

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE QUARTERLY PERIOD ENDED FEBRUARY 29, 2020

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE TRANSITION PERIOD FROM TO

Commission File No. 1-10635



NIKE, Inc.

(Exact name of Registrant as specified in its charter)

Oregon

(State or other jurisdiction of incorporation or organization)

93-0584541

(I.R.S. Employer Identification No.)

One Bowerman Drive, Beaverton, Oregon 97005-6453

(Address of principal executive offices and zip code)

(503) 671-6453

(Registrant's telephone number, including area code)

SECURITIES REGISTERED PURSUANT TO SECTION 12(B) OF THE ACT:

Class B Common Stock

(Title of each class)

NKE

(Trading symbol)

New York Stock Exchange

(Name of each exchange on which registered)

Indicate by check mark:

	YES	NO
• 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.	<input checked="" type="checkbox"/>	<input type="checkbox"/>
• whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).	<input checked="" type="checkbox"/>	<input type="checkbox"/>
• whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.		
Large accelerated filer <input checked="" type="checkbox"/>	Accelerated filer <input type="checkbox"/>	Non-accelerated filer <input type="checkbox"/>
Smaller reporting company <input type="checkbox"/>	Emerging growth company <input type="checkbox"/>	
• if an emerging growth company, if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.	<input type="checkbox"/>	<input type="checkbox"/>
• whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).	<input type="checkbox"/>	<input checked="" type="checkbox"/>

As of April 2, 2020, the number of shares of the Registrant's Common Stock outstanding were:

Class A	315,017,252
Class B	1,240,017,482
	1,555,034,734

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

NIKE, INC.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF INCOME

<i>(In millions, except per share data)</i>	THREE MONTHS ENDED		NINE MONTHS ENDED	
	FEBRUARY 29, 2020	FEBRUARY 28, 2019	FEBRUARY 29, 2020	FEBRUARY 28, 2019
Revenues	\$ 10,104	\$ 9,611	\$ 31,090	\$ 28,933
Cost of sales	5,631	5,272	17,202	16,092
Gross profit	4,473	4,339	13,888	12,841
Demand creation expense	870	865	2,769	2,739
Operating overhead expense	2,413	2,226	7,166	6,557
Total selling and administrative expense	3,283	3,091	9,935	9,296
Interest expense (income), net	12	12	39	37
Other (income) expense, net	297	(55)	223	(50)
Income before income taxes	881	1,291	3,691	3,558
Income tax expense	34	190	362	518
NET INCOME	\$ 847	\$ 1,101	\$ 3,329	\$ 3,040
Earnings per common share:				
Basic	\$ 0.54	\$ 0.70	\$ 2.13	\$ 1.92
Diluted	\$ 0.53	\$ 0.68	\$ 2.09	\$ 1.87
Weighted average common shares outstanding:				
Basic	1,556.3	1,572.8	1,559.8	1,582.8
Diluted	1,591.6	1,609.6	1,594.6	1,621.5

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

NIKE, INC.**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

<i>(Dollars in millions)</i>	THREE MONTHS ENDED		NINE MONTHS ENDED	
	FEBRUARY 29, 2020	FEBRUARY 28, 2019	FEBRUARY 29, 2020	FEBRUARY 28, 2019
Net income	\$ 847	\$ 1,101	\$ 3,329	\$ 3,040
Other comprehensive income (loss), net of tax:				
Change in net foreign currency translation adjustment	(42)	79	(103)	(51)
Change in net gains (losses) on cash flow hedges	(68)	(91)	(187)	343
Change in net gains (losses) on other	1	—	2	(3)
Total other comprehensive income (loss), net of tax	(109)	(12)	(288)	289
TOTAL COMPREHENSIVE INCOME	\$ 738	\$ 1,089	\$ 3,041	\$ 3,329

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

NIKE, INC.**UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS**

<i>(In millions)</i>	FEBRUARY 29, 2020	MAY 31, 2019
ASSETS		
Current assets:		
Cash and equivalents	\$ 2,863	\$ 4,466
Short-term investments	319	197
Accounts receivable, net	4,473	4,272
Inventories	5,807	5,622
Prepaid expenses and other current assets	2,282	1,968
Total current assets	15,744	16,525
Property, plant and equipment, net	4,783	4,744
Operating lease right-of-use assets, net	2,907	—
Identifiable intangible assets, net	275	283
Goodwill	223	154
Deferred income taxes and other assets	2,288	2,011
TOTAL ASSETS	\$ 26,220	\$ 23,717
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	\$ 4	\$ 6
Notes payable	9	9
Accounts payable	2,221	2,612
Current portion of operating lease liabilities	422	—
Accrued liabilities	5,356	5,010
Income taxes payable	268	229
Total current liabilities	8,280	7,866
Long-term debt	3,463	3,464
Operating lease liabilities	2,758	—
Deferred income taxes and other liabilities	2,674	3,347
Redeemable preferred stock	—	—
Shareholders' equity:		
Common stock at stated value:		
Class A convertible — 315 and 315 shares outstanding	—	—
Class B — 1,240 and 1,253 shares outstanding	3	3
Capital in excess of stated value	7,971	7,163
Accumulated other comprehensive income (loss)	(57)	231
Retained earnings	1,128	1,643
Total shareholders' equity	9,045	9,040
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 26,220	\$ 23,717

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

NIKE, INC.**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

<i>(Dollars in millions)</i>	NINE MONTHS ENDED	
	FEBRUARY 29, 2020	FEBRUARY 28, 2019
Cash provided (used) by operations:		
Net income	\$ 3,329	\$ 3,040
Adjustments to reconcile net income to net cash provided (used) by operations:		
Depreciation	513	527
Deferred income taxes	(372)	67
Stock-based compensation	303	226
Amortization, impairment and other	383	9
Net foreign currency adjustments	(49)	218
Changes in certain working capital components and other assets and liabilities:		
(Increase) decrease in accounts receivable	(475)	(460)
(Increase) decrease in inventories	(455)	(226)
(Increase) decrease in prepaid expenses, operating lease right-of-use assets and other current and non-current assets	(494)	(167)
Increase (decrease) in accounts payable, accrued liabilities, operating lease liabilities and other current and non-current liabilities	(197)	659
Cash provided (used) by operations	2,486	3,893
Cash provided (used) by investing activities:		
Purchases of short-term investments	(1,775)	(2,384)
Maturities of short-term investments	20	1,613
Sales of short-term investments	1,764	1,491
Additions to property, plant and equipment	(797)	(846)
Other investing activities	30	5
Cash provided (used) by investing activities	(758)	(121)
Cash provided (used) by financing activities:		
Increase (decrease) in notes payable	—	(320)
Proceeds from exercise of stock options and other stock issuances	678	487
Repurchase of common stock	(2,865)	(3,405)
Dividends — common and preferred	(1,071)	(986)
Other financing activities	(52)	(43)
Cash provided (used) by financing activities	(3,310)	(4,267)
Effect of exchange rate changes on cash and equivalents	(21)	(59)
Net increase (decrease) in cash and equivalents	(1,603)	(554)
Cash and equivalents, beginning of period	4,466	4,249
CASH AND EQUIVALENTS, END OF PERIOD	\$ 2,863	\$ 3,695
Supplemental disclosure of cash flow information:		
Non-cash additions to property, plant and equipment	\$ 115	\$ 171
Dividends declared and not paid	384	347

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

NIKE, INC.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

<i>(In millions, except per share data)</i>	COMMON STOCK				CAPITAL IN EXCESS OF STATED VALUE	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	RETAINED EARNINGS	TOTAL
	CLASS A		CLASS B					
	SHARES	AMOUNT	SHARES	AMOUNT				
Balance at November 30, 2019	315	\$ —	1,244	\$ 3	\$ 7,719	\$ 52	\$ 1,577	\$ 9,351
Stock options exercised			6		199			199
Repurchase of Class B Common Stock			(10)		(48)		(909)	(957)
Dividends on common stock (\$0.245 per share)							(383)	(383)
Issuance of shares to employees, net of shares withheld for employee taxes					(12)		(4)	(16)
Stock-based compensation					113			113
Net income							847	847
Other comprehensive income (loss)							(109)	(109)
Balance at February 29, 2020	315	\$ —	1,240	\$ 3	\$ 7,971	\$ (57)	\$ 1,128	\$ 9,045

<i>(In millions, except per share data)</i>	COMMON STOCK				CAPITAL IN EXCESS OF STATED VALUE	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	RETAINED EARNINGS	TOTAL
	CLASS A		CLASS B					
	SHARES	AMOUNT	SHARES	AMOUNT				
Balance at November 30, 2018	315	\$ —	1,262	\$ 3	\$ 6,707	\$ 209	\$ 1,810	\$ 8,729
Stock options exercised			6		159			159
Repurchase of Class B Common Stock			(10)		(44)		(710)	(754)
Dividends on common stock (\$0.22 per share)							(347)	(347)
Issuance of shares to employees, net of shares withheld for employee taxes					(5)		(3)	(8)
Stock-based compensation					93			93
Net income							1,101	1,101
Other comprehensive income (loss)							(12)	(12)
Balance at February 28, 2019	315	\$ —	1,258	\$ 3	\$ 6,910	\$ 197	\$ 1,851	\$ 8,961

NIKE, INC.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

<i>(In millions, except per share data)</i>	COMMON STOCK				CAPITAL IN EXCESS OF STATED VALUE	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	RETAINED EARNINGS	TOTAL
	CLASS A		CLASS B					
	SHARES	AMOUNT	SHARES	AMOUNT				
Balance at May 31, 2019	315	\$ —	1,253	\$ 3	\$ 7,163	\$ 231	\$ 1,643	\$ 9,040
Stock options exercised			17		580			580
Repurchase of Class B Common Stock			(32)		(150)		(2,724)	(2,874)
Dividends on common stock (\$0.71 per share) and preferred stock (\$0.10 per share)							(1,110)	(1,110)
Issuance of shares to employees, net of shares withheld for employee taxes			2		75		(9)	66
Stock-based compensation					303			303
Net income							3,329	3,329
Other comprehensive income (loss)						(288)		(288)
Adoption of ASC Topic 842 (Note 1)							(1)	(1)
Balance at February 29, 2020	315	\$ —	1,240	\$ 3	\$ 7,971	\$ (57)	\$ 1,128	\$ 9,045

<i>(In millions, except per share data)</i>	COMMON STOCK				CAPITAL IN EXCESS OF STATED VALUE	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	RETAINED EARNINGS	TOTAL
	CLASS A		CLASS B					
	SHARES	AMOUNT	SHARES	AMOUNT				
Balance at May 31, 2018	329	\$ —	1,272	\$ 3	\$ 6,384	\$ (92)	\$ 3,517	\$ 9,812
Stock options exercised			14		419			419
Conversion to Class B Common Stock	(14)		14					—
Repurchase of Class B Common Stock			(44)		(181)		(3,205)	(3,386)
Dividends on common stock (\$0.64 per share) and preferred stock (\$0.10 per share)							(1,013)	(1,013)
Issuance of shares to employees, net of shares withheld for employee taxes			2		62		(4)	58
Stock-based compensation					226			226
Net income							3,040	3,040
Other comprehensive income (loss)						289		289
Adoption of ASU 2016-16							(507)	(507)
Adoption of ASC Topic 606							23	23
Balance at February 28, 2019	315	\$ —	1,258	\$ 3	\$ 6,910	\$ 197	\$ 1,851	\$ 8,961

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The Unaudited Condensed Consolidated Financial Statements include the accounts of NIKE, Inc. and its subsidiaries (the “Company” or “NIKE”) and reflect all normal recurring adjustments which are, in the opinion of management, necessary for a fair statement of the results of operations for the interim period. The year-end Condensed Consolidated Balance Sheet data as of May 31, 2019 was derived from audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States of America (“U.S. GAAP”). 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 and nine months ended February 29, 2020 are not necessarily indicative of results to be expected for the entire fiscal year.

RECENTLY ADOPTED ACCOUNTING STANDARDS

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*, which replaced existing lease accounting guidance. The new standard is intended to provide enhanced transparency and comparability by requiring lessees to record right-of-use (ROU) assets and corresponding lease liabilities on the balance sheet. ROU assets represent the Company’s right to use an underlying asset for the lease term and lease liabilities represent the Company’s obligation to make lease payments arising from the lease. The new guidance requires the Company to continue to classify leases as either an operating or finance lease, with classification affecting the pattern of expense recognition in the income statement. In addition, the new standard requires enhanced disclosure surrounding the amount, timing and uncertainty of cash flows arising from leasing agreements.

In July 2018, the FASB issued ASU No. 2018-11, which provided entities with an additional transition method. Under the new transition method, an entity initially applies the new standard at the adoption date, versus at the beginning of the earliest period presented, and recognizes a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. The Company elected this transition method and adopted Topic 842 using a modified retrospective approach in the first quarter of fiscal 2020 with the cumulative effect of initially applying the new standard recognized in *Retained earnings* at June 1, 2019. Comparative prior period information has not been adjusted and continues to be reported in accordance with previous lease accounting guidance in Accounting Standards Codification (ASC) Topic 840 — *Leases*.

Upon adoption, the Company elected the package of transition practical expedients which allowed the Company to carry forward prior conclusions related to: (i) whether any expired or existing contracts are or contain leases, (ii) the lease classification for any expired or existing leases and (iii) initial direct costs for existing leases. Additionally, the Company elected the practical expedient to not separate lease components from nonlease components for all real estate leases within the portfolio. The Company made an accounting policy election to not record leases with an initial term of 12 months or less on the Unaudited Condensed Consolidated Balance Sheets and will recognize related lease payments in the Unaudited Condensed Consolidated Statements of Income on a straight-line basis over the lease term.

In preparation for implementation, the Company executed changes to business processes, including implementing a software solution to assist with the new reporting requirements. The adoption of Topic 842 resulted in a \$2.7 billion increase to total assets and total liabilities as of June 1, 2019. Upon adoption, the Company recognized \$3.2 billion of total operating lease liabilities and \$2.9 billion of operating lease ROU assets, as well as removed \$348 million of existing deferred rent liabilities, which was recorded as an offset against the ROU assets. In addition, the Company removed \$184 million of existing assets and liabilities related to build-to-suit lease arrangements. Several other asset and liability line items in the Company’s Unaudited Condensed Consolidated Balance Sheets were also impacted by immaterial amounts. The adoption of the standard did not have a material impact on the Unaudited Condensed Consolidated Statements of Income or Unaudited Condensed Consolidated Statements of Cash Flows. For more information on the Company’s lease arrangements refer to Note 13 — *Leases*.

NOTE 2 — INVENTORIES

Inventory balances of \$5,807 million and \$5,622 million at February 29, 2020 and May 31, 2019, respectively, were substantially all finished goods.

NOTE 3 — ACCRUED LIABILITIES

Accrued liabilities included the following:

<i>(Dollars in millions)</i>	FEBRUARY 29,	MAY 31,
	2020	2019
Sales-related reserves	\$ 1,361	\$ 1,218
Compensation and benefits, excluding taxes	1,202	1,232
Allowance for cumulative foreign currency translation losses ⁽¹⁾	400	—
Dividends payable	384	346
Endorsement compensation	365	424
Import and logistics costs	297	296
Taxes other than income taxes payable	248	234
Liabilities held-for-sale ⁽¹⁾	158	—
Advertising and marketing	120	114
Collateral received from counterparties to hedging instruments	86	289
Fair value of derivatives	48	52
Other ⁽²⁾	687	805
TOTAL ACCRUED LIABILITIES	\$ 5,356	\$ 5,010

(1) Refer to Note 14 — Acquisitions and Divestitures for additional information.

(2) Other consists of various accrued expenses with no individual item accounting for more than 5% of the total Accrued liabilities balance at February 29, 2020 and May 31, 2019.

NOTE 4 — FAIR VALUE MEASUREMENTS

The Company measures certain financial assets and liabilities at fair value on a recurring basis, including derivatives, equity securities and available-for-sale debt securities. For additional information about the Company's fair value policies refer to Note 1 — Summary of Significant Accounting Policies of the Annual Report on Form 10-K for the fiscal year ended May 31, 2019.

The following tables present information about the Company's financial assets measured at fair value on a recurring basis as of February 29, 2020 and May 31, 2019, and indicate the level in the fair value hierarchy in which the Company classifies the fair value measurement:

<i>(Dollars in millions)</i>	FEBRUARY 29, 2020		
	ASSETS AT FAIR VALUE	CASH AND EQUIVALENTS	SHORT-TERM INVESTMENTS
Cash	\$ 649	\$ 649	\$ —
Level 1:			
U.S. Treasury securities	280	—	280
Level 2:			
Commercial paper and bonds	36	1	35
Money market funds	1,390	1,390	—
Time deposits	826	823	3
U.S. Agency securities	1	—	1
Total Level 2	2,253	2,214	39
TOTAL	\$ 3,182	\$ 2,863	\$ 319

(Dollars in millions)	MAY 31, 2019		
	ASSETS AT FAIR VALUE	CASH AND EQUIVALENTS	SHORT-TERM INVESTMENTS
Cash	\$ 853	\$ 853	\$ —
Level 1:			
U.S. Treasury securities	347	200	147
Level 2:			
Commercial paper and bonds	34	1	33
Money market funds	1,637	1,637	—
Time deposits	1,791	1,775	16
U.S. Agency securities	1	—	1
Total Level 2	3,463	3,413	50
TOTAL	\$ 4,663	\$ 4,466	\$ 197

As of February 29, 2020, the Company held \$267 million of available-for-sale debt securities with maturity dates within one year and \$52 million with maturity dates over one year and less than five years in *Short-term investments* on the Unaudited Condensed Consolidated Balance Sheets. The fair value of the Company's available-for-sale debt securities approximates their amortized cost.

Included in *Interest expense (income), net* was interest income related to the Company's investment portfolio of \$16 million and \$20 million for the three months ended February 29, 2020 and February 28, 2019, respectively, and \$51 million and \$60 million for the nine months ended February 29, 2020 and February 28, 2019, respectively.

The following tables present information about the Company's derivative assets and liabilities measured at fair value on a recurring basis as of February 29, 2020 and May 31, 2019, and indicate the level in the fair value hierarchy in which the Company classifies the fair value measurement:

(Dollars in millions)	FEBRUARY 29, 2020					
	DERIVATIVE ASSETS			DERIVATIVE LIABILITIES		
	ASSETS AT FAIR VALUE	OTHER CURRENT ASSETS	OTHER LONG-TERM ASSETS	LIABILITIES AT FAIR VALUE	ACCRUED LIABILITIES	OTHER LONG-TERM LIABILITIES
Level 2:						
Foreign exchange forwards and options ⁽¹⁾	\$ 324	\$ 297	\$ 27	\$ 48	\$ 47	\$ 1
Embedded derivatives	2	2	—	1	1	—
TOTAL	\$ 326	\$ 299	\$ 27	\$ 49	\$ 48	\$ 1

(1) If the foreign exchange derivative instruments had been netted on the Unaudited Condensed Consolidated Balance Sheets, the asset and liability positions each would have been reduced by \$47 million as of February 29, 2020. As of that date, the Company had received \$86 million of cash collateral from various counterparties related to foreign exchange derivative instruments. No amount of collateral was posted on the Company's derivative liability balance as of February 29, 2020.

(Dollars in millions)	MAY 31, 2019					
	DERIVATIVE ASSETS			DERIVATIVE LIABILITIES		
	ASSETS AT FAIR VALUE	OTHER CURRENT ASSETS	OTHER LONG-TERM ASSETS	LIABILITIES AT FAIR VALUE	ACCRUED LIABILITIES	OTHER LONG-TERM LIABILITIES
Level 2:						
Foreign exchange forwards and options ⁽¹⁾	\$ 611	\$ 611	\$ —	\$ 51	\$ 51	\$ —
Embedded derivatives	11	5	6	3	1	2
TOTAL	\$ 622	\$ 616	\$ 6	\$ 54	\$ 52	\$ 2

(1) If the foreign exchange derivative instruments had been netted on the Consolidated Balance Sheets, the asset and liability positions each would have been reduced by \$50 million as of May 31, 2019. As of that date, the Company had received \$289 million of cash collateral from various counterparties related to foreign exchange derivative instruments. No amount of collateral was posted on the Company's derivative liability balance as of May 31, 2019.

For additional information related to the Company's derivative financial instruments and credit risk, refer to Note 9 — Risk Management and Derivatives.

The carrying amounts of other current financial assets and other current financial liabilities approximate fair value.

FINANCIAL ASSETS AND LIABILITIES NOT RECORDED AT FAIR VALUE

Long-term debt is recorded at adjusted cost, net of unamortized premiums, discounts and debt issuance costs. The fair value of *Long-term debt* is estimated based upon quoted prices for similar instruments or quoted prices for identical instruments in inactive markets (Level 2). The fair value of the Company's *Long-term debt*, including the current portion, was approximately \$4,009 million at February 29, 2020 and \$3,524 million at May 31, 2019.

For fair value information regarding *Notes payable*, refer to Note 5 — Short-Term Borrowings and Credit Lines and Note 15 — Subsequent Events for additional information related to the Company's *Long-term debt*.

NON-RECURRING FAIR VALUE MEASUREMENTS

As further discussed in Note 14 — Acquisitions and Divestitures, the Company met the criteria to recognize the related assets and liabilities of its Brazil, Argentina, Chile and Uruguay entities as held-for-sale in the third quarter of fiscal 2020. This required the Company to remeasure the disposal groups at fair value, less costs to sell, which is considered a Level 3 fair value measurement and was based on each transaction's estimated consideration at the date of close. As of February 29, 2020, the carrying value of the Argentina, Chile and Uruguay disposal groups exceeded their fair value, less costs to sell and as a result, the Company recognized a non-recurring impairment charge of \$400 million. This charge was primarily due to the anticipated release of non-cash cumulative foreign currency translation losses which were included as part of the carrying value of the Argentina, Chile and Uruguay disposal groups when measuring for impairment. For the three and nine months ended February 29, 2020, the charge was recognized in *Other (income) expense, net* on the Unaudited Condensed Consolidated Statements of Income, classified within Corporate, and a corresponding allowance within *Accrued Liabilities* on the Unaudited Condensed Consolidated Balance Sheets.

All other assets or liabilities required to be measured at fair value on a non-recurring basis as of February 29, 2020 were immaterial. As of May 31, 2019, all assets or liabilities required to be measured at fair value on a non-recurring basis were immaterial.

NOTE 5 — SHORT-TERM BORROWINGS AND CREDIT LINES

The carrying amounts reflected on the Unaudited Condensed Consolidated Balance Sheets for *Notes payable* approximate fair value.

As of February 29, 2020 and May 31, 2019, the Company had no borrowings outstanding under its \$2 billion commercial paper program.

On August 16, 2019, the Company entered into a committed credit facility agreement with a syndicate of banks which provides for up to \$2 billion of borrowings, with the option to increase borrowings up to \$3 billion in total upon lender approval. The facility matures on August 16, 2024, with a one year extension option prior to any anniversary of the closing date, provided that in no event shall it extend beyond August 16, 2026. Based on the Company's current long-term senior unsecured debt ratings of AA- and A1 from Standard and Poor's Corporation and Moody's Investor Services, respectively, the interest rate charged on any outstanding borrowings would be the prevailing London Interbank Offered Rate (LIBOR) plus 0.46%. The facility fee is 0.04% of the total commitment. The Company was in compliance with the covenants of the facility at February 29, 2020. This facility replaces the prior \$2 billion credit facility agreement entered into on August 28, 2015, which would have matured August 28, 2020. As of and for the periods ended February 29, 2020 and May 31, 2019, no amounts were outstanding under either committed credit facility.

As of February 29, 2020, there have been no other significant changes to the credit lines reported in the Company's Annual Report on Form 10-K for the fiscal year ended May 31, 2019. Refer to Note 15 — Subsequent Events for additional information about the Company's commercial paper program and its credit facilities.

NOTE 6 — INCOME TAXES

The effective tax rate was 9.8% and 14.6% for the nine months ended February 29, 2020 and February 28, 2019, respectively. The change in the Company's effective tax rate was due to the proportion of income earned in the U.S. and favorable discrete items such as stock-based compensation and benefits related to a modification of the treatment of certain research and development expenditures. Refer to Note 15 — Subsequent Events for additional information.

As of February 29, 2020, total gross unrecognized tax benefits, excluding related interest and penalties, were \$802 million, \$555 million of which would affect the Company's effective tax rate if recognized in future periods. The majority of the total gross

unrecognized tax benefits are long-term in nature and included within *Deferred income taxes and other liabilities* on the Unaudited Condensed Consolidated Balance Sheets. As of May 31, 2019, total gross unrecognized tax benefits, excluding related interest and penalties, were \$808 million. The liability for payment of interest and penalties decreased by \$20 million during the nine months ended February 29, 2020. As of February 29, 2020 and May 31, 2019, accrued interest and penalties related to uncertain tax positions were \$154 million and \$174 million, respectively (excluding federal benefit).

The Company is subject to taxation in the United States, as well as various state and foreign jurisdictions. The Company is currently under audit by the U.S. Internal Revenue Service ("IRS") for fiscal years 2017 through 2019. The Company has closed all U.S. federal income tax matters through fiscal 2016, with the exception of certain transfer pricing adjustments.

Tax years after 2009 remain open in certain major foreign jurisdictions. Although the timing of resolution of audits is not certain, the Company evaluates all domestic and foreign audit issues in the aggregate, along with the expiration of applicable statutes of limitations, and estimates that it is reasonably possible the total gross unrecognized tax benefits could decrease by up to \$40 million within the next 12 months. In January 2019, the European Commission opened a formal investigation to examine whether the Netherlands has breached State Aid rules when granting certain tax rulings to the Company. The Company believes the investigation is without merit. If this matter is adversely resolved, the Netherlands may be required to assess additional amounts with respect to current and prior periods, and the Company's Netherlands income taxes in the future could increase.

In fiscal 2018, as a result of the enactment of the U.S. Tax Cuts and Jobs Act (the "Tax Act"), the Company reevaluated its historical indefinite reinvestment assertion and determined that any historical or future undistributed earnings of foreign subsidiaries were no longer considered to be indefinitely reinvested. Effective January 1, 2020, however, the tax law in the Netherlands, one of the Company's major jurisdictions, changed. As a result of the change in law, the Company's undistributed earnings in the Netherlands are subject to withholding tax upon distribution. It is the Company's intention to indefinitely reinvest the historical earnings of its foreign subsidiaries in the Netherlands prior to December 31, 2019 to ensure there is sufficient working capital to expand operations outside the United States. Accordingly, the Company has not recorded a deferred tax liability related to foreign withholding taxes on approximately \$8.7 billion of undistributed earnings of these foreign subsidiaries as of December 31, 2019. Withholding taxes of approximately \$1.3 billion would be payable upon the remittance of these undistributed earnings at February 29, 2020. Current earnings not otherwise distributable in the current year are considered indefinitely reinvested in the Company's foreign operations.

NOTE 7 — STOCK-BASED COMPENSATION

STOCK-BASED COMPENSATION

The NIKE, Inc. Stock Incentive Plan (the "Stock Incentive Plan") provides for the issuance of up to 718 million previously unissued shares of Class B Common Stock in connection with equity awards granted under the Stock Incentive Plan. The Stock Incentive Plan authorizes the grant of non-statutory stock options, incentive stock options, stock appreciation rights, restricted stock, restricted stock units and performance-based awards. In addition to the Stock Incentive Plan, the Company gives employees the right to purchase shares at a discount from the market price under employee stock purchase plans (ESPPs). Refer to Note 11 — Common Stock and Stock-Based Compensation of the Annual Report on Form 10-K for the fiscal year ended May 31, 2019 for further information.

The following table summarizes the Company's total stock-based compensation expense recognized in *Cost of sales* or *Operating overhead expense*, as applicable:

<i>(Dollars in millions)</i>	THREE MONTHS ENDED		NINE MONTHS ENDED	
	FEBRUARY 29, 2020	FEBRUARY 28, 2019	FEBRUARY 29, 2020	FEBRUARY 28, 2019
Stock options ⁽¹⁾	\$ 64	\$ 62	\$ 170	\$ 145
ESPPs	11	10	35	28
Restricted stock	38	21	98	53
TOTAL STOCK-BASED COMPENSATION EXPENSE	\$ 113	\$ 93	\$ 303	\$ 226

(1) Expense for stock options includes the expense associated with stock appreciation rights. Accelerated stock option expense is recorded for employees meeting certain retirement eligibility requirements.

The income tax benefit related to stock-based compensation expense was \$67 million and \$60 million for the three months ended February 29, 2020 and February 28, 2019, respectively, and \$181 million and \$134 million for the nine months ended February 29, 2020 and February 28, 2019, respectively.

STOCK OPTIONS

The weighted average fair value per share of the options granted during the nine months ended February 29, 2020 and February 28, 2019, computed as of the grant date using the Black-Scholes pricing model, was \$18.71 and \$22.79, respectively. The weighted average assumptions used to estimate these fair values were as follows:

	NINE MONTHS ENDED	
	FEBRUARY 29, 2020	FEBRUARY 28, 2019
Dividend yield	1.0%	1.0%
Expected volatility	23.0%	26.6%
Weighted average expected life (in years)	6.0	6.0
Risk-free interest rate	1.5%	2.8%

Expected volatilities are based on the historical volatility of the Company's common stock, the implied volatility in market traded options on the Company's common stock with a term greater than one year, as well as other factors. The weighted average expected life of options is based on an analysis of historical and expected future exercise patterns. The interest rate is based on the U.S. Treasury (constant maturity) risk-free rate in effect at the date of grant for periods corresponding with the expected term of the options.

As of February 29, 2020, the Company had \$475 million of unrecognized compensation costs from stock options, net of estimated forfeitures, to be recognized in *Cost of sales* or *Operating overhead expense*, as applicable, over a weighted average remaining period of 2.7 years.

RESTRICTED STOCK AND RESTRICTED STOCK UNITS

The weighted average fair value per share of restricted stock and restricted stock units granted for the nine months ended February 29, 2020 and February 28, 2019, computed as of the grant date, was \$88.28 and \$80.88, respectively. As of February 29, 2020, the Company had \$378 million of unrecognized compensation costs from restricted stock and restricted stock units, net of estimated forfeitures, to be recognized in *Cost of sales* or *Operating overhead expense*, as applicable, over a weighted average remaining period of 2.9 years.

NOTE 8 — EARNINGS PER SHARE

The following is a reconciliation from basic earnings per common share to diluted earnings per common share. The computations of diluted earnings per common share excluded options, including shares under ESPPs, to purchase an additional 15.8 million and 18.7 million shares of common stock outstanding for the three months ended February 29, 2020 and February 28, 2019, respectively, and 31.1 million and 19.1 million shares of common stock outstanding for the nine months ended February 29, 2020 and February 28, 2019, respectively, because the options were anti-dilutive.

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	FEBRUARY 29, 2020	FEBRUARY 28, 2019	FEBRUARY 29, 2020	FEBRUARY 28, 2019
<i>(In millions, except per share data)</i>				
Net income available to common stockholders	\$ 847	\$ 1,101	\$ 3,329	\$ 3,040
Determination of shares:				
Weighted average common shares outstanding	1,556.3	1,572.8	1,559.8	1,582.8
Assumed conversion of dilutive stock options and awards	35.3	36.8	34.8	38.7
DILUTED WEIGHTED AVERAGE COMMON SHARES OUTSTANDING	1,591.6	1,609.6	1,594.6	1,621.5
Earnings per common share:				
Basic	\$ 0.54	\$ 0.70	\$ 2.13	\$ 1.92
Diluted	\$ 0.53	\$ 0.68	\$ 2.09	\$ 1.87

NOTE 9 — RISK MANAGEMENT AND DERIVATIVES

The Company is exposed to global market risks, including the effect of changes in foreign currency exchange rates and interest rates, and uses derivatives to manage financial exposures that occur in the normal course of business. As of and for the nine months ended February 29, 2020, there have been no material changes to the Company's hedging program or strategy from what was disclosed within the Annual Report on Form 10-K. For additional information about the Company's derivatives and hedging policies refer to Note 1 — Summary of Significant Accounting Policies and Note 14 — Risk Management and Derivatives of the Annual Report on Form 10-K for the fiscal year ended May 31, 2019.

The majority of derivatives outstanding as of February 29, 2020 are designated as foreign currency cash flow hedges, primarily for Euro/U.S. Dollar, British Pound/Euro, Japanese Yen/U.S. Dollar and Chinese Yuan/U.S. Dollar currency pairs. All derivatives are recognized on the Unaudited Condensed Consolidated Balance Sheets at fair value and classified based on the instrument's maturity date.

The following tables present the fair values of derivative instruments included within the Unaudited Condensed Consolidated Balance Sheets as of February 29, 2020 and May 31, 2019:

DERIVATIVE ASSETS			
<i>(Dollars in millions)</i>	BALANCE SHEET LOCATION	FEBRUARY 29, 2020	MAY 31, 2019
Derivatives formally designated as hedging instruments:			
Foreign exchange forwards and options	Prepaid expenses and other current assets	\$ 261	\$ 509
Foreign exchange forwards and options	Deferred income taxes and other assets	27	—
Total derivatives formally designated as hedging instruments		288	509
Derivatives not designated as hedging instruments:			
Foreign exchange forwards and options	Prepaid expenses and other current assets	36	102
Embedded derivatives	Prepaid expenses and other current assets	2	5
Embedded derivatives	Deferred income taxes and other assets	—	6
Total derivatives not designated as hedging instruments		38	113
TOTAL DERIVATIVE ASSETS		\$ 326	\$ 622

DERIVATIVE LIABILITIES			
<i>(Dollars in millions)</i>	BALANCE SHEET LOCATION	FEBRUARY 29, 2020	MAY 31, 2019
Derivatives formally designated as hedging instruments:			
Foreign exchange forwards and options	Accrued liabilities	\$ 37	\$ 5
Foreign exchange forwards and options	Deferred income taxes and other liabilities	1	—
Total derivatives formally designated as hedging instruments		38	5
Derivatives not designated as hedging instruments:			
Foreign exchange forwards and options	Accrued liabilities	10	46
Embedded derivatives	Accrued liabilities	1	1
Embedded derivatives	Deferred income taxes and other liabilities	—	2
Total derivatives not designated as hedging instruments		11	49
TOTAL DERIVATIVE LIABILITIES		\$ 49	\$ 54

The following tables present the amounts in the Unaudited Condensed Consolidated Statements of Income in which the effects of cash flow hedges are recorded and the effects of cash flow hedge activity on these line items for the three and nine months ended February 29, 2020 and February 28, 2019:

	THREE MONTHS ENDED			
	FEBRUARY 29, 2020		FEBRUARY 28, 2019	
	TOTAL	AMOUNT OF GAIN (LOSS) ON CASH FLOW HEDGE ACTIVITY	TOTAL	AMOUNT OF GAIN (LOSS) ON CASH FLOW HEDGE ACTIVITY
<i>(Dollars in millions)</i>				
Revenues	\$ 10,104	\$ (21)	\$ 9,611	\$ 1
Cost of sales	5,631	110	5,272	34
Demand creation expense	870	—	865	—
Other (income) expense, net	297	44	(55)	18
Interest expense (income), net	12	(2)	12	(2)

	NINE MONTHS ENDED			
	FEBRUARY 29, 2020		FEBRUARY 28, 2019	
	TOTAL	AMOUNT OF GAIN (LOSS) ON CASH FLOW HEDGE ACTIVITY	TOTAL	AMOUNT OF GAIN (LOSS) ON CASH FLOW HEDGE ACTIVITY
<i>(Dollars in millions)</i>				
Revenues	\$ 31,090	\$ (12)	\$ 28,933	\$ 9
Cost of sales	17,202	287	16,092	—
Demand creation expense	2,769	(3)	2,739	—
Other (income) expense, net	223	121	(50)	9
Interest expense (income), net	39	(5)	37	(5)

The following tables present the amounts affecting the Unaudited Condensed Consolidated Statements of Income for the three and nine months ended February 29, 2020 and February 28, 2019:

	AMOUNT OF GAIN (LOSS) RECOGNIZED IN OTHER COMPREHENSIVE INCOME (LOSS) ON DERIVATIVES ⁽¹⁾		AMOUNT OF GAIN (LOSS) RECLASSIFIED FROM ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS) INTO INCOME ⁽¹⁾		
	THREE MONTHS ENDED		LOCATION OF GAIN (LOSS) RECLASSIFIED FROM ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS) INTO INCOME	THREE MONTHS ENDED	
	FEBRUARY 29, 2020	FEBRUARY 28, 2019		FEBRUARY 29, 2020	FEBRUARY 28, 2019
<i>(Dollars in millions)</i>					
Derivatives designated as cash flow hedges:					
Foreign exchange forwards and options	\$ 17	\$ (50)	Revenues	\$ (21)	\$ 1
Foreign exchange forwards and options	39	(1)	Cost of sales	110	34
Foreign exchange forwards and options	1	2	Demand creation expense	—	—
Foreign exchange forwards and options	7	7	Other (income) expense, net	44	18
Interest rate swaps ⁽²⁾	—	—	Interest expense (income), net	(2)	(2)
Total designated cash flow hedges	\$ 64	\$ (42)		\$ 131	\$ 51

(1) For the three months ended February 29, 2020 and February 28, 2019, the amounts recorded in Other (income) expense, net as a result of the discontinuance of cash flow hedges because the forecasted transactions were no longer probable of occurring were immaterial.

