using the 1983 Group Annuity Mortality Table and a discount for interest at the 30-year Treasury rate for July 1999 (5.98%).

"Beneficiary" or "Beneficiaries" means the beneficiary last designated in writing by a Participant in accordance with procedures established by the Committee to receive the benefits specified hereunder in the event of the Participant's death. No Beneficiary designation shall become effective until it is filed with the Committee during the Participant's lifetime.

"Board of Directors" or "Board" means the Board of Directors of the Company.

"Bonus" means any cash-based incentive compensation (other than Commissions) that is payable to a Participant in addition to the Participant's Salary.

"Change of Control" means any of the following:

(a) The purchase or other acquisition by any person, entity or group of persons, within the meaning of Section 13(d) or 14(d) of the Securities Exchange Act of 1934, as amended (the "Act"), or any comparable successor provisions, of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Act) of forty percent or more of either the outstanding shares of Class A and Class B common stock or the combined voting power of the Company's then outstanding voting securities entitled to vote generally;

(b) The approval by the stockholders of the Company of a reorganization, merger, or consolidation with respect to which persons who were stockholders of the Company immediately prior to such reorganization, merger or consolidation do not, immediately thereafter, own more than fifty percent of the combined voting power entitled to vote generally in the election of directors of the reorganized, merged or consolidated Company's then-outstanding securities;

(c) A liquidation or dissolution of the Company; or

(d) A sale of all or substantially all of the Company's assets.

"Code" means the Internal Revenue Code of 1986, as amended.

"Commissions" mean any cash-based commission compensation payable to a Participant.

"Committee" means the Committee appointed by the Board to administer the Plan in accordance with Article VIII. Unless specified otherwise by the Board, the "Committee" shall mean the Retirement Committee established under the Profit Sharing Plan.

"Company" means NIKE, Inc., any successor corporation and any entity that is directly or indirectly controlled by the Company or any entity in which the Company has a significant equity or investment interest, as determined by the Company.

"Company Stock" means NIKE, Inc. Class B Common stock.

"Compensation" means the Bonus, Commissions, Fees and Salary that the Participant earns for services rendered to the Company.

"Consultant" means any person, including an advisor but excluding Directors, engaged by the Company to render services to the Company and designated by the Committee as eligible to participate in the Plan.

"Director" means a non-employee member of the Board.

"Director's 1999 Transition Retirement Benefit" means the Actuarial Equivalent of the Director's Retirement Annuity as determined on September 1, 1999, divided by the fair market value of Company stock on September 1, 1999, and stated in units representing shares of Company Stock.

"Director's Retirement Annuity" means the projected annual retirement benefit payable to a Retired Director in the amount of eighteen thousand dollars (\$18,000), reduced proportionately for each year of service completed as a Director less than ten (but with no benefit if five or fewer years of service).

"Disability" means a Participant's long-term disability as defined in the Company's long-term disability plan for employees.

"Distributable Amount" means the amount credited to a Participant's Account.

"Distribution Event" means, with respect to each Participant, the Participant's termination of Service for any reason, including Retirement, death or Disability, or, if specified by the Participant, a specific date. A Participant's Distribution Event election shall be made in writing at such time, on such form and subject to such terms and conditions as the Committee may specify.

"Eligible Employee" means any Employee who is designated in writing as eligible to participate in the Plan by the Committee from among a select group of management or highly-compensated Employees of the Company.

"Employee" means a common law employee of the Company performing services regularly in the United States or, if not performing services regularly in the United States, a common law employee of the Company who is on U.S. payroll and participating in a Company-sponsored Global Transfer Program.

"Fees" means, (i) in the case of non-employee members of the Board, annual cash fees paid by the Company, including retainer fees, committee fees and meeting fees, paid by the Company as compensation for serving on the Board, and (ii) in the case of any other non-employee service provider, the cash fees paid to such individual for services rendered to the Company.

"Fund" or "Funds" means one or more of the investment funds selected by the Committee pursuant to Section 3.3.

"Initial Election Period" means the 30-day period following the Eligible Employee's date of hire (or appointment to the Board or commencement of services as a Consultant, as applicable) or, if later, upon first becoming an Eligible Employee, Director or Consultant.

"Investment Return" means, for each Fund, an amount equal to the pre-tax rate of gain or loss on the assets of such Fund (net of applicable fund and investment charges) during each valuation period, but not less frequently than monthly.

