NIKE INC

FORM 10-K
(Annual Report)

Filed 07/23/13 for the Period Ending 05/31/13

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

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of NIKE, Inc.:

In our opinion, the consolidated financial statements listed in the index appearing under Item 15(a)(1) present fairly, in all material respects, the financial position of NIKE, Inc. and its subsidiaries at May 31, 2013 and 2012 , and the results of their operations and their cash flows for each of the three years in the period ended May 31, 2013 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the appendix appearing under Item 15(a)(2) presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of May 31, 2013 , based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Annual Report on Internal Control Over Financial Reporting appearing under Item 8. Our responsibility is to express opinions on these financial statements, on the financial statement schedule, and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/S/ PRICEWATERHOUSECOOPERS LLP

Portland, Oregon
July 23, 2013

by $108 million , $117 million , and $36 million for the fiscal years ended May 31, 2013 , 2012 , and 2011 , respectively. The benefit of the tax holiday on net income per share (diluted) was $0.12 , $0.12 , and $0.04 for the fiscal years ended May 31, 2013 , 2012 , and 2011 , respectively.

Deferred tax assets at May 31, 2013 and 2012 were reduced by a valuation allowance relating to tax benefits of certain subsidiaries with operating losses. The net change in the valuation allowance was a decrease of $22 million , an increase of $23 million , and a decrease of $1 million for the years ended May 31, 2013 , 2012 , and 2011, respectively.

The Company does not anticipate that any foreign tax credit carry-forwards will expire unutilized.

The Company has available domestic and foreign loss carry-forwards of $58 million at May 31, 2013 . Such losses will expire as follows:

	Year Ending May 31,						
(In millions)	**2014**	**2015**	**2016**	**2017**	**2018- 2032**	**Indefinite**	**Total**
Net Operating Losses	$ —	—	2	—	52	4	$ 58

During the years ended May 31, 2013 , 2012 , and 2011 , income tax benefits attributable to employee stock-based compensation transactions of $76 million , $120 million , and $68 million , respectively, were allocated to shareholders' equity.

NOTE 10 — Redeemable Preferred Stock

Sojitz America is the sole owner of the Company's authorized Redeemable Preferred Stock, $1 par value, which is redeemable at the option of Sojitz America or the Company at par value aggregating $0.3 million . A cumulative dividend of $0.10 per share is payable annually on May 31 and no dividends may be declared or paid on the common stock of the Company unless dividends on the Redeemable Preferred Stock have been declared and paid in full. There have been no changes in the Redeemable Preferred Stock in the three years ended May 31, 2013 , 2012 , and 2011 . As the holder of the Redeemable Preferred Stock, Sojitz America does not have general voting rights but does have the right to vote as a separate class on the sale of all or substantially all of the assets of the Company and its subsidiaries, on merger, consolidation, liquidation or dissolution of the Company or on the sale or assignment of the NIKE trademark for athletic footwear sold in the United States. The Redeemable Preferred Stock has been fully issued to Sojitz America and is not blank check preferred stock. The Company's articles of incorporation do not permit the issuance of additional preferred stock.

NOTE 11 — Common Stock and Stock-Based Compensation

The authorized number of shares of Class A Common Stock, no par value, and Class B Common Stock, no par value, are 200 million and 1,200 million , respectively. Each share of Class A Common Stock is convertible into one share of Class B Common Stock. Voting rights of Class B Common Stock are limited in certain circumstances with respect to the election of directors. There are no differences in the dividend and liquidation preferences or participation rights of the Class A and Class B common shareholders.

In 1990, the Board of Directors adopted, and the shareholders approved, the NIKE, Inc. 1990 Stock Incentive Plan (the "1990 Plan"). The 1990 Plan provides for the issuance of up to 326 million previously unissued shares of Class B Common Stock in connection with stock options and other awards granted under the plan. The 1990 Plan authorizes the grant of non-statutory stock options, incentive stock options, stock appreciation rights, restricted stock, restricted stock units, and performance-based awards. The exercise price for stock options and stock appreciation rights may not be less than the fair market value of the underlying shares on the date of grant. A committee of the Board of Directors administers the 1990 Plan. The committee has the authority to determine the employees to whom awards will be made, the amount of the awards, and the other terms and conditions of the awards. Substantially all stock option grants outstanding under the 1990 Plan were granted in the first quarter of each fiscal year, vest ratably over four years, and expire 10 years from the date of grant.