(2) Gains and losses associated with terminated interest rate swaps, which were previously designated as cash flow hedges and recorded in Accumulated other comprehensive income (loss), will be released through Interest expense (income), net over the term of the issued debt.

	AMOUNT OF GAIN (LOSS) RECOGNIZED IN OTHER COMPREHENSIVE INCOME (LOSS) ON DERIVATIVES ⁽¹⁾		AMOUNT OF GAIN (LOSS) RECLASSIFIED FROM ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS) INTO INCOME ⁽¹⁾		
	NINE MONTHS ENDED		LOCATION OF GAIN (LOSS) RECLASSIFIED FROM ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS) INTO INCOME	NINE MONTHS ENDED	
	FEBRUARY 29, 2020	FEBRUARY 28, 2019		FEBRUARY 29, 2020	FEBRUARY 28, 2019
<i>(Dollars in millions)</i>					
Derivatives designated as cash flow hedges:					
Foreign exchange forwards and options	\$ (45)	\$ (31)	Revenues	\$ (12)	\$ 9
Foreign exchange forwards and options	185	273	Cost of sales	287	—
Foreign exchange forwards and options	1	2	Demand creation expense	(3)	—
Foreign exchange forwards and options	67	112	Other (income) expense, net	121	9
Interest rate swaps ⁽²⁾	—	—	Interest expense (income), net	(5)	(5)
Total designated cash flow hedges	\$ 208	\$ 356		\$ 388	\$ 13

(1) For the nine months ended February 29, 2020 and February 28, 2019, the amounts recorded in Other (income) expense, net as a result of the discontinuance of cash flow hedges because the forecasted transactions were no longer probable of occurring were immaterial.

(2) Gains and losses associated with terminated interest rate swaps, which were previously designated as cash flow hedges and recorded in Accumulated other comprehensive income (loss), will be released through Interest expense (income), net over the term of the issued debt.

	AMOUNT OF GAIN (LOSS) RECOGNIZED IN INCOME ON DERIVATIVES				LOCATION OF GAIN (LOSS) RECOGNIZED IN INCOME ON DERIVATIVES
	THREE MONTHS ENDED		NINE MONTHS ENDED		
	FEBRUARY 29, 2020	FEBRUARY 28, 2019	FEBRUARY 29, 2020	FEBRUARY 28, 2019	
<i>(Dollars in millions)</i>					
Derivatives not designated as hedging instruments:					
Foreign exchange forwards and options	\$ 12	\$ (59)	\$ (9)	\$ 129	Other (income) expense, net
Embedded derivatives	(2)	(2)	(7)	2	Other (income) expense, net

CASH FLOW HEDGES

All changes in fair value of derivatives designated as cash flow hedges are recorded in *Accumulated other comprehensive income (loss)* until *Net income* is affected by the variability of cash flows of the hedged transaction. Effective hedge results are classified in the Unaudited Condensed Consolidated Statements of Income in the same manner as the underlying exposure. Derivative instruments designated as cash flow hedges must be discontinued when it is no longer probable the forecasted hedged transaction will occur in the initially identified time period. The gains and losses associated with discontinued derivative instruments in *Accumulated other comprehensive income (loss)* will be recognized immediately in *Other (income) expense, net*, if it is probable the forecasted hedged transaction will not occur by the end of the initially identified time period or within an additional two-month period thereafter. In all situations in which hedge accounting is discontinued and the derivative remains outstanding, the Company accounts for the derivative as an undesignated instrument as discussed below.

The total notional amount of outstanding foreign currency derivatives designated as cash flow hedges was approximately \$8.2 billion as of February 29, 2020. Approximately \$322 million of deferred net gains (net of tax) on both outstanding and matured derivatives in *Accumulated other comprehensive income (loss)* as of February 29, 2020, are expected to be reclassified to *Net income* during the next 12 months concurrent with the underlying hedged transactions also being recorded in *Net income*. Actual amounts ultimately reclassified to *Net income* are dependent on the exchange rates in effect when derivative contracts currently outstanding mature. As of February 29, 2020, the maximum term over which the Company hedges exposures to the variability of cash flows for its forecasted transactions was 23 months.

UNDESIGNATED DERIVATIVE INSTRUMENTS

The Company may elect to enter into foreign exchange forwards to mitigate the change in fair value of specific assets and liabilities on the Unaudited Condensed Consolidated Balance Sheets and/or the embedded derivative contracts. These undesignated instruments are recorded at fair value as a derivative asset or liability on the Unaudited Condensed Consolidated Balance Sheets with their corresponding change in fair value recognized in *Other (income) expense, net*, together with the re-measurement gain or loss from the hedged balance sheet position and/or embedded derivative contract. The total notional amount of outstanding undesignated derivative instruments was \$3.6 billion as of February 29, 2020.

EMBEDDED DERIVATIVES

Embedded derivative contracts are treated as foreign currency forward contracts that are bifurcated from the related contract and recorded at fair value as a derivative asset or liability on the Unaudited Condensed Consolidated Balance Sheets with their corresponding change in fair value recognized in *Other (income) expense, net*, through the date the foreign currency fluctuations cease to exist.

At February 29, 2020, the total notional amount of embedded derivatives outstanding was approximately \$350 million.

CREDIT RISK

The Company's bilateral credit-related contingent features generally require the owing entity, either the Company or the derivative counterparty, to post collateral for the portion of the fair value in excess of \$50 million should the fair value of outstanding derivatives per counterparty be greater than \$50 million. Additionally, a certain level of decline in credit rating of either the Company or the counterparty could also trigger collateral requirements. As of February 29, 2020, the Company was in compliance with all credit risk-related contingent features, and derivative instruments with such features were in a net liability position of approximately \$1 million. Accordingly, the Company was not required to post any collateral as a result of these contingent features. Further, as of February 29, 2020, the Company had \$86 million of cash collateral received from various counterparties to its derivative contracts. The Company considers the impact of the risk of counterparty default to be immaterial.

For additional information related to the Company's derivative financial instruments and collateral, refer to Note 4 — Fair Value Measurements.

NOTE 10 — ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The changes in *Accumulated other comprehensive income (loss)*, net of tax, were as follows:

<i>(Dollars in millions)</i>	FOREIGN CURRENCY TRANSLATION ADJUSTMENT ⁽¹⁾	CASH FLOW HEDGES	NET INVESTMENT HEDGES ⁽¹⁾	OTHER	TOTAL
Balance at November 30, 2019	\$ (407)	\$ 401	\$ 115	\$ (57)	\$ 52
Other comprehensive income (loss):					
Other comprehensive gains (losses) before reclassifications ⁽²⁾	(43)	63	—	1	21
Reclassifications to net income of previously deferred (gains) losses ⁽³⁾	1	(131)	—	—	(130)
Total other comprehensive income (loss)	(42)	(68)	—	1	(109)
Balance at February 29, 2020	\$ (449)	\$ 333	\$ 115	\$ (56)	\$ (57)

(1) The accumulated foreign currency translation adjustment and net investment hedge gains/losses related to an investment in a foreign subsidiary are reclassified to Net income upon sale or upon complete or substantially complete liquidation of the respective entity.

(2) Net of tax (expense) of \$0 million, \$(1) million, \$0 million, \$0 million and \$(1) million, respectively.

(3) Net of tax expense of \$0 million, \$0 million, \$0 million, \$0 million and \$0 million, respectively.

(Dollars in millions)

	FOREIGN CURRENCY TRANSLATION ADJUSTMENT ⁽¹⁾	CASH FLOW HEDGES	NET INVESTMENT HEDGES ⁽¹⁾	OTHER	TOTAL
Balance at May 31, 2019	\$ (346)	\$ 520	\$ 115	\$ (58)	\$ 231
Other comprehensive income (loss):					
Other comprehensive gains (losses) before reclassifications ⁽²⁾	(104)	200	—	2	98
Reclassifications to net income of previously deferred (gains) losses ⁽³⁾	1	(387)	—	—	(386)
Total other comprehensive income (loss)	(103)	(187)	—	2	(288)
Balance at February 29, 2020	\$ (449)	\$ 333	\$ 115	\$ (56)	\$ (57)

(1) The accumulated foreign currency translation adjustment and net investment hedge gains/losses related to an investment in a foreign subsidiary are reclassified to Net income upon sale or upon complete or substantially complete liquidation of the respective entity.

(2) Net of tax (expense) of \$0 million, \$(8) million, \$0 million, \$0 million and \$(8) million, respectively.

(3) Net of tax expense of \$0 million, \$1 million, \$0 million, \$0 million and \$1 million, respectively.

(Dollars in millions)

	FOREIGN CURRENCY TRANSLATION ADJUSTMENT ⁽¹⁾	CASH FLOW HEDGES	NET INVESTMENT HEDGES ⁽¹⁾	OTHER	TOTAL
Balance at November 30, 2018	\$ (303)	\$ 451	\$ 115	\$ (54)	\$ 209
Other comprehensive income (loss):					
Other comprehensive gains (losses) before reclassifications ⁽²⁾	79	(43)	—	(3)	33
Reclassifications to net income of previously deferred (gains) losses ⁽³⁾	—	(48)	—	3	(45)
Total other comprehensive income (loss)	79	(91)	—	—	(12)
Balance at February 28, 2019	\$ (224)	\$ 360	\$ 115	\$ (54)	\$ 197

(1) The accumulated foreign currency translation adjustment and net investment hedge gains/losses related to an investment in a foreign subsidiary are reclassified to Net income upon sale or upon complete or substantially complete liquidation of the respective entity.

(2) Net of tax (expense) of \$0 million, \$(1) million, \$0 million, \$0 million and \$(1) million, respectively.

(3) Net of tax expense of \$0 million, \$3 million, \$0 million, \$0 million and \$3 million, respectively.

(Dollars in millions)

	FOREIGN CURRENCY TRANSLATION ADJUSTMENT ⁽¹⁾	CASH FLOW HEDGES	NET INVESTMENT HEDGES ⁽¹⁾	OTHER	TOTAL
Balance at May 31, 2018	\$ (173)	\$ 17	\$ 115	\$ (51)	\$ (92)
Other comprehensive income (loss):					
Other comprehensive gains (losses) before reclassifications ⁽²⁾	(51)	351	—	5	305
Reclassifications to net income of previously deferred (gains) losses ⁽³⁾	—	(8)	—	(8)	(16)
Total other comprehensive income (loss)	(51)	343	—	(3)	289
Balance at February 28, 2019	\$ (224)	\$ 360	\$ 115	\$ (54)	\$ 197

(1) The accumulated foreign currency translation adjustment and net investment hedge gains/losses related to an investment in a foreign subsidiary are reclassified to Net income upon sale or upon complete or substantially complete liquidation of the respective entity.

(2) Net of tax (expense) of \$0 million, \$(5) million, \$0 million, \$0 million and \$(5) million, respectively.

(3) Net of tax expense of \$0 million, \$5 million, \$0 million, \$0 million and \$5 million, respectively.

The following table summarizes the reclassifications from *Accumulated other comprehensive income (loss)* to the Unaudited Condensed Consolidated Statements of Income:

	AMOUNT OF GAIN (LOSS) RECLASSIFIED FROM ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS) INTO INCOME				LOCATION OF GAIN (LOSS) RECLASSIFIED FROM ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS) INTO INCOME
	THREE MONTHS ENDED		NINE MONTHS ENDED		
	FEBRUARY 29, 2020	FEBRUARY 28, 2019	FEBRUARY 29, 2020	FEBRUARY 28, 2019	
<i>(Dollars in millions)</i>					
Gains (losses) on foreign currency translation adjustment	\$ (1)	\$ —	\$ (1)	\$ —	Other expense (income), net
Total before tax	(1)	—	(1)	—	
Tax (expense) benefit	—	—	—	—	
Gain (loss) net of tax	(1)	—	(1)	—	
Gains (losses) on cash flow hedges:					
Foreign exchange forwards and options	(21)	1	(12)	9	Revenues
Foreign exchange forwards and options	110	34	287	—	Cost of sales
Foreign exchange forwards and options	—	—	(3)	—	Demand creation expense
Foreign exchange forwards and options	44	18	121	9	Other (income) expense, net
Interest rate swaps	(2)	(2)	(5)	(5)	Interest expense (income), net
Total before tax	131	51	388	13	
Tax (expense)	—	(3)	(1)	(5)	
Gain (loss) net of tax	131	48	387	8	
Gains (losses) on other	—	(3)	—	8	Other (income) expense, net
Total before tax	—	(3)	—	8	
Tax (expense)	—	—	—	—	
Gain (loss) net of tax	—	(3)	—	8	
Total net gain (loss) reclassified for the period	\$ 130	\$ 45	\$ 386	\$ 16	

NOTE 11 — REVENUES

DISAGGREGATION OF REVENUES

The following tables present the Company's revenues disaggregated by reportable operating segment, major product line and by distribution channel:

		THREE MONTHS ENDED FEBRUARY 29, 2020								
<i>(Dollars in millions)</i>		NORTH AMERICA	EUROPE, MIDDLE EAST & AFRICA	GREATER CHINA	ASIA PACIFIC & LATIN AMERICA	GLOBAL BRAND DIVISIONS	TOTAL NIKE BRAND	CONVERSE	CORPORATE	TOTAL NIKE, INC.
Revenues by:										
Footwear	\$	2,628	\$ 1,711	\$ 1,075	\$ 963	\$ —	\$ 6,377	\$ 455	\$ —	\$ 6,832
Apparel		1,228	889	400	388	—	2,905	20	—	2,925
Equipment		123	109	31	63	—	326	5	—	331
Other		—	—	—	—	8	8	26	(18)	16
TOTAL REVENUES	\$	3,979	\$ 2,709	\$ 1,506	\$ 1,414	\$ 8	\$ 9,616	\$ 506	\$ (18)	\$ 10,104
Revenues by:										
Sales to Wholesale Customers	\$	2,521	\$ 1,956	\$ 881	\$ 953	\$ —	\$ 6,311	\$ 330	\$ —	\$ 6,641
Sales through Direct to Consumer		1,458	753	625	461	—	3,297	150	—	3,447
Other		—	—	—	—	8	8	26	(18)	16
TOTAL REVENUES	\$	3,979	\$ 2,709	\$ 1,506	\$ 1,414	\$ 8	\$ 9,616	\$ 506	\$ (18)	\$ 10,104

		THREE MONTHS ENDED FEBRUARY 28, 2019								
<i>(Dollars in millions)</i>		NORTH AMERICA	EUROPE, MIDDLE EAST & AFRICA	GREATER CHINA	ASIA PACIFIC & LATIN AMERICA	GLOBAL BRAND DIVISIONS	TOTAL NIKE BRAND	CONVERSE	CORPORATE	TOTAL NIKE, INC.
Revenues by:										
Footwear	\$	2,509	\$ 1,589	\$ 1,115	\$ 909	\$ —	\$ 6,122	\$ 405	\$ —	\$ 6,527
Apparel		1,173	750	444	340	—	2,707	27	—	2,734
Equipment		128	96	29	58	—	311	5	—	316
Other		—	—	—	—	8	8	26	—	34
TOTAL REVENUES	\$	3,810	\$ 2,435	\$ 1,588	\$ 1,307	\$ 8	\$ 9,148	\$ 463	\$ —	\$ 9,611
Revenues by:										
Sales to Wholesale Customers	\$	2,547	\$ 1,785	\$ 936	\$ 906	\$ —	\$ 6,174	\$ 308	\$ —	\$ 6,482
Sales through Direct to Consumer		1,263	650	652	401	—	2,966	129	—	3,095
Other		—	—	—	—	8	8	26	—	34
TOTAL REVENUES	\$	3,810	\$ 2,435	\$ 1,588	\$ 1,307	\$ 8	\$ 9,148	\$ 463	\$ —	\$ 9,611

NINE MONTHS ENDED FEBRUARY 29, 2020

<i>(Dollars in millions)</i>	NORTH AMERICA	EUROPE, MIDDLE EAST & AFRICA	GREATER CHINA	ASIA PACIFIC & LATIN AMERICA	GLOBAL BRAND DIVISIONS	TOTAL NIKE BRAND	CONVERSE	CORPORATE	TOTAL NIKE, INC.
Revenues by:									
Footwear	\$ 7,723	\$ 5,005	\$ 3,486	\$ 2,890	\$ —	\$ 19,104	\$ 1,367	\$ —	\$ 20,471
Apparel	4,076	2,655	1,428	1,154	—	9,313	76	—	9,389
Equipment	455	359	118	183	—	1,115	20	—	1,135
Other	—	—	—	—	24	24	78	(7)	95
TOTAL REVENUES	\$ 12,254	\$ 8,019	\$ 5,032	\$ 4,227	\$ 24	\$ 29,556	\$ 1,541	\$ (7)	\$ 31,090
Revenues by:									
Sales to Wholesale Customers	\$ 8,119	\$ 5,792	\$ 2,895	\$ 2,925	\$ —	\$ 19,731	\$ 983	\$ —	\$ 20,714
Sales through Direct to Consumer	4,135	2,227	2,137	1,302	—	9,801	480	—	10,281
Other	—	—	—	—	24	24	78	(7)	95
TOTAL REVENUES	\$ 12,254	\$ 8,019	\$ 5,032	\$ 4,227	\$ 24	\$ 29,556	\$ 1,541	\$ (7)	\$ 31,090

NINE MONTHS ENDED FEBRUARY 28, 2019

<i>(Dollars in millions)</i>	NORTH AMERICA	EUROPE, MIDDLE EAST & AFRICA	GREATER CHINA	ASIA PACIFIC & LATIN AMERICA	GLOBAL BRAND DIVISIONS	TOTAL NIKE BRAND	CONVERSE	CORPORATE	TOTAL NIKE, INC.
Revenues by:									
Footwear	\$ 7,309	\$ 4,650	\$ 3,095	\$ 2,669	\$ —	\$ 17,723	\$ 1,222	\$ —	\$ 18,945
Apparel	3,985	2,374	1,314	1,032	—	8,705	93	—	8,798
Equipment	443	331	102	174	—	1,050	18	—	1,068
Other	—	—	—	—	33	33	82	7	122
TOTAL REVENUES	\$ 11,737	\$ 7,355	\$ 4,511	\$ 3,875	\$ 33	\$ 27,511	\$ 1,415	\$ 7	\$ 28,933
Revenues by:									
Sales to Wholesale Customers	\$ 8,031	\$ 5,318	\$ 2,704	\$ 2,777	\$ —	\$ 18,830	\$ 930	\$ —	\$ 19,760
Sales through Direct to Consumer	3,706	2,037	1,807	1,098	—	8,648	403	—	9,051
Other	—	—	—	—	33	33	82	7	122
TOTAL REVENUES	\$ 11,737	\$ 7,355	\$ 4,511	\$ 3,875	\$ 33	\$ 27,511	\$ 1,415	\$ 7	\$ 28,933

For the three and nine months ended February 29, 2020 and February 28, 2019, other revenues for Global Brand Divisions and Converse were primarily attributable to licensing businesses. For the three and nine months ended February 29, 2020 and February 28, 2019, other revenues for Corporate primarily consisted of foreign currency hedge gains and losses related to revenues generated by entities within the NIKE Brand geographic operating segments and Converse but managed through the Company's central foreign exchange risk management program.

As of February 29, 2020 and May 31, 2019, the Company did not have any contract assets and had an immaterial amount of contract liabilities recorded in *Accrued Liabilities* on the Unaudited Condensed Consolidated Balance Sheets.

NOTE 12 — OPERATING SEGMENTS

The Company's operating segments are evidence of the structure of the Company's internal organization. The NIKE Brand segments are defined by geographic regions for operations participating in NIKE Brand sales activity.

Each NIKE Brand geographic segment operates predominantly in one industry: the design, development, marketing and selling of athletic footwear, apparel and equipment. The Company's reportable operating segments for the NIKE Brand are: North America; Europe, Middle East & Africa (EMEA); Greater China; and Asia Pacific & Latin America (APLA), and include results for the NIKE and Jordan brands, with results for the Hurley brand included in North America. Refer to Note 14 — Acquisitions and Divestitures for information regarding the divestiture of the Company's wholly owned subsidiary, Hurley, and the planned transition of NIKE Brand businesses in certain countries within APLA to third-party distributors.

The Company's NIKE Direct operations are managed within each NIKE Brand geographic operating segment. Converse is also a reportable segment for the Company, and operates in one industry: the design, marketing, licensing and selling of athletic lifestyle sneakers, apparel and accessories.

Global Brand Divisions is included within the NIKE Brand for presentation purposes to align with the way management views the Company. Global Brand Divisions primarily represent NIKE Brand licensing businesses that are not part of a geographic operating segment, and demand creation and operating overhead expense, including product creation and design expenses that are centrally managed for the NIKE Brand, as well as costs associated with NIKE Direct global digital operations and enterprise technology.

Corporate consists primarily of unallocated general and administrative expenses, including expenses associated with centrally managed departments; depreciation and amortization related to the Company's headquarters; unallocated insurance, benefit and compensation programs, including stock-based compensation; and certain foreign currency gains and losses, including certain hedge gains and losses. For the three and nine months ended February 29, 2020, Corporate includes the non-recurring impairment charge, recognized as a result of the Company's decision to transition its operations in Brazil, Argentina, Chile and Uruguay to third-party distributors. This charge primarily reflects the anticipated release of associated non-cash cumulative foreign currency translation losses. For more information regarding this charge, refer to Note 14 — Acquisitions and Divestitures.

The primary financial measure used by the Company to evaluate performance of individual operating segments is earnings before interest and taxes (EBIT), which represents *Net income before Interest expense (income), net and Income tax expense* in the Unaudited Condensed Consolidated Statements of Income.

As part of the Company's centrally managed foreign exchange risk management program, standard foreign currency rates are assigned twice per year to each NIKE Brand entity in the Company's geographic operating segments and to Converse. These rates are set approximately nine and twelve months in advance of the future selling seasons to which they relate (specifically, for each currency, one standard rate applies to the fall and holiday selling seasons and one standard rate applies to the spring and summer selling seasons) based on average market spot rates in the calendar month preceding the date they are established. Inventories and cost of sales for geographic operating segments and Converse reflect the use of these standard rates to record non-functional currency product purchases in the entity's functional currency. Differences between assigned standard foreign currency rates and actual market rates are included in Corporate, together with foreign currency hedge gains and losses generated from the Company's centrally managed foreign exchange risk management program and other conversion gains and losses.

Accounts receivable, net, Inventories and Property, plant and equipment, net for operating segments are regularly reviewed by management and are therefore provided below.

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	FEBRUARY 29, 2020	FEBRUARY 28, 2019	FEBRUARY 29, 2020	FEBRUARY 28, 2019
<i>(Dollars in millions)</i>				
REVENUES				
North America	\$ 3,979	\$ 3,810	\$ 12,254	\$ 11,737
Europe, Middle East & Africa	2,709	2,435	8,019	7,355
Greater China	1,506	1,588	5,032	4,511
Asia Pacific & Latin America	1,414	1,307	4,227	3,875
Global Brand Divisions	8	8	24	33
Total NIKE Brand	9,616	9,148	29,556	27,511
Converse	506	463	1,541	1,415
Corporate	(18)	—	(7)	7
TOTAL NIKE, INC. REVENUES	\$ 10,104	\$ 9,611	\$ 31,090	\$ 28,933
EARNINGS BEFORE INTEREST AND TAXES				
North America	\$ 937	\$ 916	\$ 2,912	\$ 2,877
Europe, Middle East & Africa	575	538	1,694	1,489
Greater China	556	639	1,919	1,702
Asia Pacific & Latin America	387	339	1,105	983
Global Brand Divisions	(895)	(788)	(2,624)	(2,432)
Converse	96	79	324	221
Corporate	(763)	(420)	(1,600)	(1,245)
Interest expense (income), net	12	12	39	37
TOTAL NIKE, INC. INCOME BEFORE INCOME TAXES	\$ 881	\$ 1,291	\$ 3,691	\$ 3,558

	FEBRUARY 29,		MAY 31,	
	2020		2019	
<i>(Dollars in millions)</i>				
ACCOUNTS RECEIVABLE, NET				
North America		\$ 1,747	\$ 1,718	
Europe, Middle East & Africa		1,297	1,164	
Greater China		398	245	
Asia Pacific & Latin America ⁽¹⁾		587	771	
Global Brand Divisions		108	105	
Total NIKE Brand		4,137	4,003	
Converse		290	243	
Corporate		46	26	
TOTAL ACCOUNTS RECEIVABLE, NET		\$ 4,473	\$ 4,272	
INVENTORIES				
North America		\$ 2,222	\$ 2,328	
Europe, Middle East & Africa		1,501	1,390	
Greater China		916	693	
Asia Pacific & Latin America ⁽¹⁾		614	694	
Global Brand Divisions		198	126	
Total NIKE Brand		5,451	5,231	
Converse		280	269	
Corporate		76	122	
TOTAL INVENTORIES		\$ 5,807	\$ 5,622	

<i>(Dollars in millions)</i>	FEBRUARY 29,	MAY 31,
	2020	2019
PROPERTY, PLANT AND EQUIPMENT, NET		
North America	\$ 655	\$ 814
Europe, Middle East & Africa	857	929
Greater China	219	237
Asia Pacific & Latin America ⁽¹⁾	298	326
Global Brand Divisions	800	665
Total NIKE Brand	2,829	2,971
Converse	84	100
Corporate	1,870	1,673
TOTAL PROPERTY, PLANT AND EQUIPMENT, NET	\$ 4,783	\$ 4,744

(1) Excludes assets held-for-sale as of February 29, 2020. See Note 14 — Acquisitions and Divestitures for additional information.

NOTE 13 — LEASES

The Company primarily leases retail store space, certain distribution and warehouse facilities, office space, equipment and other non-real estate assets. The Company determines if an arrangement is a lease at inception and begins recording lease activity at the commencement date, which is generally the date in which the Company takes possession of or controls the physical use of the asset. ROU assets and lease liabilities are recognized based on the present value of lease payments over the lease term with lease expense recognized on a straight-line basis. The Company's incremental borrowing rate is used to determine the present value of future lease payments unless the implicit rate is readily determinable. As of and for the nine months ended February 29, 2020, finance leases were not a material component of the Company's lease portfolio.

Lease agreements may contain rent escalation clauses, renewal or termination options, rent holidays or certain landlord incentives, including tenant improvement allowances. ROU assets include amounts for scheduled rent increases and are reduced by the amount of lease incentives. The lease term includes the non-cancelable period of the lease and options to extend or terminate the lease when it is reasonably certain the Company will exercise those options. Certain lease agreements include variable lease payments, which are based on a percent of retail sales over specified levels or adjust periodically for inflation as a result of changes in a published index, primarily the Consumer Price Index.

Lease expense is recognized in *Cost of sales* or *Operating overhead expense* within the Unaudited Condensed Consolidated Statements of Income, based on the underlying nature of the leased asset. For the three months ended February 29, 2020, lease expense primarily consisted of operating lease costs of \$137 million, and \$83 million primarily related to variable lease costs which includes an immaterial amount of short-term lease costs. For the nine months ended February 29, 2020, lease expense primarily consisted of operating lease costs of \$425 million, and \$270 million primarily related to variable lease costs which includes an immaterial amount of short-term lease costs.

Amounts of future undiscounted cash flows related to operating lease payments over the lease term are as follows and are reconciled to the present value of the operating lease liabilities as recorded on the Unaudited Condensed Consolidated Balance Sheets:

<i>(Dollars in millions)</i>	AS OF FEBRUARY 29, 2020 ⁽¹⁾	
Remainder of Fiscal 2020	\$	139
Fiscal 2021		538
Fiscal 2022		478
Fiscal 2023		420
Fiscal 2024		381
Thereafter		1,672
Total undiscounted future cash flows related to lease payments	\$	3,628
Less: Interest		448
Present value of lease liabilities	\$	3,180

(1) Excludes \$292 million of future operating lease payments for lease agreements signed but not yet commenced.

Amounts of minimum future annual commitments under non-cancelable operating and capital leases in accordance with Topic 840 were as follows:

<i>(Dollars in millions)</i>	AS OF MAY 31, 2019		
	OPERATING LEASES	CAPITAL LEASES AND OTHER FINANCING OBLIGATIONS ⁽¹⁾	TOTAL
Fiscal 2020	\$ 553	\$ 32	\$ 585
Fiscal 2021	513	34	547
Fiscal 2022	441	40	481
Fiscal 2023	386	37	423
Fiscal 2024	345	34	379
Thereafter	1,494	197	1,691
TOTAL	\$ 3,732	\$ 374	\$ 4,106

⁽¹⁾ Capital leases and other financing obligations include payments related to build-to-suit lease arrangements.

The following table includes the weighted average remaining lease terms, in years, and the weighted average discount rate used to calculate the present value of operating lease liabilities:

	AS OF FEBRUARY 29, 2020
Weighted-average remaining lease term (years)	8.6
Weighted-average discount rate	2.6%

The following table includes supplemental cash and non-cash information related to operating leases:

<i>(Dollars in millions)</i>	NINE MONTHS ENDED FEBRUARY 29, 2020
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	\$ 407
Operating lease right-of-use assets obtained in exchange for new operating lease liabilities ⁽¹⁾	\$ 368

⁽¹⁾ Excludes the amount initially capitalized in conjunction with the adoption of Topic 842.

NOTE 14 — ACQUISITIONS AND DIVESTITURES

ACQUISITIONS

During fiscal 2020 and 2019, the Company made multiple acquisitions focused on gaining new capabilities to fuel its Consumer Direct Offense strategy, serving consumers personally at a global scale. The impact of acquisitions, individually and in the aggregate, was not considered material to the Company's Unaudited Condensed Consolidated Financial Statements.

DIVESTITURES

During the third quarter of fiscal 2020, as a result of the Company's decision to transition its wholesale and direct to consumer operating model in certain countries within its APLA operating segment, the Company signed definitive agreements to sell its NIKE Brand businesses in Brazil, Argentina, Chile and Uruguay to third-party distributors. Specifically, NIKE entered into agreements to sell its operations in Argentina, Chile and Uruguay to Grupo Axo and to sell substantially all of its operations in Brazil to Grupo SBF S.A., through its wholly owned subsidiary. The Company will retain a small operation in Brazil focused on certain sports marketing assets, local manufacturing and Converse. These transactions are expected to close in the first half of fiscal 2021, with Grupo SBF S.A.'s transaction subject to Brazil Antitrust Authority approvals.

As a result of this decision, the related assets and liabilities of these entities were classified as held-for-sale on the Unaudited Condensed Consolidated Balance Sheets as of February 29, 2020, which consisted of the following:

- Assets of \$524 million, primarily consisting of \$217 million of *Inventories* and \$210 million of *Accounts receivable, net* which were reclassified to *Prepaid expenses and other current assets* on the Company's Unaudited Condensed Consolidated Balance Sheets; and
- Liabilities of \$158 million, primarily consisting of \$84 million of *Accrued liabilities*, as well as \$60 million of *Accounts Payable*, which was reclassified to *Accrued liabilities* on the Company's Unaudited Condensed Consolidated Balance Sheets.

Upon meeting the criteria for held-for-sale classification, the Company recognized a non-recurring impairment charge of \$400 million within *Other (income) expense, net* on the Unaudited Condensed Consolidated Statements of Income, classified within Corporate, and a corresponding allowance within *Accrued Liabilities* on the Unaudited Condensed Consolidated Balance Sheets. This charge was primarily due to the anticipated release of non-cash cumulative foreign currency translation losses, which were included as part of the carrying value of the Argentina, Chile and Uruguay disposal groups when measuring for impairment. These losses will be reclassified from *Accumulated other comprehensive income (loss)* to *Net income* upon closure of the transaction. For more information see Note 4 — Fair Value Measurements.

On October 29, 2019, the Company signed a definitive agreement to sell the assets and liabilities of its wholly owned subsidiary brand, Hurley. The transaction closed on December 6, 2019, and the impacts of the divestiture are not considered material to the Company.

NOTE 15 — SUBSEQUENT EVENTS

A novel strain of coronavirus (COVID-19) was first identified in Wuhan, China in December 2019, and subsequently declared a pandemic by the World Health Organization. Subsequent to the end of the third quarter of fiscal 2020, nearly all NIKE-owned stores outside of Greater China and Korea were closed to help curb the spread of COVID-19 and there can be no assurance as to how long these closures may remain in effect. Furthermore, even after reopening there can be no assurance as to the time required to regain operations and sales at prior levels. Given the dynamic nature of this situation, the Company cannot reasonably estimate the impacts of COVID-19 on its financial condition, results of operations or cash flows for the foreseeable future. However, the Company expects it will have a material, adverse impact on future revenue growth as well as overall profitability and may lead to higher than normal inventory levels, revised payment terms with certain wholesale customers, higher sales-related reserves, factory cancellation costs and a volatile effective tax rate driven by changes in the mix of earnings across the Company's jurisdictions.

In response to the uncertainty of the circumstances described above, the Company has enhanced its liquidity position through the following actions as described below.

On March 27, 2020, the Company issued senior unsecured notes, as outlined in the table below:

<i>Scheduled Maturity (Dollars in millions)</i>	ORIGINAL PRINCIPAL	INTEREST RATE	INTEREST PAYMENTS
Corporate Term Debt: ⁽¹⁾⁽²⁾			
March 27, 2025	\$ 1,000	2.40%	Semi-Annually
March 27, 2027	1,000	2.75%	Semi-Annually
March 27, 2030	1,500	2.85%	Semi-Annually
March 27, 2040	1,000	3.25%	Semi-Annually
March 27, 2050	1,500	3.38%	Semi-Annually
TOTAL ISSUANCE	\$ 6,000		

(1) These senior unsecured obligations rank equally with the Company's other unsecured and unsubordinated indebtedness.

(2) The bonds are redeemable at the Company's option up to one, two, three, six and six months prior to the scheduled maturity date for the bonds maturing in 2025, 2027, 2030, 2040 and 2050, respectively, at a price equal to the greater of (i) 100% of the aggregate principal amount of the bonds to be redeemed or (ii) the sum of the present values of the remaining scheduled payments, plus in each case, accrued and unpaid interest. Within one, two, three, six and six months to scheduled maturity, respectively, the bonds also feature a par call provision, which allows for the bonds to be redeemed at a price equal to 100% of the aggregate principal amount of the bonds being redeemed, plus accrued and unpaid interest.

As of April 7, 2020, the Company had \$1 billion of borrowings outstanding under its \$2 billion commercial paper program at a weighted average rate of 1.65%.

On April 6, 2020, the Company entered into a committed credit facility agreement with a syndicate of banks which provides for up to \$2 billion of borrowings, in addition to the existing credit facility discussed in Note 5 — Short-Term Borrowings and Credit Lines. The new facility matures on April 5, 2021. Based on the Company's current long-term senior unsecured debt ratings of AA- and A1 from Standard and Poor's Corporation and Moody's Investor Services, respectively, the interest rate charged on any outstanding borrowings would be the prevailing LIBOR plus 1.05%. The facility fee is 0.20% of the total commitment. As of April 7, 2020, no amounts were outstanding under this committed credit facility.