"Participant" means any Consultant, Director or Eligible Employee who elects to defer Compensation in accordance with Section 3.1.

"Payment Commencement Date" means (i) in the case of a Participant's Retirement, on or before January 31 following the Plan Year of the Participant's Retirement, (ii) in the case of any other Distribution Event, as soon as administratively possible thereafter.

"Plan" means the NIKE, Inc. Deferred Compensation Plan set forth herein, now in effect, or as amended from time to time.

"Plan Year" means the calendar year.

"Predecessor Plans" means the NIKE, Inc. Supplemental Executive Savings Plan and the NIKE, Inc. Supplemental Executive Profit Sharing Plan.

"Profit Sharing Plan" means the 401(k) Savings and Profit Sharing Plan for Employees of NIKE, Inc.

"Retired Director" or "Director's Retirement" means the cessation of a Director's services on the Board on or after age 65 with ten (10) years of service, but no later than age 72 if the Director commenced service as a Director after the Company's 1993 fiscal year.

"Retirement" means the Participant's resignation if at the time thereof the Participant has completed at least five Years of Service with the Company. For this purpose, "Years of Service" are measured based on credited years of vesting service under the Profit Sharing Plan.

"Salary" means the Employee's base salary for the Plan Year. Salary excludes any other form of compensation such as restricted stock, proceeds from stock options or stock appreciation rights, severance payments, moving expenses, car or other special allowance, adjustments for overseas employment other than the 12.5% transfer premium, or any other amounts included in an Eligible Employee's taxable income that is not compensation for services. Deferral elections shall be computed before taking into account any reduction in taxable income by salary reduction under Code Sections 125 or 401(k), or under this Plan.

"Service" means service with the Company as an Employee, Director or Consultant.

ARTICLE II

PARTICIPATION

2.1 Participation

An Eligible Employee, Director or Consultant shall become a Participant in the Plan by electing to defer a portion of his or her Compensation in accordance with Section 3.1.

ARTICLE III

DEFERRAL ELECTIONS

3.1 Elections to Defer Compensation

(a) Initial Election Period. Each Eligible Employee, Director or Consultant may elect to defer Compensation by filing an election with the Committee that conforms to the requirements of this Section 3.1, on a form provided by the Committee, no later than the last day of his or her Initial Election Period. Deferral Elections filed with respect to the 1998 Plan Year shall supersede any and all prior deferral elections made in connection with the Predecessor Plans.

(b) General Rule. The amount of Compensation that an Eligible Employee, Director or Consultant may elect to defer is as follows:

(1) Any whole percentage of Salary up to 100%;

(2) Any whole percentage of Bonus up to 100%;

(3) Any whole percentage of Commissions up to 100%;

(4) Any whole percentage of Fees up to 100%; provided, however, that no election shall be effective to reduce the Compensation paid to an Eligible Employee to an amount that is less than the amount necessary to pay applicable employment taxes (e.g., FICA, hospital insurance) payable with respect to amounts deferred hereunder, amounts necessary to satisfy any other benefit plan withholding obligations, any resulting income taxes payable with respect to Compensation that cannot be so deferred, and any amounts necessary to satisfy any wage garnishment or similar type obligations.

(c) Minimum Deferrals. For each full Plan Year during which the Eligible Employee is a Participant, the minimum dollar amount that may be deferred under this Section 3.1 is \$5,000 (\$1,000 in the case of Directors and Consultants).

(d) Effect of Initial Election. An election to defer Salary, Commissions or Fees made during an Initial Election Period shall be effective as to Salary and Commissions earned beginning with the first pay period beginning after the Initial Election Period. Employees who first became Eligible Employees during a Plan Year may make an election to defer Bonuses payable in subsequent Plan Years by making deferral elections in accordance with subsections 3.1(e) and (f).

(e) Duration of Deferral Election. A Compensation deferral election made under paragraph (a) or paragraph (f) of this Section 3.1 shall remain in effect, notwithstanding any change in the Participant's Compensation until modified or terminated as provided herein. A Participant may irrevocably elect at any time to reduce the percentage to be deferred from Salary or Fees earned in the remainder of the Plan Year to zero. Subject to the minimum deferral requirement of subsection (c) of this Section, the percentage of Salary, Commissions and Fees designated by the Participant for deferral may be modified by filing a new election, in accordance with the terms of this Section, with the Committee not later than December 15 of the year immediately preceding the beginning of the Plan Year for which the election shall be in effect. A Participant's deferral election shall terminate with respect to future Compensation upon the Participant ceasing to be an Eligible Employee, Director or Consultant.