The following table summarizes the Company's total stock-based compensation expense recognized in selling and administrative expense:

	Year Ended May 31,		
(In millions)	**2013**	**2012**	**2011**
Stock options [(1)]	$ 123	$ 96	$ 77
ESPPs	19	16	14
Restricted stock	32	18	14
TOTAL STOCK-BASED COMPENSATION EXPENSE	**$ 174**	**$ 130**	**$ 105**

(1) Expense for stock options includes the expense associated with stock appreciation rights. Accelerated stock option expense is recorded for employees eligible for accelerated stock option vesting upon retirement. Accelerated stock option expense for years ended May 31, 2013 , 2012 , and 2011 was $22 million , $17 million , and $12 million , respectively.

As of May 31, 2013 , the Company had $199 million of unrecognized compensation costs from stock options, net of estimated forfeitures, to be recognized as selling and administrative expense over a weighted average period of 2.3 years.

The weighted average fair value per share of the options granted during the years ended May 31, 2013 , 2012 , and 2011 , as computed using the Black-Scholes pricing model, was $12.71 , $11.08 , and $8.84 , respectively. The weighted average assumptions used to estimate these fair values are as follows:

	Year Ended May 31,		
	2013	2012	2011
Dividend yield	1.5%	1.4%	1.6%
Expected volatility	35.0%	29.5%	31.5%
Weighted average expected life (in years)	5.3	5.0	5.0
Risk-free interest rate	0.6%	1.4%	1.7%

The Company estimates the expected volatility based on the implied volatility in market traded options on the Company's common stock with a term greater than one year, along with 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.

The following summarizes the stock option transactions under the plan discussed above:

	Shares [(1)]		Weighted Average Option Price
	(In millions)		
Options outstanding May 31, 2010	72.2	$	23.30
Exercised	(14.0)		21.35
Forfeited	(1.3)		29.03
Granted	12.7		34.60
Options outstanding May 31, 2011	69.6	$	25.65
Exercised	(18.0)		22.81
Forfeited	(1.0)		35.61
Granted	13.7		45.87
Options outstanding May 31, 2012	64.3	$	30.59
Exercised	(9.9)		24.70
Forfeited	(1.3)		40.14
Granted	14.6		46.55
Options outstanding May 31, 2013	67.7	$	34.72
Options exercisable at May 31,			
2011	40.1	$	22.03
2012	33.9		24.38
2013	35.9		27.70

(1) Includes stock appreciation rights transactions.

The weighted average contractual life remaining for options outstanding and options exercisable at May 31, 2013 was 6.3 years and 4.7 years, respectively. The aggregate intrinsic value for options outstanding and exercisable at May 31, 2013 was $1,823 million and $1,218 million , respectively. The aggregate intrinsic value was the amount by which the market value of the underlying stock exceeded the exercise price of the options. The total intrinsic value of the options exercised during the years ended May 31, 2013 , 2012 , and 2011 was $293 million , $453 million , and $267 million , respectively.

In addition to the 1990 Plan, the Company gives employees the right to purchase shares at a discount to the market price under employee stock purchase plans ("ESPPs"). Employees are eligible to participate through payroll deductions of up to 10% of their compensation. At the end of each six -month offering period, shares are purchased by the participants at 85% of the lower of the fair market value at the beginning or the end of the offering period. Employees purchased 1.6 million , 1.7 million , and 1.6 million shares during each of the three years ended May 31, 2013 , 2012 and 2011 , respectively.

From time to time, the Company grants restricted stock units and restricted stock to key employees under the 1990 Plan. The number of shares underlying such awards granted to employees during the years ended May 31, 2013 , 2012 , and 2011 were 1.6 million , 0.7 million , and 0.4 million with weighted average values per share of $46.86 , $49.49 , and $35.11 , respectively. Recipients of restricted stock are entitled to cash dividends and to vote their respective shares throughout the period of restriction. Recipients of restricted stock units are entitled to dividend equivalent cash payments upon vesting. The value of all grants of restricted stock and restricted stock units was established by the market price on the date of grant. During the years ended May 31, 2013 , 2012 , and 2011 , the aggregate fair value of restricted stock and restricted stock units vested was $25 million , $22 million , and $15 million , respectively, determined as of the date of vesting.