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

OVERVIEW

NIKE designs, develops, markets and sells athletic footwear, apparel, equipment, accessories and services worldwide. We are the largest seller of athletic footwear and apparel in the world. We sell our products through NIKE-owned retail stores and through digital platforms (which we refer to collectively as our "NIKE Direct" operations), to retail accounts and to a mix of independent distributors, licensees and sales representatives in virtually all countries around the world. Our goal is to deliver value to our shareholders by building a profitable global portfolio of branded footwear, apparel, equipment and accessories businesses. Our strategy is to achieve long-term revenue growth by creating innovative, "must-have" products, building deep personal consumer connections with our brands and delivering compelling consumer experiences through digital platforms and at retail. Through the Consumer Direct Offense, we are focusing on our Triple Double strategy, with the objective of doubling the impact of innovation, increasing our speed and agility to market and growing our direct connections with consumers.

COVID-19 UPDATE

A novel strain of coronavirus (COVID-19) was first identified in Wuhan, China in December 2019, and subsequently declared a pandemic by the World Health Organization. To date, COVID-19 has surfaced in nearly all regions around the world and resulted in travel restrictions and business slowdowns or shutdowns in affected areas. As a result, COVID-19 has impacted our business globally, including through store closures or reduced operating hours and decreased retail traffic. In particular, the outbreak and preventive measures taken to help curb the spread had material adverse impacts on our operations and business results in Greater China during the third quarter of fiscal 2020, following the temporary closure of, or reduced operating hours in, approximately 75 percent of NIKE-owned and partner stores within the region. Similarly, subsequent to the end of the third quarter of fiscal 2020, nearly all NIKE-owned stores outside of Greater China and Korea are closed to reduce the spread of COVID-19 and at this time we cannot reasonably estimate the length of time these closures will remain in effect. Certain of our wholesale partners have also closed stores, or reduced operating hours, resulting in lower than expected sales and a slowing of receipt of shipments of product from NIKE. Furthermore, even after reopening there can be no assurance as to the time required to regain operations and sales at prior levels.

COVID-19 has also impacted our distribution centers and our third-party manufacturing partners and other vendors, including through the effects of facility closures, reductions in operating hours, labor shortages, and real time changes in operating procedures to accommodate social distancing guidelines and additional cleaning and disinfection procedures.

In response to the outbreak and business disruption, first and foremost, we have prioritized the health and safety of our employees and we have closed our stores. However, our digital commerce remains open, supported by the employees in the distribution centers. During the third quarter of fiscal 2020 digital remained our fastest growing channel, growing 36% on a currency-neutral basis with each of our Geographies and Converse exceeding 30% of digital revenue growth in the quarter. Additionally, as of early April 2020, approximately 95 percent of NIKE-owned and partner stores in Greater China are open. We are beginning to see our Greater China business recover with continued strong digital demand and retail store traffic increasing on a week-over-week basis. In North America and EMEA, digital commerce continues to experience strong demand versus the prior year.

We continue to monitor the rapidly evolving situation and guidance from international and domestic authorities, including federal, state and local public health authorities and may take additional actions based on their recommendations. In these circumstances, there may be developments outside our control requiring us to adjust our operating plan. As such, given the dynamic nature of this situation, the Company cannot reasonably estimate the impacts of COVID-19 on our financial condition, results of operations or cash flows in the future. However, we do expect that it will have a material adverse impact on our future revenue growth as well as our overall profitability and may lead to higher than normal inventory levels and revised payment terms with certain of our wholesale customers, higher sales-related reserves, factory cancellation costs and a volatile effective tax rate driven by changes in the mix of earnings across the Company's jurisdictions.

THIRD QUARTER OVERVIEW

As we continue to execute against the Consumer Direct Offense, we are focused on optimizing country operating models across our global portfolio and we remain committed to investing in our most significant growth opportunities. During the third quarter of fiscal 2020, we announced our intention to sell our NIKE Brand businesses in Brazil, Argentina, Chile and Uruguay to strategic third-party distributors in an effort to more personally serve consumers in these respective marketplaces while driving sustainable, profitable growth. These transactions are expected to close in the first half of fiscal 2021. As a result of this decision, the related assets and liabilities of these entities were classified as held-for-sale on the Unaudited Condensed Consolidated Balance Sheets as of February 29, 2020. Additionally, we recognized a non-recurring impairment charge of \$400 million, within *Other (income) expense, net* on the Unaudited Condensed Consolidated Statements of Income, classified within Corporate. This

charge was primarily due to the anticipated release of non-cash cumulative foreign currency translation losses, and could fluctuate due to changes in exchange rates up to the date of close. In future quarters, as we shift from a wholesale and direct to consumer operating model to a distributor operating model within these countries, we expect consolidated NIKE, Inc. and APLA revenue growth will be reduced due to differences in commercial terms. However, we expect the future operating model to have a favorable impact on our overall profitability as we reduce selling and administrative expenses, as well as lessen exposure to foreign exchange rate volatility.

On October 29, 2019, we signed a definitive agreement to sell the assets and liabilities of our wholly owned subsidiary brand, Hurley. The transaction closed on December 6, 2019, and the impacts of the divestiture are not considered material to the Company.

For the third quarter of fiscal 2020, NIKE, Inc. *Revenues* increased 5% to \$10.1 billion compared to the third quarter of fiscal 2019. On a currency-neutral basis, *Revenues* increased 7%. *Net income* was \$847 million and diluted earnings per common share was \$0.53 for the third quarter of fiscal 2020, compared to *Net income* of \$1,101 million and diluted earnings per common share of \$0.68 for the third quarter of fiscal 2019.

Income before income taxes decreased 32% compared to the third quarter of fiscal 2019, as revenue growth was offset by the \$400 million non-recurring impairment charge related to our transition to a distributor model in Brazil, Argentina, Chile and Uruguay, a decline in gross margin, as well as higher selling and administrative expense. The NIKE Brand, which represents over 90% of NIKE, Inc. *Revenues*, delivered 5% revenue growth. On a currency-neutral basis, NIKE Brand revenues grew 6%, driven by higher revenues in EMEA, North America and APLA, offset by declines in Greater China as a result of the impacts from COVID-19. Additionally, NIKE Brand revenues experienced growth across footwear and apparel, as well as in nearly all key categories, primarily Sportswear and the Jordan Brand. Revenues for Converse increased 9% and 11% on a reported and currency-neutral basis, respectively, mainly driven by double-digit growth in Europe, as well as through digital globally.

Our effective tax rate was 3.9% for the third quarter of fiscal 2020 compared to 14.7% for the third quarter of fiscal 2019, primarily due to the proportion of income earned in the U.S. and discrete items including a more favorable impact from stock-based compensation, as well as benefits related to a modification of the treatment of certain research and development expenditures.

Diluted earnings per common share reflects a 1% decline in the weighted average diluted common shares outstanding, driven by our share repurchase program.

While foreign currency markets remain volatile, in part due to geopolitical dynamics leading to a stronger U.S. Dollar, we continue to see opportunities to drive future growth and profitability. We remain committed to effectively managing our business to achieve our financial goals over the long-term by executing against the operational strategies outlined above.

USE OF NON-GAAP FINANCIAL MEASURES

Throughout this Quarterly Report on Form 10-Q, we discuss non-GAAP financial measures, including references to wholesale equivalent revenues, currency-neutral revenues as well as Total NIKE Brand earnings before interest and taxes (EBIT) and Total NIKE, Inc. EBIT, which should be considered in addition to, and not in lieu of, the financial measures calculated and presented in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). References to wholesale equivalent revenues are intended to provide context as to the total size of our NIKE Brand market footprint if we had no NIKE Direct operations. NIKE Brand wholesale equivalent revenues consist of (1) sales to external wholesale customers and (2) internal sales from our wholesale operations to our NIKE Direct operations, which are charged at prices comparable to those charged to external wholesale customers. Currency-neutral revenues are calculated using actual exchange rates in use during the comparative prior year period to enhance the visibility of the underlying business trends excluding the impact of translation arising from foreign currency exchange rate fluctuations. EBIT is calculated as *Net Income before Interest expense (income), net* and *Income tax expense* in the Unaudited Condensed Consolidated Statements of Income.

Management uses these non-GAAP financial measures when evaluating the Company's performance, including when making financial and operating decisions. Additionally, management believes these non-GAAP financial measures provide investors with additional financial information that should be considered when assessing our underlying business performance and trends. However, references to wholesale equivalent revenues, currency-neutral revenues and EBIT should not be considered in isolation or as a substitute for other financial measures calculated and presented in accordance with U.S. GAAP and may not be comparable to similarly titled non-GAAP measures used by other companies.

RESULTS OF OPERATIONS

	THREE MONTHS ENDED			NINE MONTHS ENDED		
	FEBRUARY 29, 2020	FEBRUARY 28, 2019	% CHANGE	FEBRUARY 29, 2020	FEBRUARY 28, 2019	% CHANGE
<i>(Dollars in millions, except per share data)</i>						
Revenues	\$ 10,104	\$ 9,611	5 %	\$ 31,090	\$ 28,933	7 %
Cost of sales	5,631	5,272	7 %	17,202	16,092	7 %
Gross profit	4,473	4,339	3 %	13,888	12,841	8 %
Gross margin	44.3%	45.1%		44.7%	44.4%	
Demand creation expense	870	865	1 %	2,769	2,739	1 %
Operating overhead expense	2,413	2,226	8 %	7,166	6,557	9 %
Total selling and administrative expense	3,283	3,091	6 %	9,935	9,296	7 %
% of revenues	32.5%	32.2%		32.0%	32.1%	
Interest expense (income), net	12	12	—	39	37	—
Other (income) expense, net	297	(55)	—	223	(50)	—
Income before income taxes	881	1,291	-32 %	3,691	3,558	4 %
Income tax expense	34	190	-82 %	362	518	-30 %
Effective tax rate	3.9%	14.7%		9.8%	14.6%	
NET INCOME	\$ 847	\$ 1,101	-23 %	\$ 3,329	\$ 3,040	10 %
Diluted earnings per common share	\$ 0.53	\$ 0.68	-22 %	\$ 2.09	\$ 1.87	12 %

CONSOLIDATED OPERATING RESULTS

REVENUES

	THREE MONTHS ENDED				NINE MONTHS ENDED			
	FEBRUARY 29, 2020	FEBRUARY 28, 2019	% CHANGE	% CHANGE EXCLUDING CURRENCY CHANGES ⁽¹⁾	FEBRUARY 29, 2020	FEBRUARY 28, 2019	% CHANGE	% CHANGE EXCLUDING CURRENCY CHANGES ⁽¹⁾
<i>(Dollars in millions)</i>								
NIKE, Inc. Revenues:								
NIKE Brand Revenues by:								
Footwear	\$ 6,377	\$ 6,122	4%	5%	\$ 19,104	\$ 17,723	8%	10%
Apparel	2,905	2,707	7%	9%	9,313	8,705	7%	9%
Equipment	326	311	5%	6%	1,115	1,050	6%	9%
Global Brand Divisions ⁽²⁾	8	8	0%	2%	24	33	-27%	-26%
Total NIKE Brand Revenues	9,616	9,148	5%	6%	29,556	27,511	7%	10%
Converse	506	463	9%	11%	1,541	1,415	9%	11%
Corporate ⁽³⁾	(18)	—	—	—	(7)	7	—	—
TOTAL NIKE, INC. REVENUES	\$ 10,104	\$ 9,611	5%	7%	\$ 31,090	\$ 28,933	7%	10%
Supplemental NIKE Brand Revenues Details:								
NIKE Brand Revenues by:								
Sales to Wholesale Customers	\$ 6,311	\$ 6,174	2%	4%	\$ 19,731	\$ 18,830	5%	7%
Sales through NIKE Direct	3,297	2,966	11%	13%	9,801	8,648	13%	16%
Global Brand Divisions ⁽²⁾	8	8	0%	2%	24	33	-27%	-26%
TOTAL NIKE BRAND REVENUES	\$ 9,616	\$ 9,148	5%	6%	\$ 29,556	\$ 27,511	7%	10%

(1) The percent change excluding currency changes represents a non-GAAP financial measure. See "Use of Non-GAAP Financial Measures" for further information.

(2) Global Brand Divisions revenues are primarily attributable to NIKE Brand licensing businesses that are not part of a geographic operating segment.

(3) Corporate revenues primarily consist of foreign currency hedge gains and losses related to revenues generated by entities within the NIKE Brand geographic operating segments and Converse, but managed through our central foreign exchange risk management program.

THIRD QUARTER OF FISCAL 2020 COMPARED TO THIRD QUARTER OF FISCAL 2019

On a currency-neutral basis, NIKE, Inc. *Revenues* grew 7% for the third quarter of fiscal 2020, driven by growth in both the NIKE Brand and Converse. Higher revenues in Europe, Middle East & Africa (EMEA) contributed approximately 3 percentage points of growth to NIKE, Inc. *Revenues*; Asia Pacific & Latin America (APLA) and North America each contributed approximately 2 percentage points and Converse contributed approximately 1 percentage point of growth. As a result of the impacts from COVID-19, *Revenues* for Greater China declined in the third quarter of fiscal 2020, reducing NIKE, Inc. *Revenues* by approximately 1 percentage point.

On a currency-neutral basis, NIKE Brand footwear revenues increased 5%, driven by growth in most key categories, primarily Sportswear and the Jordan Brand. Unit sales of footwear increased 1% and higher average selling price (ASP) per pair contributed approximately 4 percentage points of footwear revenue growth, primarily due to higher full-price ASP, on a wholesale equivalent basis, as well as higher NIKE Direct ASP and the favorable impact of growth in our NIKE Direct business.

Currency-neutral NIKE Brand apparel revenues grew 9%, fueled by growth in nearly all key categories, most notably Sportswear and, to a lesser extent, Training. Unit sales of apparel increased 8% and higher ASP per unit contributed approximately 1 percentage point of apparel revenue growth.

On a reported basis, NIKE Direct revenues represented approximately 34% of our total NIKE Brand revenues for the third quarter of fiscal 2020 compared to 32% for the third quarter of fiscal 2019. Digital commerce sales were \$1.4 billion for the third quarter of fiscal 2020 compared to \$1.0 billion for the third quarter of fiscal 2019. On a currency-neutral basis, NIKE Direct revenues increased 13%, driven by digital commerce sales growth of 36% and comparable store sales growth of 1%, partially offset by certain store closures as we continually optimize our fleet to meet consumer demand across physical and digital channels. Comparable store sales, which exclude digital commerce sales, comprises revenues from NIKE-owned in-line and factory stores for which all three of the following requirements have been met: (1) the store has been open at least one year, (2) square footage has not changed by more than 15% within the past year and (3) the store has not been permanently repositioned within the past year. Comparable store sales includes revenues from stores that were temporarily closed during the period as a result of

COVID-19. Comparable store sales represents a performance measure that we believe is useful information for management and investors in understanding the performance of our established NIKE-owned in-line and factory stores. Management considers this metric when making financial and operating decisions. The method of calculating comparable store sales varies across the retail industry. As a result, our calculation of this metric may not be comparable to similarly titled measures used by other companies.

FIRST NINE MONTHS OF FISCAL 2020 COMPARED TO FIRST NINE MONTHS OF FISCAL 2019

On a currency-neutral basis, NIKE, Inc. *Revenues* grew 10% for the first nine months of fiscal 2020, driven by broad-based growth across all NIKE Brand geographies and Converse. Higher revenues in EMEA contributed approximately 3 percentage points of growth to NIKE, Inc. *Revenues*. Greater China, APLA and North America each contributed approximately 2 percentage points of growth, while Converse contributed approximately 1 percentage point of growth.

On a currency-neutral basis, NIKE Brand footwear revenues increased 10%, driven by growth in several key categories, led by Sportswear and the Jordan Brand. Unit sales of footwear increased 4% and higher ASP per pair contributed approximately 6 percentage points of footwear revenue growth, primarily due to higher full-price and NIKE Direct ASPs, as well as the favorable impact of growth in our NIKE Direct business.

Currency-neutral NIKE Brand apparel revenues grew 9%, fueled by growth in nearly all key categories, primarily Sportswear and, to a lesser extent, the Jordan Brand and Training. Unit sales of apparel increased 7% and higher ASP per unit contributed approximately 2 percentage points of apparel revenue growth, primarily due to higher full-price ASP.

On a reported basis, NIKE Direct revenues represented approximately 33% of our total NIKE Brand revenues for the first nine months of fiscal 2020 compared to 31% for the first nine months of fiscal 2019. Digital commerce sales were \$3.8 billion for the first nine months of fiscal 2020 compared to \$2.8 billion for the first nine months of fiscal 2019. On a currency-neutral basis, NIKE Direct revenues increased 16% for the first nine months of fiscal 2020, driven by digital commerce sales growth of 38%, comparable store sales growth of 5% and the addition of new stores.

GROSS MARGIN

<i>(Dollars in millions)</i>	THREE MONTHS ENDED			NINE MONTHS ENDED		
	FEBRUARY 29, 2020	FEBRUARY 28, 2019	% CHANGE	FEBRUARY 29, 2020	FEBRUARY 28, 2019	% CHANGE
Gross Profit	\$ 4,473	\$ 4,339	3%	\$ 13,888	\$ 12,841	8%
Gross Margin	44.3%	45.1%	(8) bps	44.7%	44.4%	30 bps

For the third quarter of fiscal 2020, our consolidated gross margin was 80 basis points lower than the respective prior year period and reflected unfavorable impacts from COVID-19 as a result of a lower mix of sales from Greater China, our highest margin geography, as well as increased rebates extended to wholesale partners in Greater China and higher factory cancellation costs to re-balance global supply and demand. Specifically, the change in gross margin reflected the following factors:

- Lower NIKE Brand full-price ASP, net of discounts, as higher full-price ASP in North America and APLA was more than offset by lower full-price ASP in EMEA and higher discounts in Greater China in response to COVID-19 (decreasing gross margin approximately 10 basis points);
- Higher other costs which partially reflects increased warehousing and freight costs, driven by supply chain investments globally, as well as higher factory cancellations as a result of COVID-19 and higher inventory obsolescence (decreasing gross margin approximately 60 basis points);
- Unfavorable changes in net foreign currency exchange rates, including hedges, (decreasing gross margin approximately 50 basis points);
- Favorable impacts from higher off-price margins (increasing gross margin approximately 30 basis points); and
- Higher gross margin from Converse (increasing gross margin approximately 10 basis points).

For the first nine months of fiscal 2020, our consolidated gross margin was 30 basis points higher than the respective prior year period, primarily reflecting the following factors:

- Higher NIKE Brand full-price ASP, net of discounts, (increasing gross margin approximately 90 basis points);
- The favorable impact of growth in our higher margin NIKE Direct business as well as higher NIKE Direct margins (increasing gross margin approximately 20 basis points);
- Higher gross margin from Converse (increasing gross margin approximately 20 basis points);
- Higher NIKE Brand product costs, on a wholesale equivalent basis, (decreasing gross margin approximately 60 basis points); and

- Unfavorable changes in net foreign currency exchange rates, including hedges, (decreasing gross margin approximately 40 basis points).

TOTAL SELLING AND ADMINISTRATIVE EXPENSE

(Dollars in millions)	THREE MONTHS ENDED			NINE MONTHS ENDED		
	FEBRUARY 29, 2020	FEBRUARY 28, 2019	% CHANGE	FEBRUARY 29, 2020	FEBRUARY 28, 2019	% CHANGE
Demand creation expense ⁽¹⁾	\$ 870	\$ 865	1%	\$ 2,769	\$ 2,739	1%
Operating overhead expense	2,413	2,226	8%	7,166	6,557	9%
Total selling and administrative expense	\$ 3,283	\$ 3,091	6%	\$ 9,935	\$ 9,296	7%
% of revenues	32.5%	32.2%	30 bps	32.0%	32.1%	(10) bps

(1) Demand creation expense consists of advertising and promotion costs, including costs of endorsement contracts, complimentary product, television, digital and print advertising and media costs, brand events and retail brand presentation.

THIRD QUARTER OF FISCAL 2020 COMPARED TO THIRD QUARTER OF FISCAL 2019

Demand creation expense increased 1% for the third quarter of fiscal 2020, primarily due to key brand moments. Changes in foreign currency exchange rates decreased Demand creation expense by approximately 1 percentage point.

Operating overhead expense increased 8% driven by wage-related and administrative expenses, which in part reflects investments in data and analytics and other enterprise-wide transformational capabilities, particularly in NIKE Direct and global operations, as well as investments in a new enterprise resource planning tool to accelerate our end-to-end digital transformation. Changes in foreign currency exchange rates decreased Operating overhead expense by approximately 1 percentage point.

FIRST NINE MONTHS OF FISCAL 2020 COMPARED TO FIRST NINE MONTHS OF FISCAL 2019

Demand creation expense increased 1% for the first nine months of fiscal 2020 as higher advertising and marketing expenses, as well as higher sports marketing investments, were partially offset by lower retail brand presentation costs. Changes in foreign currency exchange rates decreased Demand creation expense by approximately 2 percentage points.

Operating overhead expense increased 9% primarily driven by higher wage-related and administrative expenses, which in part reflects continued investments to support our transformational capabilities, including innovation, data and analytics, digital commerce platforms and investments in a new enterprise resource planning tool to accelerate our end-to-end digital transformation. Changes in foreign currency exchange rates decreased Operating overhead expense by approximately 1 percentage point.

OTHER (INCOME) EXPENSE, NET

(Dollars in millions)	THREE MONTHS ENDED		NINE MONTHS ENDED	
	FEBRUARY 29, 2020	FEBRUARY 28, 2019	FEBRUARY 29, 2020	FEBRUARY 28, 2019
Other (income) expense, net	\$ 297	\$ (55)	\$ 223	\$ (50)

Other (income) expense, net comprises foreign currency conversion gains and losses from the re-measurement of monetary assets and liabilities denominated in non-functional currencies and the impact of certain foreign currency derivative instruments, as well as unusual or non-operating transactions that are outside the normal course of business.

For the third quarter of fiscal 2020, Other (income) expense, net changed from \$55 million of other income, net to \$297 million of other expense, net in the current year, primarily due to the \$400 million non-recurring impairment charge. For more information see Note 14 — Acquisitions and Divestitures within the accompanying Notes to the Unaudited Condensed Consolidated Financial Statements.

For the first nine months of fiscal 2020, Other (income) expense, net changed from \$50 million of other income, net to \$223 million of other expense, net in the current year, primarily due to the non-recurring impairment charge of \$400 million noted above. This was offset by an \$83 million net beneficial change in foreign currency conversion gains and losses, including hedges.

We estimate the combination of the translation of foreign currency-denominated profits from our international businesses and the year-over-year change in foreign currency-related gains and losses included in Other (income) expense, net had unfavorable impacts of approximately \$20 million and \$112 million on our Income before income taxes for the third quarter and first nine months of fiscal 2020, respectively.

INCOME TAXES

	THREE MONTHS ENDED			NINE MONTHS ENDED		
	FEBRUARY 29, 2020	FEBRUARY 28, 2019	% CHANGE	FEBRUARY 29, 2020	FEBRUARY 28, 2019	% CHANGE
Effective tax rate	3.9%	14.7%	(1,080) bps	9.8%	14.6%	(480) bps

Our effective tax rate was 3.9% and 9.8% for the third quarter and first nine months of fiscal 2020, respectively, compared to 14.7% and 14.6% for the respective prior year periods. The decrease in our effective tax rate was primarily due to the proportion of income earned in the U.S. and discrete items including a more favorable impact from stock-based compensation, as well as benefits related to a modification of the treatment of certain research and development expenditures. Refer to Note 15 — Subsequent Events within the accompanying Notes to the Unaudited Condensed Consolidated Financial Statements for additional information.

OPERATING SEGMENTS

Our operating segments are evidence of the structure of the Company's internal organization. The NIKE Brand segments are defined by geographic regions for operations participating in NIKE Brand sales activity.

Each NIKE Brand geographic segment operates predominantly in one industry: the design, development, marketing and selling of athletic footwear, apparel and equipment. The Company's reportable operating segments for the NIKE Brand are: North America; Europe, Middle East & Africa (EMEA); Greater China; and Asia Pacific & Latin America (APLA), and include results for the NIKE and Jordan brands, with results for the Hurley brand included in North America. Refer to Note 14 — Acquisitions and Divestitures within the accompanying Notes to the Unaudited Condensed Consolidated Financial Statements for additional information. The Company's NIKE Direct operations are managed within each geographic operating segment. Converse is also a reportable operating segment for the Company, and operates predominately in one industry: the design, marketing, licensing and selling of athletic lifestyle sneakers, apparel and accessories.

As part of our centrally managed foreign exchange risk management program, standard foreign currency exchange rates are assigned twice per year to each NIKE Brand entity in our geographic operating segments and Converse. These rates are set approximately nine and twelve months in advance of the future selling seasons to which they relate (specifically, for each currency, one standard rate applies to the fall and holiday selling seasons and one standard rate applies to the spring and summer selling seasons) based on average market spot rates in the calendar month preceding the date they are established. Inventories and cost of sales for geographic operating segments and Converse reflect the use of these standard rates to record non-functional currency product purchases into the entity's functional currency. Differences between assigned standard foreign currency exchange rates and actual market rates are included in Corporate, together with foreign currency hedge gains and losses generated from our centrally managed foreign exchange risk management program and other conversion gains and losses.

The breakdown of revenues is as follows:

	THREE MONTHS ENDED				NINE MONTHS ENDED			
	FEBRUARY 29, 2020	FEBRUARY 28, 2019	% CHANGE	% CHANGE EXCLUDING CURRENCY CHANGES ⁽¹⁾	FEBRUARY 29, 2020	FEBRUARY 28, 2019	% CHANGE	% CHANGE EXCLUDING CURRENCY CHANGES ⁽¹⁾
<i>(Dollars in millions)</i>								
North America	\$ 3,979	\$ 3,810	4 %	4 %	\$ 12,254	\$ 11,737	4 %	4 %
Europe, Middle East & Africa	2,709	2,435	11 %	13 %	8,019	7,355	9 %	13 %
Greater China	1,506	1,588	-5 %	-4 %	5,032	4,511	12 %	15 %
Asia Pacific & Latin America	1,414	1,307	8 %	13 %	4,227	3,875	9 %	15 %
Global Brand Divisions ⁽²⁾	8	8	0 %	2 %	24	33	-27 %	-26 %
TOTAL NIKE BRAND	9,616	9,148	5 %	6 %	29,556	27,511	7 %	10 %
Converse	506	463	9 %	11 %	1,541	1,415	9 %	11 %
Corporate ⁽³⁾	(18)	—	—	—	(7)	7	—	—
TOTAL NIKE, INC. REVENUES	\$ 10,104	\$ 9,611	5 %	7 %	\$ 31,090	\$ 28,933	7 %	10 %

(1) The percent change excluding currency changes represents a non-GAAP financial measure. See "Use of Non-GAAP Financial Measures" for further information.

(2) Global Brand Divisions revenues are primarily attributable to NIKE Brand licensing businesses that are not part of a geographic operating segment.

(3) Corporate revenues primarily consist of foreign currency hedge gains and losses related to revenues generated by entities within the NIKE Brand geographic operating segments and Converse, but managed through our central foreign exchange risk management program.

The primary financial measure used by the Company to evaluate performance of individual operating segments is EBIT, which represents *Net income* before *Interest expense (income)*, *net* and *Income tax expense* in the Unaudited Condensed Consolidated Statements of Income. As discussed in Note 12 — Operating Segments in the accompanying Notes to the Unaudited Condensed Consolidated Financial Statements, certain corporate costs are not included in EBIT of our operating segments.

The breakdown of earnings before interest and taxes is as follows:

(Dollars in millions)	THREE MONTHS ENDED			NINE MONTHS ENDED		
	FEBRUARY 29, 2020	FEBRUARY 28, 2019	% CHANGE	FEBRUARY 29, 2020	FEBRUARY 28, 2019	% CHANGE
North America	\$ 937	\$ 916	2 %	\$ 2,912	\$ 2,877	1 %
Europe, Middle East & Africa	575	538	7 %	1,694	1,489	14 %
Greater China	556	639	-13 %	1,919	1,702	13 %
Asia Pacific & Latin America	387	339	14 %	1,105	983	12 %
Global Brand Divisions	(895)	(788)	-14 %	(2,624)	(2,432)	-8 %
TOTAL NIKE BRAND⁽¹⁾	1,560	1,644	-5 %	5,006	4,619	8 %
Converse	96	79	22 %	324	221	47 %
Corporate	(763)	(420)	-82 %	(1,600)	(1,245)	-29 %
TOTAL NIKE, INC. EARNINGS BEFORE INTEREST AND TAXES⁽¹⁾	893	1,303	-31 %	3,730	3,595	4 %
Interest expense (income), net	12	12	—	39	37	—
TOTAL NIKE, INC. INCOME BEFORE INCOME TAXES	\$ 881	\$ 1,291	-32 %	\$ 3,691	\$ 3,558	4 %

(1) Total NIKE Brand EBIT and Total NIKE, Inc. EBIT represent non-GAAP financial measures. See "Use of Non-GAAP Financial Measures" for further information.

NORTH AMERICA

(Dollars in millions)	THREE MONTHS ENDED				NINE MONTHS ENDED			
	FEBRUARY 29, 2020	FEBRUARY 28, 2019	% CHANGE	% CHANGE EXCLUDING CURRENCY CHANGES	FEBRUARY 29, 2020	FEBRUARY 28, 2019	% CHANGE	% CHANGE EXCLUDING CURRENCY CHANGES
Revenues by:								
Footwear	\$ 2,628	\$ 2,509	5 %	5 %	\$ 7,723	\$ 7,309	6%	6%
Apparel	1,228	1,173	5 %	5 %	4,076	3,985	2%	2%
Equipment	123	128	-4 %	-4 %	455	443	3%	3%
TOTAL REVENUES	\$ 3,979	\$ 3,810	4 %	4 %	\$ 12,254	\$ 11,737	4%	4%
Revenues by:								
Sales to Wholesale Customers	\$ 2,521	\$ 2,547	-1 %	-1 %	\$ 8,119	\$ 8,031	1%	1%
Sales through NIKE Direct	1,458	1,263	15 %	15 %	4,135	3,706	12%	12%
TOTAL REVENUES	\$ 3,979	\$ 3,810	4 %	4 %	\$ 12,254	\$ 11,737	4%	4%
EARNINGS BEFORE INTEREST AND TAXES	\$ 937	\$ 916	2 %		\$ 2,912	\$ 2,877	1%	

We believe there continues to be a meaningful shift in the way consumers shop for product and make purchasing decisions. Consumers are demanding a constant flow of fresh and innovative product, and have an expectation for superior service and rapid delivery, all fueled by the shift toward digital and mono-brand experiences in NIKE Direct. Specifically, in North America we anticipate continued evolution within the retail landscape, driven by shifting consumer traffic patterns across digital and physical channels. The evolution of the North America marketplace is resulting in third-party retail store closures, which is expected to be further accelerated as a result of the effects of COVID-19; however, we remain focused on building long-term momentum with our differentiated strategic wholesale customers, fueled by our deliberate shifts in product allocations and investments in enhanced consumer experiences leveraging digital.

THIRD QUARTER OF FISCAL 2020 COMPARED TO THIRD QUARTER OF FISCAL 2019

On a currency-neutral basis, North America revenues for the third quarter of fiscal 2020 increased 4%, driven by growth in several key categories, primarily Sportswear. NIKE Direct revenues increased 15% as digital commerce sales growth of 33% and comparable store sales growth of 6% more than offset declines from certain store closures as we continually optimize our fleet to meet consumer demand across physical and digital channels.

Footwear revenues increased 5% on a currency-neutral basis, driven by growth in several key categories, primarily Sportswear. Unit sales of footwear were flat and higher ASP per pair contributed approximately 5 percentage points of footwear revenue growth. Higher ASP per pair was primarily due to higher full-price ASP, as well as the favorable impact of growth in our NIKE Direct business.

On a currency-neutral basis, apparel revenues increased 5%, driven by higher revenues in most key categories, led by Sportswear. Unit sales of apparel increased 2%, while higher ASP per unit contributed approximately 3 percentage points of apparel revenue growth. The increase in ASP per unit was driven by the favorable impact of growth in our NIKE Direct business, as well as higher NIKE Direct and full-price ASPs, which more than offset a reduction in off-price ASP.

Reported EBIT increased 2% as higher revenues more than offset a decline in gross margin and higher selling and administrative expense. Gross margin decreased approximately 40 basis points primarily due to higher product costs, reflecting the impact of incremental tariffs in the United States on product imported from China, and higher other costs, partially offset by higher full-price ASP. Selling and administrative expense grew due to higher operating overhead and demand creation expense. Operating overhead expense increased primarily as a result of higher bad debt expense related to specific reserves for undifferentiated wholesale customers, as well as higher administrative costs. The increase in demand creation expense was primarily due to higher advertising and marketing costs, as well as higher sports marketing expense, partially offset by lower retail brand presentation costs.

FIRST NINE MONTHS OF FISCAL 2020 COMPARED TO FIRST NINE MONTHS OF FISCAL 2019

On a currency-neutral basis, North America revenues for the first nine months of fiscal 2020 increased 4% driven by growth in Sportswear and the Jordan Brand, partially offset by a decline in Running. NIKE Direct revenues increased 12%, primarily due to digital commerce sales growth of 32%, comparable store sales growth of 1% and the addition of new stores.

Footwear revenues increased 6% on a currency-neutral basis, driven by growth in several key categories, most notably Sportswear and the Jordan Brand, which more than offset a decline in Running. Unit sales of footwear increased 1%, while higher ASP per pair contributed approximately 5 percentage points of footwear revenue growth. Higher ASP per pair was primarily due to higher full-price ASP, the favorable impact of growth in our NIKE Direct business and higher NIKE Direct ASP.

On a currency-neutral basis, apparel revenues increased 2%, driven by growth in several key categories, primarily Sportswear. Unit sales of apparel increased 1%, while higher ASP per unit contributed approximately 1 percentage point of apparel revenue growth. The increase in ASP per unit was driven by higher full-price ASP, in part reflecting lower discounts.

Reported EBIT increased 1% as higher revenues more than offset a decline in gross margin and higher selling and administrative expense. Gross margin decreased approximately 70 basis points as higher product costs, in part reflecting the impact of incremental tariffs, more than offset higher full-price ASP. Selling and administrative expense grew due to higher operating overhead and demand creation expense. Operating overhead expense increased primarily as a result of higher wage-related expenses within our NIKE Direct operations, as well as higher administrative costs. The increase in demand creation expense was primarily due to higher sports marketing expense, as well as higher advertising and marketing costs, partially offset by lower retail brand presentation costs.

EUROPE, MIDDLE EAST & AFRICA

(Dollars in millions)	THREE MONTHS ENDED				NINE MONTHS ENDED			
	FEBRUARY 29, 2020	FEBRUARY 28, 2019	% CHANGE	% CHANGE EXCLUDING CURRENCY CHANGES	FEBRUARY 29, 2020	FEBRUARY 28, 2019	% CHANGE	% CHANGE EXCLUDING CURRENCY CHANGES
Revenues by:								
Footwear	\$ 1,711	\$ 1,589	8%	9%	\$ 5,005	\$ 4,650	8%	11%
Apparel	889	750	19%	20%	2,655	2,374	12%	15%
Equipment	109	96	14%	14%	359	331	8%	12%
TOTAL REVENUES	\$ 2,709	\$ 2,435	11%	13%	\$ 8,019	\$ 7,355	9%	13%
Revenues by:								
Sales to Wholesale Customers	\$ 1,956	\$ 1,785	10%	11%	\$ 5,792	\$ 5,318	9%	13%
Sales through NIKE Direct	753	650	16%	18%	2,227	2,037	9%	13%
TOTAL REVENUES	\$ 2,709	\$ 2,435	11%	13%	\$ 8,019	\$ 7,355	9%	13%
EARNINGS BEFORE INTEREST AND TAXES	\$ 575	\$ 538	7%		\$ 1,694	\$ 1,489	14%	

THIRD QUARTER OF FISCAL 2020 COMPARED TO THIRD QUARTER OF FISCAL 2019

On a currency-neutral basis, EMEA revenues for the third quarter of fiscal 2020 grew 13%, driven by higher revenues across all territories, most notably UK & Ireland and Central Europe, which grew 22% and 13%, respectively. Revenues increased in all key categories, led by Sportswear, the Jordan Brand and Training. NIKE Direct revenues increased 18% as digital commerce sales growth of 43% and comparable store sales growth of 6% more than offset declines from certain store closures as we continually optimize our fleet to meet consumer demand across physical and digital channels.

