NIKE EMPLOYEE PLANNING SERIES

How Much Nike Stock Is Too Much?

A framework for measuring total exposure and diversifying with taxes and trading rules in view

Nike stock can enter a household through many doors: vested RSUs and performance awards, ESPP purchases, shares acquired by exercising Nike employee stock options granted as equity compensation, a taxable brokerage account, and the Nike stock fund inside the 401(k). Looking at each account separately can hide the real exposure. The right question is not whether Nike is a good company. It is whether one company now has enough influence over the family's investments, future compensation, and financial goals to create an avoidable risk. This paper discusses only stock options granted by Nike as part of an employee's equity-compensation package; it does not discuss exchange-traded options or options-trading strategies.

COUNT WHAT YOU OWN Combine every currently owned Nike position: taxable shares, ESPP shares, vested shares retained after an award, and Nike stock inside the 401(k). Use market value on one date and divide the total by investable assets so the percentage is consistent.

TRACK WHAT IS COMING Unvested awards and Nike employee stock options granted as equity compensation are not the same as owned shares, but they can rebuild concentration after a sale. Track future vesting, expected ESPP purchases, expiration dates for Nike employee stock options, and potential performance awards as a separate exposure pipeline.

MEASURE THE HOUSEHOLD IMPACT Salary, PSP, future grants, and career opportunity may also depend on Nike. Do not assign them a stock-market value; instead, test what a meaningful Nike decline could do to investments and employment income at the same time. A personal limit should protect required goals, not copy a generic percentage.

Build the Complete Nike Exposure Map

Concentration is a household measurement, not an account label. Start with positions that are owned today, then add separate visibility for Nike employee stock options and future equity awards. This prevents unvested compensation from being counted as current wealth while still recognizing that new Nike exposure may arrive after the portfolio is diversified.

LAYER 1 - OWNED NIKE SHARES TODAY

TAXABLE ACCOUNTS Include ESPP shares, shares retained after RSU or performance-award vesting, shares acquired by exercising Nike employee stock options granted as equity compensation, inherited or purchased Nike shares, and any positions held at more than one brokerage firm.

RETIREMENT ACCOUNTS Include Nike stock held in the Nike 401(k) or another retirement account. Keep any NUA-eligible shares identified separately because a rollover or sale can change the available tax strategy.

OWNED NIKE PERCENTAGE Divide the market value of all owned Nike shares by total investable assets measured on the same date. Use the same account and asset definitions each time so changes reflect decisions and market movement rather than inconsistent math.

LAYER 2 - NIKE EMPLOYEE STOCK OPTIONS AND FUTURE EQUITY

Track vested Nike employee stock options granted as equity compensation by strike price, expiration date, intrinsic value, and the number of underlying shares. The value of these employee stock-option grants is nonlinear, and the underlying shares should not be counted as though they were already owned. Track unvested RSUs, performance awards, and planned ESPP purchases in a separate vesting calendar. They are contingent future compensation, but they show how quickly Nike exposure could return.

LAYER 3 - CAREER AND CASH-FLOW DEPENDENCE

EMPLOYMENT EXPOSURE Salary, PSP, future awards, benefits, and advancement may be tied to Nike's business results. Treat this as a qualitative risk amplifier rather than adding an invented dollar value to the portfolio calculation.

LIQUIDITY EXPOSURE Identify goals that cannot be postponed: near-term spending, taxes, education, a home purchase, debt reduction, and the first years of retirement. Assets supporting those goals should not depend on one stock recovering on schedule.

> **Planning principle:** Nike stock becomes 'too much' when a company-specific decline could materially impair required goals, retirement timing, or household liquidity - especially when income and future awards may be pressured at the same time.

Use a Stress Test - Not a Universal Percentage

No single concentration limit is appropriate for every Nike employee. The same percentage can represent a manageable risk for one household and a retirement-changing risk for another. The decision should be based on the dollars at risk, the purpose of those dollars, the ability to replace them, and the amount of future Nike exposure still expected.

A SIMPLE ILLUSTRATIVE STRESS TEST

STARTING POSITION Assume a household has $2,000,000 of investable assets and $600,000 of currently owned Nike stock across taxable and retirement accounts. The owned Nike percentage is 30% before considering Nike employee stock options granted as equity compensation, future awards, or career exposure.

ILLUSTRATIVE DECLINE A 40% decline in Nike would reduce the owned position by $240,000, before taxes and before considering any change in PSP, future awards, or employment. This is a scenario, not a forecast.