NOTE 12 — Earnings Per Share

The following is a reconciliation from basic earnings per share to diluted earnings per share. Options to purchase an additional 0.1 million , 0.2 million , and 0.3 million shares of common stock were outstanding at May 31, 2013 , 2012 , and 2011 respectively, but were not included in the computation of diluted earnings per share because the options were anti-dilutive.

NIKE INC

FORM DEF 14A
(Proxy Statement (definitive))

Filed 07/30/13 for the Period Ending 05/31/13

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

COMPENSATION COMMITTEE REPORT

The Compensation Committee of the Board of Directors (the “Committee”) has reviewed and discussed with management the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K. Based on the review and discussions, the Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this proxy statement.

Members of the Compensation Committee:

- Timothy D. Cook, Chairman
- Elizabeth J. Comstock
- John C. Lechleiter
- Johnathan A. Rodgers

EXECUTIVE COMPENSATION

Summary Compensation Table

The following table sets forth compensation for fiscal 20□□-20□□ paid to or earned by our Chief Executive □fficer, our Chief □inancial □fficer and our next three most highly compensated executive officers who were serving as executive officers on May □□, 20□□. These individuals are referred to throughout this proxy statement as the "□amed Executive □fficers."

Name and Principal Position	Year	Salary (1) ($)	Stock Awards (2) ($)	Option Awards (3) ($)	Non-Equity Incentive Plan Compensation (4) ($)	All Other Compensation (5) ($)	Total ($)
Mark □. □arker	20□□	□,□0□,□□□	□,□00,0□□	4,□□□,2□0	□,□22,4□□	□□4,□□0	□□,42□,□0□
□resident and Chief	20□2	□,□□0,000	2□,□00,0□□	□,□4□,□□0	□,20□,□□0	□0□,4□2	□□,2□2,□□□
Executive □fficer	20□□	□,□□□,□□□	□,□00,0□□	2,□□□,0□□	2,□□□,□□□	□4□,□□□	□□,0□0,□□□
Donald □ . Blair	20□□	□□2,□□2	□,□2□,0□□	□,□2□,000	□,□□4,□□□	□□□,□□2	□,□□□,4□2
Executive □ice □resident	20□2	□□0,000	□□0,0□□	□,□0□,□00	□,□2□,□□2	□□□,□□□	4,□4□,02□
□ Chief □inancial □fficer	20□□	□42,□0□	□00,02□	□□□,□□□	□□□,20□	□40,□□□	□,2□□,□□□
Charles D. Denson (□)	20□□	□,□□0,□□□	□,000,0□□	□,0□4,000	4,□□□,02□	24□,□□□	□□,□□2,4□4
□resident, □IKE Brand	20□2	□,□20,000	2,0□0,04□	2,□□□,200	4,□2□,□4□	2□□,□0□	□0,□□□,2□□
	20□□	□,□0□,4□2	2,000,04□	2,□20,□□□	2,0□□,□□□	24□,□□4	□,□□0,044
Eric D. Sprunk	20□□	□□□,□4□	□,□2□,□0□	□,□2□,000	□,□□0,4□0	□□0,0□□	□,□4□,□□4
Executive □ice □resident,	20□2	□□□,2□□	□00,0□□	□,□0□,□00	□,□4□,□□2	□□4,4□□	4,44□,2□4
Merchandising □ □roduct	20□□	□42,□0□	□00,02□	□□□,□□□	□□□,20□	□□□,□□□	□,24□,□□□
Trevor A. Edwards	20□□	□□□,□4□	□,□2□,□0□	□,□2□,000	□,□□0,4□0	□□□,□□2	□,□4□,4□□
Executive □ice □resident,	20□2	□□□,2□□	□00,0□□	□,□0□,□00	□,□4□,□□2	□0□,□□□	4,44□,□42
□lobal Brand □ Category Management	20□□	□42,□0□	□00,02□	□□□,□□□	□□□,20□	□2□,□□0	□,24□,□□□

(1) *Reflects 27 pay periods during fiscal 2013.*

(2) *Represents the grant date fair value of restricted stock and restricted stock unit awards granted in the applicable year computed in accordance with accounting guidance applicable to stock-based compensation. The grant date fair value is based on the closing market price of our Class B Stock on the grant date.*