Currency-neutral footwear revenues grew 9%, driven by higher revenues in nearly all key categories, led by the Jordan Brand and Sportswear. Unit sales of footwear increased 6% and higher ASP per pair contributed approximately 3 percentage points of footwear revenue growth. Higher ASP per pair primarily resulted from higher NIKE Direct and full-price ASPs.

Currency-neutral apparel revenues increased 20% due to growth in all key categories, led by Sportswear and Training. Unit sales of apparel increased 21% while lower ASP per unit reduced apparel revenues by approximately 1 percentage point. Lower ASP per unit was primarily due to a lower mix of NIKE Direct sales as well as lower NIKE Direct ASP.

Reported EBIT increased 7% as higher revenues and selling and administrative expense leverage more than offset a decline in gross margin. Gross margin decreased approximately 300 basis points primarily due to unfavorable changes in standard foreign currency exchange rates and lower full-price ASP, which more than offset lower product costs. Selling and administrative expense was relatively flat. Demand creation expense was mostly unchanged as higher sports marketing expense was offset by lower advertising and marketing costs. Operating overhead expense was relatively flat as higher administrative costs and bad debt expense were offset by lower wage-related expenses.

FIRST NINE MONTHS OF FISCAL 2020 COMPARED TO FIRST NINE MONTHS OF FISCAL 2019

On a currency-neutral basis, EMEA revenues for the first nine months of fiscal 2020 grew 13%, driven by higher revenues across all territories, most notably UK & Ireland, Central Europe and Eastern Europe, which grew 18%, 12% and 18%, respectively. Revenues increased in nearly all key categories, led by Sportswear and, to a lesser extent, the Jordan Brand. NIKE Direct revenues increased 13% as digital commerce sales growth of 33% and comparable store sales growth of 6% more than offset declines from certain store closures as we continually optimize our fleet to meet consumer demand across physical and digital channels.

Currency-neutral footwear revenues grew 11%, driven by higher revenues in nearly all key categories, led by Sportswear and the Jordan Brand. Unit sales of footwear increased 6% and higher ASP per pair contributed approximately 5 percentage points of footwear revenue growth. Higher ASP per pair primarily resulted from higher full-price and NIKE Direct ASPs.

Currency-neutral apparel revenues increased 15% due to growth in nearly all key categories, led by Sportswear. Unit sales of apparel increased 14% and higher ASP per unit contributed approximately 1 percentage point of apparel revenue growth. Higher ASP per unit was primarily due to higher full-price ASP.

Reported EBIT increased 14% for the first nine months of fiscal 2020, as higher revenues and selling and administrative expense leverage more than offset a decline in gross margin. Gross margin decreased approximately 30 basis points as unfavorable changes in standard foreign currency exchange rates more than offset lower product costs and higher full-price ASP. Selling and administrative expense increased due to higher demand creation and operating overhead expense. The increase in demand

creation expense was driven by higher sports marketing expense, as well as higher advertising and marketing costs, partially offset by lower retail brand presentation costs. Growth in operating overhead expense was primarily due to higher bad debt expense and wage-related costs.

GREATER CHINA

(Dollars in millions)	THREE MONTHS ENDED				NINE MONTHS ENDED			
	FEBRUARY 29, 2020	FEBRUARY 28, 2019	% CHANGE	% CHANGE EXCLUDING CURRENCY CHANGES	FEBRUARY 29, 2020	FEBRUARY 28, 2019	% CHANGE	% CHANGE EXCLUDING CURRENCY CHANGES
Revenues by:								
Footwear	\$ 1,075	\$ 1,115	-4 %	-3 %	\$ 3,486	\$ 3,095	13%	16%
Apparel	400	444	-10 %	-9 %	1,428	1,314	9%	12%
Equipment	31	29	7 %	3 %	118	102	16%	18%
TOTAL REVENUES	\$ 1,506	\$ 1,588	-5 %	-4 %	\$ 5,032	\$ 4,511	12%	15%
Revenues by:								
Sales to Wholesale Customers	\$ 881	\$ 936	-6 %	-5 %	\$ 2,895	\$ 2,704	7%	10%
Sales through NIKE Direct	625	652	-4 %	-3 %	2,137	1,807	18%	21%
TOTAL REVENUES	\$ 1,506	\$ 1,588	-5 %	-4 %	\$ 5,032	\$ 4,511	12%	15%
EARNINGS BEFORE INTEREST AND TAXES	\$ 556	\$ 639	-13 %		\$ 1,919	\$ 1,702	13%	

THIRD QUARTER OF FISCAL 2020 COMPARED TO THIRD QUARTER OF FISCAL 2019

On a currency-neutral basis, Greater China revenues for the third quarter of fiscal 2020 decreased 4% as growth in the Jordan Brand was more than offset by declines in all other key categories, primarily Sportswear and Running. NIKE Direct revenues decreased 3% as comparable store sales contracted 22% and new store sales declined, both due to temporary store closures or stores operating on reduced hours as a result of COVID-19. These declines were only partially offset by digital commerce sales growth of 32%.

Currency-neutral footwear revenues contracted 3% for the third quarter of fiscal 2020 as declines in most key categories, primarily Sportswear, were only partially offset by growth in the Jordan Brand. Unit sales of footwear decreased 5%, partially offset by higher ASP per pair contributing approximately 2 percentage points, driven by higher NIKE Direct ASP.

Currency-neutral apparel revenues decreased 9% for the third quarter of fiscal 2020 due to declines in nearly all key categories, primarily Running and Sportswear. Unit sales of apparel decreased 12%, partially offset by higher ASP per unit contributing approximately 3 percentage points as higher full-price and off-price ASPs more than offset unfavorable full-price mix.

Reported EBIT decreased 13% for the third quarter of fiscal 2020 primarily due to a decline in revenues and gross margin. Gross margin decreased 170 basis points, in part reflecting the impacts from COVID-19, as unfavorable changes in standard foreign currency exchange rates and higher product costs, more than offset higher off-price margin and higher full-price ASP, net of discounts. Selling and administrative expense decreased due to lower demand creation expense, partially offset by higher operating overhead expense. Demand creation expense decreased primarily due to lower advertising and marketing expenses, as well as lower retail brand presentation costs. Growth in operating overhead expense was driven by higher wage-related expense and higher administrative costs.

FIRST NINE MONTHS OF FISCAL 2020 COMPARED TO FIRST NINE MONTHS OF FISCAL 2019

On a currency-neutral basis, Greater China revenues for the first nine months of fiscal 2020 increased 15%, driven by higher revenues in all key categories, led by the Jordan Brand and Sportswear. NIKE Direct revenues increased 21%, driven by digital commerce sales growth of 47%, comparable store sales growth of 3% and the addition of new stores.

Currency-neutral footwear revenues increased 16%, driven by growth in nearly all key categories, led by the Jordan Brand and Sportswear. Unit sales of footwear increased 10% and higher ASP per pair contributed approximately 6 percentage points of footwear revenue growth, driven by higher full-price and NIKE Direct ASPs.

The currency-neutral apparel revenue growth of 12% was fueled by higher revenues in nearly all key categories, most notably Sportswear and the Jordan Brand. Unit sales of apparel increased 10% and higher ASP per unit contributed approximately 2 percentage points of revenue growth, driven by higher off-price and full-price ASPs.

Reported EBIT increased 13%, driven by revenue growth, selling and administrative expense leverage and an increase in gross margin. Gross margin increased approximately 10 basis points primarily due to higher full-price ASP and the favorable impact of growth in our NIKE Direct business, which more than offset unfavorable changes in standard foreign currency exchange rates

and higher product costs. Selling and administrative expense increased due to higher operating overhead and demand creation expense. Growth in operating overhead expense was driven by higher investments within our NIKE Direct operations and higher administrative costs. Demand creation expense increased primarily due to higher retail brand presentation costs.

ASIA PACIFIC & LATIN AMERICA

	THREE MONTHS ENDED				NINE MONTHS ENDED			
	FEBRUARY 29, 2020	FEBRUARY 28, 2019	% CHANGE	% CHANGE EXCLUDING CURRENCY CHANGES	FEBRUARY 29, 2020	FEBRUARY 28, 2019	% CHANGE	% CHANGE EXCLUDING CURRENCY CHANGES
<i>(Dollars in millions)</i>								
Revenues by:								
Footwear	\$ 963	\$ 909	6%	11%	\$ 2,890	\$ 2,669	8%	14%
Apparel	388	340	14%	20%	1,154	1,032	12%	18%
Equipment	63	58	9%	15%	183	174	5%	11%
TOTAL REVENUES	\$ 1,414	\$ 1,307	8%	13%	\$ 4,227	\$ 3,875	9%	15%
Revenues by:								
Sales to Wholesale Customers	\$ 953	\$ 906	5%	11%	\$ 2,925	\$ 2,777	5%	11%
Sales through NIKE Direct	461	401	15%	20%	1,302	1,098	19%	24%
TOTAL REVENUES	\$ 1,414	\$ 1,307	8%	13%	\$ 4,227	\$ 3,875	9%	15%
EARNINGS BEFORE INTEREST AND TAXES	\$ 387	\$ 339	14%		\$ 1,105	\$ 983	12%	

As discussed previously, we entered into definitive agreements to sell our NIKE Brand businesses in Brazil, Argentina, Chile and Uruguay and shift to a distributor operating model. The impacts of entering into these agreements are included within Corporate and are not reflected in the APLA operating segment results for either the three or nine-month periods ended February 29, 2020.

THIRD QUARTER OF FISCAL 2020 COMPARED TO THIRD QUARTER OF FISCAL 2019

On a currency-neutral basis, APLA revenues increased 13% for the third quarter of fiscal 2020, driven by higher revenues in all territories, most notably Japan, SOCO (which comprises Argentina, Chile and Uruguay) and Korea, which increased 16%, 28% and 13%, respectively. Revenues increased in all key categories, most notably Sportswear, the Jordan Brand and Running. NIKE Direct revenues increased 20%, fueled by digital commerce sales growth of 51%, comparable store sales growth of 10% and the addition of new stores.

Currency-neutral footwear revenues increased 11% for the third quarter of fiscal 2020 due to growth in nearly all key categories, led by Sportswear and the Jordan Brand. Unit sales of footwear were flat as higher ASP per pair contributed approximately 11 percentage points of footwear revenue growth, driven by higher full-price and NIKE Direct ASPs, both of which in part reflect inflationary conditions in our SOCO territory.

Currency-neutral apparel revenues grew 20% for the third quarter of fiscal 2020, driven by higher revenues in nearly all key categories, most notably Sportswear and, to a lesser extent, Training and Running. Unit sales of apparel increased 18% and higher ASP per unit contributed approximately 2 percentage points of apparel revenue growth, driven by higher full-price and off-price ASPs, reflecting inflationary conditions in our SOCO territory, partially offset by a decline in NIKE Direct ASP.

Reported EBIT increased 14% for the third quarter of fiscal 2020 as higher revenues and lower selling and administrative expense more than offset a decline in gross margin. Gross margin decreased approximately 90 basis points as unfavorable changes in standard foreign currency exchange rates, as well as higher other costs primarily due to higher inventory obsolescence and warehousing and freight costs, more than offset higher full-price ASP. Selling and administrative expense decreased due to lower demand creation expense, partially offset by higher operating overhead expense. The decrease in demand creation expense was primarily due to lower sports marketing expense, as well as lower advertising and marketing costs. Operating overhead expense increased primarily as a result of higher wage-related expenses.

FIRST NINE MONTHS OF FISCAL 2020 COMPARED TO FIRST NINE MONTHS OF FISCAL 2019

On a currency-neutral basis, APLA revenues increased 15% for the first nine months of fiscal 2020, driven by higher revenues in all territories, most notably SOCO, Japan and Korea, which increased 31%, 15% and 17%, respectively. Revenues increased in all key categories, most notably Sportswear, Running and the Jordan Brand. NIKE Direct revenues increased 24%, fueled by digital commerce sales growth of 55%, comparable store sales growth of 14% and the addition of new stores.

Currency-neutral footwear revenues increased 14% for the first nine months of fiscal 2020 due to growth in nearly all key categories, led by Sportswear, the Jordan Brand and Running. Unit sales of footwear increased 1%, while higher ASP per pair contributed approximately 13 percentage points of footwear revenue growth, driven by higher full-price and NIKE Direct ASPs, both of which in part reflect inflationary conditions in our SOCO territory.

Currency-neutral apparel revenues grew 18% for the first nine months of fiscal 2020, driven by higher revenues in nearly all key categories, most notably Sportswear. Unit sales of apparel increased 10% and higher ASP per unit contributed approximately 8 percentage points of apparel revenue growth, driven by higher full-price, off-price and NIKE Direct ASPs, all of which in part reflect inflationary conditions in our SOCO territory.

Reported EBIT increased 12% for the first nine months of fiscal 2020 as higher revenues and selling and administrative expense leverage more than offset a decline in gross margin. Gross margin decreased approximately 70 basis points as unfavorable changes in standard foreign currency exchange rates and higher product costs more than offset higher full-price ASP. Selling and administrative expense increased as higher operating overhead costs were partially offset by lower demand creation expense. Operating overhead expense increased as a result of higher investments in our NIKE Direct operations including higher wage-related expenses. The decrease in demand creation expense was primarily due to lower sports marketing and retail brand presentation costs.

GLOBAL BRAND DIVISIONS

	THREE MONTHS ENDED				NINE MONTHS ENDED			
	FEBRUARY 29, 2020	FEBRUARY 28, 2019	% CHANGE	% CHANGE EXCLUDING CURRENCY CHANGES	FEBRUARY 29, 2020	FEBRUARY 28, 2019	% CHANGE	% CHANGE EXCLUDING CURRENCY CHANGES
<i>(Dollars in millions)</i>								
Revenues	\$ 8	\$ 8	0 %	2%	\$ 24	\$ 33	-27 %	-26 %
Earnings (Loss) Before Interest and Taxes	\$ (895)	\$ (788)	-14 %		\$ (2,624)	\$ (2,432)	-8 %	

Global Brand Divisions primarily represent demand creation and operating overhead expense, including product creation and design expenses that are centrally managed for the NIKE Brand, as well as costs associated with NIKE Direct global digital operations and enterprise technology. Revenues for Global Brand Divisions are primarily attributable to NIKE Brand licensing businesses that are not part of a geographic operating segment.

THIRD QUARTER OF FISCAL 2020 COMPARED TO THIRD QUARTER OF FISCAL 2019

Global Brand Divisions' loss before interest and taxes increased 14% for the third quarter of fiscal 2020 resulting from higher total selling and administrative expense. Operating overhead expense growth was primarily driven by higher wage-related and administrative costs, which reflect investments in data and analytics and other enterprise-wide transformational capabilities, particularly in NIKE Direct and global operations, as well as investments in a new enterprise resource planning tool to accelerate our end-to-end digital transformation. Higher demand creation expense was primarily due to higher advertising and marketing costs.

FIRST NINE MONTHS OF FISCAL 2020 COMPARED TO FIRST NINE MONTHS OF FISCAL 2019

Global Brand Divisions' loss before interest and taxes increased 8% for the first nine months of fiscal 2020, resulting from growth in total selling and administrative expense, as higher operating overhead expense was partially offset by lower demand creation expense. The growth in operating overhead expense was primarily due to higher wage-related and administrative costs resulting from investments in data and analytics capabilities, digital commerce platforms and our investments in a new enterprise resource planning tool, all of which are in an effort to accelerate our end-to-end digital transformation. Lower demand creation expense was primarily due to lower retail brand presentation costs, as well as a decrease in sports marketing costs.

CONVERSE

	THREE MONTHS ENDED				NINE MONTHS ENDED			
	FEBRUARY 29, 2020	FEBRUARY 28, 2019	% CHANGE	% CHANGE EXCLUDING CURRENCY CHANGES	FEBRUARY 29, 2020	FEBRUARY 28, 2019	% CHANGE	% CHANGE EXCLUDING CURRENCY CHANGES
<i>(Dollars in millions)</i>								
Revenues by:								
Footwear	\$ 455	\$ 405	12 %	14 %	\$ 1,367	\$ 1,222	12 %	14 %
Apparel	20	27	-26 %	-25 %	76	93	-18 %	-15 %
Equipment	5	5	0 %	10 %	20	18	11 %	15 %
Other ⁽¹⁾	26	26	0 %	5 %	78	82	-5 %	-3 %
TOTAL REVENUES	\$ 506	\$ 463	9 %	11 %	\$ 1,541	\$ 1,415	9 %	11 %
Revenues by:								
Sales to Wholesale Customers	\$ 330	\$ 308	7 %	8 %	\$ 983	\$ 930	6 %	8 %
Sales through Direct to Consumer	150	129	16 %	18 %	480	403	19 %	21 %
Other ⁽¹⁾	26	26	0 %	5 %	78	82	-5 %	-3 %
TOTAL REVENUES	\$ 506	\$ 463	9 %	11 %	\$ 1,541	\$ 1,415	9 %	11 %
EARNINGS BEFORE INTEREST AND TAXES	\$ 96	\$ 79	22 %		\$ 324	\$ 221	47 %	

(1) Other revenues consist of territories serviced by third-party licensees who pay royalties to Converse for the use of its registered trademarks and other intellectual property rights. We do not own the Converse trademarks in Japan and accordingly do not earn revenues in Japan.

THIRD QUARTER OF FISCAL 2020 COMPARED TO THIRD QUARTER OF FISCAL 2019

On a currency-neutral basis, Converse revenues increased 11% for the third quarter of fiscal 2020. The increase in revenues was primarily driven by higher revenues across all geographies. Wholesale revenues grew 8% primarily due to increased demand in Europe and Asia despite the impacts from COVID-19. Direct to consumer revenues increased 18% fueled by strong digital sales growth across all geographies, which more than offset impacts from COVID-19. Combined unit sales within the wholesale and direct to consumer channels increased 8%, while ASP grew 3% primarily due to higher direct to consumer ASP and the favorable impact of growth in the direct to consumer channel.

Reported EBIT increased 22%, driven by revenue growth, gross margin expansion and selling and administrative expense leverage. Gross margin increased 120 basis points driven by lower product costs, lower other costs due to efficiencies in our logistics centers and higher full-price ASP, partially offset by unfavorable changes in standard foreign currency exchange rates. Selling and administrative expense increased due to growth in demand creation expense which is primarily attributable to higher advertising and marketing costs, in part to support our strategic investment in basketball, as well as higher operating overhead costs primarily due to continued investments in digital.

FIRST NINE MONTHS OF FISCAL 2020 COMPARED TO FIRST NINE MONTHS OF FISCAL 2019

On a currency-neutral basis, Converse revenues increased 11% for the first nine months of fiscal 2020, primarily driven by higher revenues in Asia and Europe, partially offset by declines in the United States. Revenue growth in Asia during the first nine months of fiscal 2020 more than offset the impacts associated with the outbreak of COVID-19. Wholesale revenues increased 8% primarily due to higher demand in Asia, partially offset by declines in the United States. Direct to consumer revenues increased 21% primarily fueled by digital sales growth. Combined unit sales within the wholesale and direct to consumer channels increased 6%, while ASP grew 5% primarily due to higher full-price ASP, as well as higher ASP in the direct to consumer channel.

Reported EBIT increased 47%, primarily due to revenue growth, selling and administrative expense leverage and gross margin expansion. Gross margin increased 260 basis points, driven by higher margins in the direct to consumer channel, higher full-price ASP, as well as lower product costs due to changes in product mix, partially offset by unfavorable changes in standard foreign currency exchange rates. Selling and administrative expense was relatively unchanged as lower demand creation expense due to lower retail brand presentation costs was offset by higher operating overhead expense primarily due to continued investments in digital.

CORPORATE

(Dollars in millions)	THREE MONTHS ENDED			NINE MONTHS ENDED		
	FEBRUARY 29, 2020	FEBRUARY 28, 2019	% CHANGE	FEBRUARY 29, 2020	FEBRUARY 28, 2019	% CHANGE
Revenues	\$ (18)	\$ —	—	\$ (7)	\$ 7	—
Earnings (Loss) Before Interest and Taxes	\$ (763)	\$ (420)	-82 %	\$ (1,600)	\$ (1,245)	-29 %

Corporate revenues primarily consist of foreign currency hedge gains and losses related to revenues generated by entities within the NIKE Brand geographic operating segments and Converse, but managed through our central foreign exchange risk management program.

The Corporate loss before interest and taxes primarily consists of unallocated general and administrative expenses, including expenses associated with centrally managed departments; depreciation and amortization related to our corporate headquarters; unallocated insurance, benefit and compensation programs, including stock-based compensation; and certain foreign currency gains and losses.

In addition to the foreign currency gains and losses recognized in Corporate revenues, foreign currency results in Corporate include gains and losses resulting from the difference between actual foreign currency exchange rates and standard rates used to record non-functional currency denominated product purchases within the NIKE Brand geographic operating segments and Converse; related foreign currency hedge results; conversion gains and losses arising from re-measurement of monetary assets and liabilities in non-functional currencies; and certain other foreign currency derivative instruments.

For the three and nine months ended February 29, 2020, Corporate includes the non-recurring impairment charge recognized as a result of our decision to transition our NIKE Brand business operations in Brazil, Argentina, Chile and Uruguay to third-party distributors. This charge primarily reflects the anticipated release of associated non-cash cumulative foreign currency translation losses.

THIRD QUARTER OF FISCAL 2020 COMPARED TO THIRD QUARTER OF FISCAL 2019

Corporate's loss before interest and taxes increased \$343 million for the third quarter of fiscal 2020, primarily due to the following:

- an unfavorable change of \$442 million, primarily due to the \$400 million non-recurring impairment charge discussed above. For more information see Note 14 — Acquisitions and Divestitures within the accompanying Notes to the Unaudited Condensed Consolidated Financial Statements;
- a favorable change of \$72 million related to the difference between actual foreign currency exchange rates and standard foreign currency exchange rates assigned to the NIKE Brand geographic operating segments and Converse, net of hedge gains and losses; these results are reported as a component of consolidated gross margin; and
- a favorable change in net foreign currency gains and losses of \$27 million related to the re-measurement of monetary assets and liabilities denominated in non-functional currencies and the impact of certain foreign currency derivative instruments, reported as a component of consolidated *Other (income) expense, net*.

FIRST NINE MONTHS OF FISCAL 2020 COMPARED TO FIRST NINE MONTHS OF FISCAL 2019

Corporate's loss before interest and taxes increased \$355 million for the first nine months of fiscal 2020, primarily due to the following:

- an unfavorable change of \$566 million, primarily due to the non-recurring impairment charge of \$400 million discussed above and higher operating overhead expense driven by higher wage-related costs;
- a favorable change of \$126 million related to the difference between actual foreign currency exchange rates and standard foreign currency exchange rates assigned to the NIKE Brand geographic operating segments and Converse, net of hedge gains and losses; these results are reported as a component of consolidated gross margin; and
- a favorable change in net foreign currency gains and losses of \$85 million related to the re-measurement of monetary assets and liabilities denominated in non-functional currencies and the impact of certain foreign currency derivative instruments, reported as a component of consolidated *Other (income) expense, net*.

FOREIGN CURRENCY EXPOSURES AND HEDGING PRACTICES

OVERVIEW

As a global company with significant operations outside the United States, in the normal course of business we are exposed to risk arising from changes in currency exchange rates. Our primary foreign currency exposures arise from the recording of transactions denominated in non-functional currencies and the translation of foreign currency denominated results of operations, financial position and cash flows into U.S. Dollars.

Our foreign exchange risk management program is intended to lessen both the positive and negative effects of currency fluctuations on our consolidated results of operations, financial position and cash flows. We manage global foreign exchange risk centrally on a portfolio basis to address those risks material to NIKE, Inc. Our hedging policy is designed to partially or entirely offset the impact of exchange rate changes on the underlying net exposures being hedged. Where exposures are hedged, our program has the effect of delaying the impact of exchange rate movements on our Unaudited Condensed Consolidated Financial Statements; the length of the delay is dependent upon hedge horizons. We do not hold or issue derivative instruments for trading or speculative purposes. As of and for the nine months ended February 29, 2020, there have been no material changes to the Company's hedging program or strategy from what was disclosed within the Annual Report on Form 10-K.

Refer to Note 4 — Fair Value Measurements and Note 9 — Risk Management and Derivatives in the accompanying Notes to the Unaudited Condensed Consolidated Financial Statements for additional description of outstanding derivatives at each reported period end. For additional information about our Foreign Currency Exposures and Hedging Practices refer to Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations of our Annual Report on Form 10-K for the fiscal year ended May 31, 2019.

TRANSACTIONAL EXPOSURES

We conduct business in various currencies and have transactions which subject us to foreign currency risk. Our most significant transactional foreign currency exposures are:

- **Product Costs** — Product purchases denominated in currencies other than the functional currency of the transacting entity and factory input costs from the foreign currency adjustments program with certain factories.
- **Non-Functional Currency Denominated External Sales** — A portion of our NIKE Brand and Converse revenues associated with European operations are earned in currencies other than the Euro (e.g., the British Pound) but are recognized at a subsidiary that uses the Euro as its functional currency. These sales generate a foreign currency exposure.
- **Other Costs** — Non-functional currency denominated costs, such as endorsement contracts, also generate foreign currency risk, though to a lesser extent.
- **Non-Functional Currency Denominated Monetary Assets and Liabilities** — Our global subsidiaries have various assets and liabilities, primarily receivables and payables, including intercompany receivables and payables, denominated in currencies other than their functional currencies. These balance sheet items are subject to re-measurement which may create fluctuations in *Other (income) expense, net* within our consolidated results of operations.

MANAGING TRANSACTIONAL EXPOSURES

Transactional exposures are managed on a portfolio basis within our foreign currency risk management program. We manage these exposures by taking advantage of natural offsets and currency correlations that exist within the portfolio and may also elect to use currency forward and option contracts to hedge the remaining effect of exchange rate fluctuations on probable forecasted future cash flows, including certain product cost exposures, non-functional currency denominated external sales and other costs described above.

Certain currency forward contracts used to manage the foreign exchange exposure of non-functional currency denominated monetary assets and liabilities subject to re-measurement and embedded derivative contracts are not formally designated as hedging instruments and are recognized in *Other (income) expense, net*.

TRANSLATIONAL EXPOSURES

Many of our foreign subsidiaries operate in functional currencies other than the U.S. Dollar. Fluctuations in currency exchange rates create volatility in our reported results as we are required to translate the balance sheets, operational results and cash flows of these subsidiaries into U.S. Dollars for consolidated reporting. The translation of foreign subsidiaries' non-U.S. Dollar denominated balance sheets into U.S. Dollars for consolidated reporting results in a cumulative translation adjustment to *Accumulated other comprehensive income (loss)* within *Shareholders' equity*. The impact of foreign exchange rate fluctuations on the translation of our consolidated *Revenues* was a detriment of approximately \$152 million and \$698 million for the three and nine months ended February 29, 2020, respectively, and a detriment of approximately \$356 million and \$674 million for the three and nine months ended February 28, 2019, respectively. The impact of foreign exchange rate fluctuations on the translation of our *Income before income taxes* was a detriment of approximately \$43 million and \$195 million for the three and nine months ended February 29, 2020, respectively, and a detriment of approximately \$73 million and \$116 million for the three and nine months ended February 28, 2019, respectively.

Management generally identifies hyper-inflationary markets as those markets whose cumulative inflation rate over a three-year period exceeds 100%. Management has concluded our Argentina subsidiary within our APLA operating segment is operating in a hyper-inflationary market. As a result, beginning in the second quarter of fiscal 2019, the functional currency of our Argentina subsidiary changed from the local currency to the U.S. Dollar. As of and for the nine months ended February 29, 2020, this change did not have a material impact on our results of operations or financial condition and we do not anticipate it will have a material impact in future periods based on current rates.

MANAGING TRANSLATIONAL EXPOSURES

To minimize the impact of translating foreign currency denominated revenues and expenses into U.S. Dollars for consolidated reporting, certain foreign subsidiaries use excess cash to purchase U.S. Dollar denominated available-for-sale investments. The variable future cash flows associated with the purchase and subsequent sale of these U.S. Dollar denominated investments at non-U.S. Dollar functional currency subsidiaries creates a foreign currency exposure that qualifies for hedge accounting under U.S. GAAP. We utilize forward contracts and/or options to mitigate the variability of the forecasted future purchases and sales of these U.S. Dollar investments. The combination of the purchase and sale of the U.S. Dollar investment and the hedging instrument has the effect of partially offsetting the year-over-year foreign currency translation impact on net earnings in the period the investments are sold. Hedges of the purchase of U.S. Dollar denominated available-for-sale investments are accounted for as cash flow hedges.

We estimate the combination of translation of foreign currency-denominated profits from our international businesses and the year-over-year change in foreign currency related gains and losses included in *Other (income) expense, net* had an unfavorable impact of approximately \$20 million and \$112 million on our *Income before income taxes* for the three and nine months ended February 29, 2020, respectively.

LIQUIDITY AND CAPITAL RESOURCES

CASH FLOW ACTIVITY

Cash provided (used) by operations was an inflow of \$2,486 million for the first nine months of fiscal 2020, compared to \$3,893 million for the first nine months of fiscal 2019. *Net income*, adjusted for non-cash items, generated \$4,107 million of operating cash inflow for the first nine months of fiscal 2020, compared to \$4,087 million for the first nine months of fiscal 2019. The net change in working capital and other assets and liabilities resulted in a decrease to *Cash provided (used) by operations* of \$1,621 million for the first nine months of fiscal 2020 compared to a decrease of \$194 million for the first nine months of fiscal 2019. The net change in working capital was partially impacted by the net change in cash collateral with derivative counterparties as a result of hedging transactions. During the first nine months of fiscal 2020, cash collateral received from counterparties decreased \$203 million as compared to an increase of \$114 million during the first nine months of fiscal 2019. Refer to the Credit Risk section of Note 9 — Risk Management and Derivatives in the accompanying Notes to the Unaudited Condensed Consolidated Financial Statements for additional details. The net change in working capital was also impacted by a decrease in *Accounts Payable* related to the timing of payments, as well as a \$229 million increase in *Inventory* due to business growth. The net change in working capital was also impacted by higher payments related to variable compensation for employees.

Cash provided (used) by investing activities was an outflow of \$758 million for the first nine months of fiscal 2020, compared to \$121 million for the first nine months of fiscal 2019, driven by the net change in short-term investments. For the first nine months of fiscal 2020, the net change in short-term investments (including sales, maturities and purchases) resulted in a cash inflow of \$9 million compared to an inflow of \$720 million for the first nine months of fiscal 2019.

Cash provided (used) by financing activities was an outflow of \$3,310 million for the first nine months of fiscal 2020 compared to \$4,267 million for the first nine months of fiscal 2019, with the decrease from the prior period reflecting lower share repurchases

and changes in *Notes Payable*, primarily due to payments made in the prior period to repay borrowings under our commercial paper program.

During the first nine months of fiscal 2020, we repurchased 31.6 million shares of NIKE's Class B Common Stock for \$2.9 billion (an average price of \$90.81 per share) under the four-year, \$15 billion share repurchase program approved by the Board of Directors in June 2018. As of February 29, 2020, we had repurchased 43.3 million shares at a cost of approximately \$3.9 billion (an average price of \$89.17 per share) under this program. We continue to expect funding of share repurchases will come from operating cash flows, excess cash and/or proceeds from debt. Subsequent to the end of the third quarter of fiscal 2020, to enhance our liquidity position in response to COVID-19, we elected to temporarily suspend share repurchases under our existing share repurchase program. The existing program remains authorized by the Board of Directors and we may resume share repurchases in the future at any time, depending upon market conditions, our capital needs and other factors.

CAPITAL RESOURCES

On July 23, 2019, we filed a shelf registration statement (the "Shelf") with the U.S. Securities and Exchange Commission (SEC) which permits us to issue an unlimited amount of debt securities from time to time. The Shelf expires on July 23, 2022. On March 27, 2020, subsequent to the end of the third quarter of fiscal 2020, we issued \$6 billion of senior unsecured notes. Refer to Note 15 — Subsequent Events within the accompanying Notes to the Unaudited Condensed Consolidated Financial Statements for additional information.

On August 16, 2019, we entered into a committed credit facility agreement with a syndicate of banks which provides for up to \$2 billion of borrowings, with the option to increase borrowings up to \$3 billion in total upon lender approval. The facility matures on August 16, 2024, with a one-year extension option prior to any anniversary of the closing date, provided that in no event shall it extend beyond August 16, 2026. This facility replaces the prior \$2 billion credit facility agreement entered into on August 28, 2015, which would have matured August 28, 2020. In addition to our existing credit facility, on April 6, 2020, we entered into a new committed credit facility agreement with a syndicate of banks which provides for up to \$2 billion of borrowings. Refer to Note 15 — Subsequent Events within the accompanying Notes to the Unaudited Condensed Consolidated Financial Statements for additional information, as well as Part II Item 5. Other Information. As of February 29, 2020 and May 31, 2019, no amounts were outstanding under our committed credit facilities.

We currently have long-term debt ratings of AA- and A1 from Standard and Poor's Corporation and Moody's Investor Services, respectively. As it relates to our committed credit facility entered into on August 16, 2019, if our long-term debt ratings were to decline, the facility fee and interest rate would increase. Conversely, if our long-term debt ratings were to improve, the facility fee and interest rate would decrease. Under the committed credit facility entered into on April 6, 2020, if our long-term debt ratings were to decline, only the interest rate would increase, but would remain unchanged in the event our long-term debt rating were to improve. Changes in our long-term debt ratings would not trigger acceleration of maturity of any then-outstanding borrowings or any future borrowings under the committed credit facilities. Under these facilities, we have agreed to various covenants. These covenants include limits on our disposal of fixed assets and the amount of debt secured by liens we may incur. In the event we were to have any borrowings outstanding under a facility and failed to meet any covenant, and were unable to obtain a waiver from a majority of the banks in the syndicate, any borrowings under such facility would become immediately due and payable. As of February 29, 2020, we were in full compliance with each of these covenants under the existing credit facility and believe it is unlikely we will fail to meet any of these covenants in the foreseeable future.

Liquidity is also provided by our \$2 billion commercial paper program. During the three months ended February 29, 2020, the maximum amount of commercial paper borrowings outstanding at any point was \$700 million. No borrowings were outstanding as of February 29, 2020 and May 31, 2019. As of April 7, 2020, we had \$1 billion of borrowings outstanding under our \$2 billion commercial paper program at a weighted average rate of 1.65%. Additionally, we anticipate increasing our \$2 billion commercial paper program to \$4 billion in connection with the new credit facility agreement entered into on April 6, 2020, as described above.

We may continue to issue commercial paper or other debt securities depending on general corporate needs. We currently have short-term debt ratings of A1+ and P1 from Standard and Poor's Corporation and Moody's Investor Services, respectively.

To date, in fiscal 2020, we have not experienced difficulty accessing the credit markets; however, future volatility in the capital markets may increase costs associated with issuing commercial paper or other debt instruments or affect our ability to access those markets.

As of February 29, 2020, we had cash, cash equivalents and short-term investments totaling \$3.2 billion, primarily consisting of commercial paper, corporate notes, deposits held at major banks, money market funds, U.S. government sponsored enterprise obligations, U.S. Treasury obligations and other investment grade fixed-income securities. Our fixed-income investments are exposed to both credit and interest rate risk. All of our investments are investment grade to minimize our credit risk. While individual securities have varying durations, as of February 29, 2020, the weighted-average days to maturity of our cash equivalents and short-term investments portfolio was 31 days.

We believe that existing cash, cash equivalents, short-term investments and cash generated by operations, together with access to external sources of funds as described above, will be sufficient to meet our domestic and foreign capital needs in the foreseeable future.

We utilize a variety of tax planning and financing strategies to manage our worldwide cash and deploy funds to locations where they are needed. We indefinitely reinvest a significant portion of our foreign earnings, and our current plans do not demonstrate a need to repatriate these earnings. Should we require additional capital in the United States, we may determine to repatriate indefinitely reinvested foreign funds or raise capital in the United States through debt. Given our existing structure, if we were to repatriate indefinitely reinvested foreign earnings, we would be required to accrue and pay withholding taxes in certain foreign jurisdictions.