(f) Elections Other Than Elections During the Initial Election Period. Any Eligible Employee, Director or Consultant who fails to elect to defer Compensation during his or her Initial Election Period may subsequently become a Participant by filing an election, on a form provided by the Committee, to defer Compensation as described in paragraph (b) above. An election to defer Compensation must be filed no later than December 15 (or such earlier date as the Committee may establish) and will be effective for Salary, Commissions and Fees earned beginning with the first pay period beginning on and after the beginning of the next succeeding Plan Year and any Bonus payable in the next succeeding Plan Year.

(g) Director's 1999 Transition Election. Any Director as of September 1, 1999, shall have made an election on or before September 24, 1999, to either remain eligible for the Director's Retirement Annuity or elect to convert such annuity to the Director's 1999 Transition Retirement Benefit, in either case such benefit not payable until the Director's Retirement. In the event an electing Director converted the Director's Retirement Annuity, such election shall be irrevocable and paid as provided herein.

3.2 Company Contributions

(a) Eligibility. An Eligible Employee who qualifies for a contribution for a Plan Year under the Profit Sharing Plan shall be eligible for a Company contribution under this Plan for such Plan Year if they either (i) make a Deferral Election under 3.1 for the Plan Year, or (ii) receive compensation under the Profit Sharing Plan exceeding the Internal Revenue Code Section 401(a)(17) limit of \$150,000 (as indexed) for its Plan Year, or both.

(b) Company Contribution. An Eligible Employee who is eligible under subsection 3.2(a) shall be credited with a "Restoration Amount" for each Plan Year. "Restoration Amount" means the amount by which the Eligible Employee's allocated share of the "Profit Sharing Contribution" (as defined in the Profit Sharing Plan) for the corresponding Profit Sharing Plan Year (ending with or within the Plan Year) would be higher if calculated on the basis of Compensation as defined under this Plan and determined (i) before any reduction for deferral of compensation under this Plan, and (ii) without regard to the Internal Revenue Code Section 401(a)(17) limit)."

(c) Discretionary Company Contributions. In addition to Company contributions in accordance with Section 3.2(b), the Company may, in its sole discretion, make discretionary contributions to the Accounts of one or more Participants at such times and in such amounts as the Board or the Committee may determine.

(d) Director's Retirement Contribution. In addition to any Company contributions made in accordance with 3.2 (a)-(c), the Company shall credit to the Accounts of any electing Director the number of shares of Company Stock equivalent to the electing Director's 1999 Transition Retirement Benefit. The Company may contribute such shares corresponding to the total of all electing Director's benefits, at such time and in such amount as the Board or the Committee may determine, provided that any shares so contributed shall remain in the name of the Company (or any trust established by the Company for this purpose), and shall be its sole property in which no electing Director shall have any interest.

3.3 Investment Elections.

(a) Hypothetical Investment Funds. The Committee may, in its discretion, provide each Participant with a list of investment Funds available for hypothetical investment, and the Participant may designate, in a manner specified by the Committee, one or more Funds that his or her Account will be deemed to be invested in for purposes of determining the amount of earnings to be credited to that Account. The Committee may, from time to time, in its sole discretion select a commercially available fund to constitute the Fund actually selected. The Investment Return of each such commercially available fund shall be used to determine the amount of earnings to be credited to Participants' Accounts under Section 4.1 (d).

(1) Deemed Investment Elections. In making the designation pursuant to this Section 3.3, the Participant may specify that all or any 1% multiple of his or her Account be deemed to be invested in one or more of the Funds offered by the Committee. Subject to such limitations and conditions as the Committee may specify, a Participant may change the designation made under this Section 3.3 in such manner and at such time or times as the Committee shall specify. If a Participant fails to elect a Fund under this Section 3.3, or if the Committee shall not provide Participants with a list of Funds pursuant to this Section 3.3, the Participant shall be deemed to have elected a money market fund.

(2) No Company Obligation. The Company may, but need not, acquire investments corresponding to those designated by the Participants hereunder, and it is not under any obligation to maintain any investment it may make. Any such investments, if made, shall be in the name of the Company, and shall be its sole property in which no Participant shall have any interest.