GOAL IMPACT Translate the $240,000 decline into decisions: Does retirement move? Is education funding affected? Would the household need to sell during a downturn? Could future vesting rebuild the position before the next review?

This is a hypothetical example for the purpose of illustrating these financial concepts and is not representative of of any specific investment strategy or allocation. Your results may vary.

DIVERSIFY IN A DELIBERATE ORDER

STOP ADDING EXPOSURE FIRST Consider a standing rule for newly vested shares, future ESPP purchases, and exercises of Nike employee stock options granted as equity compensation. Selling or diversifying a portion as exposure arrives may prevent the position from rebuilding after older shares are sold.

IDENTIFY THE EXACT TAX LOTS Before selling, reconcile acquisition date, cost basis, holding period, and source for every lot. Specific-lot instructions can control which shares are sold; if shares cannot be adequately identified, FIFO rules may determine basis. Verify broker confirmation and payroll records for shares received from equity awards.

PROTECT SPECIAL-PURPOSE LOTS Do not apply a generic high-basis-first rule to every share. ESPP holding periods, NUA shares, short-term gains, loss lots, and expiration or exercise deadlines for Nike employee stock options can change the preferred sequence. Selling at a loss also requires coordination with ESPP purchases and other acquisitions under the wash-sale rules.

USE CHARITABLE GIVING SELECTIVELY For a household already planning to give, donating long-term appreciated Nike shares directly to a qualified charity or donor-advised fund may avoid realizing the embedded gain and may support a fair-market-value deduction, subject to holding-period, AGI, substantiation, and recipient rules. Short-term or ordinary-income property can produce a different result.

KEEP TAXES IN THEIR PROPER ROLE Taxes matter, but an embedded gain is not a reason to leave required goals exposed indefinitely. Compare the certain tax cost of a sale with the financial consequence of continuing to hold the concentration.

Turn the Decision Into a Standing Policy

A one-time sale can reduce today's balance, but it does not solve the process problem. A written policy creates a repeatable response to future vesting, ESPP purchases, exercises of Nike employee stock options, market movement, and charitable goals. It also makes the household less dependent on deciding under pressure during a short trading window.

THE SIX-PART NIKE STOCK POLICY

1. MEASUREMENT RULE Define which accounts count as owned Nike stock, how Nike employee stock options and future equity awards are tracked, and the date the exposure percentage will be measured.

2. TARGET AND CEILING Set a target range and an action ceiling based on goal impact, liquidity, retirement horizon, other assets, future equity, and the household's willingness and ability to absorb loss.

3. VESTING AND PURCHASE RULE State what portion of new shares will be sold, retained, or directed to a planned charitable gift after each RSU vest, ESPP purchase, performance-award settlement, or exercise of Nike employee stock options granted as equity compensation.

4. TAX-LOT RULE Document how basis, holding period, ESPP character, NUA status, losses, and expiration or exercise deadlines for Nike employee stock options will be reviewed before choosing shares to sell or transfer.

5. TRADING-COMPLIANCE RULE Never transact while aware of material nonpublic information. Confirm whether a blackout, pre-clearance requirement, or other Nike policy applies to a sale, exercise of Nike employee stock options, 401(k) change, gift, or transfer before acting.

6. REVIEW RULE Review after each major vest or exercise and at least annually. Recalculate after market movement, a promotion, retirement-date change, or a material shift in household goals.

QUESTIONS TO RESOLVE BEFORE THE NEXT TRANSACTION

WHAT IS THE COMPLETE OWNED PERCENTAGE? Aggregate taxable, ESPP, vested-award, and 401(k) Nike shares using current values.

WHAT DOES THE STRESS TEST CHANGE? Translate a material stock decline into retirement timing, liquidity, and specific financial goals.

WHICH SHARES SHOULD MOVE FIRST? Coordinate basis, holding period, ESPP treatment, NUA, losses, charitable intent, and expiration or exercise deadlines for Nike employee stock options.

CAN THE TRANSACTION BE COMPLETED NOW? Confirm Nike's current insider-trading, blackout, pre-clearance, and plan-administration requirements before submitting instructions.

Educational overview. Current Nike plan documents, award agreements, account records, payroll information, and trading policies control. Sources: NIKE, Inc. 2026 Proxy Statement; NIKE, Inc. Insider Trading Policy and Blackout and Pre-clearance Policy (SEC Exhibits 19.1 and 19.2); FINRA, Concentrate on Concentration Risk; IRS Publications 550 and 526 (2025); Instructions for Form 8283 (Rev. December 2025). Reviewed August 2026.

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