OFF-BALANCE SHEET ARRANGEMENTS

As of February 29, 2020, we did not have any off-balance sheet arrangements that have, or are reasonably likely to have, a material current or future effect on our financial condition, results of operations, liquidity, capital expenditures or capital resources.

CONTRACTUAL OBLIGATIONS

There have been no significant changes to the contractual obligations reported in our Annual Report on Form 10-K for the fiscal year ended May 31, 2019.

NEW ACCOUNTING PRONOUNCEMENTS

Refer to Note 1 — Summary of Significant Accounting Policies in the accompanying Notes to the Unaudited Condensed Consolidated Financial Statements for recently adopted and recently issued accounting standards.

CRITICAL ACCOUNTING POLICIES

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

We believe that the estimates, assumptions and judgments involved in the accounting policies described in the “Management’s Discussion and Analysis of Financial Condition and Results of Operations” section of our most recent Annual Report on Form 10-K have the greatest potential impact on our financial statements, so we consider these to be our critical accounting policies. Actual results could differ from the estimates we use in applying our critical accounting policies. We are not currently aware of any reasonably likely events or circumstances that would result in materially different amounts being reported.

Our critical accounting policy related to Income Taxes has changed from our most recent Annual Report on Form 10-K. The changes to the policy are reflected below.

INCOME TAXES

We have not recorded income tax expense for foreign earnings we have determined to be indefinitely reinvested within certain of our foreign jurisdictions. The amount of earnings indefinitely reinvested offshore is due to the actual deployment of such earnings in our offshore operations and our expectations of the future cash needs of our U.S. and foreign entities. Income tax consequences are also a factor in determining the amount of foreign earnings to be indefinitely reinvested offshore.

We carefully review all factors that drive the ultimate disposition of foreign earnings determined to be reinvested offshore and apply stringent standards to overcome the presumption of repatriation. Despite this approach, because the determination is based on expected working capital and other capital needs in jurisdictions where the earnings are generated, the possibility exists that foreign earnings declared as indefinitely reinvested may be repatriated. For instance, the actual cash needs of our U.S. operations may exceed our current expectations, or the actual cash needs of our foreign entities may be less than our current expectations. This would result in additional income tax expense in the year we determined amounts were no longer indefinitely reinvested offshore.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

On March 27, 2020, the Company issued \$6 billion in senior unsecured notes, which have been aggregated below with the existing senior unsecured notes outstanding as of February 29, 2020. Other than the items noted below, there have been no material changes from the information previously reported under Part II, Item 7A of our Annual Report on Form 10-K for the fiscal year ended May 31, 2019.

Details of third-party debt are provided in the table below. The table presents principal cash flows and related average interest rates by expected maturity dates.

<i>(Dollars in millions)</i>	EXPECTED MATURITY DATE YEAR ENDING MAY 31,							TOTAL
	REMAINDER OF 2020	2021	2022	2023	2024	THEREAFTER		
Interest Rate Risk								
Long-term U.S. Dollar debt — Fixed rate								
Principal payments	\$ —	\$ —	\$ —	\$ 500	\$ —	\$ 9,000	\$ 9,500	
Weighted-average interest rate	0.0%	0.0%	0.0%	2.3%	0.0%	3.1%	3.0%	

ITEM 4. CONTROLS AND PROCEDURES

We maintain disclosure controls and procedures that are designed to provide reasonable assurance that ensure information required to be disclosed in our Securities Exchange Act of 1934, as amended ("the Exchange Act") reports is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow for timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

We carry out a variety of ongoing procedures, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, to evaluate the effectiveness of the design and operation of our disclosure controls and procedures. Based on the foregoing, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective at the reasonable assurance level as of February 29, 2020.

We are continuing several transformation initiatives to centralize and simplify our business processes and systems. These are long-term initiatives, which we believe will enhance our internal control over financial reporting due to increased automation and further integration of related processes. We will continue to monitor our internal control over financial reporting for effectiveness throughout these transformation initiatives.

There have not been any changes in our internal control over financial reporting during our most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS AND ANALYST REPORTS

Certain written and oral statements, other than purely historic 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, as amended. 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 Securities and Exchange Commission, including reports filed on Forms 8-K, 10-Q and 10-K, and include, among others, the following: health epidemics, pandemics and similar outbreaks, including the COVID-19 pandemic; 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 technology systems and controls, including, without limitation, the systems related to demand and supply planning and inventory control; interruptions in data and information technology systems; consumer data security; fluctuations and difficulty in forecasting operating results, including, without limitation, the fact that advance orders may not be indicative of future revenues due to changes in shipment timing, the changing mix of orders with shorter lead times, and discounts, order cancellations and returns; the ability of NIKE to sustain, manage or forecast its growth and inventories; the size, timing and mix of purchases of NIKE's products; increases in the cost of materials, labor and energy used to manufacture products; new product development and introduction; the ability to secure and protect trademarks, patents and other intellectual property; product performance and quality; customer service; adverse publicity, including without limitation, through social media or in connection with brand damaging events; the loss of significant customers or suppliers; dependence on distributors and licensees; business disruptions; increased costs of freight and transportation to meet delivery deadlines; increases in borrowing costs due to any decline in NIKE's debt ratings; changes in business strategy or development plans; general risks associated with doing business outside of the United States, including, without limitation, exchange rate fluctuations, inflation, import duties, tariffs, quotas, political and economic instability and terrorism; the impact of recent U.S. tax reform legislation on our results of operations; the political impact of new laws, regulations or policy, including, without limitation, tariffs, import/export, trade and immigration regulations or policies; changes in government regulations; the impact of, including business and legal developments relating to, climate change and natural disasters; litigation, regulatory proceedings and other claims asserted against NIKE; the ability to attract and retain qualified employees, and any negative public perception with respect to personnel; the effects of NIKE's decision to invest in or divest of businesses 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 risks emerge from time to time and it is not possible for management to predict all such risks, nor can it assess the impact of all such risks on NIKE's business or the extent to which any risk, or combination of risks, 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 developments with respect to the information previously reported under Part I, Item 3 of our Annual Report on Form 10-K for the fiscal year ended May 31, 2019.

ITEM 1A. RISK FACTORS

The following represents a material change in our risk factors from those disclosed in Part I, Item 1A of our Annual Report on Form 10-K for the fiscal year ended May 31, 2019.

Our financial condition and results of operations have been and are expected to continue to be adversely affected by the recent coronavirus outbreak.

A novel strain of coronavirus (COVID-19) was first identified in Wuhan, China in December 2019, and subsequently declared a pandemic by the World Health Organization. To date, this outbreak, which has surfaced in nearly all regions around the world, and preventative measures taken to contain or mitigate the outbreak have caused, and are continuing to cause, business slowdown or shutdown in affected areas and significant disruption in the financial markets both globally and in the United States, which could lead to a decline in discretionary spending by consumers, and in turn impact, possibly materially, our business, sales, financial condition and results of operations. We cannot predict the degree to, or the time period over, which our sales and operations will be affected by this outbreak and preventative measures, and the effects could be material. The impacts include, but are not limited to:

- Retail store closures or reduced operating hours and/or decreased retail traffic;
- Disruption to our distribution centers and our third-party manufacturing partners and other vendors, including through the effects of facility closures, reductions in operating hours, labor shortages, and real time changes in operating procedures, including for additional cleaning and disinfection procedures;
- Impacts to our distribution and logistics providers' ability to operate or increases in their operating costs. These supply chain effects may have an adverse effect on our ability to meet consumer demand, including digital demand, and could result in an increase in our costs of production and distribution, including increased freight and logistics costs and other expenses; and
- Significant disruption of global financial markets, which could have a negative impact on our ability to access capital in the future.

The further spread of COVID-19, and the requirements to take action to help limit the spread of the illness, will impact our ability to carry out our business as usual and may materially adversely impact global economic conditions, our business, results of operations, cash flows and financial condition. Even in those regions where we are beginning to experience business recovery, such as Greater China, should those regions fail to fully contain COVID-19 or suffer a COVID-19 relapse, those markets may not recover as quickly or at all, which could have a material adverse effect on our business and results of operations.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

In June 2018, the Board of Directors approved a four-year, \$15 billion share repurchase program. As of February 29, 2020, the Company had repurchased 43.3 million shares at an average price of \$89.17 per share for a total approximate cost of \$3.9 billion under this program.

All share repurchases were made under NIKE's publicly announced program and there are no other programs under which the Company repurchases shares. The following table presents a summary of share repurchases made during the quarter ended February 29, 2020:

PERIOD	TOTAL NUMBER OF SHARES PURCHASED	AVERAGE PRICE PAID PER SHARE	APPROXIMATE DOLLAR VALUE OF SHARES THAT MAY YET BE PURCHASED UNDER THE PLANS OR PROGRAMS (IN MILLIONS)
December 1 — December 31, 2019	2,819,495 \$	97.92 \$	11,821
January 1 — January 31, 2020	3,040,720 \$	101.36 \$	11,513
February 1 — February 29, 2020	3,786,933 \$	98.39 \$	11,140
	9,647,148 \$	99.19	

ITEM 5. OTHER INFORMATION

On April 6, 2020, the Company entered into a Credit Agreement with Bank of America, N.A., as Administrative Agent, and the other Banks named therein (the "Credit Agreement"). The Credit Agreement provides for up to \$2 billion of borrowings in U.S. Dollars pursuant to a 364-day unsecured revolving credit facility (the "Credit Facility"), which is available for working capital and general corporate purposes, including supporting the issuance of commercial paper. The Credit Facility matures on April 5, 2021.

Borrowings under the Credit Facility will bear interest, at NIKE's option, at either (a) LIBOR plus an applicable margin or (b) a base rate defined as the highest of (i) the Bank of America "prime rate", (ii) the federal funds effective rate plus 0.50% and (iii) the one month LIBOR plus 1.00%. The applicable margin for LIBOR loans will range from 1.05% to 1.80% based on the public ratings of NIKE's long-term, senior unsecured, non-credit enhanced indebtedness for borrowed money. NIKE may select interest periods of 1, 2, 3 or 6 months for LIBOR loans, subject to availability. Interest shall be payable at the end of the selected interest period, but no less frequently than quarterly.

The Credit Agreement contains covenants that, among other things, limit or restrict the ability of the Company and its subsidiaries to incur additional liens; engage in mergers, acquisitions and dispositions; engage in transactions with affiliates; and use proceeds of loans under the Credit Agreement. The Credit Agreement does not include any financial covenants.

The description of the Credit Agreement is qualified in its entirety by the copy thereof which is attached as Exhibit 10.5 and incorporated herein by reference.

ITEM 6. EXHIBITS

(a) EXHIBITS:

3.	Exhibits:
3.1	Restated Articles of Incorporation, as amended (incorporated by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended November 30, 2015).
3.2	Fifth Restated Bylaws, as amended (incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K filed November 17, 2017).
4.1	Restated Articles of Incorporation, as amended (see Exhibit 3.1).
4.2	Fifth Restated Bylaws, as amended (see Exhibit 3.2).
4.3	Fourth Supplemental Indenture, dated as of March 27, 2020, by and between NIKE, Inc. and Deutsche Bank Trust Company Americas, as trustee, including the form of 2.400% Notes due 2025, form of 2.750% Notes due 2027, form of 2.850% Notes due 2030, form of 3.250% Notes due 2040 and form of 3.375% Notes due 2050 (incorporated by reference to Exhibit 4.2 to the Company's Form 8-K filed March 27, 2020).
10.1	Offer Letter between NIKE, Inc. and John J. Donahoe II (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed October 22, 2019).
10.2	Form of Covenant Not to Compete and Non-Disclosure Agreement between NIKE, Inc. and John J. Donahoe II (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed October 22, 2019).
10.3	Form of Performance-Based Stock Option Agreement (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed October 22, 2019).
10.4	Letter Agreement between NIKE, Inc. and Mark G. Parker (incorporated by reference to Exhibit 10.6 to the Company's Current Report on Form 8-K filed October 22, 2019).
10.5	Credit Agreement, dated as of April 6, 2020, among NIKE, Inc., Bank of America, N.A., as Administrative Agent, and the other Banks named therein.
31.1†	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer.
31.2†	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer.
32.1†	Section 1350 Certificate of Chief Executive Officer.
32.2†	Section 1350 Certificate of Chief Financial Officer.
101.INS	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	XBRL Taxonomy Extension Definition Document.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File (formatted in iXBRL Exhibit 101)

† *Furnished herewith*

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/ MATTHEW FRIEND
Matthew Friend
Chief Financial Officer and Authorized Officer

Date: April 7, 2020

Published CUSIP Numbers:
Deal: 65410VAJ7
Revolving Commitment: 65410VAK4

CREDIT AGREEMENT

Dated as of April 6, 2020

among

NIKE, Inc.,
as the Borrower,

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

CITIBANK, N.A.
and
JPMORGAN CHASE BANK, N.A.,
as Co-Syndication Agents

and

THE OTHER BANKS PARTY HERETO

BofA SECURITIES, INC.

and

CITIBANK, N.A.
JPMORGAN CHASE BANK, N.A.
as Joint Lead Arrangers and Joint Bookrunners

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SCHEDULES

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CREDIT AGREEMENT

This Credit Agreement, dated as of April 6, 2020 (this “Agreement”), is among NIKE, INC. (the “Borrower”), the Banks, BANK OF AMERICA, N.A., as Administrative Agent and CITIBANK, N.A. and JPMORGAN CHASE BANK, N.A., as Co-Syndication Agents. The parties hereto agree as follows:

Article I **DEFINITIONS AND OTHER INTERPRETIVE PROVISIONS**

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

“Act” has the meaning specified in Section 10.17.

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

“Administrative Agent-Related Persons” means the Administrative Agent, together with its Affiliates (including, in the case of Bank of America, in its capacity as the Administrative Agent and in the case of BAS, in its capacity as a Joint Lead Arranger), and the officers, directors, employees, agents and attorneys-in-fact of such Persons and Affiliates.

“Administrative Agent’s Office” means the Administrative Agent’s address and, as appropriate, account as set forth on Schedule 3, or such other address or account as the Administrative Agent may from time to time notify to the Borrower and the Banks.

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

“Affected Financial Institution” means (a) any EEA Financial Institution or (b) any UK Financial Institution.

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

“Aggregate Commitments” means the Commitments of all the Banks.

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

“Agreement Accounting Principles” means generally accepted accounting principles from time to time in effect in the United States.

“Agreement Currency” has the meaning specified in Section 10.22.

“Applicable Margin” means, on any date and with respect to each Eurodollar Rate Loan, the applicable margin set forth below based on the Applicable Rating Level on such date:

Applicable Rating Level	Applicable Margin (in basis points)
Level I	105.0
Level II	130.0
Level III	155.0
Level IV	180.0

“Applicable Percentage” means, with respect to any Bank at any time, (i) the percentage (carried out to the ninth decimal place) of the Aggregate Commitments represented by such Bank’s Commitment at such time or (ii) if the commitment of each Bank to make Loans or Advances have been terminated pursuant to Section 8.1 or if the Aggregate Commitments have expired, then the Applicable Percentage of each Bank shall be determined based on the Applicable Percentage of such Bank most recently in effect, giving effect to any subsequent assignments. The initial Applicable Percentage of each Bank is set forth opposite the name of such Bank on Schedule 2 or in the Assignment and Assumption pursuant to which such Bank becomes a party hereto, as applicable.

“Applicable Rating Level” shall mean and be determined by the ratings issued from time to time by S&P and Moody’s (or S&P or Moody’s, if ratings shall be available from only one of such Rating Agencies) in respect of the Borrower’s long-term, senior unsecured, non-credit-enhanced debt in accordance with the following:

Rating Level	S&P	Moody’s
Level I	AA- or more favorable than AA-	Aa3 or more favorable than Aa3
Level II	A+	A1
Level III	A	A2
Level IV	A-, less than A- or not rated	A3, less than A3 or not rated

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

"Approved Fund" has the meaning specified in Section 13.1.8.

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

"Attorney Costs" means and includes all reasonable and documented out-of-pocket fees, expenses and disbursements of any law firm or other external counsel.

"Bail-In Action" means the exercise of any Write-Down and Conversion Powers by the applicable Resolution Authority in respect of any liability of an Affected Financial Institution.

"Bail-In Legislation" means, (a) with respect to any EEA Member Country implementing Article 55 of Directive 2014/59/EU of the European Parliament and of the Council of the European Union, the implementing law, regulation rule or requirement for such EEA Member Country from time to time which is described in the EU Bail-In Legislation Schedule and (b) with respect to the United Kingdom, Part I of the United Kingdom Banking Act 2009 (as amended from time to time) and any other law, regulation or rule applicable in the United Kingdom relating to the resolution of unsound or failing banks, investment firms or other financial institutions or their affiliates (other than through liquidation, administration or other insolvency proceedings).

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

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

“BAS” means BofA Securities, Inc.

“Base Rate” means for any day a fluctuating rate per annum equal to the highest of (a) the Federal Funds Rate plus 1/2 of 1%, (b) the rate of interest in effect for such day as publicly announced from time to time by Bank of America as its “prime rate,” and (c) the Eurodollar Base Rate plus 1.00%; and if the Base Rate shall be less than zero, such rate shall be deemed zero for purposes of this Agreement. The “prime rate” is a rate set by Bank of America based upon various factors including Bank of America’s costs and desired return, general economic conditions and other factors, and is used as a reference point for pricing some loans, which may be priced at, above, or below such announced rate. Any change in such prime rate announced by Bank of America shall take effect at the opening of business on the day specified in the public announcement of such change.

“Base Rate Advance” means an Advance which bears interest at the Base Rate.

“Base Rate Loan” means a Loan which bears interest at the Base Rate.

“Beneficial Ownership Certification” means a certification regarding beneficial ownership that is required by the Beneficial Ownership Regulation.

“Beneficial Ownership Regulation” means 31 C.F.R. § 1010.230.

“BHC Act Affiliate” has the meaning specified in Section 10.21.2.

“Borrower” means NIKE, Inc., an Oregon corporation.

“Borrower Materials” has the meaning specified in Section 6.1.6.

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

“Borrowing Notice” is defined in Section 2.2.3.

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

“Change in Control” means either (a) with respect to the Company’s Class B Common Stock, the acquisition after the date of this Agreement by any Person or two or more Persons acting in concert, other than the Knight Family, of beneficial ownership (within the meaning of Rule 13d-3

of the SEC under the Securities Exchange Act of 1934) of 50% or more of the outstanding shares of such Class B Common Stock; or (b) with respect to the Borrower's Class A Common Stock, if the Knight Family shall at any time fail to own and control 67% or more of the outstanding shares of such Class A Common Stock.

“Code” means the Internal Revenue Code of 1986.

“Commitment” means for each Bank, the obligation of the Bank to make Loans not exceeding the amount set forth opposite the Bank's name in Schedule 2 hereof or in the Assignment and Assumption pursuant to which such Bank becomes a party hereto, as applicable, as such amount may be modified from time to time pursuant to the terms of this Agreement and any Assignment and Assumption. The aggregate amount of the Banks' Commitments on the Effective Date is \$2,000,000,000.

“Compensation Period” has the meaning specified in Section 2.5.11(b).

“Compliance Certificate” has the meaning specified in Section 6.1.3.

“Connection Income Taxes” means Other Connection Taxes that are imposed on or measured by net income (however denominated) or that are franchise Taxes or branch profits Taxes.

“Controlled Group” means all members of a controlled group of corporations and all trades or businesses (whether or not incorporated) under common control which, together with the Borrower, are treated as a single employer under Section 414(b) or 414(c) of the Code (and Sections 414(m) and (o) of the Code for purposes of provisions relating to Section 412 of the Code).

“Controlling” means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise.

“Conversion/Continuation Date” means any date on which, under Section 2.2.4, the Borrower (a) converts an Advance bearing interest based on a particular Rate Option to an Advance bearing interest based on another Rate Option, or (b) continues an Advance bearing interest based on the same Rate Option, but with a new Interest Period.

“Co-Syndication Agents” means Citibank, N.A. and JPMorgan Chase Bank, N.A., each in its capacity as syndication agent and not in its individual capacity as a Bank.

“Covered Entity” has the meaning specified in Section 10.21.2.

“Covered Party” has the meaning specified in Section 10.21.1.

“Credit Exposure” means, as to any Bank at any time, the aggregate Outstanding Amount at such time of its Advances.

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

“Default” means an event described in Article VII.

“Defaulting Bank” means, subject to Section 2.8.2, any Bank that, as determined by the Administrative Agent, (a) has failed to perform any of its funding obligations hereunder, including in respect of its Loans within three (3) Business Days of the date required to be funded by it hereunder, unless such Bank notifies the Administrative Agent and the Borrower in writing that such failure is the result of such Bank’s determination that one or more conditions precedent to funding (each of which conditions precedent, together with any applicable Default, shall be specifically identified in writing) has not been satisfied, (b) has notified the Borrower, the Administrative Agent or any Bank that it does not intend to comply with its funding obligations or has made a public statement to that effect with respect to its funding obligations hereunder or under other agreements in which it commits to extend credit (unless such writing or public statement relates to such Bank’s obligation to fund a Loan hereunder and states that such position is based on such Bank’s determination that a condition precedent to funding (which condition precedent, together with any applicable Default, shall be specifically identified in such writing or public statement) cannot be satisfied), (c) has failed, within three (3) Business Days after request by the Administrative Agent, to confirm in a manner satisfactory to the Administrative Agent that it will comply with its funding obligations (provided that such Bank shall cease to be a Defaulting Bank pursuant to this clause (c) upon receipt of such written confirmation by the Administrative Agent and the Borrower), or (d) has, or has a direct or indirect parent company that has, (i) become the subject of a proceeding under any Debtor Relief Law, (ii) had a receiver, conservator, trustee, administrator, assignee for the benefit of creditors or similar Person charged with reorganization or liquidation of its business or a custodian appointed for it, (iii) become the subject of a Bail-in Action, or (iv) taken any action in furtherance of, or indicated its consent to, approval of or acquiescence in any such proceeding or appointment; provided that a Bank shall not be a Defaulting Bank solely by virtue of (A) the ownership or acquisition of any equity interest in that Bank or any direct or indirect parent company thereof by a Governmental Authority so long as such ownership interest does not result in or provide such Bank with immunity from the jurisdiction of courts within the United States or from the enforcement of judgments or writs of attachment on its assets or permit such Bank (or such Governmental Authority) to reject, repudiate, disavow or disaffirm any contracts or agreements made with such Bank, or (B) in the case of a solvent Bank, the precautionary appointment of an administrator,

guardian, custodian or other similar official by a Governmental Authority under or based on the law of the country where such Bank is subject to home jurisdiction supervision if applicable Law requires that such appointment not be publicly disclosed, in any such case where such action does not result in or provide such Bank with immunity from the jurisdiction of courts within the United States or from the enforcement of judgments or writs of attachment on its assets or permit such Bank (or such Governmental Authority) to reject, repudiate, disavow or disaffirm any contracts or agreements made with such Person.

“Default Right” has the meaning specified in Section 10.21.2.

“Designated Jurisdiction” means any country or territory to the extent that such country or territory itself is the subject of any Sanction.

“Disposition” or “Dispose” means the sale, transfer, license, lease or other disposition (in one transaction or in a series of related transactions and whether effected pursuant to a Division or otherwise) of any property by any Person (including any sale and leaseback and any issuance of Equity Interests by a Subsidiary of such Person), including any sale, assignment, transfer or other disposal, with or without recourse, of any notes or accounts receivable or any rights and claims associated therewith.

“Dividing Person” has the meaning assigned to it in the definition of “Division.”

“Division” means the division of the assets, liabilities and/or obligations of a Person (the “Dividing Person”) among two or more Persons (whether pursuant to a “plan of division” or similar arrangement), which may or may not include the Dividing Person and pursuant to which the Dividing Person may or may not survive.

“Dollars” and “\$” mean lawful money of the United States.

“EEA Financial Institution” means (a) any credit institution or investment firm established in any EEA Member Country which is subject to the supervision of an EEA Resolution Authority, (b) any entity established in an EEA Member Country which is a parent of an institution described in clause (a) of this definition, or (c) any financial institution established in an EEA Member Country which is a subsidiary of an institution described in clauses (a) or (b) of this definition and is subject to consolidated supervision with its parent;

“EEA Member Country” means any of the member states of the European Union, Iceland, Liechtenstein, and Norway.

“EEA Resolution Authority” means any public administrative authority or any person entrusted with public administrative authority of any EEA Member Country (including any delegee) having responsibility for the resolution of any EEA Financial Institution.

“Effective Date” means the date on which all conditions set forth in Section 4.1 are satisfied or waived by the Administrative Agent and the Banks (or, in the case of Section 4.1.12, waived by the Person entitled to receive the applicable payment), provided such date shall not be later than April 6, 2020.

“Eligible Assignee” has the meaning specified in Section 13.1.8.

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

“Equity Interests” means, with respect to any Person, all of the shares of capital stock of (or other ownership or profit interests in) such Person, all of the warrants, options or other rights for the purchase or acquisition from such Person of shares of capital stock of (or other ownership or profit interests in) such Person, all of the securities convertible into or exchangeable for shares of capital stock of (or other ownership or profit interests in) such Person or warrants, rights or options for the purchase or acquisition from such Person of such shares (or such other interests), and all of the other ownership or profit interests in such Person (including partnership, member or trust interests therein), whether voting or nonvoting, and whether or not such shares, warrants, options, rights or other interests are outstanding on any date of determination.

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

“EU Bail-In Legislation Schedule” means the EU Bail-In Legislation Schedule published by the Loan Market Association (or any successor person), as in effect from time to time.

“Eurodollar Base Rate” means

(a) for any Interest Period with respect to any Eurodollar Rate Advance or Eurodollar Rate Loan, the rate per annum equal to the London Interbank Offered Rate as administered by ICE Benchmark Administration (or any other Person that takes over the administration of such rate for Dollars) (“LIBOR”) for a period equal in length to such Interest Period as published on the applicable Bloomberg screen page (or such other commercially available

source providing such quotations, as may be designated by the Administrative Agent from time to time), at approximately 11:00 a.m. (London time) two (2) Business Days prior to the commencement of such Interest Period (for delivery on the first day of such Interest Period) with a term equivalent to such Interest Period;

(b) for any interest calculation with respect to a Base Rate Loan or Base Rate Advance on any date, the rate per annum equal to LIBOR, at or about 11:00 a.m. (London time) determined two (2) London Banking Days prior to such date for Dollar deposits with a term of one (1) month commencing that day;

provided that if the Eurodollar Base Rate shall be less than zero, such rate shall be deemed zero for purposes of this Agreement; provided, further, that the Administrative Agent does not warrant, nor accept responsibility, nor shall the Administrative Agent have any liability with respect to the administration, submission or any other matter related to the rates in this definition or with respect to any rate that is an alternative or replacement for or successor to any of such rate (including, without limitation, any Successor Rate) or the effect of any of the foregoing, or of any Successor Rate Conforming Changes.

“Eurodollar Interest Period” means, with respect to a Eurodollar Rate Advance, a period of one (1), two (2), three (3) or six (6) months commencing on a Business Day selected by the Borrower pursuant to this Agreement. Such Eurodollar Interest Period shall end on (but exclude) the day which corresponds numerically to such date one (1), two (2), three (3) or six (6) months thereafter; provided, however, that if there is no such numerically corresponding day in such next, second, third or sixth succeeding month, such Eurodollar Interest Period shall end on the last Business Day of such next, second, third or sixth succeeding month. If a Eurodollar Interest Period would otherwise end on a day which is not a Business Day, such Eurodollar Interest Period shall end on the next succeeding Business Day; provided, however, that if said next succeeding Business Day falls in a new month, such Eurodollar Interest Period shall end on the immediately preceding Business Day.

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

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

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

“Excluded Taxes” means any of the following Taxes imposed on or with respect to a Bank or the Administrative Agent, or required to be withheld or deducted from a payment to a Bank or the Administrative Agent, (a) Taxes imposed on or measured by net income (however denominated), franchise Taxes, and branch profits Taxes, in each case, (i) imposed as a result of such Bank or the Administrative Agent being organized under the laws of, or having its principal office or, in the case of any Bank, its applicable lending office located in, the jurisdiction imposing such Tax (or any political subdivision thereof) or (ii) that are Other Connection Taxes, (b) in the case of a Bank, U.S. federal withholding Taxes imposed on amounts payable to or for the account of such Bank with respect to an applicable interest in a Loan or Commitment pursuant to a law in effect on the date on which (i) such Bank acquires such interest in the Loan or Commitment (other than pursuant to an assignment request by the Borrower under Section 3.7) or (ii) such Bank changes its lending office, except in each case to the extent that, pursuant to Section 3.1, amounts with respect to such Taxes were payable either to such Bank’s assignor immediately before such Bank became a party hereto or to such Bank immediately before it changed its lending office, (c) Taxes attributable to such Bank’s failure to comply with Section 3.1.7 and (d) any withholding Taxes imposed under FATCA.

“FATCA” means Sections 1471 through 1474 of the Code, as of the date of this Agreement (or any amended or successor version that is substantively comparable and not materially more onerous to comply with), any current or future regulations or official interpretations thereof, any agreements entered into pursuant to Section 1471 (b) (1) of the Code and any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement, treaty or convention among Governmental Authorities and implementing such Sections of the Code.

“Federal Funds Rate” means, for any day, the rate per annum calculated by the Federal Reserve Bank of New York based on such day’s federal funds transactions by depository institutions (as determined in such manner as the Federal Reserve Bank of New York shall set forth on its public website from time to time) and published on the next succeeding Business Day by the Federal Reserve Bank of New York as the federal funds effective rate; provided that if the Federal Funds Rate as so determined would be less than zero, such rate shall be deemed to be zero for purposes of this Agreement.

“Finance Lease” of a Person means any lease of property by such Person in which the obligation for rentals with respect thereto is required to be capitalized on a balance sheet of the lessee in accordance with generally accepted accounting principles. For the avoidance of doubt, in no event shall any operating lease (or any lease that constituted an operating lease as of May 31, 2019) constitute a “Finance Lease.”

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

“Foreign Bank” has the meaning specified in Section 3.1.7(b).

“Fund” has the meaning specified in Section 13.1.8.

“Governmental Authority” means any nation or government, any state or other political subdivision thereof, any agency, authority, instrumentality, regulatory body, court, administrative tribunal, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government (including any supranational bodies such as the European Union or the European Central Bank), and any corporation or other entity owned or controlled, through stock or capital ownership or otherwise, by any of the foregoing.

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

“Indemnified Liabilities” has the meaning specified in Section 10.6.

“Indemnified Taxes” means (a) Taxes, other than Excluded Taxes, imposed on or with respect to any payment made by or on account of any obligation of the Borrower under any Loan Document and (b) to the extent not otherwise described in clause (a) above, Other Taxes.

“Indemnitees” has the meaning specified in Section 10.6.2.

“Information” has the meaning specified in Section 10.11.

“Interest Period” means a Eurodollar Interest Period.

“IRS” means the Internal Revenue Service of the United States Treasury.

“Joint Lead Arrangers” means BAS and Citibank, N.A. and JPMorgan Chase Bank, N.A., each in its capacity as a joint lead arranger and a joint bookrunner.

“Judgment Currency” has the meaning specified in Section 10.22.

“Knight Family” means, collectively, Philip H. Knight, and his wife, children, parents and siblings, and any trust, corporation or partnership with respect to his assets established for estate planning purposes, including, for the avoidance of doubt, Swoosh, LLC.

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

“Lending Office” means, as to any Bank, the office or offices of such Bank described as such on Schedule 3, or such other office or offices as a Bank may from time to time notify the Borrower and the Administrative Agent.

“LIBOR” has the meaning specified in the definition of Eurodollar Base Rate.

“LIBOR Screen Rate” means the LIBOR quote on the applicable screen page the Administrative Agent designates to determine LIBOR (or such other commercially available source providing such quotations as may be designated by the Administrative Agent from time to time).

“Lien” means any security interest, mortgage, pledge, lien (statutory or other), claim, charge, encumbrance, title retention agreement, lessor’s interest under a Finance Lease or analogous instrument, in, of or on any Person’s assets or properties in favor of any other Person.

“Loan” means, with respect to a Bank, such Bank’s portion, if any, of any Advance.

“Loan Documents” means this Agreement, the Beneficial Ownership Certification, if any, and the Notes and any amendments, modifications or supplements hereto or to any other Loan Document or waivers hereof or to any other Loan Document.

“Majority Banks” means Banks in the aggregate having more than 50% of the combined Commitments at such time of all Banks or, if the Commitments have been terminated, Banks in the aggregate holding more than 50% of the aggregate unpaid principal amount of the outstanding Loans; provided that the Commitment of, and the portion of the aggregate unpaid principal amount of the outstanding Loans held or deemed held by, any Defaulting Bank shall be excluded for purposes of making a determination of Majority Banks.

“Material Adverse Effect” means with respect to any matter that such matter (i) would reasonably be expected to materially and adversely affect the business, properties, condition

(financial or otherwise), or results of operations of the Borrower and its Subsidiaries taken as a whole, or (ii) has been brought by or before any court or arbitrator or any governmental body, agency or official, and draws into question the validity or enforceability of any material provision of any Loan Document against any obligor party thereto.

“Material Subsidiary” means, at any time, any Subsidiary having at such time either (i) total (gross) revenues for the preceding four (4) fiscal-quarter period in excess of 10% of the Borrower’s consolidated total (gross) revenues for such period, or (ii) total assets, as of the last day of the preceding fiscal quarter, having a net book value in excess of 10% of the net book value of the Borrower’s consolidated total assets on such date, in each case, based upon the Borrower’s most recent annual or quarterly financial statements delivered to the Administrative Agent under Section 6.1, with revenues and asset book value being determined on a *pro forma* basis for any material acquisition or disposition outside the ordinary course of business.

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

“Multiemployer Plan” means a Plan maintained pursuant to a collective bargaining agreement or any other arrangement to which the Borrower or any member of the Controlled Group is a party to which more than one employer makes or is obligated to make contributions or, during the preceding five (5) plan years, has made or been obligated to make contributions.

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

“Notice of Loan Prepayment” means a notice of prepayment with respect to a Loan, which shall be substantially in the form of Exhibit E or such other form as may be approved by the Administrative Agent (including any form on an electronic platform or electronic transmission system as shall be approved by the Administrative Agent), appropriately completed and signed by a Responsible Officer.

“Notice of Conversion/Continuation” is defined in Section 2.2.4.

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

“OFAC” means the Office of Foreign Assets Control of the United States Department of the Treasury.

“Other Connection Taxes” means, with respect to any Bank or the Administrative Agent, Taxes imposed as a result of a present or former connection between such Bank or the Administrative Agent and the jurisdiction imposing such Tax (other than connections arising from such Bank or the Administrative Agent having executed, delivered, become a party to, performed its obligations under, received payments under, received or perfected a security interest under, engaged in any other transaction pursuant to or enforced any Loan Document, or sold or assigned an interest in any Loan or Loan Document).

“Other Taxes” means all present or future stamp, court or documentary, intangible, recording, filing or similar Taxes that arise from any payment made under, from the execution, delivery, performance, enforcement or registration of, from the receipt or perfection of a security interest under, or otherwise with respect to, any Loan Document, except any such Taxes that are Other Connection Taxes imposed with respect to an assignment (other than an assignment made pursuant to Section 3.7).

“Outstanding Amount” means with respect to Loans and Advances on any date, the amount of the aggregate outstanding principal amount thereof after giving effect to any borrowings and prepayments or repayments of such Advances or Loans occurring on such date.

“Participant” has the meaning specified in Section 13.1.4.

“Participant Register” has the meaning specified in Section 13.1.6.

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

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

“Plan” means an employee pension benefit plan which is covered by Title IV of ERISA or subject to the minimum funding standards under Section 412 of the Code as to which the Borrower or any member of the Controlled Group may have any liability.

“Platform” has the meaning specified in Section 6.1.6.

“Public Bank” has the meaning specified in Section 6.1.6.

“QFC” has the meaning specified in Section 10.21.2.

“QFC Credit Support” has the meaning specified in Section 10.21.

“Rate Option” means the Eurodollar Rate or the Base Rate.

“Rating Agency” means S&P and Moody’s.

“Register” has the meaning specified in Section 13.1.3.