(b) Director's Plan Investments. In addition to any hypothetical investment Fund elections the Director may make with respect to amounts deferred under 3.1, the following shall apply to a Director's Plan Account:

(1) 1999 Transition Retirement Plan Subaccount. The entirety of an electing Director's 1999 Transition Retirement Benefit shall be maintained in a separate subaccount, reflecting the number of shares of Company Stock in which the electing Director is vested and entitled to under the Plan as his or her 1999 Transition Retirement Benefit. The balance in such subaccount shall be expressed in units (denominated in shares of Company Stock). The number of units reflected in an electing Director's 1999 Transition Retirement Benefit subaccount shall be appropriately adjusted periodically to reflect any dividend, split, split-up or any combination or exchange, however, accomplished, with respect to the shares of Company Stock represented by such units.

ARTICLE IV

ACCOUNTS

4.1 Participant Accounts.

The Committee shall establish and maintain an Account for each Participant under the Plan. Each Participant's Account may be further divided into separate subaccounts ("investment fund subaccounts"), corresponding to investment Funds elected by the Participant pursuant to Section 3.3 or as otherwise determined by the Committee to be necessary or appropriate for proper Plan administration. A Participant's Account shall be credited as follows:

(a) As soon as practicable following the end of each applicable pay period, the Committee shall credit the investment fund subaccounts of the Participant's Account with an amount equal to Salary, Commissions or Fees deferred by the Participant during each pay period in accordance with the Participant's election; that is, the portion of the Participant's deferred Salary, Commissions or Fees that the Participant has elected to be deemed to be invested in a certain type of investment Fund shall be credited to the investment fund subaccount corresponding to that investment Fund.

(b) As soon as practicable after each Bonus or partial Bonus would have been paid, the Committee shall credit the investment fund subaccounts of the Participant's Account with an amount equal to the portion of the Bonus deferred by the Participant's election; that is, the portion of the Participant's deferred Bonus that the Participant has elected to be deemed to be invested in a certain type of investment Fund shall be credited to the investment fund subaccount corresponding to that investment Fund.

(c) As soon as practicable after the last day of the Plan Year or such earlier time or times as the Committee may determine, the Committee shall credit the investment fund subaccounts of the Participant's Account with an amount equal to the portion, if any, of any Company contribution made to or for the Participant's benefit in accordance with Section 3.2; that is, the portion of the Participant's Company contribution, if any, that the Participant has elected to be deemed to be invested in a certain type of investment Fund shall be credited to the investment fund subaccount corresponding to that investment Fund.

(d) At such time or times as the Committee may determine, but not less frequently than monthly, each investment fund subaccount of a Participant's Account shall be credited with earnings in an amount equal to that determined by multiplying the balance credited to such investment fund subaccount as of the last day of the preceding valuation period by the Investment Return for the corresponding Fund selected by the Company.

ARTICLE V

VESTING

5.1 Account.

(a) Compensation Deferrals. A Participant's Account attributable to Compensation deferred by a Participant pursuant to the terms of this Plan, together with any amounts credited to the Participant's Account under Section 4.1(d) with respect to such deferrals, shall be 100% vested at all times.

(b) Company Contributions. Unless specified otherwise by the Board or the Committee, the value of a Participant's Account attributable to any Company contributions pursuant to Section 3.2, together with any amounts credited to the Participant's Account under Section 4.1(d) with respect to such amounts, shall be vested in the same proportion as the Participant's account in the Profit Sharing Plan.

(c) Director's 1999 Transition Retirement Plan Investments. An electing Director's 1999 Transition Retirement Benefit, together with any earnings thereon, shall be 100% vested at all times.

ARTICLE VI

GENERAL DUTIES

6.1 Trustee Duties.

The Trustee shall manage, invest and reinvest the Trust Fund as provided in the Trust Agreement. The Trustee shall collect the income on the Trust Fund, and make distributions therefrom, all as provided in this Plan and in the Trust Agreement.

6.2 Company Contributions.

While the Plan remains in effect, the Company shall make contributions to the Trust Fund at least once each quarter. As soon as practicable after the close of each Plan quarter, the Company shall make an additional contribution to the Trust Fund to the extent that previous contributions to the Trust Fund for the current Plan quarter are less than the total of the Compensation deferrals made by each Participant plus Company contributions, if any, accrued as of the close of the current Plan quarter. The Trustee shall not be liable for any failure by the Company to provide contributions sufficient to pay all accrued benefits under the Plan in accordance with the terms of this Plan.