(3) *Represents the grant date fair value of options granted in the applicable year computed in accordance with accounting guidance applicable to stock-based compensation. The grant date fair value of the options was estimated using the Black-Scholes option pricing model. The assumptions made in determining the grant date fair values of options under applicable accounting guidance are disclosed in Note 11 of Notes to Consolidated Financial Statements in our Annual Report on Form 10-K for the year ended May 31, 2013.*

(4) Non-Equity Incentive Plan Compensation consists of the following:

Name	Fiscal Year	Annual Incentive Compensation ($)	Long-Term Incentive Compensation ($)	Total ($)
Mark □. □arker	20□□	2,□□2,4□□	2,□40,000	□,□22,4□□
	20□2	2,20□,□□0	4,000,000	□,20□,□□0
	20□□	2,□□□,□□□	□	2,□□□,□□□
Donald □. Blair	20□□	□4□,□□□	□□□,000	□,□□4,□□□
	20□2	□2□,□□2	□,000,000	□,□2□,□□2
	20□□	□□□,20□	□	□□□,20□
Charles D. Denson	20□□	□,□0□,02□	2,20□,000	4,□□□,02□
	20□2	□,□2□,□4□	□,000,000	4,□2□,□4□
	20□□	2,0□□,□□□	□	2,0□□,□□□
Eric D.Sprunk	20□□	□2□,4□0	□□□,000	□,□□0,4□0
	20□2	□4□,□□2	□,000,000	□,□4□,□□2
	20□□	□□□,20□	□	□□□,20□
Trevor A. Edwards	20□□	□2□,4□0	□□□,000	□,□□0,4□0
	20□2	□4□,□□2	□,000,000	□,□4□,□□2
	20□□	□□□,20□	□	□□□,20□

Amounts shown in the Annual Incentive Compensation column were earned for performance in the applicable fiscal year under our Executive Performance Sharing Plan. Amounts shown in the Long-Term Incentive Compensation column were earned for performance during the three -year period ending with the applicable fiscal year under our Long-Term Incentive Plan.

(5) For each of the Named Executive Officers, this includes profit-sharing contributions by us to the 401(k) Savings and Profit Sharing Plan for fiscal 2013 in the amount of $10,051 and matching contributions by us to the 401(k) Savings and Profit Sharing Plan for fiscal 2013 in the amount of $12,500 for Messrs. Parker, Blair, Denson and Sprunk and $12,269 for Mr. Edwards. Also includes profit-sharing contributions by us to the Deferred Compensation Plan for fiscal 2013 in the following amounts: $143,346 for Mr. Parker; $54,616 for Mr. Blair; $110,514 for Mr. Denson; and $58,749 for Messrs. Sprunk and Edwards. Includes dividends paid on restricted stock and dividend equivalents credited (but not paid) on unvested restricted stock units in the following amounts: $425,793 for Mr. Parker, $61,765 for Mr. Blair, $113,532 for Mr. Denson, $88,755 for Mr. Sprunk, and $88,183 for Mr. Edwards.

(6) Mr. Denson resigned as President, NIKE Brand effective July 1, 2013.

Grants of Plan-Based Awards in Fiscal 2013

The following table contains information concerning the long-term incentive bonus opportunities, annual incentive bonus opportunities, restricted stock and restricted stock unit awards and stock options granted to the □amed Executive □fficers in fiscal 20□□.

