COLDSTREAM

NIKE EQUITY COMPENSATION

Nike Equity Compensation makes it possible for eligible employees to participate in the success of Nike to build their own long-term wealth and security

HOW DOES NIKE EQUITY COMPENSATION WORK?

Nike Restricted Stock Units (RSUs) and Non-Qualified Stock Options (NSOs) are a significant benefit that makes it possible for Nike employees to be part of Nike's growth.

You can choose annually whether you want to receive your equity compensation in 100% RSUs, 100% NSOs, or a combination of 50/50 each.

Your choice determines the number of shares you will be awarded, which is typically higher if you select NSOs versus RSUs.

It's important to understand your options and develop a strategy given your goals and personal situation.

What are the major differences between RSUs and NSOs?

	Nike Restricted Stock Units (RSUs)	Nike Non-Qualified Stock Options (NSOs)
Value	The value of your RSUs is the price of Nike stock on the day your RSUs vest.	The value of your stock options depends upon your strike price, when you exercise your stock options, and when you choose to sell the stock.
Taxes	RSUs are taxed as ordinary income upon vesting. Nike withholds tax for RSUs as supplemental wages: 22% up to $1 million, and 37% rate in excess of $1 million.	Your stock options are taxed as ordinary income at the time that you exercise them.
Separation from service	If you leave Nike, your vested RSUs are yours to keep.	If you leave Nike, you have three months in which to exercise your vested stock options or you lose them.

How do Nike Restricted Stock Units (RSUs) work?

Your Restricted Stock Units (RSUs) are issued on a vesting schedule of 25% annually over four years. Each year, you are issued the vested installment of your RSUs. When your Nike RSUs vest, Nike will withhold applicable income taxes (as supplemental wages) and deposit the remaining shares in your account, at which point you own them. The value you receive from your shares is Nike's share price on your vest date. People often anchor themselves to the price on the grant date, which doesn't apply to the value you receive. You can choose whether to hold or when to sell your Nike stock shares after they vest.

Your RSUs are taxed as supplemental wages as soon as they vest, based on the stock price at the time of vesting. The total market value of your shares will be taxed. The standard withholding for supplemental wages is 22% up to $1 million and 37% in excess of $1 million. Your withholdings may not be adequate to cover the tax bill, particularly if you have multiple years of rolling RSUs vesting, so be sure to be prepared for the taxes.

If you hold the stock, any growth in value will be taxed as ordinary income in the first year, and as capital gains after the first year.

RSUs are generally considered less risky than stock options. Stock options, on the other hand, can lose their value if Nike's stock price drops below the exercise price. Stock options also expire after ten years if not exercised.

How do Nike Non-Qualified Stock Options (NSOs) work?

A stock option is the right to purchase shares of Nike at an exercise price, also known as a strike price. You can use your options to buy Nike stock any time up to the option's expiration, which can be up to ten years. You are in control of when you exercise your options and when — and whether — you choose to sell any stock purchased. The more that shares of Nike stock increase in price relative to your strike price, the more valuable your stock options become.

STOCK OPTIONS VALUE = # OF OPTIONS x ($ CURRENT STOCK PRICE - $ EXERCISE PRICE)

Stock options are vested on the same schedule as RSUs: 25% annually over four years, but stock options are not taxed as they vest and increase in value; taxes are only applied when the options are exercised. The difference between the market value and exercise price is taxed as ordinary income at the time you exercise them, so you should plan your tax strategy thoughtfully.

If you leave Nike voluntarily or involuntarily, any unvested stock options will be forfeited, and you will have 90 days to exercise your vested stock options. If you retire from Nike:

- You will forfeit any unvested stock options earned less than one year prior to separation.
- Other unvested stock options will continue to vest per the original vesting schedule if you are age 55-59 with at least five years of service. If you are age 60 and above with at least five years of service, those unvested stock options will become fully vested as of your retirement date.
- After your retirement date, you will have up to four years to exercise your vested stock options.

If your stock options are not exercised by the time they expire, they are forfeited. See the following page for more information about your stock option choices and how to make strategic decisions to maximize their value.

Understanding NSO choices

To make the most strategic use of your non-qualified stock options, you'll need to decide when the best time is to exercise your options. This will depend on a number of considerations, including market changes, how it fits into your overall planning strategy, and the tax implications. We've outlined below a few key considerations that will be important in making the best use of your stock options.

MAXIMIZE YOUR TIME HORIZON

The value of your stock options depends on the Nike stock price at any given time, and how much higher it is than your strike price. Over time, the stock price has historically trended higher, though it has experienced periods of short-term volatility. Below, you can see the ten years of stock prices between 2013 and 2023.

Given the long-term trends, generally, the longer you can wait before exercising your stock options, the more opportunity you will have to maximize their value.

Source: MacroTrends.net

PLAN YOUR TAX STRATEGY

Because the exercise of your stock options generates additional taxable income, you need to consider how your options will affect your taxes. Not only will your stock options be taxed as ordinary income, but you could find yourself in a higher tax bracket.

Below are a few strategies that can help mitigate tax impact, but we recommend working with a financial and tax planner to look at your personal situation:

- You can spread out the exercise of your stock options over two or more years, seeking to manage your annual income so it doesn't exceed your current marginal tax rate.
- You can coordinate the exercise of your stock options with a contribution to your Nike Deferred Compensation Plan (DCP), so that you use your stock option proceeds for living expenses, while contributing your regular salary into your DCP plan to avoid additional taxes.
- You can use other tax planning strategies to balance out the tax impact in the year or years in which you exercise your stock options.

Coldstream can help.

Equity compensation can be confusing, but when used appropriately it can be a tremendous benefit, helping you build long-term wealth and security. Our planners are in your corner; we have decades of experience working with Nike executives and can help you explore options and find the best ways to make your Nike benefits work for you.

Contact us to learn more about how we may be able to help. Reach out at 452.283.1600 or info@coldstream.com. We look forward to learning more about the legacy you want to create.