6.3 Department of Labor Determination.

In the event that any Participants are found to be ineligible, that is, not members of a select group of management or highly compensated employees, according to a determination made by the Department of Labor, the Committee shall take whatever steps it deems necessary, in its sole discretion, to equitably protect the interests of the affected Participants.

ARTICLE VII

DISTRIBUTIONS

7.1 Distribution of Deferred Compensation: Termination of Service

(a) Retirement; Disability; Death. In the event a Participant's Service terminates as a result of Retirement, long-term disability (as defined in the Company's long-term disability plan for employees) or death, and provided further that such Participant does not return to Service prior to the Payment Commencement Date, the Participant's Distributable Amount shall be paid to the Participant (and after his or her death to his or her Beneficiary) in substantially equal quarterly installments over 15 years beginning on his or her Payment Commencement Date. Notwithstanding the foregoing, a Participant may, in lieu of quarterly installments over 15 years, elect a cash lump sum payment or quarterly installments over five or 10 years by filing an election with the Committee within 30 days of the date he or she first becomes a Participant.

A Participant may change his or her form of distribution under this subsection 7.1(a) provided that his or her change is filed with the Committee at least one year prior to his or her Payment Commencement Date; otherwise, the most recent distribution election made by the Participant one (1) or more years prior to the Payment Commencement Date shall govern.

Notwithstanding the foregoing, if the Participant's Distributable Amount is \$25,000 or less, the Distributable Amount shall automatically be distributed in the form of a cash lump sum on the Participant's Payment Commencement Date. If the Participant's Distributable Amount is paid in installments, the Participant's Account shall continue to be credited monthly with earnings pursuant to Section 4.1(d) of the Plan and the installment amount shall be adjusted annually to reflect gains and losses until all amounts credited to his or her Account under the Plan have been distributed.

Amounts payable pursuant to this subsection 7.1(a) shall be subject to the limitation on payout under Section 7.5.

(b) Other Termination. In the case of a Participant whose Service with the Company terminates for any reason other than Retirement, long-term

disability of death, the Participant's Distributable Amount shall be paid to the Participant in the form of a cash lump sum on the Participant's Payment Commencement Date, provided that no such distribution shall occur in the event the Participant returns to Service prior to the Payment Commencement Date.

(c) Death While Receiving Benefits. If the Participant is in pay status at the time of death, the Beneficiary shall be paid the remaining quarterly installments as they come due.

(d) Director's 1999 Transition Retirement Plan Distribution. Notwithstanding the foregoing distribution provisions with respect to a Participant's other Accounts, an electing Director's 1999 Transition Retirement Benefit and Company Stock subaccounts, shall be paid to such Director (or his or her designated beneficiary) in a single lump sum distribution upon the Director's Retirement, long-term disability or death. Distributions of such subaccounts shall be made in shares of Company

7.2 Scheduled and Unscheduled Withdrawals.

(a) Scheduled Withdrawals. A Participant may, in connection with his or her Compensation deferral election for a Plan Year, specify a withdrawal (a "Scheduled Withdrawal") of all of his or her Account attributable to Compensation deferred for such Plan Year, including any amounts credited with respect to such deferrals pursuant to Section 4.1(d), subject to the following restrictions:

(1) A Participant's Scheduled Withdrawal election must specify a Scheduled Withdrawal date that is at least three years from the date the election is received by the Company.

(2) The election to take a Scheduled Withdrawal shall be made by filing a form provided by and filed with the Committee.

(3) The amount payable to a Participant in connection with a Scheduled Withdrawal shall in all cases be 100% of the Compensation deferred for the Plan Year with respect to which the election applies, together with any earnings credited to such amount pursuant to Section 4.1(d), determined as of the end of the calendar month as of or preceding the month of the Scheduled Withdrawal date, provided that no portion of the of the Participant's Account attributable to Company contributions pursuant to Section 3.2, if any, shall be eligible for Scheduled Withdrawal.

(4) A Participant may, at least one year prior to a Scheduled Withdrawal date, revoke his or her Scheduled Withdrawal election in favor of a later Scheduled Withdrawal date that is at least one year later, provided that a Participant may not postpone a Scheduled Withdrawal more than twice.

(5) Subject to Section 7.5, payment of a Scheduled Withdrawal shall be made in a single lump sum as soon as practicable after the Scheduled Withdrawal date.