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

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

“Relevant Governmental Body” means the Federal Reserve Board and/or the Federal Reserve Bank of New York, or a committee officially endorsed or convened by the Federal Reserve Board and/or the Federal Reserve Bank of New York for the purpose of recommending a benchmark rate to replace LIBOR in loan agreements similar to this Agreement.

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

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

“Resolution Authority” means an EEA Resolution Authority or, with respect to any UK Financial Institution, a UK Resolution Authority.

“Responsible Officer” means the chief executive officer, president, chief financial officer, treasurer, assistant treasurer or corporate controller of the Borrower, and solely for purposes of the delivery of incumbency certificates pursuant to Section 4.1, the secretary or any assistant secretary of the Borrower and, solely for purposes of notices given pursuant to Article II, any other officer or employee of the Borrower so designated by any of the foregoing officers in a notice to the Administrative Agent or any other officer or employee of the Borrower designated in or pursuant

to an agreement between the Borrower and the Administrative Agent. Any document delivered hereunder that is signed by a Responsible Officer of the Borrower shall be conclusively presumed to have been authorized by all necessary corporate action on the part of the Borrower and such Responsible Officer shall be conclusively presumed to have acted on behalf of the Borrower.

“S&P” means Standard & Poor’s Financial Services LLC, a subsidiary of S&P Global Inc., and any successor thereto.

“Sanction(s)” means any sanction administered or enforced by the United States Government (including without limitation, OFAC), the United Nations Security Council, the European Union, Her Majesty’s Treasury (“HMT”) or other relevant sanctions authority.

“Scheduled Unavailability Date” has the meaning specified in Section 3.3.3.

“SEC” means the Securities and Exchange Commission, or any Governmental Authority succeeding to any of its principal functions.

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

“SOFR” with respect to any day means the secured overnight financing rate published for such day by the Federal Reserve Bank of New York, as the administrator of the benchmark (or a successor administrator) on the Federal Reserve Bank of New York’s website (or any successor source) and, in each case, that has been selected or recommended by the Relevant Governmental Body.

“SOFR-Based Rate” means SOFR or Term SOFR.

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

“Substantial Portion” is defined in Section 6.11.

“Successor Rate” has the meaning specified in Section 3.3.3.

“Successor Rate Conforming Changes” means, with respect to any proposed Successor Rate, any conforming changes to the definition of Base Rate, Interest Period, timing and frequency of determining rates and making payments of interest and other technical, administrative or operational matters as may be appropriate, in the discretion of the Administrative Agent in consultation with the Borrower, to reflect the adoption and implementation of such Successor Rate and to permit the administration thereof by the Administrative Agent in a manner substantially consistent with market practice (or, if the Administrative Agent determines that adoption of any portion of such market practice is not administratively feasible or that no market practice for the administration of such Successor Rate exists, in such other manner of administration as the Administrative Agent determines, in consultation with the Borrower, is reasonably necessary in connection with the administration of this Agreement).

“Supported QFC” has the meaning specified in Section 10.21.

“Swap Contract” means any agreement or arrangement designed to protect at least one of the parties thereto from the fluctuations of interest rates, exchange rates or forward rates applicable to such party’s assets, liabilities or exchange transactions, including, but not limited to, interest rate exchange agreements, forward currency exchange agreements, interest rate cap or collar protection agreements, forward rate currency or interest rate options, puts and warrants.

“Taxes” means all present or future taxes, levies, imposts, duties, deductions, withholdings (including backup withholding), assessments, fees or other charges imposed by any Governmental Authority, including any interest, additions to tax or penalties applicable thereto.

“Term SOFR” means the forward-looking term rate for any period that is approximately (as determined by the Administrative Agent) as long as any of the Interest Period options set forth in the definition of “Interest Period” and that is based on SOFR and that has been selected or recommended by the Relevant Governmental Body, in each case as published on an information service as selected by the Administrative Agent from time to time in its reasonable discretion.

“Termination Date” means the first to occur of (a) April 5, 2021 and (b) the date the Commitments or this Agreement are earlier cancelled or terminated pursuant to the terms hereof.

“Total Outstandings” means the aggregate Outstanding Amount of all Loans and Advances.

“UK Financial Institution” means any BRRD Undertaking (as such term is defined under the PRA Rulebook (as amended from time to time) promulgated by the United Kingdom Prudential Regulation Authority) or any person subject to IFPRU 11.6 of the FCA Handbook (as amended from time to time) promulgated by the United Kingdom Financial Conduct Authority, which includes certain credit institutions and investment firms, and certain affiliates of such credit institutions or investment firms.

“UK Resolution Authority” means the Bank of England or any other public administrative authority having responsibility for the resolution of any UK Financial Institution.

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

“United States” means the United States of America.

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

“U.S. Special Resolution Regimes” has the meaning specified in Section 10.21.

“U.S. Tax Compliance Certificate” has the meaning specified in Section 3.1.7(b).

“Write-Down and Conversion Powers” means, (a) with respect to any EEA Resolution Authority, the write-down and conversion powers of such EEA Resolution Authority from time to time under the Bail-In Legislation for the applicable EEA Member Country, which write-down and conversion powers are described in the EU Bail-In Legislation Schedule, and (b) with respect to the United Kingdom, any powers of the applicable Resolution Authority under the Bail-In Legislation to cancel, reduce, modify or change the form of a liability of any UK Financial Institution or any contract or instrument under which that liability arises, to convert all or part of that liability into shares, securities or obligations of that person or any other person, to provide that any such contract or instrument is to have effect as if a right had been exercised under it or to suspend any obligation in respect of that liability or any of the powers under that Bail-In Legislation that are related to or ancillary to any of those powers.

1.2 Other Interpretive Provisions.

1.2.1 The meanings of defined terms are equally applicable to the singular and plural forms of the defined terms.

1.2.2 (a) The words “herein” and “hereunder” and words of similar import when used in any Loan Document shall refer to such Loan Document as a whole and not to any particular provision thereof.

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

(b) The term “including” is by way of example and not limitation.

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

1.2.3 In the computation of periods of time from a specified date to a later specified date, the word “from” means “from and including,” the words “to” and “until” each mean “to but excluding,” and the word “through” means “to and including.”

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

ARTICLE II **THE FACILITY**

2.1 The Facility.

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

2.1.1 In no event may the aggregate principal amount of all outstanding Advances exceed the Aggregate Commitments.

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

2.2 Advances.

2.2.1 General. Each Advance hereunder shall consist of borrowings made from the several Banks ratably in proportion to the amounts of their respective Commitments. No Bank shall be obligated to make a Loan hereunder if the aggregate principal amount of such Bank’s Loans outstanding would exceed its Commitment. Upon the request of any Bank made through the Administrative Agent, the Borrower shall execute and deliver to such Bank (through the Administrative Agent) a Note, which shall evidence such Bank’s Advances.

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

2.2.3 Method of Selecting Rate Options and Interest Periods for Advances. The Borrower shall select the Rate Option and, if applicable, Interest Period applicable to each Advance from time to time. The Borrower shall give the Administrative Agent irrevocable notice appropriately completed and signed by a Responsible Officer, which shall be substantially in the form attached hereto as Exhibit F (a “Borrowing Notice”) or such other form as may be approved by the Administrative Agent (including any form on an electronic platform or electronic transmission system as shall be approved by the Administrative Agent) not later than 9:00 a.m. (San Francisco time) (a) on the Business Day of the Borrowing Date of each Base Rate Advance and (b) three (3) Business Days before the Borrowing Date for each Eurodollar Rate Advance. A Borrowing Notice shall specify:

- (a) the Borrowing Date, which shall be a Business Day, of such Advance;
- (b) the aggregate amount of such Advance;
- (c) the Rate Option selected for such Advance; and

(d) in the case of each Eurodollar Rate Advance, the Interest Period applicable thereto (which may not end after the Termination Date). If the Borrower fails to specify an Interest Period in a Borrowing Notice, then the Borrower shall be deemed to have specified an Interest Period of one (1) month.

2.2.4 Conversion and Continuation Elections.

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

(b) The Borrower shall deliver a notice of conversion/continuation appropriately completed and signed by a Responsible Officer in the form attached hereto as Exhibit G (a “Notice of Conversion/Continuation”) or such other form as may be approved by the Administrative Agent (including any form on an electronic platform or electronic transmission system as shall be approved by the Administrative Agent) to be received by the Administrative Agent not later than 9:00 a.m. (San Francisco time) (i) on the Business Day preceding the Conversion/Continuation Date if the Advance is to be converted into or continued as a Base Rate Advance or (ii) three (3) Business Days before the Conversion/Continuation Date if the Advance is to be converted into LIBOR; specifying:

- (i) the Conversion/Continuation Date, which shall be a Business Day, of such Advance;
- (ii) the aggregate amount of such Advance to be converted or continued;
- (iii) the Rate Option for such Advance resulting from the conversion or continuation; and
- (iv) in the case of each Eurodollar Rate Advance, the Interest Period applicable thereto (which may not end after the Termination Date).

provided that the Borrower may give the Administrative Agent a telephonic notice of such request on or before the deadline set forth above so long as any telephonic notice is confirmed promptly by delivery to the Administrative Agent of a written notice. The Administrative Agent at all times shall be entitled to rely on such telephonic notice with respect to such continuation or conversion, regardless of whether any written confirmation is received.

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

2.3 [Reserved].

2.4 Fees.

2.4.1 Facility Fee.

(a) Facility Fee. The Borrower shall pay to the Administrative Agent for the account of each Bank in accordance with its pro rata share of the Commitments, a facility fee equal to 0.20% times the actual daily amount of the Commitments, regardless of usage, subject to adjustment as provided in Section 2.8. The facility fee shall accrue at all times from the Effective

Date until the Termination Date and shall be due and payable quarterly in arrears on each Payment Date, commencing with the first Payment Date to occur after the Effective Date, and on the Termination Date.

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

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

2.5 General Facility Terms.

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

2.5.2 Minimum Amount of Each Advance. Each Advance, and each conversion and continuation with respect to a Advance, shall be in the minimum amount of (x) \$10,000,000 (and in integral multiples of \$1,000,000 if in excess thereof) with respect to Base Rate Advances and (y) the \$5,000,000 with respect to Eurodollar Rate Advances; provided, however, that any Base Rate Advance or Eurodollar Rate Advance may be in the aggregate amount of the unused Commitments.

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

2.5.4 Optional Principal Payments.

(a) The Borrower may, upon notice to the Administrative Agent pursuant to delivery to the Administrative Agent of a Notice of Loan Prepayment, from time to time pay all outstanding Advances, or, in a minimum aggregate amount of \$10,000,000 (and in multiples of \$1,000,000 if in excess thereof), any portion of the outstanding Advances, in each case without penalty or premium; provided, that such notice must be received by the Administrative Agent not later than 11:00 a.m. (San Francisco time) (i) three (3) Business Days prior to any date of prepayment with respect to Eurodollar Rate Advances and (ii) on the date of prepayment with respect to Base

Rate Advances. All such payments shall be made in immediately available funds to the Administrative Agent at the Administrative Agent's Office by 11:00 a.m. (San Francisco time) on the date of payment. Any prepayment of a Eurodollar Rate Advance prior to the end of an applicable Interest Period shall be subject to the indemnification provided in Section 3.4.

(b) [Reserved].

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

2.5.6 Rate after Maturity.

(a) Except as provided in the next sentence, any Advance not paid at maturity, whether by acceleration or otherwise, shall bear interest until paid in full at a rate per annum equal to the Base Rate plus the Applicable Margin, if any, applicable to Base Rate Loans plus 2% per annum to the fullest extent permitted by applicable Laws. In the case of a Eurodollar Rate Advance not paid at maturity, whether by acceleration or otherwise, such Advance shall bear interest at a rate per annum equal to the interest rate (including any Applicable Margin) otherwise applicable to such Advance plus 2% per annum to the fullest extent permitted by applicable Laws.

(b) If any amount (other than principal of any Loan) payable by the Borrower under any Loan Document is not paid when due (without regard to any applicable grace periods), whether at stated maturity, by acceleration or otherwise, then upon the request of the Majority Banks, such amount shall thereafter bear interest at a fluctuating interest rate per annum at all times equal to the Base Rate plus the Applicable Margin, if any, applicable to Base Rate Loans plus 2% per annum to the fullest extent permitted by applicable Laws.

(c) Accrued and unpaid interest on past due amounts (including interest on past due interest) shall be due and payable upon demand.

2.5.7 Interest Payment Dates; Interest Basis. Interest accrued on each (i) Base Rate Advance shall be payable on each Payment Date and (ii) other Advance shall be payable on the last day of its applicable Interest Period, and on any date on which such Advance is prepaid, whether due to acceleration or otherwise. Interest accrued on each Eurodollar Rate Advance having

an Interest Period longer than three (3) months shall also be payable on the last day of each three (3)-month interval during such Interest Period. Interest on all Base Rate Advances (including Base Rate Advances determined by reference to the Eurodollar Base Rate) calculated on the basis of the Base Rate shall be calculated on the basis of a year of 365 or 366 days, as the case may be, and the actual number of days elapsed. Interest on all other Advances shall be calculated for the actual number of days elapsed on the basis of a year of 360 days and the actual number of days elapsed, which results in a higher yield to the payee thereof than a method based on a year of 365 or 366 days. Interest shall be payable for the day an Advance is made but not for the day of any payment on the amount paid if payment is received prior to 11:00 a.m. (San Francisco time) at the place of payment. If any payment of principal or interest on an Advance shall become due on a day which is not a Business Day, such payment shall be made on the next succeeding Business Day and, in the case of a principal payment, such extension of time shall be included in computing interest in connection with such payment.

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

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

confirmation differs in any material respect from the action taken by the Administrative Agent and the Banks, the records of the Administrative Agent and the Banks shall govern absent manifest error.

2.5.10 Notification of Advances, Interest Rates and Prepayments. The Administrative Agent will notify each Bank of the contents of each Borrowing Notice, Notice of Conversion/Continuation (or automatic conversion pursuant to Section 2.2.4(c)), and payment notice received by it hereunder promptly and in any event (provided such items were timely received by the Administrative Agent from the Borrower) before the close of business on the same Business Day of receipt thereof (or, in the case of borrowing notices with respect to Base Rate Advances, within one (1) hour of receipt thereof). The Administrative Agent will notify each Bank of the interest rate applicable to each Eurodollar Rate Advance promptly upon determination of such interest rate and will give each Bank prompt notice of each change in the Base Rate in respect of any outstanding Base Rate Advance.

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

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

(b) if any Bank failed to make such payment, such Bank shall forthwith on demand pay to the Administrative Agent the amount thereof in immediately available funds, together with interest thereon for the period from the date such amount was made available by the Administrative Agent to the Borrower to the date such amount is recovered by the Administrative Agent (the "Compensation Period") at a rate per annum equal to the greater of the Federal Funds Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation, plus any administrative, processing or similar fees customarily charged by the Administrative Agent in connection with the foregoing. If such Bank pays such amount to the Administrative Agent, then such amount shall constitute such Bank's Loan included in the

applicable Advance. If such Bank does not pay such amount forthwith upon the Administrative Agent's demand therefor, the Administrative Agent may make a demand therefor upon the Borrower, and the Borrower shall pay such amount to the Administrative Agent, together with interest thereon for the Compensation Period at a rate per annum equal to the rate of interest applicable to the applicable Advance. Nothing herein shall be deemed to relieve any Bank from its obligation to fulfill its Commitment or to prejudice any rights which the Administrative Agent or the Borrower may have against any Bank as a result of any default by such Bank hereunder.

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

2.5.12 Cancellation. The Borrower may, at any time after the Effective Date, upon not less than five (5) Business Days' prior written notice to the Administrative Agent, terminate or permanently reduce the Commitments in whole, or in a minimum aggregate amount of \$10,000,000 (and in integral multiples of \$1,000,000 in excess thereof); unless, after giving effect thereto and to any prepayments of Loans made on the effective date thereof, the then-outstanding principal amount of the Loans would exceed the amount of the combined Commitments then in effect. All accrued commitment fees to, but not including, the effective date of any reduction or termination of Commitments shall be paid on the effective date of such reduction or termination. Once the Commitments are reduced in accordance with this Section 2.5.12, they may not be increased.

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

2.6 [Reserved].

2.7 [Reserved].

2.8 Defaulting Banks.

2.8.1 Adjustments. Notwithstanding anything to the contrary contained in this Agreement, if any Bank becomes a Defaulting Bank, then, until such time as that Bank is no longer a Defaulting Bank, to the extent permitted by applicable Law:

(a) Waivers and Amendments. That Defaulting Bank's right to approve or disapprove any amendment, waiver or consent with respect to this Agreement shall be restricted as set forth in Section 8.2.

(b) Reallocation of Payments. Any payment of principal, interest, fees or other amounts received by the Administrative Agent for the account of that Defaulting Bank (whether

voluntary or mandatory, at maturity, pursuant to Section 8.1 or otherwise, and including any amounts made available to the Administrative Agent by that Defaulting Bank pursuant to Section 12.1), shall be applied at such time or times as may be determined by the Administrative Agent as follows: first, to the payment of any amounts owing by that Defaulting Bank to the Administrative Agent hereunder; second, as the Borrower may request (so long as no Default or Unmatured Default exists), to the funding of any Loan in respect of which that Defaulting Bank has failed to fund its portion thereof as required by this Agreement, as determined by the Administrative Agent; third, if so determined by the Administrative Agent and the Borrower, to be held in a non-interest bearing deposit account and released in order to satisfy obligations of that Defaulting Bank to fund Loans under this Agreement; fourth, to the payment of any amounts owing to the Banks as a result of any judgment of a court of competent jurisdiction obtained by any Bank against that Defaulting Bank as a result of that Defaulting Bank's breach of its obligations under this Agreement; fifth, so long as no Default or Unmatured Default exists, to the payment of any amounts owing to the Borrower as a result of any judgment of a court of competent jurisdiction obtained by the Borrower against that Defaulting Bank as a result of that Defaulting Bank's breach of its obligations under this Agreement; and sixth, to that Defaulting Bank or as otherwise directed by a court of competent jurisdiction; provided that, if (x) such payment is a payment of the principal amount of any Loans in respect of which that Defaulting Bank has not fully funded its appropriate share and (y) such Loans were made at a time when the conditions set forth in Section 4.2 were satisfied or waived, such payment shall be applied solely to pay the Loans of all non-Defaulting Banks on a pro rata basis prior to being applied to the payment of any Loans of that Defaulting Bank. Any payments, prepayments or other amounts paid or payable to a Defaulting Bank that are applied (or held) to pay amounts owed by a Defaulting Bank pursuant to this Section 2.8.1(b) shall be deemed paid to and redirected by that Defaulting Bank, and each Bank irrevocably consents hereto.

(c) Certain Fees. A Defaulting Bank shall be entitled to receive any facility fee pursuant to Section 2.4.1 for any period during which that Bank is a Defaulting Bank only to the extent allocable to the Outstanding Amount of the Advances funded by it.

2.8.2 Defaulting Bank Cure. If the Borrower and the Administrative Agent agree in writing in their sole discretion that a Defaulting Bank should no longer be deemed to be a Defaulting Bank, the Administrative Agent will so notify the parties hereto, whereupon as of the effective date specified in such notice and subject to any conditions set forth therein, that Bank will, to the extent applicable, purchase at par that portion of outstanding Loans of the other Banks or take such other actions as the Administrative Agent may determine to be necessary to cause the Loans to be held on a pro rata basis by the Banks in accordance with their pro rata shares, whereupon that Bank will cease to be a Defaulting Bank; provided that no adjustments will be made retroactively with respect to fees accrued or payments made by or on behalf of the Borrower while that Bank was a Defaulting Bank; and provided, further, that except to the extent otherwise expressly agreed by the affected parties, no change hereunder from Defaulting Bank to Bank will constitute a waiver

or release of any claim of any party hereunder arising from that Bank's having been a Defaulting Bank.

ARTICLE III
TAXES, CHANGE IN CIRCUMSTANCES

3.1 Taxes.

3.1.1 Any and all payments by the Borrower on account of any obligation of The Borrower to any Bank or the Administrative Agent under this Agreement and any other Loan Document shall be made free and clear of, and without deduction or withholding for, any Taxes, except as required by applicable law. In addition, the Borrower agrees to pay all Other Taxes in accordance with applicable law.

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

(a) If such Tax is an Indemnified Tax, the sum payable shall be increased as necessary so that, after making all required deductions and withholdings (including deductions and withholdings applicable to additional sums payable under this Section 3.1), such Bank or the Administrative Agent, as the case may be, receives an amount equal to the sum it would have received had no such deductions or withholdings been made;

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

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

3.1.3 The Borrower agrees to indemnify and hold harmless each Bank and the Administrative Agent for the full amount of Indemnified Taxes (including Indemnified Taxes imposed or asserted on or attributable to amounts payable under this Section 3.1) payable or paid by such Bank or Administrative Agent or required to be withheld or deducted from a payment to such Bank or Administrative Agent and any reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes were correctly or legally asserted by the relevant Governmental Authority. Payment under this indemnification shall be made within thirty (30) days after the date the Bank or the Administrative Agent makes written demand therefor.

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

3.1.5 Without limiting the provisions of Sections 3.1.1, 3.1.2 or 3.1.3, each Bank shall, and does hereby, indemnify the Borrower and the Administrative Agent, and shall make payment in respect thereof within ten (10) days after demand therefor, against any and all Taxes and any and all related losses, claims, liabilities, penalties, interest and expenses (including the fees, charges and disbursements of any counsel for the Borrower or the Administrative Agent) incurred by or asserted against the Borrower or the Administrative Agent by any Governmental Authority as a result of the failure by such Bank to deliver, or as a result of the inaccuracy, inadequacy or deficiency of, any documentation required to be delivered by such Bank to the Borrower or the Administrative Agent pursuant to Section 3.1.7. Each Bank hereby authorizes the Administrative Agent to set off and apply any and all amounts at any time owing to such Bank under this Agreement or any other Loan Document against any amount due to the Administrative Agent under this Section 3.1.5. The Borrower shall also, and does hereby, indemnify the Administrative Agent, and shall make payment in respect thereof within twenty (20) days after demand therefor, for any amount which a Bank for any reason fails to pay indefeasibly to the Administrative Agent as required pursuant to this Section 3.1.5; provided, that the Borrower shall not be required to indemnify the Administrative Agent for any amount attributable to the Administrative Agent's gross negligence or willful misconduct. Upon receipt of such indemnity payment and upon the request of the Borrower, the Administrative Agent hereby agrees to assign to the Borrower any rights for compensation against such Bank to the extent the Administrative Agent has been indemnified by the Borrower.

3.1.6 If any party determines, in its sole discretion exercised in good faith, that it has received a refund of any Taxes as to which it has been indemnified pursuant to this Section 3.1 (including by the payment of additional amounts pursuant to this Section 3.1), it shall pay to the indemnifying party an amount equal to such refund (but only to the extent of indemnity payments made under this Section 3.1 with respect to the Taxes giving rise to such refund), net of all out-of-pocket expenses (including Taxes) of such indemnified party and without interest (other than any interest paid by the relevant Governmental Authority with respect to such refund). Such indemnifying party, upon the request of such indemnified party, shall repay to such indemnified party the amount paid over pursuant to this Section 3.1.6 (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) in the event that such indemnified party is required to repay such refund to such Governmental Authority. Notwithstanding anything to the contrary in this Section 3.1.6, in no event will the indemnified party be required to pay any amount to an indemnifying party pursuant to this Section 3.1.6 the payment of which would place the indemnified party in a less favorable net after-Tax position than the indemnified party would have been in if the Tax subject to indemnification and giving rise to such refund had not been deducted, withheld or otherwise imposed and the indemnification payments or additional amounts with respect to such Tax had never been paid. This paragraph shall not be construed to require any indemnified party to make available its Tax returns (or any other information relating to its Taxes that it deems confidential) to the indemnifying party or any other Person.

3.1.7 Any Bank that is entitled to an exemption from or reduction of withholding Tax with respect to payments made under any Loan Document shall deliver to the Borrower and the Administrative Agent, at the time or times reasonably requested by the Borrower or the Administrative Agent, such properly completed and executed documentation reasonably requested by the Borrower or the Administrative Agent as will permit such payments to be made without withholding or at a reduced rate of withholding. In addition, any Bank, if reasonably requested by the Borrower or the Administrative Agent, shall deliver such other documentation prescribed by applicable law or reasonably requested by the Borrower or the Administrative Agent as will enable the Borrower or the Administrative Agent to determine whether or not such Bank is subject to backup withholding or information reporting requirements. Notwithstanding anything to the contrary in the preceding two sentences, the completion, execution and submission of such documentation (other than such documentation set forth in Sections 3.1.7(a), 3.1.7(b) and 3.1.7(d) below) shall not be required if in the Bank's reasonable judgment such completion, execution or submission would subject such Bank to any material unreimbursed cost or expense or would materially prejudice the legal or commercial position of such Bank. Without limiting the generality of the foregoing, in the event that the Borrower is a "United States person" as defined in Section 7701(a)(30) of the Code:

(a) any Bank that is a "United States person" as defined in Section 7701(a)(30) of the Code shall deliver to the Borrower and the Administrative Agent on or prior to the date on which such Bank becomes a Bank under this Agreement (and from time to time thereafter upon the reasonable request of the Borrower or the Administrative Agent), executed copies of IRS Form W-9 certifying that such Bank is exempt from U.S. federal backup withholding tax;

(b) any Bank that is not a "United States person" as defined in Section 7701(a)(30) of the Code (a "Foreign Bank") shall, to the extent it is legally entitled to do so, deliver to the Borrower and the Administrative Agent (in such number of copies as shall be requested by the recipient) on or prior to the date on which such Foreign Bank becomes a Bank under this Agreement (and from time to time thereafter upon the reasonable request of the Borrower or the Administrative Agent), whichever of the following is applicable: (A) in the case of a Foreign Bank claiming the benefits of an income tax treaty to which the United States is a party (x) with respect to payments of interest under any Loan Document, executed copies of IRS Form W-8BEN or IRS Form W-8BEN-E establishing an exemption from, or reduction of, U.S. federal withholding Tax pursuant to the "interest" article of such tax treaty and (y) with respect to any other applicable payments under any Loan Document, IRS Form W-8BEN or IRS Form W-8BEN-E establishing an exemption from, or reduction of, U.S. federal withholding Tax pursuant to the "business profits" or "other income" article of such tax treaty; (B) executed copies of IRS Form W-8ECI; (C) in the case of a Foreign Bank claiming the benefits of the exemption for portfolio interest under Section 881(c) of the Code, (x) a certificate substantially in the form of Exhibit J-1 to the effect that such Foreign Bank is not a "bank" within the meaning of Section 881(c)(3)(A) of the Code, a "10 percent shareholder" of

the Borrower within the meaning of Section 871(h)(3)(B) of the Code, or a “controlled foreign corporation” related to the Borrower as described in Section 881(c)(3)(C) of the Code (a “U.S. Tax Compliance Certificate”) and (y) executed copies of IRS Form W-8BEN or IRS Form W-8BEN-E; (D) to the extent a Foreign Bank is not the beneficial owner, executed copies of IRS Form W-8IMY, accompanied by IRS Form W-8ECI, IRS Form W-8BEN or IRS Form W-8BEN-E, a U.S. Tax Compliance Certificate substantially in the form of Exhibit J-2 or Exhibit J-3, IRS Form W-9, and/or other certification documents from each beneficial owner, as applicable; provided that if the Foreign Bank is a partnership and one or more direct or indirect partners of such Foreign Bank are claiming the portfolio interest exemption, such Foreign Bank may provide a U.S. Tax Compliance Certificate substantially in the form of Exhibit J-4 on behalf of each such direct and indirect partner;

(c) any Foreign Bank shall, to the extent it is legally entitled to do so, deliver to the Borrower and the Administrative Agent (in such number of copies as shall be requested by the recipient) on or prior to the date on which such Foreign Bank becomes a Bank under this Agreement (and from time to time thereafter upon the reasonable request of the Borrower or the Administrative Agent), executed copies of any other form prescribed by applicable law as a basis for claiming exemption from or a reduction in U.S. federal withholding Tax, duly completed, together with such supplementary documentation as may be prescribed by applicable law to permit the Borrower or the Administrative Agent to determine the withholding or deduction required to be made; and

(d) if a payment made to a Bank under any Loan Document would be subject to U.S. federal withholding Tax imposed by FATCA if such Bank were to fail to comply with the applicable reporting requirements of FATCA (including those contained in Section 1471(b) or 1472(b) of the Code, as applicable), such Bank shall deliver to the Borrower and the Administrative Agent at the time or times prescribed by law and at such time or times reasonably requested by the Borrower or the Administrative Agent such documentation prescribed by applicable law (including as prescribed by Section 1471(b)(3)(C)(i) of the Code) and such additional documentation reasonably requested by the Borrower or the Administrative Agent as may be necessary for the Borrower and the Administrative Agent to comply with their obligations under FATCA and to determine that such Bank has complied with such Bank’s obligations under FATCA or to determine the amount to deduct and withhold from such payment. Solely for purposes of this Section 3.1.7(d), “FATCA” shall include any amendments made to FATCA after the date of this Agreement and for purposes of this Section 3.1, the term “applicable law” shall include FATCA.

Each Bank agrees that if any form or certification it previously delivered expires or becomes obsolete or inaccurate in any respect, it shall update such form or certification or promptly notify the Borrower and the Administrative Agent in writing of its legal inability to do so.

3.2 Yield Protection. If, after the date hereof, because of the enactment of, or any change in, any Law or any governmental or quasi-governmental rule, regulation, policy, guideline or

directive (whether or not having the force of law), or any interpretation thereof (provided that notwithstanding anything herein to the contrary, (x) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, guidelines or directives thereunder or issued in connection therewith and (y) all requests, rules, guidelines or directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States or applicable foreign regulatory authorities, in each case pursuant to Basel III, shall in each case be deemed to be a change in law, regardless of the date enacted, adopted or issued), which:

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

3.2.2 imposes any other condition the result of which is to increase the cost (other than (A) Indemnified Taxes, (B) Taxes described in clauses (b) through (d) of the definition of Excluded Taxes and (C) Connection Income Taxes) to any Bank of making, funding or maintaining Eurodollar Rate Advances or reduces any amount receivable by any Bank in connection with loans, or requires any Bank to make any payment calculated by reference to the amount of loans held or interest received by it, by an amount deemed material by such Bank, or

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

then, within fifteen (15) days of demand by such Bank through the Administrative Agent, the Borrower will pay such Bank that portion of such increased expense incurred (including, in the case of Section 3.2.3, any reduction in the rate of return on capital to an amount below that which it could have achieved but for such law, rule, regulation, policy, guideline or directive and after taking into account such Bank's policies as to capital or liquidity adequacy) or reduction in an amount received which such Bank determines (which determination shall be made in good faith (and not on an arbitrary or capricious basis) and consistent with similarly situated customers of the applicable Bank under agreements having similar provisions to this Section 3.2) is attributable to making, funding and maintaining its Loans and its Commitment. Notwithstanding the foregoing, if a Bank fails to make a claim within ninety (90) days after it becomes, or ought reasonably to have become, aware of any event giving rise to a claim under this Section 3.2, then such Bank shall be entitled to make any claim under this Section 3.2 only in respect of any amounts due under this Section 3.2 that are attributable to the period following the 90th day preceding the day upon which the Bank

makes such claim; provided that, if the change giving rise to such claim is retroactive, then such ninety (90) day period shall be extended to include the period of retroactive effect thereof.

3.3 Availability of Rate Options.

3.3.1 If any Bank determines that maintenance of any of its Eurodollar Rate Loans, or Base Rate Loans whose interest is determined by reference to the Eurodollar Base Rate, at a suitable Lending Office would violate any applicable law, rule, regulation or directive, whether or not having the force of law, such Bank shall so notify the Administrative Agent and the Administrative Agent shall suspend the availability of the affected Rate Option (and, if such notice asserts the illegality of such Bank making or maintaining Base Rate Loans the interest rate on which is determined by reference to the Eurodollar Base Rate component of the Base Rate, the interest rate on which Base Rate Loans of such Bank shall, if necessary to avoid such illegality, be determined by the Administrative Agent without reference to the Eurodollar Base Rate component of the Base Rate) and require any Eurodollar Rate Advances outstanding under the affected Rate Option to be repaid.

3.3.2 If the Majority Banks determine that for any reason in connection with any request for a Eurodollar Rate Loan or a conversion to or continuation thereof, unless and until a Successor Rate is implemented in accordance with Section 3.3.3, that (a) deposits are not being offered to banks in the applicable offshore interbank market for dollars for the applicable amount and Interest Period of such Eurodollar Rate Loan, (b) adequate and reasonable means do not exist for determining the Eurodollar Base Rate, for any requested Interest Period with respect to a proposed Eurodollar Rate Loan, or (c) the Eurodollar Base Rate for any requested Interest Period with respect to a proposed Eurodollar Rate Loan does not adequately and fairly reflect the cost to such Banks of funding such Eurodollar Rate Loan, the Administrative Agent shall forthwith give notice of such determination to the Borrower and each Bank. Thereafter, (x) the obligation of the Banks to make or maintain Eurodollar Rate Loans in the affected currency or currencies shall be suspended, and (y) in the event of a determination described in the preceding sentence with respect to the Eurodollar Base Rate component of the Base Rate, the utilization of the Eurodollar Base Rate component in determining the Base Rate shall be suspended, in each case until the Administrative Agent (upon the instruction of the Majority Banks) revokes such notice (which notice the Administrative Agent and the Majority Banks agree to promptly revoke upon determination that the conditions giving rise to such notice no longer exist). Upon receipt of such notice, the Borrower may revoke any pending request for an Advance of, conversion to or continuation of Eurodollar Base Rate or, failing that, will be deemed to have converted such request into a request for an Advance of Base Rate Loans in the amount specified therein.

3.3.3 Notwithstanding anything to the contrary in this Agreement or any other Loan Documents, if the Administrative Agent determines (which determination shall be conclusive

absent manifest error), or the Borrower or Majority Banks notify the Administrative Agent (with, in the case of the Majority Banks, a copy to the Borrower) that the Borrower or Majority Banks (as applicable) have determined (which determination shall likewise be conclusive absent manifest error), that:

(a) adequate and reasonable means do not exist for ascertaining LIBOR for any requested Interest Period, including because the LIBOR Screen Rate or the applicable Thompson Reuters screen (as applicable) is not available or published on a current basis and such circumstances are unlikely to be temporary; or

(b) the administrator of the LIBOR Screen Rate or a Governmental Authority having jurisdiction over the Administrative Agent, has made a public statement identifying a specific date after which LIBOR or the LIBOR Screen Rate shall no longer be made available, or used for determining the interest rate of loans, provided that, at the time of such statement, there is no successor administrator that is satisfactory to the Administrative Agent, that will continue to provide LIBOR after such specific date (such specific date, the “Scheduled Unavailability Date”), or

(c) syndicated loans currently being executed, or that include language similar to that contained in this Section 3.3.3, are being executed or amended (as applicable) to incorporate or adopt a new benchmark interest rate to replace LIBOR,

then, reasonably promptly after such determination by the Administrative Agent or receipt by the Administrative Agent of such notice, as applicable, the Administrative Agent and the Borrower may amend this Agreement solely for the purpose of replacing LIBOR in accordance with this Section 3.03 with (x) one or more SOFR-Based Rates or (y) another alternate benchmark rate, giving due consideration to any evolving or then existing convention for similar dollar denominated syndicated credit facilities for such alternative benchmarks and, in each case, including any mathematical or other adjustments to such benchmark giving due consideration to any evolving or then existing convention for similar U.S. dollar denominated syndicated credit facilities for such benchmarks, which adjustment or method for calculating such adjustment shall be published on an information service as selected by the Administrative Agent from time to time in its reasonable discretion and may be periodically updated (the “Adjustment” and any such proposed rate, a “Successor Rate”), and any such amendment shall become effective at 5:00 p.m. (San Francisco time) on the fifth (5th) Business Day after the Administrative Agent shall have posted such proposed amendment to all Banks and the Borrower unless, prior to such time, Banks comprising the Majority Banks have delivered to the Administrative Agent written notice that such Majority Banks (A) in the case of an amendment to replace LIBOR with a rate described in clause (x), object to the Adjustment; or (B) in the case of an amendment to replace LIBOR with a rate described in clause (y), object to such amendment; provided that for the avoidance of doubt, in the case of clause (A), the Majority Banks shall not be entitled to object to any SOFR-Based Rate contained in any such amendment. Such

Successor Rate shall be applied in a manner consistent with market practice; provided that to the extent such market practice is not administratively feasible for the Administrative Agent, such Successor Rate shall be applied in a manner as otherwise reasonably determined by the Administrative Agent.

