



July 6, 2015

Mr. James P. Hackett
Interim Donald R. Shepherd Director of Athletics
University of Michigan Department of Athletics
1000 South State Street
Ann Arbor, MI 48109-2201

Dear Jim:

NIKE is pleased to have reached the current stage of negotiations with The University of Michigan ("UofM") with regard to product supply and sponsorship of its intercollegiate athletic programs, related licensing rights and collaboration in support of the UofM community. This non-binding term sheet will summarize material business terms discussed to date and identify areas for further discussion and documentation. It is the intent of the parties to draft and execute a long-form agreement as soon as possible that will include material business terms, add terms and conditions such as are customarily found in university product supply agreements (e.g., wear/use obligations, merchandise ordering procedures, delivery schedules, approvals, warranties, appearances, indemnities, insurance, spating, termination and reduction rights, competitor protection, etc.), and other details that have yet to be agreed upon (the "Definitive Agreement").

1. PARTIES: The University of Michigan and NIKE USA, Inc.
2. TERM OF AGREEMENT: Eleven (11) "Contract Years," from August 1, 2016 to July 31, 2027 (the "Initial Term") with a UofM option to extend the Definitive Agreement for an additional 4-Contract Year period (the "Option Term") such option to be exercised no later than June 15, 2026. The Initial Term together with the Option Term, if exercised, shall be referred as the "Term."
3. COVERED PROGRAMS: All Varsity Intercollegiate Athletic Programs, subject to section 6 below.
4. FLAGSHIP PROGRAMS: Football, Men's and Women's Basketball.
5. CASH COMPENSATION:
 - (a) Within 10 business days of full execution of the Definitive Agreement, NIKE shall pay UofM a lump-sum advance payment of Base Compensation in the amount of \$12,000,000.00.
 - (b) On or before August 1 of each Contract Year, NIKE shall pay UofM Base Compensation as set forth below:

YEAR	BASE COMPENSATION
CY1	\$4,820,000
CY2	\$4,820,000
CY3	\$4,820,000
CY4	\$4,820,000
CY5	\$4,820,000
CY6	\$4,820,000
CY7	\$4,820,000
CY8	\$4,820,000
CY9	\$4,820,000
CY10	\$4,820,000
CY11	\$5,320,000
CY12*	\$5,820,000
CY13*	\$5,820,000
CY14*	\$5,820,000
CY15*	\$5,820,000

*If option exercised

- (c) In accordance with the usual schedule for payment of royalties by other UofM licensees, NIKE shall pay UofM or UofM's licensing agent, currently the Collegiate Licensing Company (CLC), a royalty of 15% on "Net Sales" (based on NIKE wholesale revenue and as defined in NIKE's standard sponsorship template) of Licensed Products that NIKE sells during such Contract Year. Aggregate royalties shall not be less than \$18,370,000 over the Initial Term or, if UofM exercises the option, \$25,050,000 over the Term (the "MRG"). NIKE shall be granted licensing exclusivity for authentic and replica jerseys, with the exception of throwback and other jerseys as further negotiated in the Definitive Agreement, non-exclusivity for other Products, protection against other licensees of NIKE's original and/or unique design elements, and exclusivity among athletic footwear companies manufacturing performance footwear, to include but not be limited to Under Armour, Adidas, Reebok, and Puma.
6. **PRODUCT SUPPLY & USE OBLIGATIONS:** Each Contract Year UofM and NIKE shall collaborate to determine the product supply package (consisting of footwear, apparel and such other products as reasonably needed by UofM) to be supplied by NIKE which shall be allocated annually at the discretion of UofM's Director of Athletics, subject to the exceptions in this Section 6. NIKE shall make best efforts to offer UofM an assortment of competition and sideline apparel styles and colors that are unique to UofM yet consistent among UofM sports with respect to UofM trademarks, colors and imagery. NIKE shall propose styles to UofM at least two months prior to the relevant order dates in order to allow adequate opportunity for UofM's review and approval.

The retail value of the Products supplied by NIKE to UofM shall be as set forth below, subject to an opportunity in CY6 and CY12 for UofM to substitute for the remainder of the Term the yearly \$100,000 increase with another mechanism that acknowledges marketplace changes and helps to maintain UofM's purchasing position. This mechanism shall be further negotiated and defined by the parties. In no event, however, will the annual Product allocation amount decrease from one Contract Year to the next.

YEAR	PRODUCT SUPPLY
CY1	\$5,300,000
CY2	\$4,700,000
CY3	\$4,800,000
CY4	\$4,900,000
CY5	\$5,000,000
CY6	\$5,100,000
CY7	\$5,200,000
CY8	\$5,300,000
CY9	\$5,400,000
CY10	\$5,500,000
CY11	\$5,600,000
CY12*	\$5,700,000
CY13*	\$5,800,000
CY14*	\$5,900,000
CY15*	\$6,000,000

*If option exercised

UofM may carryover up to \$300,000 (retail value) in product allotment from one Contract Year to the next. Additional product may be purchased by UofM from NIKE at NIKE's published wholesale prices, and UofM shall be further entitled to purchase football shoes on a 2-for-1 basis as outlined in NIKE's standard sponsorship template. NIKE shall use commercially reasonable efforts to accommodate UofM's recreational sports at its Ann Arbor campus, by providing the opportunity to participate in the Definitive Agreement through access to NIKE product with favorable pricing. The parties shall continue good faith discussions regarding product purchasing for other UofM departments and units.