(6) A Participant's Scheduled Withdrawal election shall become void and of no effect upon termination of the Participant's employment with the Company for any reason before the Participant's scheduled withdrawal date. In such event, the distribution provisions of Section 7.1 shall apply.

(b) Unscheduled Withdrawals. Participants may request to withdraw amounts from their Accounts attributable to Compensation deferrals prior to termination of Service (an "Unscheduled Withdrawal"). Upon receiving an Unscheduled Withdrawal request, the Committee shall determine, in its discretion as applied in a uniform and nondiscriminating manner, whether to permit any such Unscheduled Withdrawal and the amount, if any, to be withdrawn, subject to the following restrictions:

(1) The election to take an Unscheduled Withdrawal shall be made by filing a form provided by and filed with the Committee.

(2) The amount payable to a Participant in connection with an Unscheduled Withdrawal shall in all cases equal 90% of the amount requested by the Participant or, if lesser, 90% of the Unscheduled Withdrawal amount approved by the Committee; provided, however, that the maximum amount payable to a Participant in connection with an Unscheduled Withdrawal shall be 90% of the Distributable Amount as of the end of the calendar month in which the Unscheduled Withdrawal election is made, and provided further, that no portion of the amount attributable to Company contributions pursuant to Section 3.2, if any, shall be eligible for an Unscheduled Withdrawal.

(3) If a Participant receives an Unscheduled Withdrawal, the remaining portion of the requested or approved amount, as applicable (i.e., 10% of such amount), shall be permanently forfeited and the Company shall have no obligation to the Participant or his Beneficiary with respects to such forfeited amount.

(4) If a Participant receives an Unscheduled Withdrawal, the Participant shall be ineligible to Participate in the Plan for the balance of the Plan Year in which the Unscheduled Withdrawal occurs and the following Plan Year.

(5) A Participant shall be limited to two Unscheduled Withdrawals during the term of his or her Plan participation.

(6) An Unscheduled Withdrawal pursuant to this Section 7.2 of less than 90% of the Participant's Distributable Amount shall be made pro rata from his or her assumed investments according to the balances in such investments. Subject to the foregoing and subject to the Committee's

approval, payment of any amount with respect to which a Participant has filed a request under this Section 7.2 shall be made in a single cash lump sum as soon as practicable after the end of the calendar month in which the Withdrawal election is approved.

7.3 Unforeseeable Emergency.

The Committee may, pursuant to rules adopted by it and applied in a uniform manner, accelerate the date of distribution of a Participant's Account because of an Unforeseeable Emergency at any time. "Unforeseeable Emergency" shall mean an unforeseeable, severe financial condition resulting from (a) a sudden and unexpected illness or accident of the Participant or his or her dependent (as defined in Section 152(a) of the Code); (b) loss of the Participant's property due to casualty; or (c) other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant, but which may not be relieved through other available resources of the Participant, as determined by the Committee in accordance with uniform rules adopted by it. Unless the Committee, in its discretion, determines otherwise, distribution pursuant to this subsection of less than the Participant's entire interest in the Plan shall be made pro rata from his or her assumed investments according to the balances in such investments. Subject to the foregoing, payment of any amount with respect to which a Participant has filed a request under this subsection shall be made in a single cash lump sum as soon as practicable after the end of the calendar month in which the Committee approves the Participant's request.

7.4 Change of Control.

Notwithstanding anything in this Section 7 to the contrary, including, but not limited to, Section 7.5 below, the Distributable Amount shall be paid to each Participant, or to the Beneficiary of each deceased Participant, within 30 days after the date of a Change of Control. Such amount shall be paid in such form as elected by the Participant with respect to a distribution by reason of the Participant's Retirement or, if no such election has been filed, in a lump sum.

7.5 Section 162(m) Limitation

If the Committee determines in good faith prior to a Change of Control that there is a reasonable likelihood that all or any portion of any payment of benefits under this Section 7 to a Participant would not be deductible for federal income tax purposes by the Company because of a limitation on the total amount of the Participant's deductible compensation from the Company, including any other such compensation already paid to the Participant earlier in the same fiscal year of the Company, the following shall apply:

(a) Payment of the non-deductible amount shall be deferred until the first day of the following fiscal year of the Company;

(b) If the amount deferred under subsection (a) would exceed the limitation of the total amount of the Participant's deductible compensation from the Company for the following fiscal year, the excess shall be deferred to the first day of the succeeding fiscal year in which the deductibility of compensation paid or payable to the Participant will not be so limited, subject to subsection (c);

(c) In no event shall any payment be deferred under this Section 7.5 more than three years from the date scheduled for payment under this Section 7;

(d) Adjustment for earning shall continue to be applied under Section 4.1(d) during the period of deferral under this Section 7.5.