If no Successor Rate has been determined and the circumstances under clause (a) above exist or the Scheduled Unavailability Date has occurred (as applicable), the Administrative Agent will promptly so notify the Borrower and each Bank. Thereafter, (x) the obligation of the Banks to make or maintain Eurodollar Rate Loans shall be suspended, (to the extent of the affected Eurodollar Rate Loans or Interest Periods, as applicable), and (y) the Eurodollar Base Rate component shall no longer be utilized in determining the Base Rate. Upon receipt of such notice, the Borrower may revoke any pending request for an Advance of, conversion to or continuation of Eurodollar Rate Loans (to the extent of the affected Eurodollar Rate Loans or Interest Periods, as applicable) or, failing that, will be deemed to have converted such request into a request for advances of Base Rate Loans (subject to the foregoing clause (y)) in the amount specified therein.

Notwithstanding anything else herein, any definition of Successor Rate shall provide that in no event shall such Successor Rate be less than zero for purposes of this Agreement.

In connection with the implementation of a Successor Rate, the Administrative Agent will have the right to make Successor Rate Conforming Changes from time to time and, notwithstanding anything to the contrary herein or in any other Loan Document, any amendments implementing such Successor Rate Conforming Changes will become effective without any further action or consent of any other party to this Agreement; provided that, with respect to any such amendment effected, the Administrative Agent shall post each such amendment implementing such Successor Conforming Changes to the Banks reasonably promptly after such amendment becomes effective.

3.4 Funding Indemnification. If any payment of a Eurodollar Rate Advance occurs, whether made by the Borrower or by a Bank or other assignee in connection with an assignment pursuant to Section 3.7, on a date which is not the last day of the applicable Interest Period, whether because of acceleration, prepayment, automatic conversion or otherwise, or the Borrower requests a Eurodollar Rate Advance, or the continuation or conversion of an Advance as or to a Eurodollar Rate Advance, or the Borrower does not borrow, continue or convert such Eurodollar Rate Advance on the date specified by the Borrower except by reason of default by the Banks, the Borrower will indemnify each Bank for any loss or cost incurred by it resulting therefrom, including any loss or cost in liquidating or employing deposits acquired to fund or maintain the Eurodollar Rate Advance.

3.5 Regulation D Compensation. Each Bank may through the Administrative Agent request the Borrower to pay and upon such request the Borrower shall pay, contemporaneously with each payment of interest on the Borrower's Eurodollar Rate Loans, additional interest on such Loans

at a rate per annum determined by such Bank up to but not exceeding the excess of (i) (A) the Eurodollar Base Rate divided by (B) one (1) minus the Reserve Requirement with respect to Eurocurrency liabilities (as defined in Regulation D) over (ii) the Eurodollar Base Rate. Any Bank wishing to require payment of such additional interest (x) shall so notify the Borrower and the Administrative Agent, in which case such additional interest on the Eurodollar Rate Loans of such Bank shall be payable to such Bank at the place indicated in such notice with respect to each Interest Period commencing at least five (5) Business Days after the giving of such notice, and (y) shall notify the Borrower at least five (5) Business Days prior to each date on which interest is payable on the Eurodollar Rate Loans of the amount then due it under this Section 3.5.

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

3.7 Removal of Banks. If (i) the obligation of any Bank to make or continue any Loans as, or convert Loans to, Eurodollar Rate Loans has been suspended pursuant to Section 3.3, (ii) any Bank has demanded compensation under Section 3.1 or 3.2, or (iii) any Bank is a Defaulting Bank, the Borrower may elect to remove such Bank as a Bank hereunder or, at Company's sole expense, to require such Bank to assign and delegate, without recourse (in accordance with and subject to the restrictions contained in, and the consents required by, Section 13.1), all of its interest, rights and obligations under this Agreement and the related Loan Documents to an assignee that shall assume such obligations; provided, that (A) the Borrower notifies such Bank through the Administrative Agent of such election at least five (5) Business Days before any date fixed for a borrowing, (B) (x) in the case of a removal, the Borrower promptly repays all outstanding Obligations to such removed Bank or (y) in the case of an assignment and delegation, such Bank shall have received payment of an amount equal to the outstanding principal of its Loans, accrued interest

thereon, accrued fees and other Obligations payable to it hereunder and under the other Loan Documents from the assignee (to the extent of such outstanding principal and accrued interest and fees) or the Borrower (in the case of all other amounts) and (C) no Default or Unmatured Default exists. Upon receipt by the Administrative Agent of a notice of removal of a Bank in accordance herewith, the Commitment of such Bank shall terminate. Subject to Section 10.6.2, nothing in this Section 3.7 shall limit the Borrower's right to recover from a Defaulting Bank the Borrower's loss, liability, expense or damage caused by such Defaulting Bank's failure to perform its funding obligations under this Agreement.

ARTICLE IV
CONDITIONS PRECEDENT

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

4.1.1 Executed copies of this Agreement.

4.1.2 Notes payable to the order of each of the Banks requesting Notes.

4.1.3 Copies, certified as of a date not more than one (1) week prior to the Effective Date by a Responsible Officer of the Borrower, of its Board of Directors' (or Executive Committee's) resolutions authorizing execution of the Loan Documents.

4.1.4 An incumbency certificate, executed as of a date not more than one (1) week prior to the Effective Date by a Responsible Officer of the Borrower which shall identify by name and title and bear the signature of the officers of the Borrower authorized to sign the Loan Documents and to make borrowings hereunder, upon which certificate the Administrative Agent and the Banks shall be entitled to rely until informed of any change in writing by the Borrower.

4.1.5 Written opinions of the Borrower's (a) outside counsel and (b) in-house counsel, in each case addressed to the Administrative Agent and the Banks, which opinions the Borrower hereby expressly instructs such counsel to prepare and deliver to the Administrative Agent and the Banks for their benefit.

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

4.1.7 A copy, certified by a Responsible Officer of the Borrower, of its Bylaws.

4.1.8 A certificate, signed by the Treasurer of the Borrower, stating that (x) on the Effective Date no Default or Unmatured Default has occurred and is continuing, (y) there has not occurred a material adverse change since May 31, 2019 in the business, assets, liabilities, operations or financial condition of the Borrower and its Subsidiaries taken as a whole or in the facts and information regarding such entities as represented to date, except events or circumstances disclosed in reports filed by the Borrower during the period from May 31, 2019 to the Closing Date pursuant to Section 13 of the Securities Exchange Act of 1934, copies of which have been furnished to the Banks prior to the date hereof (including by posting on the website of the SEC at <http://www.sec.gov>), and (z) there is no litigation, arbitration, governmental investigation, proceeding or inquiry pending or, to the best knowledge of any of the Borrower's officers, threatened against the Borrower which would reasonably be expected to materially adversely affect the business, properties, financial condition, prospects or results of operations of the Borrower and its Subsidiaries, taken as a whole, or the Borrower's ability to perform its obligations under the Loan Documents.

4.1.9 The Banks shall have received, at least three (3) Business Days prior to the Effective Date, all information they shall have requested under anti-terrorism and anti-money-laundering laws and regulations, including the Patriot Act, and, at least three (3) Business Days prior to the Effective Date, to the extent the Borrower qualifies as a "legal entity customer" under the Beneficial Ownership Regulation shall have delivered, to each Bank that so requests, a Beneficial Ownership Certification in relation to the Borrower.

4.1.10 [Reserved]

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

4.1.12 Any fees required to be paid on or before the Effective Date shall have been paid, including all reasonable and documented fees and expenses of the Lead Arrangers, the Administrative Agent and the Banks, provided that the Borrower received invoices for such expenses a reasonable time prior to the Effective Date, provided, further, that the foregoing does not preclude presentation of an invoice after the Effective Date that covers the balance of reasonable and documented fees, charges and disbursements of counsel to the Administrative Agent.

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

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

4.2.2 The representations and warranties contained in Article V are true and correct in all material respects (except for those representations and warranties that are qualified by materiality, in which case those representations and warranties are true and correct in all respects), as of such Borrowing Date except for changes in the Schedules hereto reflecting transactions permitted by this Agreement and except to the extent that such representations and warranties expressly relate to an earlier date in which case such representations and warranties were true and correct on such date.

4.2.3 The Administrative Agent shall have received a Borrowing Notice in accordance with the requirements hereof and/or such other requests and documentation required under Section 2.3, if applicable.

Each Borrowing Notice with respect to each such Advance shall constitute a representation and warranty by the Borrower that the conditions contained in Sections 4.2.1 and 4.2.2 have been satisfied.

ARTICLE V

REPRESENTATIONS AND WARRANTIES

The Borrower represents and warrants to the Banks that:

5.1 Corporate Existence. The Borrower (a) is duly organized or formed, validly existing and, as applicable, in good standing under the Laws of the jurisdiction of its incorporation or organization, (b) has all requisite power and authority to own or lease its assets and carry on its business and (c) is duly qualified and licensed under the Laws of each jurisdiction where its conduct of business requires such qualification or license; except in each case referred to in clause (a) (with respect to good standing), (b) or (c) to the extent that failure to do so would not reasonably be expected to have a Material Adverse Effect.

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

5.3 No Conflict; Government Consent. Neither the execution and delivery by the Borrower of the Loan Documents to which it is a party, nor the consummation of the transactions

therein contemplated, nor compliance with the provisions thereof will (i) violate any Law, order, writ, judgment, injunction, decree or award binding on the Borrower, (ii) violate the Borrower's articles of incorporation or bylaws, or (iii) contravene or constitute a default under the provisions of any indenture, instrument or agreement to which the Borrower is a party or is subject, or by which it, or its property, is bound, or result in the creation or imposition of any Lien in, of or on the property of the Borrower pursuant to the terms of any such indenture, instrument or agreement, except, in the case of clauses (i) and (iii), as would not reasonably be expected to have a Material Adverse Effect. No order, consent, approval, license, authorization, or validation of, or filing, recording or registration with, or exemption by, any Governmental Authority, or any subdivision thereof, is required to authorize, or is required in connection with the execution, delivery and performance by each Borrower of, or the legality, validity, binding effect or enforceability against each Borrower of, any of the Loan Documents.

5.4 Financial Statements. The consolidated financial statements of the Borrower and Subsidiaries as of May 31, 2019 heretofore delivered to the Banks were prepared in accordance with generally accepted accounting principles in effect on the date such statements were prepared and present fairly, in all material respects, the consolidated financial condition and operations of the Borrower and the Subsidiaries at such date and the consolidated results of their operations for the period then ended.

5.5 Taxes. The Borrower and the Subsidiaries have filed all United States federal and state income tax returns and all other material United States, state and foreign tax returns which are required to be filed and have paid all taxes shown on such filed returns and all other material taxes or pursuant to any assessment received by the Borrower or any Subsidiary, except such taxes, if any, as are being contested in good faith and as to which adequate reserves have been provided or the failure of which to file or pay would not reasonably be expected to have a Material Adverse Effect. The United States income tax returns of the Borrower and the Subsidiaries have been audited by the Internal Revenue Service through the fiscal year ended May 31, 2016. No tax liens have been filed and no claims are being asserted with respect to any such taxes, except as would not reasonably be expected to have a Material Adverse Effect. The charges, accruals and reserves on the books of the Borrower and the Subsidiaries in respect of any taxes or other governmental charges are adequate in all material respects.

5.6 ERISA. There are no material Unfunded Liabilities. Each Plan complies in all material respects with all applicable requirements of Law and regulations, and except as would not reasonably be expected to have a Material Adverse Effect, no Reportable Event has occurred with respect to any Plan, neither the Borrower nor any other members of the Controlled Group has withdrawn from any Plan or initiated steps to do so, and no steps have been taken to terminate any Plan.

5.7 Accuracy of Information. No information, exhibit or report (excluding projections, estimates, *pro forma* information and forecasts) furnished by the Borrower or any Subsidiary to the Administrative Agent or to any Bank in connection with the negotiation of, or compliance with, the Loan Documents contained, as of the date furnished, taken as a whole and taking into account all documents filed or furnished by any such Person to the SEC, any material misstatement of fact or omitted to state a material fact or any fact necessary to make the statements contained therein, in light of the circumstances under which they are made, not misleading. As of the Effective Date, the information included in the Beneficial Ownership Certification, if applicable, is true and correct in all material respects.

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

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

5.10 OFAC. Neither the Borrower, nor, to the knowledge of the Borrower, any Subsidiary or any director, officer, employee, agent, affiliate or representative thereof, is an individual or entity that is, or is owned or controlled by any individual or entity that is (i) currently the subject or target of any Sanctions, (ii) included on OFAC's List of Specially Designated Nationals, HMT's Consolidated List of Financial Sanctions Targets and the Investment Ban List, or any similar list enforced by any other relevant sanctions authority or (iii) located, organized or resident in a Designated Jurisdiction.

5.11 Anti-Corruption Laws. The Borrower and its Subsidiaries conduct their businesses in compliance with the United States Foreign Corrupt Practices Act of 1977, the UK Bribery Act 2010, and other similar anti-corruption legislation in other relevant jurisdictions in all material respects, and have instituted and will maintain policies and procedures designed to promote and achieve material compliance with such laws. Neither the Borrower nor, to the knowledge of the Borrower, any director, officer, agent, employee, Subsidiary, Affiliate of the Borrower or other person acting on behalf of the Borrower or Subsidiary has taken any action that Borrower would reasonably expect to result in a violation of any applicable anti-bribery law, including but not limited

to, the United Kingdom Bribery Act 2010 and the United States Foreign Corrupt Practices Act of 1977.

5.12 Margin Regulations; Investment Company Act.

5.12.1 The Borrower is not engaged and will not engage, principally or as one of its important activities, in the business of purchasing or carrying margin stock (within the meaning of Regulations U and X), or extending credit for the purpose of purchasing or carrying margin stock. No part of the proceeds of any Loan will be used by the Borrower or any Subsidiary for any purpose that violates the provisions of Regulations U and X.

5.12.2 None of the Borrower, any Person Controlling the Borrower, or any Subsidiary is or is required to be registered as an “investment company” under the Investment Company Act of 1940.

5.13 Affected Financial Institution. The Borrower is not an Affected Financial Institution.

5.14 Covered Entities. The Borrower is not a Covered Entity.

ARTICLE VI
COVENANTS

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

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

6.1.1 Within one-hundred (100) days after the close of the Borrower’s fiscal year ended May 31, 2020, an unqualified audit report certified by independent certified public accountants, acceptable to the Banks, prepared in accordance with generally accepted accounting principles on a consolidated basis for itself and the Subsidiaries, including balance sheets as of the end of such period, statements of income, and a statement of cash flows.

6.1.2 Within sixty (60) days after the close of the third quarter of the Borrower’s fiscal year ended May 31, 2020 and each of the first three (3) quarterly periods of of the Borrower’s fiscal year ended May 31, 2021, for itself and the Subsidiaries, a consolidated unaudited balance sheet as at the close of such period, and a consolidated profit and loss statement and a consolidated statement of cash flows for the period from the beginning of such fiscal year to the end of such quarter, all certified by its chief financial officer.

6.1.3 Together with the financial statements required hereunder, a compliance certificate in substantially the form of Exhibit H (each, a “Compliance Certificate”) hereto signed by its chief financial officer stating that no Default or Unmatured Default exists or, if any Default or Unmatured Default exists, stating the nature and status thereof.

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

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

6.1.6 Such other information (including non-financial information) as the Administrative Agent may from time to time reasonably request.

Documents required to be delivered pursuant to Sections 6.1.1 through 6.1.4 (to the extent any such documents are included in materials otherwise filed with the SEC) may be delivered electronically and if so delivered, shall be deemed to have been delivered on the date (i) on which the Borrower posts such documents, or provides a link thereto on the Borrower’s principal website on the Internet; or (ii) on which such documents are posted on the Borrower’s behalf on IntraLinks/IntraAgency, SyndTrak or another relevant website, if any, to which each Bank and the Administrative Agent have access (whether a commercial, third-party website or whether sponsored by the Administrative Agent); provided, that: the Borrower shall deliver paper copies of such documents to the Administrative Agent or any Bank that requests the Borrower to deliver such paper copies if a written request to deliver paper copies is given by the Administrative Agent or such Bank. Except for such Compliance Certificates, the Administrative Agent shall have no obligation to request the delivery or to maintain copies of the documents referred to above, and in any event shall have no responsibility to monitor compliance by the Borrower with any such request for delivery, and each Bank shall be solely responsible for requesting delivery to it or maintaining its copies of such documents.

The Borrower hereby acknowledges that (a) the Administrative Agent and/or the Joint Lead Arrangers will make available to the Banks materials and/or information provided by or on behalf of the Borrower hereunder (collectively, “Borrower Materials”) by posting the Borrower Materials on IntraLinks or another similar electronic system (the “Platform”) and (b) certain of the Banks may be “public-side” Banks (i.e. Banks that do not wish to receive material non-public information with respect to the Borrower or its securities) (each, a “Public Bank”). The Borrower hereby agrees that (i) all Borrower Materials that are to be made available to Public Banks shall be clearly and conspicuously marked “PUBLIC” which, at a minimum, shall mean that the word

“PUBLIC” shall appear prominently on the first page thereof; (ii) by marking Borrower Materials “PUBLIC,” the Borrower shall be deemed to have authorized the Administrative Agent, the Joint Lead Arrangers and the Banks to treat such Borrower Materials as not containing any material non-public information with respect to the Borrower or its securities for purposes of United States Federal and state securities laws (provided, however, that to the extent such Borrower Materials constitute Information (as defined in Section 10.11), they shall be treated as set forth in such Section 10.11); (iii) all Borrower Materials marked “PUBLIC” are permitted to be made available through a portion of the Platform designated “Public Investor”; and (iv) the Administrative Agent and each Joint Lead Arranger shall be entitled to treat any Borrower Materials that are not marked “PUBLIC” as being suitable only for posting on a portion of the Platform not designated “Public Investor”. Notwithstanding the foregoing, the Borrower shall not be under any obligation to mark any Borrower Materials “PUBLIC”.

6.2 Use of Proceeds. The Borrower will, and will cause each Subsidiary to, use the proceeds of the Advances for working capital purposes and general corporate purposes. The Borrower will not, nor will the Borrower permit any Subsidiary to, use any of the proceeds of the Loans for any purpose that violates the provisions of Regulations U and X.

6.3 [Reserved.]

6.4 Preservation of Existence; Conduct of Business. The Borrower will, and the Borrower will cause each Material Subsidiary to, do all things necessary to (a) remain validly existing in its jurisdiction of formation and (b) maintain all requisite authority to conduct its business in each jurisdiction in which its business is conducted, except in each case referred to in clause (b) where the failure to do so would not reasonably be expected to have a Material Adverse Effect; provided that the Borrower may liquidate or dissolve certain Subsidiaries based on tax restructurings; provided, further, that the Borrower may liquidate, merge out of existence or dissolve any Subsidiary into the Borrower or any other Subsidiary. The Borrower will not, and will not permit any Material Subsidiary to, engage in any material line of business substantially different from those lines of business carried on by the Borrower and its Subsidiaries on the date hereof or such other lines of business as are reasonably related thereto or similar or complementary thereto or are reasonable extensions thereof.

6.5 Taxes. The Borrower will, and will cause each Subsidiary to, pay when due all taxes, assessments and governmental charges and levies upon it or its income, profits or property, except those which are being contested in good faith by appropriate proceedings and with respect to which adequate reserves have been set aside or to the extent that the failure to do so would not reasonably be expected to have a Material Adverse Effect.

6.6 Insurance. The Borrower will, and will cause each Subsidiary to, maintain with financially sound and reputable insurance companies insurance, or a program of self-insurance, on all their material property in such amounts and covering such risks as customarily insured against by companies engaged in the same or similar business, all as determined in good faith by the Borrower, and the Borrower will furnish to the Administrative Agent, upon any Bank's reasonable request, reasonable detail as to the insurance carried.

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

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

6.9 Inspection. Subject to Section 10.11 hereof and upon reasonable notice, the Borrower will, and will cause each Material Subsidiary to, permit the Administrative Agent or any Bank, by their respective representatives and agents, to inspect any of the properties, corporate books and financial records of the Borrower and each Material Subsidiary, to examine and, to the extent reasonable, make copies of the books of accounts and other financial records of the Borrower and each Material Subsidiary, and to discuss the affairs, finances and accounts of the Borrower and each Material Subsidiary with, and to be advised as to the same by, their respective officers at such reasonable times and intervals as the Administrative Agent or any Bank may designate; provided that unless a Default exists, the inspections are not to be more frequent than once per twelve (12)-month period.

6.10 Merger. The Borrower will not merge or consolidate with or into any other Person (including pursuant to a Division) unless it is the surviving entity.

6.11 Sale of Assets. The Borrower will not, nor will it permit any Material Subsidiary to sell, assign (other than a collateral assignment intended for security), transfer or otherwise Dispose of all or substantially all of the consolidated assets of the Borrower and its Subsidiaries taken as a whole; provided that this Section 6.11 shall not restrict the Borrower's or any Material Subsidiary's ability to sell, assign, transfer or otherwise Dispose of any assets to the Borrower or any other Subsidiary, as the case may be.

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

6.12.1 Liens for taxes, assessments or governmental charges or levies on its property if the same shall not at the time be delinquent or are being contested in good faith and by appropriate proceedings or would not reasonably be expected to have a Material Adverse Effect.

6.12.2 Liens imposed by law, such as carriers', warehousemen's and mechanics' liens and other similar liens arising in the ordinary course of business which secure payment of obligations not more than sixty (60) days past due or are being contested in good faith and by appropriate proceedings.

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

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

6.12.5 Liens existing on the date hereof and described in Schedule 1 hereto.

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

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

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

(b) the aggregate book value of all real estate and buildings subject to Liens permitted by this Section 6.12.7, does not at the time of incurrence exceed 15% of the consolidated net worth of the Borrower and its Subsidiaries, as determined at the time of, and immediately after giving effect to such Liens.

6.12.8 Liens representing eligible collateral posted by the Borrower or any of its Subsidiaries pursuant to any Swap Contract.

6.12.9 Liens filed in connection with the construction of, and additions to, (i) the Borrower's headquarters in Beaverton, Oregon or (ii) the corporate headquarters in Shanghai, China of the Borrower's Subsidiary, in each case securing obligations in an aggregate principal amount that does not exceed \$100,000,000.

6.12.10 Judgment liens not giving rise to a Default.

6.12.11 Liens securing Finance Lease Obligations, financial leases or capital leases incurred in the ordinary course.

6.12.12 Any interest or title of a lessor or sublessor under any leases or subleases entered into by the Borrower or any of its Subsidiaries in the ordinary course of business or any precautionary Lien filings in connection with a lease.

6.12.13 Liens not otherwise permitted hereunder; provided that the aggregate principal amount of Indebtedness or other obligations secured thereby (other than those referred to in Sections 6.12.1 through 6.12.12) pursuant to this Section 6.12.13 shall not at the time of incurrence exceed the greater of \$1,350,000,000 and 15% of the consolidated net worth of the Borrower and its Subsidiaries, as determined at the time of, and immediately after giving effect to, the incurrence of such Lien.

6.13 Affiliates. The Borrower will not, and will not permit any Subsidiary to, enter into any material transaction (including the purchase or sale of any property or service) with, or make any payment or transfer to, any Affiliate except in the ordinary course of business and pursuant to the reasonable requirements of the Borrower's or such Subsidiary's business and upon fair and reasonable terms not materially less favorable to the Borrower than the Borrower or such Subsidiary would obtain in a comparable arm's length transaction.

6.14 Sanctions. The Borrower will not use the proceeds of any Advance, or lend, contribute or otherwise make available such proceeds to any Subsidiary, joint venture partner or other individual or entity, to fund any activities of or business with any individual or entity, or in any Designated Jurisdiction, that, at the time of such funding, will result in a violation by any individual or entity

(including any individual or entity participating in the transaction, whether as a Bank, Arranger, Administrative Agent, or otherwise) of Sanctions.

6.15 Anti-Corruption Laws. The Borrower will not use the proceeds of any Advance for any purpose which would breach the United States Foreign Corrupt Practices Act of 1977, the UK Bribery Act 2010, or other similar anti-corruption legislation in other relevant jurisdictions.

ARTICLE VII

DEFAULTS

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

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

7.2 Nonpayment of principal of any Loan when due, or nonpayment of interest upon any Loan or of any facility fee or other Obligations under any of the Loan Documents within five (5) Business Days after the same becomes due.

7.3 The breach by the Borrower of any of the terms or provisions of Section 6.10, 6.11, 6.12, 6.13, 6.14 or 6.15, as applicable. The breach by the Borrower (other than a breach which constitutes a Default under Section 7.1, 7.2 or the preceding sentence of this Section 7.3) of any of the terms or provisions of this Agreement which is not remedied within thirty (30) days after written notice from the Administrative Agent or any Bank.

7.4 Failure of the Borrower or any Subsidiary to pay any Indebtedness in an aggregate principal amount in excess of \$150,000,000 within thirty (30) days after the Borrower knows that such Indebtedness was due; or the default by the Borrower or any Subsidiary in the performance of any term, provision or condition contained in any agreement under any such Indebtedness was created or is governed, or any other event shall occur or condition exist, the effect of which is to cause, or to permit the holder or holders of such Indebtedness to cause such Indebtedness to become due prior to its stated maturity; or any such Indebtedness of the Borrower or any Subsidiary shall be declared to be due and payable or required to be prepaid (other than by a regularly scheduled payment) prior to the stated maturity thereof; or the Borrower or any Material Subsidiary shall not pay, or admit in writing its inability to pay, its debts generally as they become due.

7.5 The Borrower or any Material Subsidiary shall (i) have an order for relief entered with respect to it under any Debtor Relief Law as now or hereafter in effect, (ii) make an assignment for the benefit of creditors, (iii) apply for, seek, consent to, or acquiesce in, the appointment of a

receiver, custodian, trustee, examiner, liquidator or similar official for it or any substantial part of its property, (iv) institute any proceeding seeking an order for relief under any Debtor Relief Law as now or hereafter in effect or seeking to adjudicate it a bankrupt or insolvent, or seeking dissolution, winding up, liquidation, reorganization, arrangement, adjustment or composition of it or its debts under any Debtor Relief Law, (v) take any corporate action to authorize or effect any of the foregoing actions set forth in this Section 7.5, or (vi) fail to contest in good faith any appointment or proceeding described in Section 7.6.

7.6 Without the application, approval or consent of the Borrower or any Subsidiary, a receiver, trustee, examiner, liquidator or similar official shall be appointed for the Borrower or any Material Subsidiary or any substantial part of its property, or a proceeding described in Section 7.5(iv) shall be instituted against the Borrower or any Material Subsidiary and such appointment continues undischarged or such proceeding continues undismitted or unstayed for a period of sixty (60) days.

7.7 [Reserved.]

7.8 The Borrower or any Subsidiary shall fail within sixty (60) days to pay, bond or otherwise discharge, one or more judgments or orders for the payment of money in excess of \$150,000,000 in the aggregate, which are not stayed on appeal or otherwise being appropriately contested in good faith.

7.9 Except as would not reasonably be expected to have a Material Adverse Effect, any Reportable Event shall occur in connection with any Plan or any material Unfunded Liabilities shall exist.

7.10 Any Change in Control shall occur.

ARTICLE VIII

ACCELERATION, WAIVERS, AMENDMENTS AND REMEDIES

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

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

8.2 Amendments and Waivers.

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

(a) waive any condition set forth in Section 4.1 without the written consent of each Bank;

(b) extend or increase the Commitment of any Bank (except reinstatement of any Commitment in accordance with Section 8.1) without the written consent of such Bank;

(c) postpone any date fixed by this Agreement or any other Loan Document for any payment of principal, interest, fees or other amounts due to the Banks (or any of them) hereunder or under any other Loan Document without the written consent of each Bank directly affected thereby;

(d) reduce the principal of, or the rate of interest specified herein on, any Loan, or any fees or other amounts payable hereunder or under any other Loan Document, or change the manner of computation of any financial ratio (including any change in any applicable defined term) used in determining the Applicable Margin that would result in a reduction of any interest rate on any Loan or any fee payable hereunder without the written consent of each Bank directly affected thereby;

(e) change Section 2.5.8 or Section 12.2 in a manner that would alter the pro rata sharing of payments required thereby without the written consent of each Bank;

(f) [reserved];

(g) change any provision of this Section 8.2.1 or the definition of “Majority Banks” or any other provision hereof specifying the number or percentage of Banks required to

amend, waive or otherwise modify any rights hereunder or make any determination or grant any consent hereunder, without the written consent of each Bank;

provided, that no amendment, waiver or consent shall, unless in writing and signed by the Administrative Agent in addition to the Banks required above, affect the rights or duties of the Administrative Agent under this Agreement or any other Loan Document. Notwithstanding anything to the contrary herein, no Defaulting Bank shall have any right to approve or disapprove any amendment, waiver or consent hereunder (and any amendment, waiver or consent which by its terms requires the consent of all Banks or each affected Bank may be effected with the consent of the applicable Banks other than Defaulting Banks), except that (x) the Commitment of any Defaulting Bank may not be increased or extended without the consent of such Bank and (y) any waiver, amendment or modification requiring the consent of all Banks or each affected Bank that by its terms affects any Defaulting Bank more adversely than other affected Banks shall require the consent of such Defaulting Bank.

8.2.2 Notwithstanding any provision herein to the contrary (except to the extent any change would require the consent of each Bank or each affected Bank under clauses (a) through (g) of Section 8.2.1 above), this Agreement and the other Loan Documents may be amended: VIII) to cure any ambiguity, mistake, omission, defect or inconsistency; VIII) in accordance with Section 10.8.2 in connection with a change in Agreement Accounting Principles or the application thereof; or VIII) to replace the LIBOR, and reflect any Successor Rate Conforming Changes, pursuant to Section 3.3; in each case, with the consent of the Administrative Agent but without the consent of any Bank (except as expressly provided in Section 3.3 or 10.8.2, as applicable).

8.6 Preservation of Rights. No delay or omission of the Banks or the Administrative Agent to exercise any right under the Loan Documents shall impair such right or be construed to be a waiver of any Default or an acquiescence therein, and the making of a Loan notwithstanding the existence of a Default or the inability of the Borrower to satisfy the conditions precedent to such Loan shall not constitute any waiver or acquiescence. Any single or partial exercise of any such right shall not preclude other or further exercise thereof or the exercise of any other right, and no waiver, amendment or other variation of the terms, conditions or provisions of the Loan Documents whatsoever shall be valid unless in writing signed by the Banks and the Administrative Agent required pursuant to Section 8.2, and then only to the extent in such writing specifically set forth. All remedies contained in the Loan Documents or by law afforded shall be cumulative and all shall be available to the Administrative Agent and the Banks until the Obligations have been paid in full.

ARTICLE IX
NOTICES

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

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

ARTICLE X

GENERAL PROVISIONS

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

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

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

10.4 Entire Agreement. This Agreement, together with the other Loan Documents, comprises the complete and integrated agreement of the parties on the subject matter hereof and thereof and supersedes all prior agreements, written or oral, on such subject matter. In the event of any conflict between the provisions of this Agreement and those of any other Loan Document, the provisions of this Agreement shall control; provided, that the inclusion of supplemental rights or remedies in favor of the Administrative Agent or the Banks in any other Loan Document shall not be deemed a conflict with this Agreement. Each Loan Document was drafted with the joint

participation of the respective parties thereto and shall be construed neither against nor in favor of any party, but rather in accordance with the fair meaning thereof.

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

10.6 Expenses; Indemnification.

10.6.1 The Borrower agrees (a) to pay or reimburse the Administrative Agent for all costs and expenses incurred in connection with the development, preparation, negotiation and execution of this Agreement and the other Loan Documents and any amendment, waiver, consent or other modification requested by the Borrower of the provisions hereof and thereof (whether or not the transactions contemplated hereby or thereby are consummated); provided that all costs and expenses incurred in connection with any amendment, waiver, consent or other modification requested by the Administrative Agent or a Bank of the provisions of this Agreement and the other Loan Documents shall be paid by the Administrative Agent or such Bank (including, without limitation, the costs and expenses incurred by the Borrower) (whether or not the transactions contemplated thereby are consummated), and the consummation and administration of the transactions contemplated hereby and thereby, including all Attorney Costs, and (b) to pay or reimburse the Administrative Agent and each Bank for all costs and expenses incurred in connection with the enforcement, attempted enforcement, or preservation of any rights or remedies under this Agreement or the other Loan Documents (including all such costs and expenses incurred during any “workout” or restructuring in respect of the Obligations and during any legal proceeding, including any proceeding under any Debtor Relief Law), including all Attorney Costs. The foregoing costs and expenses shall include all search, filing, recording, title insurance and appraisal charges and fees and taxes related thereto, and other out-of-pocket expenses incurred by the Administrative Agent and the cost of independent public accountants and other outside experts retained by the Administrative Agent or any Bank. All amounts due under this Section 10.6 shall be payable within ten (10) Business Days after demand therefor. The agreements in this Section 10.6 shall survive the termination of the Commitments and repayment of all other Obligations.

10.6.2 Whether or not the transactions contemplated hereby are consummated, the Borrower shall indemnify and hold harmless each Administrative Agent-Related Person, each Bank and their respective Affiliates, and the directors, officers, employees, counsel, agents and attorneys-in-fact of each of the foregoing (collectively, the “Indemnitees”) from and against any and all liabilities, obligations, losses, damages, penalties, claims, demands, actions, judgments, suits, costs,

expenses and disbursements (including Attorney Costs) of any kind or nature whatsoever which may at any time be imposed on, incurred by or asserted against any such Indemnitee in any way relating to or arising out of or in connection with (a) the execution, delivery, enforcement, performance or administration of any Loan Document or any other agreement, letter or instrument delivered in connection with the transactions contemplated thereby or the consummation of the transactions contemplated thereby, (b) any Commitment or Loan or the use or proposed use of the proceeds therefrom, or (c) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory (including any investigation of, preparation for, or defense of any pending or threatened claim, investigation, litigation or proceeding) and regardless of whether any Indemnitee is a party thereto (all the foregoing, collectively, the “Indemnified Liabilities”); provided, that such indemnity shall not, as to any Indemnitee, be available to the extent that such liabilities, obligations, losses, damages, penalties, claims, demands, actions, judgments, suits, costs, expenses or disbursements are determined by a court of competent jurisdiction by final and non-appealable judgment to have resulted from (a) the gross negligence, bad faith, material breach of the Loan Documents or willful misconduct of such Indemnitee or any of its Affiliates, (b) a dispute among the Indemnities not arising from a Default (other than a dispute involving a claim against an Indemnitee for its acts or omissions in its capacity as an arranger, bookrunner, agent or similar role in respect of the credit facility evidenced by the Agreement), except with respect to this clause (b), to the extent such acts or omissions are determined by a court of competent jurisdiction by final and non-appealable judgment to have constituted the gross negligence, bad faith, material breach of the Loan Documents or willful misconduct of such Indemnitee in such capacity or (c) such Indemnitee’s or any of its Affiliates’ material breach of the Loan Documents. No Indemnitee shall be liable for any damages arising from the use by others of any information or other materials obtained through IntraLinks, electronic telecommunications, or other similar information transmission systems in connection with this Agreement. No Indemnitee or any other party herein shall have any liability for any special, indirect, consequential or punitive damages relating to this Agreement or any other Loan Document or arising out of its activities in connection herewith or therewith (whether before or after the Effective Date); provided, that nothing in this Section 10.6 shall limit the Borrower’s indemnity obligations set forth in this Agreement with respect to any special, indirect, consequential or punitive damages included in any third party claim in connection with which an Indemnitee is entitled to indemnification hereunder. All amounts due under this Section 10.6 shall be payable within ten (10) Business Days after demand therefor. The agreements in this Section 10.6 shall survive the resignation of the Administrative Agent, the replacement of any Bank, the termination of the Commitments and the repayment, satisfaction or discharge of all the other Obligations. This Section 10.6.2 shall not apply with respect to Taxes other than any Taxes that represent losses, claims, damages, etc. arising from any non-Tax claim.