NIKE acknowledges that UofM has existing supply arrangements with third parties for the following sport programs and products and may continue such arrangements, on the condition that such third parties are not manufacturers or sellers of athletic performance footwear, to include but not be limited to Under Armour, Adidas, Reebok, and Puma.

Gymnastics: competition product

Swimming and Diving: competition product and training equipment

Baseball: bats, bat bags, fielding gloves, protective equipment

Softball: bats, bat bags, gloves, protective equipment

Wrestling: singlets (for duration of current supplier relationship), headgear, kneepads

Ice Hockey: equipment and skates

Field Hockey: equipment

Golf: clubs and balls (no suppliership or sponsorship arrangements)

Tennis: racquets and balls

Volleyballs: balls

Men's Lacrosse: equipment (for duration of current supply agreement)

All Sports: helmets or other protective head or face gear

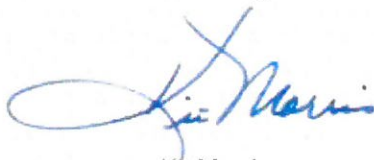
7. BRANDING:

- (a) Prior to the Effective Date and from time to time during the Term, NIKE will make its Graphic Identity Group available to UofM for a comprehensive branding review and team uniform design.
 - (b) NIKE shall outfit the men's and women's basketball programs with Jordan (instead of NIKE) Brand footwear and apparel for the entire Term. At UofM's request, NIKE shall supply other Covered Teams with Jordan Brand footwear and apparel to the extent NIKE does so at other NIKE-sponsored universities. The request must be made in writing 12 months prior to the relevant season and the arrangement shall remain in place for the remainder of the Term.
8. **STUDENT INTERNSHIPS:** Each Contract Year, NIKE will offer three summer internships (at NIKE's world headquarters in Beaverton, Oregon) to UofM students, at a minimum cost to NIKE of \$15,000 per intern.
 9. **COLLABORATION, OUTREACH AND INITIATIVES:** The parties are committed to collaborate on the following matters of mutual interest and benefit: (a) a minimum of two community events each Contract Year that support and/or celebrate health and fitness; (b) sharing and furthering research and innovation with regard to sports performance (e.g., healthy training, recovery and injury prevention); and (c) sustainability and protecting the environment, such as sharing strategies and innovation in reducing waste and conserving natural resources.
 10. **COMPLIANCE:** The parties have a shared interest and goal of improving the working conditions in the subcontracted factories engaged to make Licensed Product. NIKE will share information with UofM about its compliance program, and the parties will further negotiate appropriate language for the Definitive Agreement.
 11. **SHIPPING COSTS, RETURNS:** Shipping and returns will be handled pursuant to NIKE's standard policy, with the understanding that in the first Contract Year there shall be no shipping charges on any Product provided to Covered Programs, whether complimentary or purchased by UofM.
 12. **GRANT OF RIGHTS, PRODUCT CATEGORY & EXCLUSIVITY:** UofM will grant NIKE a standard grant of sponsorship rights including the designation as UofM's exclusive Products sponsor and supplier, the right to use UofM marks and coaches' participation, and exclusive rights to supply UofM with all "Products" as outlined in NIKE's standard sponsorship template, subject to the specific exceptions and carve-outs mentioned in this term sheet. UofM also will cause NIKE to be granted a retail license, which, subject to the terms and conditions of said retail license, shall be maintained in effect throughout the Term, covering the Products category and including the exclusivity described in section 5(c) above.
 13. **SPONSORSHIP BENEFITS:** In consideration of the cash compensation and other consideration provided by NIKE, UofM shall make reasonable efforts to provide NIKE with a package of complimentary sponsor benefits reflective of NIKE's sponsorship level and consistent with those benefits typically received by NIKE from top tier collegiate programs. NIKE's access to Covered Program activities and/or use of game photos and footage shall be subject to NCAA rules regarding the depiction of student-athletes, student-athletes' time and schedules, and Big Ten Network rights.
 14. **RIGHT OF FIRST DEALING & REFUSAL:** UofM shall grant NIKE a right of first dealing and a right of first refusal as outlined in NIKE's standard sponsorship template; however, it is understood that the right of first dealing shall expire 21 months prior to the end of the Initial Term and 21 months prior to the end of the Option Term, if UofM exercises the option.

15. ANNUAL REVIEW: The parties commit to an annual review of the processes and practices utilized by each to carry out their respective obligations under the Definitive Agreement, and to discuss any areas of concern or improvement with regard to the execution of such obligations.

Upon UofM's confirmation of the foregoing terms, we will have NIKE's Legal Department proceed to prepare the Definitive Agreement which incorporates the above agreed terms, standard sponsorship terms and conditions and additional negotiated terms. Again, we are delighted to have reached this stage of our negotiations and look forward to a long and mutually beneficial relationship.

Sincerely,



Kit Morris
Senior Director, NIKE College Sports Marketing

Cc: Robert Rademacher
John Slusher
Debra Kowich
Mary VanderWeele

CONFIRMED:

UNIVERSITY OF MICHIGAN

By: 

Its: Athletic Director (Interim)