7.6 Inability To Locate Participant

In the event that the Committee is unable to locate a Participant or Beneficiary within two years following the Participant's Distribution Event, the amount allocated to the Participant's Deferral Account shall be forfeited. If, after such forfeiture, the Participant or Beneficiary later claims such benefit, such benefit (calculated immediately prior to the forfeiture) shall be reinstated without interest or earnings.

ARTICLE VIII

ADMINISTRATION

8.1 Committee

A Committee shall be appointed by, and serve at the pleasure of, the Board. The number of members comprising the Committee shall be determined by the Board which may from time to time vary the number of members. A member of the Committee may resign by delivering a written notice of resignation to the Board. The Board may remove any member by delivering a certified copy of its resolution of removal to such member. Vacancies in the membership of the Committee shall be filled promptly by the Board.

8.2 Committee Action.

The Committee shall act at meetings by affirmative vote of a majority of the members of the Committee. Any action permitted to be taken at a

meeting may be taken without a meeting if, prior to such action, a written consent to the action is signed by all members of the Committee and such written consent is filed with the minutes of the proceedings of the Committee. A member of the Committee shall not vote or act upon any matter which relates solely to himself or herself as a Participant. The chairman or any other member or members of the Committee designated by the chairman may execute any certificate or other written direction on behalf of the Committee.

8.3 Powers and Duties of the Committee.

(a) The Committee, on behalf of the Participants and their Beneficiaries, shall enforce the Plan in accordance with its terms, shall be charged with the general administration of the Plan and shall have all powers necessary to accomplish its purposes, including, but not by way of limitation, the following:

- (1) To select the funds to be the Funds in accordance with Section 3.3 hereof;
- (2) To construe and interpret the terms and provisions of this Plan;
- (3) To amend, modify, suspend or terminate the Plan in accordance with Section 9.4;
- (4) To compute and certify the amount and kind of benefits payable to Participants and their Beneficiaries and to direct the Trustee as to the distribution of Plan assets;
- (5) To maintain all records that may be necessary for the administration of the Plan;
- (6) To provide for the disclosure of all information and the filing or provision of all reports and statements to Participants, Beneficiaries or governmental agencies as shall be required by law;
- (7) To make and publish such rules for the regulation of the Plan and procedures for the administration of the Plan as are not inconsistent with the terms hereof; and
- (8) To appoint a plan administrator or any other agent, and to delegate to them such powers and duties in connection with the administration of the Plan as the Committee may from time to time prescribe.

8.4 Construction and Interpretation.

The Committee shall have full discretion to construe and interpret the terms and provisions of this Plan, which interpretation or construction shall be final and binding on all parties, including but not limited to the Company and any Participant or Beneficiary. The Committee shall administer such terms and provisions in a uniform and nondiscriminatory manner and in full accordance with any and all laws applicable to the Plan.

8.5 Information.

To enable the Committee to perform its functions, the Company shall supply full and timely information to the Committee on all matters relating to the Compensation of all Participants, their death or other cause of termination, and such other pertinent facts as the Committee may reasonably require.

8.6 Compensation, Expenses and Indemnity.

- (a) The members of the Committee shall serve without compensation for their services hereunder.
- (b) The Committee is authorized at the expense of the Company to employ such legal counsel as it may deem advisable to assist in the performance of its duties hereunder. Expenses and fees in connection with the administration of the Plan shall be paid by the Company.
- (c) To the extent permitted by applicable state law, the Company shall indemnify and save harmless the Committee and each member thereof, the Board and any delegate of the Committee who is an employee of the Company against any and all expenses, liabilities and claims, including legal fees to defend against such liabilities and claims arising out of their discharge in good faith of responsibilities under or incident to the Plan, other than expenses and liabilities arising out of willful misconduct. This indemnity shall not preclude such further indemnities as may be available under insurance purchased by the Company or provided by the Company under any bylaw, agreement or otherwise, as such indemnities are permitted under state law.

8.7 Quarterly Statements.

Under procedures established by the Committee, a Participant shall receive a statement with respect to such Participant's Account on a quarterly basis.