10.7 [Reserved.]

10.8 Accounting.

10.8.1 Except as provided to the contrary herein, all accounting terms used herein shall be interpreted and all accounting determinations hereunder shall be made in accordance with Agreement Accounting Principles.

10.8.2 If at any time any change in Agreement Accounting Principles would affect the computation of any financial ratio or requirement set forth in any Loan Document, and either the Borrower or the Majority Banks shall so request, the Administrative Agent, the Banks and the Borrower shall negotiate in good faith to amend such ratio or requirement to preserve the original intent thereof in light of such change in Agreement Accounting Principles (subject to the approval of the Majority Banks); provided that, until so amended, (i) such ratio or requirement shall continue to be computed in accordance with Agreement Accounting Principles prior to such change therein and (ii) the Borrower shall provide to the Administrative Agent and the Banks financial statements and other documents required under this Agreement or as reasonably requested hereunder setting forth a reconciliation between calculations of such ratio or requirement made before and after giving effect to such change in Agreement Accounting Principles.

10.9 Severability of Provisions. Any provision of this Agreement and the other Loan Documents to which the Borrower is a party that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions thereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. Without limiting the foregoing provisions of this Section 10.9, if and to the extent that the enforceability of any provisions in this Agreement relating to Defaulting Banks shall be limited by Debtor Relief Laws, as determined in good faith by the Administrative Agent, then such provisions shall be deemed to be in effect only to the extent not so limited.

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

10.11 Confidentiality. Each of the Administrative Agent and the Banks agrees to maintain the confidentiality of the Information (as defined below); except that Information may be disclosed (a) to its and its Affiliates' directors, officers, employees and agents, including accountants, legal counsel and other advisors who are involved with the lending facility contemplated by this Agreement (it being understood that the Persons to whom such disclosure is made will be informed

of the confidential nature of such Information and instructed to keep such Information confidential); (b) to the extent requested by any regulatory authority (including any bank examiner or self-regulatory authority, such as the National Association of Insurance Commissioners); (c) to the extent required by applicable Laws or regulations or by any subpoena or similar legal process; (d) to any other party hereto; (e) in connection with the exercise of any remedies hereunder or under any other Loan Document or any action or proceeding relating to this Agreement or any other Loan Document or the enforcement of rights hereunder or thereunder; (f) subject to an agreement containing provisions substantially the same as those of this Section 10.11, to (i) any assignee of or Participant in, or any prospective assignee of or Participant in, any of its rights or obligations under this Agreement or (ii) any actual or prospective counterparty (or its professional advisor) to any swap or derivative transaction relating to the Borrower and its obligations; (g) with the consent of the Borrower; (h) to any Central Bank or Federal Reserve Bank, (i) on a confidential basis to (x) any rating agency in connection with rating the Borrower or its Subsidiaries or the credit facilities provided hereunder or (y) the CUSIP Service Bureau or any similar agency in connection with the issuance and monitoring of CUSIP numbers or other market identifiers with respect to the credit facilities provided hereunder or (j) to the extent such Information (x) becomes publicly available other than as a result of a breach of this Section 10.11 or (y) becomes available to the Administrative Agent or any Bank on a nonconfidential basis from a source other than the Borrower; provided that such source has not, to the knowledge of the Administrative Agent or applicable Bank, violated any confidentiality obligations to the Borrower and provided, further, if the Administrative Agent or any Bank obtains Information from a source it later learns has violated confidentiality obligations to the Borrower in providing such Information, it shall maintain the confidentiality of such Information. For purposes of this Section 10.11, “Information” means all information received from the Borrower relating to the Borrower or its business, other than any such information that is available to the Administrative Agent or any Bank on a nonconfidential basis prior to disclosure by the Borrower.

10.12 CHOICE OF LAW. THE LOAN DOCUMENTS (OTHER THAN THOSE CONTAINING A CONTRARY EXPRESS CHOICE OF LAW PROVISION) SHALL BE CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS (AND NOT THE LAW OF CONFLICTS) OF THE STATE OF NEW YORK BUT GIVING EFFECT TO FEDERAL LAWS APPLICABLE TO NATIONAL BANKS.

10.13 CONSENT TO JURISDICTION. ANY LEGAL ACTION, LITIGATION OR PROCEEDING WITH RESPECT TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT MAY BE BROUGHT IN THE COURTS OF THE STATE OF NEW YORK SITTING IN NEW YORK COUNTY OR OF THE UNITED STATES DISTRICT COURT OF THE SOUTHERN DISTRICT OF NEW YORK, AND ANY APPELLATE COURT FROM ANY THEREOF, AND EACH OF THE PARTIES HERETO IRREVOCABLY AND UNCONDITIONALLY SUBMITS TO THE JURISDICTION OF SUCH COURTS AND AGREES

THAT ALL CLAIMS IN RESPECT OF ANY SUCH ACTION, LITIGATION OR PROCEEDING MAY BE HEARD AND DETERMINED IN SUCH NEW YORK STATE COURT OR, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, IN SUCH FEDERAL COURT. EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES ANY OBJECTION IT MAY NOW OR HEREAFTER HAVE AS TO THE VENUE OF ANY SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN SUCH A COURT OR THAT SUCH COURT IS AN INCONVENIENT FORUM.

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

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

10.16 No Advisory or Fiduciary Responsibility. In connection with all aspects of each transaction contemplated hereby, the Borrower acknowledges and agrees that: (i) the credit facility provided for hereunder and any related arranging or other services in connection therewith (including in connection with any amendment, waiver or other modification hereof or of any other Loan Document) constitute arm's-length commercial transactions between the Borrower and its Affiliates, on the one hand, and the Administrative Agent and other agents party hereto, on the other hand, and the Borrower is capable of evaluating and understanding and understands and accepts the terms, risks and conditions of the transactions contemplated hereby and by the other Loan Documents (including any amendment, waiver or other modification hereof or thereof); (ii) in connection with the process leading to such transaction, the Administrative Agent and each of the other agents party hereto is and has been acting solely as a principal and is not the financial advisor, agent or fiduciary, for the Borrower or any of its Affiliates, stockholders, creditors or employees or any other Person; (iii) neither the Administrative Agent nor any other agent party hereto has assumed or will assume an advisory, agency or fiduciary responsibility in favor of the Borrower with respect to any of the transactions contemplated hereby or the process leading thereto, including with respect to any amendment, waiver or other modification hereof or of any other Loan Document (irrespective of whether the Administrative Agent or any other agent party hereto has advised or is currently advising the Borrower or any of its Affiliates on other matters) and neither the Administrative Agent nor any other agent party hereto has any obligation to the Borrower or any of its Affiliates with respect to the transactions contemplated hereby except those obligations expressly set forth herein and in the other Loan Documents; (iv) the Administrative Agent and the other agents party hereto and their

respective Affiliates may be engaged in a broad range of transactions that involve interests that differ from those of the Borrower and its Affiliates, and neither the Administrative Agent nor any such other agent has any obligation to disclose any of such interests by virtue of any advisory, agency or fiduciary relationship; and (v) each of the Administrative Agent and the other agents party hereto has not provided and will not provide any legal, accounting, regulatory or tax advice with respect to any of the transactions contemplated hereby (including any amendment, waiver or other modification hereof or of any other Loan Document) and the Borrower has consulted its own legal, accounting, regulatory and tax advisors to the extent it has deemed appropriate. The Borrower hereby waives and releases, to the fullest extent permitted by law, any claims that it may have against the Administrative Agent and each other agent party hereto with respect to any breach or alleged breach of agency or fiduciary duty relating to this Agreement.

10.17 USA PATRIOT Act Notice. Each Bank that is subject hereto and the Administrative Agent (for itself and not on behalf of any Bank) hereby notifies the Borrower that pursuant to the requirements of the USA PATRIOT Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)) (the “Act”), it is required to obtain, verify and record information that identifies the Borrower, which information includes the name and address of the Borrower and other information that will allow such Bank or the Administrative Agent, as applicable, to identify the Borrower in accordance with such Act.

10.18 Electronic Execution of this Agreement. This Agreement and any document, amendment, approval, consent, information, notice, certificate, request, statement, disclosure or authorization related to this Agreement (each a “Communication”), including Communications required to be in writing, may be in the form of an Electronic Record and may be executed using Electronic Signatures. The Borrower agrees that any Electronic Signature on or associated with any Communication shall be valid and binding on the Borrower to the same extent as a manual, original signature, and that any Communication entered into by Electronic Signature, will constitute the legal, valid and binding obligation of the Borrower enforceable against such in accordance with the terms thereof to the same extent as if a manually executed original signature was delivered. Any Communication may be executed in as many counterparts as necessary or convenient, including both paper and electronic counterparts, but all such counterparts are one and the same Communication. For the avoidance of doubt, the authorization under this paragraph may include, without limitation, use or acceptance by the Administrative Agent and each of the Banks of a manually signed paper Communication which has been converted into electronic form (such as scanned into PDF format), or an electronically signed Communication converted into another format, for transmission, delivery and/or retention. The Administrative Agent and each of the Banks may, at its option, create one or more copies of any Communication in the form of an imaged Electronic Record (“Electronic Copy”), which shall be deemed created in the ordinary course of the such Person’s business, and destroy the original paper document. All Communications in the form of an Electronic Record, including an Electronic Copy, shall be considered an original for all

purposes, and shall have the same legal effect, validity and enforceability as a paper record. Notwithstanding anything contained herein to the contrary, the Administrative Agent is under no obligation to accept an Electronic Signature in any form or in any format unless expressly agreed to by the Administrative Agent pursuant to procedures approved by it; provided, further, without limiting the foregoing, (a) to the extent the Administrative Agent has agreed to accept such Electronic Signature, the Administrative Agent and each of the Banks shall be entitled to rely on any such Electronic Signature purportedly given by or on behalf of the Borrower without further verification and (b) upon the request of the Administrative Agent or any Bank, any Electronic Signature shall be, as promptly as practicable, followed by such manually executed counterpart. For purposes hereof, “Electronic Record” and “Electronic Signature” shall have the meanings assigned to them, respectively, by 15 USC §7006, as it may be amended from time to time.

10.19 Electronic Execution of Assignments and Certain Other Documents. The words “execute,” “execution,” “signed,” “signature,” and words of like import in or related to any document to be signed in connection with this Agreement and the transactions contemplated hereby (including without limitation Assignment and Assumptions, Borrowing Notices, amendments or other modifications, waivers and consents) shall be deemed to include electronic signatures, the electronic matching of assignment terms and contract formations on electronic platforms approved by the Administrative Agent, or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature or the use of a paper-based recordkeeping system, as the case may be, to the extent and as provided for in any applicable law, including the Federal Electronic Signatures in Global and National Commerce Act, the New York State Electronic Signatures and Records Act, or any other similar state laws based on the Uniform Electronic Transactions Act; provided that notwithstanding anything contained herein to the contrary the Administrative Agent is under no obligation to agree to accept electronic signatures in any form or in any format unless expressly agreed to by the Administrative Agent pursuant to procedures approved by it.

10.20 Acknowledgement and Consent to Bail-In of Affected Financial Institutions. Solely to the extent any Bank that is an Affected Financial Institution is a party to this Agreement and notwithstanding anything to the contrary in any Loan Document or in any other agreement, arrangement or understanding among any such parties, each party hereto acknowledges that any liability of any Bank that is an Affected Financial Institution arising under any Loan Document, to the extent such liability is unsecured, may be subject to the write-down and conversion powers of the applicable Resolution Authority and agrees and consents to, and acknowledges and agrees to be bound by:

10.20.1 the application of any Write-Down and Conversion Powers by the applicable Resolution Authority to any such liabilities arising hereunder which may be payable to it by any Bank that is an Affected Financial Institution; and

10.20.2 the effects of any Bail-In Action on any such liability, including, if applicable:

(a) a reduction in full or in part or cancellation of any such liability;

(b) a conversion of all, or a portion of, such liability into shares or other instruments of ownership in such Affected Financial Institution, its parent undertaking, or a bridge institution that may be issued to it or otherwise conferred on it, and that such shares or other instruments of ownership will be accepted by it in lieu of any rights with respect to any such liability under this Agreement or any other Loan Document; or

(c) the variation of the terms of such liability in connection with the exercise of the write-down and conversion powers of the applicable Resolution Authority.

10.21 Acknowledgement Regarding Any Supported QFCs. To the extent that the Loan Documents provide support, through a guarantee or otherwise, for any Swap Contract or any other agreement or instrument that is a QFC (such support, “QFC Credit Support”, and each such QFC, a “Supported QFC”), the parties acknowledge and agree as follows with respect to the resolution power of the Federal Deposit Insurance Corporation under the Federal Deposit Insurance Act and Title II of the Dodd-Frank Wall Street Reform and Consumer Protection Act (together with the regulations promulgated thereunder, the “U.S. Special Resolution Regimes”) in respect of such Supported QFC and QFC Credit Support (with the provisions below applicable notwithstanding that the Loan Documents and any Supported QFC may in fact be stated to be governed by the laws of the State of New York and/or of the United States or any other state of the United States):

10.21.1 In the event a Covered Entity that is party to a Supported QFC (each, a “Covered Party”) becomes subject to a proceeding under a U.S. Special Resolution Regime, the transfer of such Supported QFC and the benefit of such QFC Credit Support (and any interest and obligation in or under such Supported QFC and such QFC Credit Support, and any rights in property securing such Supported QFC or such QFC Credit Support) from such Covered Party will be effective to the same extent as the transfer would be effective under the U.S. Special Resolution Regime if the Supported QFC and such QFC Credit Support (and any such interest, obligation and rights in property) were governed by the laws of the United States or a state of the United States. In the event a Covered Party or a BHC Act Affiliate of a Covered Party becomes subject to a proceeding under a U.S. Special Resolution Regime, Default Rights under the Loan Documents that might otherwise apply to such Supported QFC or any QFC Credit Support that may be exercised against such Covered Party are permitted to be exercised to no greater extent than such Default Rights could be exercised under the U.S. Special Resolution Regime if the Supported QFC and the Loan Documents were governed by the laws of the United States or a state of the United States. Without limitation of the foregoing, it is understood and agreed that rights and remedies of the

parties with respect to a Defaulting Bank shall in no event affect the rights of any Covered Party with respect to a Supported QFC or any QFC Credit Support.

10.21.2 As used in this Section 10.21, the following terms have the following meanings:

“BHC Act Affiliate” of a party means an “affiliate” (as such term is defined under, and interpreted in accordance with, 12 U.S.C. 1841(k)) of such party.

“Covered Entity” means any of the following: (i) a “covered entity” as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 252.82(b); (ii) a “covered bank” as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 47.3(b); or (iii) a “covered FSI” as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 382.2(b).

“Default Right” has the meaning specified in, and shall be interpreted in accordance with, 12 C.F.R. §§ 252.81, 47.2 or 382.1, as applicable.

“QFC” has the meaning assigned to the term “qualified financial contract” in, and shall be interpreted in accordance with, 12 U.S.C. 5390(c)(8)(D).

10.22 Judgment Currency. If, for the purposes of obtaining judgment in any court, it is necessary to convert a sum due hereunder or any other Loan Document in one currency into another currency, the rate of exchange used shall be that at which in accordance with normal banking procedures the Administrative Agent could purchase the first currency with such other currency on the Business Day preceding that on which final judgment is given. The obligation of the Borrower in respect of any such sum due from it to the Administrative Agent or any Bank hereunder or under the other Loan Documents shall, notwithstanding any judgment in a currency (the “Judgment Currency”) other than that in which such sum is denominated in accordance with the applicable provisions of this Agreement (the “Agreement Currency”), be discharged only to the extent that on the Business Day following receipt by the Administrative Agent or such Bank, as the case may be, of any sum adjudged to be so due in the Judgment Currency, the Administrative Agent or such Bank, as the case may be, may in accordance with normal banking procedures purchase the Agreement Currency with the Judgment Currency. If the amount of the Agreement Currency so purchased is less than the sum originally due to the Administrative Agent or any Bank from the Borrower in the Agreement Currency, the Borrower agrees, as a separate obligation and notwithstanding any such judgment, to indemnify the Administrative Agent or such Bank, as the case may be, against such loss. If the amount of the Agreement Currency so purchased is greater than the sum originally due to the Administrative Agent or any Bank in such currency, the Administrative Agent or such Bank, as the case may be, agrees to return the amount of any excess to the Borrower (or to any other Person who may be entitled thereto under applicable law).

ARTICLE XI
THE ADMINISTRATIVE AGENT

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

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

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

performance of any of the agreements contained in, or conditions of, this Agreement or any other Loan Document, or to inspect the properties, books or records of the Borrower or any of its Subsidiaries or Affiliates thereof.

11.4 Reliance by Administrative Agent.

11.4.1 The Administrative Agent shall be entitled to rely, and shall be fully protected in relying, upon any writing, communication, signature, resolution, representation, notice, consent, certificate, affidavit, letter, telegram, facsimile, telex or telephone message, electronic mail message, statement or other document or conversation believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons, and upon advice and statements of legal counsel (including counsel to the Borrower), independent accountants and other experts selected by the Administrative Agent. The Administrative Agent shall be fully justified in failing or refusing to take any action under any Loan Document unless it shall first receive such advice or concurrence of the Majority Banks as it deems appropriate and, if it so requests, it shall first be indemnified to its satisfaction by the Banks against any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action. The Administrative Agent shall in all cases be fully protected in acting, or in refraining from acting, under this Agreement or any other Loan Document in accordance with a request or consent of the Majority Banks (or such greater number of Banks as may be expressly required hereby in any instance) and such request and any action taken or failure to act pursuant thereto shall be binding upon all the Banks.

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

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

11.6 Credit Decision; Disclosure of Information by Administrative Agent. Each Bank acknowledges that no Administrative Agent-Related Person has made any representation or warranty to it, and that no act by the Administrative Agent hereafter taken, including any consent to and acceptance of any assignment or review of the affairs of the Borrower and its Subsidiaries or Affiliates thereof, shall be deemed to constitute any representation or warranty by any Administrative Agent-Related Person to any Bank as to any matter, including whether Administrative Agent-Related Persons have disclosed material information in their possession. Each Bank represents to the Administrative Agent that it has, independently and without reliance upon any Administrative Agent-Related Person and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, prospects, operations, property, financial and other condition and creditworthiness of the Borrower and its Subsidiaries, and all applicable bank or other regulatory Laws relating to the transactions contemplated hereby, and made its own decision to enter into this Agreement and to extend credit to the Borrower hereunder. Each Bank also represents that it will, independently and without reliance upon any Administrative Agent-Related Person and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit analysis, appraisals and decisions in taking or not taking action under this Agreement and the other Loan Documents, and to make such investigations as it deems necessary to inform itself as to the business, prospects, operations, property, financial and other condition and creditworthiness of the Borrower. Except for notices, reports and other documents expressly required to be furnished to the Banks by the Administrative Agent herein, the Administrative Agent shall not have any duty or responsibility to provide any Bank with any credit or other information concerning the business, prospects, operations, property, financial and other condition or creditworthiness of the Borrower or any of its Affiliates which may come into the possession of any Administrative Agent-Related Person. Each Bank represents and warrants that (i) the Loan Documents set forth the terms of a commercial lending facility and (ii) it is engaged in making, acquiring or holding commercial loans in the ordinary course and is entering into this Agreement as a lender for the purpose of making, acquiring or holding commercial loans, and not for the purpose of purchasing, acquiring or holding any other type of financial instrument, and each Bank agrees not to assert a claim in contravention of the foregoing. Each Bank represents and warrants that it is sophisticated with respect to decisions to make, acquire and/or hold commercial loans and either it, or the Person exercising discretion in making its decision to make, acquire and/or hold such commercial loans or to provide such other facilities, is experienced in making, acquiring or holding such commercial loans.

11.7 Indemnification of Administrative Agent. Whether or not the transactions contemplated hereby are consummated, the Banks shall indemnify upon demand each Administrative Agent-Related Person (to the extent not reimbursed by or on behalf of the Borrower and without limiting the obligation of the Borrower to do so), pro rata, and hold harmless each Administrative Agent-Related Person from and against any and all Indemnified Liabilities incurred

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

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

11.9 Successor Administrative Agent.

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

as successor administrative agent hereunder, the Person acting as such successor administrative agent shall succeed to all the rights, powers and duties of the retiring Administrative Agent and the term “Administrative Agent” shall mean such successor agent and the retiring Administrative Agent’s appointment, powers and duties as Administrative Agent shall be terminated. After any retiring Administrative Agent’s resignation hereunder as Administrative Agent, the provisions of this Article XI and Section 10.6 shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Administrative Agent under this Agreement. If no successor administrative agent has accepted appointment as Administrative Agent by the date which is 30 days following a retiring Administrative Agent’s notice of resignation, the retiring Administrative Agent’s resignation shall nevertheless thereupon become effective and the Banks shall perform all of the duties of the Administrative Agent hereunder until such time, if any, as the Majority Banks appoint a successor agent as provided for above.

11.10 Administrative Agent May File Proofs of Claim. In case of the pendency of any proceeding under any Debtor Relief Law or any other judicial proceeding relative to the Borrower, the Administrative Agent (irrespective of whether the principal of any Loan shall then be due and payable as herein expressed or by declaration or otherwise and irrespective of whether the Administrative Agent shall have made any demand on the Borrower) shall be entitled and empowered, by intervention in such proceeding or otherwise:

11.10.1 to file and prove a claim for the whole amount of the principal and interest owing and unpaid in respect of the Loans and all other Obligations that are owing and unpaid and to file such other documents as may be necessary or advisable in order to have the claims of the Banks and the Administrative Agent (including any claim for the reasonable compensation, expenses, disbursements and advances of the Banks and the Administrative Agent and their respective agents and counsel, and all other amounts due the Banks and the Administrative Agent under Sections 2.4 and 10.6 allowed in such judicial proceeding); and

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

and any custodian, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceeding is hereby authorized by each Bank to make such payments to the Administrative Agent and, in the event that the Administrative Agent shall consent to the making of such payments directly to the Banks, to pay to the Administrative Agent any amount due for the reasonable compensation, expenses, disbursements and advances of the Administrative Agent and its agents and counsel, and any other amounts due the Administrative Agent under Sections 2.4 and 10.6.

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

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

ARTICLE XII

SETOFF; RATABLE PAYMENTS

12.1 Setoff. In addition to any rights and remedies of the Banks provided by law, if the Borrower becomes insolvent, however evidenced, or any Default occurs and is continuing, each Bank is authorized at any time and from time to time, without prior notice to the Borrower, any such notice being waived by the Borrower to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held by, and other indebtedness at any time owing by, such Bank to or for the credit or the account of the Borrower against any and all Obligations owing to such Bank, now or hereafter existing, irrespective of whether or not the Administrative Agent or such Bank shall have made demand under this Agreement or any other Loan Document and although such Obligations may be contingent or unmatured; provided that, in the event that any Defaulting Bank shall exercise any such right of setoff, (a) all amounts so set off shall be paid over immediately to the Administrative Agent for further application in accordance with the provisions of Section 2.8 and, pending such payment, shall be segregated by such Defaulting Bank from its other funds and deemed held in trust for the benefit of the Administrative Agent and the Banks, and (b) the Defaulting Bank shall provide promptly to the Administrative Agent a statement describing in reasonable detail the Obligations owing to such Defaulting Bank as to which it exercised such right of setoff. Each Bank agrees promptly to notify the Borrower and the Administrative Agent after any such set-off and application made by such Bank; provided, however, that the failure to give such notice shall not affect the validity of such set-off and application.

12.2 Payments. If any Bank, whether by setoff or otherwise, has payment made to it upon its Loans in a greater proportion than that received by any other Bank (except as specifically contemplated by the terms of this Agreement), such Bank agrees, promptly upon demand, to purchase a portion of the Loans so that after such purchase each Bank will hold its ratable proportion

of Loans and other amounts owing them. If any Bank, whether in connection with setoff or amounts which might be subject to setoff or otherwise, receives collateral or other protection for its Obligations or such amounts which may be subject to set off, such Bank agrees, promptly upon demand, to take such action necessary such that all Banks share in the benefits of such collateral ratably in proportion to their Loans. In case any such payment is disturbed by legal process, or otherwise, appropriate further adjustments shall be made. Nothing in this Section 12.2 shall impair the right of any Bank to exercise any right of set-off or counterclaim it may have and apply the amount subject to such exercise to the payment of indebtedness of the Borrower other than the Obligations. The provisions of this Section 12.2 shall not be construed to apply to (x) any payment made by the Borrower pursuant to and in accordance with the express terms of this Agreement (including the application of funds from the existence of a Defaulting Bank) or (y) any payment obtained by a Bank as consideration for the assignment of or sale of a participation in any of its Loans or Advances to any Eligible Assignee or Participant (other than to the Borrower or any of its Subsidiaries, as to which the provisions of this paragraph shall apply).

ARTICLE XIII

BENEFIT OF AGREEMENT; ASSIGNMENTS; PARTICIPATIONS

13.1 Successors and Assigns.

13.1.1 The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby, except that the Borrower may not assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of each Bank and no Bank may assign or otherwise transfer any of its rights or obligations hereunder except (i) to an assignee in accordance with the provisions of Section 13.1.2 or (ii) by way of participation in accordance with the provisions of Section 13.1.4 (and any other attempted assignment or transfer by any party hereto shall be null and void). Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby, Participants to the extent provided in Section 13.1.4 and, to the extent expressly contemplated hereby, the Indemnitees) any legal or equitable right, remedy or claim under or by reason of this Agreement.

13.1.2 Any Bank may at any time assign to one or more assignees all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans at the time owing to it); provided, that any such assignment shall be subject to the following conditions: (i) (A) in the case of an assignment of the entire remaining amount of the assigning Bank's Commitment and the Loans at the time owing to it or in the case of an assignment to a Bank, an Affiliate of a Bank or an Approved Fund with respect to a Bank, no minimum amount need be assigned and (A) in any case not described in subsection (i) (A) of this Section 13.1.2 the aggregate amount of the Commitment (which for this purpose includes Loans outstanding thereunder) subject

to each such assignment, determined as of the date the Assignment and Assumption with respect to such assignment is delivered to the Administrative Agent or, if "Trade Date" is specified in the Assignment and Assumption, as of the Trade Date, shall not be less than \$10,000,000 unless each of the Administrative Agent and, so long as no Default has occurred and is continuing, the Borrower otherwise consents (each such consent not to be unreasonably withheld or delayed); (i) each partial assignment shall be made as an assignment of a proportionate part of all the assigning Bank's rights and obligations under this Agreement with respect to the Loans or the Commitment assigned; (i) no consent shall be required for any assignment except to the extent required by subsection (i)(B) of this Section 13.1.2 and, in addition (A) the consent of the Borrower (such consent not to be unreasonably withheld) shall be required unless (1) a payment or bankruptcy Default has occurred and is continuing at the time of such assignment or (2) such assignment is to a Bank, an Affiliate of a Bank or an Approved Fund; provided that the Borrower shall be deemed to have consented to any such assignment unless it shall object thereto by written notice to the Administrative Agent within ten (10) Business Days after having received notice thereof, and (B) the consent of the Administrative Agent (such consent not to be unreasonably withheld or delayed) shall be required if such assignment is to a Person that is not a Bank, an Affiliate of a Bank or an Approved Fund with respect to a Bank; (i) the parties to each assignment shall execute and deliver to the Administrative Agent an Assignment and Assumption, together with a processing and recordation fee of \$3,500, provided, however, that the Administrative Agent may, in its sole discretion, elect to waive such processing and recordation fee in the case of any assignment (the assignee, if it is not a Bank, shall deliver to the Administrative Agent a completed administrative questionnaire in a form supplied by the Administrative Agent); (i) no such assignment shall be made to the Borrower or any of the Borrower's Affiliates or Subsidiaries; (i) to any Defaulting Bank or any of its Subsidiaries, or any Person who, upon becoming a Bank hereunder, would constitute any of the foregoing Persons described in this clause (vi); and (i) no such assignment shall be made to a natural Person (or to a holding company, investment vehicle or trust for, or owned and operated for the primary benefit of one or more natural Persons). In connection with any assignment of rights and obligations of any Defaulting Bank hereunder, no such assignment shall be effective unless and until, in addition to the other conditions thereto set forth herein, the parties to the assignment shall make such additional payments to the Administrative Agent in an aggregate amount sufficient, upon distribution thereof as appropriate (which may be outright payment, purchases by the assignee of participations or subparticipations, or other compensating actions, including funding, with the consent of the Borrower and the Administrative Agent, the applicable pro rata share of Loans previously requested but not funded by the Defaulting Bank, to each of which the applicable assignee and assignor hereby irrevocably consent), to (x) pay and satisfy in full all payment liabilities then owed by such Defaulting Bank to the Administrative Agent or any Bank hereunder (and interest accrued thereon) and (y) acquire (and fund as appropriate) its full pro rata share of all Loans. Notwithstanding the foregoing, in the event that any assignment of rights and obligations of any Defaulting Bank hereunder shall become effective under applicable Law without compliance with

the provisions of the foregoing sentence, then the assignee of such interest shall be deemed to be a Defaulting Bank for all purposes of this Agreement until such compliance occurs. Subject to acceptance and recording thereof by the Administrative Agent pursuant to Section 13.1.3, from and after the effective date specified in each Assignment and Assumption, the assignee thereunder, if not already a party hereto, shall become a party to this Agreement and, to the extent of the interest assigned by such Assignment and Assumption, have the rights and obligations of a Bank under this Agreement, and the assigning Bank thereunder shall, to the extent of the interest assigned by such Assignment and Assumption, be released from its obligations under this Agreement (and, in the case of an Assignment and Assumption covering all of the assigning Bank's rights and obligations under this Agreement, such Bank shall cease to be a party hereto but shall continue to be entitled to the benefits of Sections 3.1, 3.2, 3.4 and 10.6 with respect to facts and circumstances occurring prior to the effective date of such assignment). Upon request, the Borrower (at its expense) shall execute and deliver a Note to the assignee Bank. Any assignment or transfer by a Bank of rights or obligations under this Agreement that does not comply with this subsection shall be treated for purposes of this Agreement as a sale by such Bank of a participation in accordance with Section 13.1.4.

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

13.1.4 Any Bank may at any time, without the consent of, or notice to, the Borrower or the Administrative Agent, sell participations to any Person (other than a natural Person, or a holding company, investment vehicle or trust for, or owned and operated for the primary benefit of one or more natural Persons, a Defaulting Bank or the Borrower or any of the Borrower's Affiliates or Subsidiaries) (each, a "Participant") in all or a portion of such Bank's rights and/or obligations under this Agreement (including all or a portion of its Commitment and/or the Loans owing to it); provided, that (i) such Bank's obligations under this Agreement shall remain unchanged, (ii) such Bank shall remain solely responsible to the other parties hereto for the performance of such obligations and (iii) the Borrower, the Administrative Agent and the other Banks shall continue to deal solely and directly with such Bank in connection with such Bank's rights and obligations under

this Agreement. Any agreement or instrument pursuant to which a Bank sells such a participation shall provide that such Bank shall retain the sole right to enforce this Agreement and to approve any amendment, modification or waiver of any provision of this Agreement; provided that such agreement or instrument may provide that such Bank will not, without the consent of the Participant, agree to any amendment, waiver or other modification described in the first proviso to Section 8.2 that affects such Participant. Subject to Section 13.1.5, the Borrower agrees that each Participant shall be entitled to the benefits of Sections 3.1, 3.2 and 3.4, and shall be bound by the obligations set forth in Section 3.6, to the same extent as if it were a Bank and had acquired its interest by assignment pursuant to Section 13.1.2. To the extent permitted by law, each Participant also shall be entitled to the benefits of Section 12.1 as though it were a Bank, provided such Participant agrees to be subject to Section 12.2 as though it were a Bank.

13.1.5 A Participant shall not be entitled to receive any greater payment under Section 3.1 or 3.4 than the applicable Bank would have been entitled to receive with respect to the participation sold to such Participant, unless the sale of the participation to such Participant is made with the Borrower's prior written consent. A Participant that would be a Foreign Bank if it were a Bank shall not be entitled to the benefits of Section 3.1 unless the Borrower is notified of the participation sold to such Participant and such Participant agrees, for the benefit of the Borrower, to comply with Section 3.1.7 as though it were a Bank.

13.1.6 Each Bank that sells a participation shall, acting solely for this purpose as a non-fiduciary agent of the Borrower, maintain a register on which it enters the name and address of each Participant and the principal amounts (and stated interest) of each Participant's interest in the Loans or other obligations under the Loan Documents (the "Participant Register"); provided that no Bank shall have any obligation to disclose all or any portion of the Participant Register (including the identity of any Participant or any information relating to a Participant's interest in any commitments, loans, letters of credit or its other obligations under any Loan Document) to any Person except to the extent that such disclosure is necessary to establish that such commitment, loan, letter of credit or other obligation is in registered form under Section 5f.103-1(c) of the United States Treasury Regulations. The entries in the Participant Register shall be conclusive absent manifest error, and such Bank shall treat each Person whose name is recorded in the Participant Register as the owner of such participation for all purposes of this Agreement notwithstanding any notice to the contrary. For the avoidance of doubt, the Administrative Agent (in its capacity as Administrative Agent) shall have no responsibility for maintaining a Participant Register.

13.1.7 Any Bank may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement (including under its Note, if any) to secure obligations of such Bank, including any pledge or assignment to secure obligations to a Federal Reserve Bank or central bank with jurisdiction over such Bank; provided, that no such pledge or assignment shall

release such Bank from any of its obligations hereunder or substitute any such pledgee or assignee for such Bank as a party hereto.

13.1.8 As used herein, the following terms have the following meanings:

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

“Eligible Assignee” means any Person that meets the requirements to be an assignee under Section 13.1.2(iii), (v) and (vi) (subject to such consents, if any, as may be required under Section 13.1.2(iii)).

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

[Remainder of page intentionally left blank.]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the date first above written.

NIKE, INC.

By: /s/ Nitesh Sharan
Name: Nitesh Sharan
Title: VP, Corporate Finance & Treasurer

Address for notices:

NIKE, Inc.
One Bowerman Drive
Beaverton, Oregon 97005-6453
Attention: Treasurer
Facsimile: 503-532-2637

With a copy to:

NIKE, Inc.
One Bowerman Drive
Beaverton, Oregon 97005-6453
Attention: General Counsel
Facsimile: 503-646-6926

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

By: /s/ Erik Truette
Name: Erik Truette
Title: Vice President

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

By: /s/ Casey Cosgrove
Name: Casey Cosgrove
Title: Director

CITIBANK, N.A. as a Bank

By: /s/ Carolyn A. Kee

Name: Carolyn A. Kee

Title: Vice President

JPMORGAN CHASE BANK, N.A., as a Bank

By: /s/ Gregory T. Martin

Name: Gregory T. Martin

Title: Executive Director

GOLDMAN SACHS BANK USA, as a Bank

By: /s/ Annie Carr

Name: Annie Carr

Title: Authorized Signatory

Royal Bank of Canada, as a Bank

By: /s/ Derek Au-Yeung

Name: Derek Au-Yeung

Title: Vice President

STANDARD CHARTERED BANK, as a Bank

By: /s/ James Beck

Name: James Beck

Title: Associate Director

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

I, John J. Donahoe II, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarter ended February 29, 2020 of NIKE, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: April 7, 2020

/s/ John J. Donahoe II

John J. Donahoe II

Chief Executive Officer

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

I, Matthew Friend, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarter ended February 29, 2020 of NIKE, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: April 7, 2020

/s/ Matthew Friend

Matthew Friend
Chief Financial Officer

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the following certifications are being made to accompany the Registrant's quarterly report on Form 10-Q for the fiscal quarter ended February 29, 2020.

Certification of Chief Executive Officer

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

- (i) the Quarterly Report on Form 10-Q of the Company for the fiscal quarter ended February 29, 2020 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and
- (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: April 7, 2020

/s/ John J. Donahoe II

John J. Donahoe II

Chief Executive Officer

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the following certifications are being made to accompany the Registrant's quarterly report on Form 10-Q for the fiscal quarter ended February 29, 2020.

Certification of Chief Financial Officer

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

(i) the Quarterly Report on Form 10-Q of the Company for the fiscal quarter ended February 29, 2020 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

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

Dated: April 7, 2020

/s/ Matthew Friend

Matthew Friend

Chief Financial Officer