		Estimated Possible Payouts Under Non-Equity Incentive Plan Awards						
		Threshold	Target	Maximum	All Other Stock Awards: Number of Shares of Stock [3]	All Other Option Awards: Number of Shares Underlying Options [5]	Exercise or Base Price of Option Awards	Grant Date Fair Value of Stock and Option Awards [6]
Name	**Grant Date**	($)	($)	($)	(#)	(#)	($/Sh)	($)
Mark	□20□20□2	□,20□,2□□ (□)	2,4□4,42□ (□)	□,□2□,□□4 (□)				
□. □arker	□20□20□2	□,□□0,000 [2]	□,□00,000 [2]	□,000,000 [2]				
	□20□20□2				□□,20□			□,□00,0□□
	□20□20□2					□□0,000	4□.□4	4,□□□,2□0
Donald	□20□20□2	□□□,2□□ (□)	□□4,42□ (□)	□,□□□,□□4 (□)				
□. Blair	□20□20□2	2□0,000 [2]	□00,000 [2]	□,000,000 [2]				
	□20□20□2				□□,4□0			□2□,0□2
	□20□20□2					□20,000	4□.□4	□,□2□,000
	□20□20□2				□4,4□2 [4]			□,000,0□□
Charles	□20□20□2	□□□,000 (□)	□,□□2,000 (□)	2,□□□,000 (□)				
D. Denson	□20□20□2	□□0,000 [2]	□,□00,000 [2]	□,000,000 [2]				
	□20□20□2				□0□,4□□			□,000,0□□
	□20□20□2					240,000	4□.□4	□,0□4,000
Eric	□20□20□2	4□2,□0□ (□)	□□□,2□□ (□)	□,2□□,□□□ (□)				
D. Sprunk	□20□20□2	2□0,000 [2]	□00,000 [2]	□,000,000 [2]				
	□20□20□2				□□,4□0			□2□,0□2
	□20□20□2					□20,000	4□.□4	□,□2□,000
	□20□20□2				□0□,4□□ [4]			□,000,0□□
Trevor	□20□20□2	4□2,□0□ (□)	□□□,2□□ (□)	□,2□□,□□□ (□)				
A. Edwards	□20□20□2	2□0,000 [2]	□00,000 [2]	□,000,000 [2]				
	□20□20□2				□□,4□0			□2□,0□2
	□20□20□2					□20,000	4□.□4	□,□2□,000
	□20□20□2				□0□,4□□ [4]			□,000,0□□

(1) These amounts represent the potential bonuses payable for performance during fiscal 2013 under our Executive Performance Sharing Plan. Under this plan, the Compensation Committee approved target awards for fiscal 2013 based on a percentage of the executive's base salary paid during fiscal 2013 as follows: Mr. Parker, 150%; Mr. Blair, 90%; Mr. Denson, 130%; Mr. Sprunk, 90%; and Mr. Edwards, 90%. The Committee also established a series of performance targets based on our income before income taxes ("PTI") for fiscal 2013 (excluding the effect of acquisitions, divestitures and accounting changes) corresponding to award payouts ranging from 50% to 150% of the target awards. The PTI for fiscal 2013 required to earn the target award payout was $3,282 million. The PTI for fiscal 2013 required to earn the 150% maximum payout was $3,545 million. The PTI for fiscal 2013 required to earn the 50% threshold payout was $3,019 million. Participants receive a payout at the percentage level at which the performance target is met, subject to the Committee's discretion to reduce or eliminate any award based on Company or individual performance. Actual award payouts earned in fiscal 2013 and paid in fiscal 2014 are shown in footnote 3 to the Non-Equity Incentive Plan Compensation column in the Summary Compensation Table.

(2) These amounts represent the potential long-term incentive awards payable for performance during the three-year period consisting of fiscal 2013-2015 under our Long-Term Incentive Plan. Under this plan, the Compensation Committee approved target awards for the performance period and also established a series of performance targets based on our cumulative revenues and cumulative diluted earnings per common share ("EPS") for the performance period (excluding the effect of acquisitions, divestitures and accounting changes not reflected in our business plan at the time of approval of the target awards) corresponding to award payouts ranging from 50% to 200% of the target awards. Participants will receive a payout at the average of the percentage levels at which the two performance targets are met, subject to the Committee's discretion to reduce or eliminate any award based on Company or individual performance. For cumulative revenues over the performance period, the target payout requires revenues of $81,801 million, the 50% threshold payout requires revenues of $78,733 million, and the 200% maximum payout requires revenues of $88,176 million. For cumulative EPS over the performance period, the target payout requires EPS of $9.24, the 50% threshold payout requires EPS of $8.575, and the 200% maximum payout requires EPS of $10.67. Under the terms of the awards, on the first payroll period ending in August 2015 we will issue the award payout to each participant, provided that the participant is employed by us on the last day of the performance period.

(3) All amounts reported in this column represent grants of restricted stock or restricted stock units under our 1990 Stock Incentive Plan. Restricted stock generally vests in three equal installments on the first three anniversaries of the grant date. Vesting will be accelerated in certain circumstances as described below under "Potential Payments Upon Termination or Change-in-Control." Dividends are payable on restricted stock at the same rate paid on all other outstanding shares of our Class B Stock.