ARTICLE IX

MISCELLANEOUS

9.1 Unsecured General Creditor.

Participants and their Beneficiaries, heirs, successors, and assigns shall have no legal or equitable rights, claims, or interests in any specific property or assets of the Company. No assets of the Company shall be held in any way as collateral security for the fulfilling of the obligations of the Company under this Plan. Any and all of the Company's assets shall be, and remain, the general unpledged, unrestricted assets of the Company. The Company's obligation under the Plan shall be merely that of an unfunded and unsecured promise of the Company to pay money in the future, and the rights of the Participants and Beneficiaries shall be no greater than those of unsecured general creditors.

9.2 Restriction Against Assignment.

The Company shall pay all amounts payable hereunder only to the person or persons designated by the Plan and not to any other person or corporation. No part of a Participant's Account shall be liable for the debts, contracts, or engagements of any Participant, his or her Beneficiary, or successors in interest, nor shall a Participant's Account be subject to execution by levy, attachment, or garnishment or by any other legal or equitable proceeding, nor shall any such person have any right to alienate, anticipate, commute, pledge, encumber, or assign any benefits or payments hereunder in any manner whatsoever. If any Participant, Beneficiary or successor in interest is adjudicated bankrupt or purports to anticipate, alienate, sell, transfer, assign, pledge, encumber or charge any distribution or payment from the Plan, voluntarily or involuntarily, the Committee, in its discretion, may cancel such distribution or payment (or any part thereof) to or for the benefit of such Participant, Beneficiary or successor in interest in such manner as the Committee shall direct.

9.3 Withholding.

There shall be deducted from each payment made under the Plan all taxes which are required to be withheld by the Company in respect to such payment. The Company shall have the right to reduce any payment by the amount of cash sufficient to provide the amount of said taxes.

9.4 Amendment, Modification, Suspension or Termination.

The Committee may amend, modify, suspend or terminate the Plan in whole or in part, except that no amendment, modification, suspension or termination shall have any retroactive effect to reduce any amounts allocated to a Participant's Account, provided that a termination or suspension of the Plan or any Plan amendment or modification that will significantly increase costs to the Company shall be approved by the Board. In the event that this Plan is terminated, the timing of the disposition of the amounts credited to a Participant's Account shall occur in accordance with Section 7.1, subject to earlier distribution at the discretion of the Committee.

9.5 Governing Law.

This Plan shall be construed, governed and administered in accordance with the laws of the State of Oregon.

9.6 Receipt or Release.

Any payment to a Participant or the Participant's Beneficiary in accordance with the provisions of the Plan shall, to the extent thereof, be in full satisfaction of all claims against the Committee and the Company. The Committee may require such Participant or Beneficiary, as a condition precedent to such payment, to execute a receipt and release to such effect.

9.7 Payments on Behalf of Persons Under Incapacity.

In the event that any amount becomes payable under the Plan to a person who, in the sole judgment of the Committee, is considered by reason of physical or mental condition to be unable to give a valid receipt therefore, the Committee may direct that such payment be made to any person found by the Committee, in its sole judgment, to have assumed the care of such person. Any payment made pursuant to such determination shall constitute a full release and discharge of the Committee and the Company.

9.8 No Employment Rights.

Participation in this Plan shall not confer upon any person any right to be employed by the Company or any other right not expressly provided hereunder.

9.9 Headings, etc Not Part of Agreement.

Headings and subheadings in this Plan are inserted for convenience of reference only and are not to be considered in the construction of the provisions hereof.

IN WITNESS WHEREOF, the Company has caused this document to be executed by its duly authorized officer on this ____ day of _____, 2000.

NIKE, INC.

By:

Title:

NIKE, INC.
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

	Three Months Ended August 31,	
	2001	2000
	(in millions)	
Net income	\$199.2	\$210.2
Income taxes	110.0	120.8
Cumulative effect of accounting change	5.0	--
	-----	-----
Income before income taxes and accounting change	314.2	331.0
	-----	-----
Add fixed charges		
Interest expense (A)	13.8	17.0
Interest component of leases (B)	12.7	12.4
	-----	-----
Total fixed charges	26.5	29.4
	-----	-----
Earnings before income taxes and fixed charges (C)	\$339.9	\$358.8
	=====	=====
Ratio of earnings to total fixed charges	12.8	12.2
	=====	=====

(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.

End of Filing

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