

# Stock Splits



# Quick tip

This "Quick tip" highlights how stock splits affect grants received through your company's equity awards program. (Please refer to your official plan documents for the specific terms of your awards.)

## What is a stock split?

A stock split is when a company issues additional shares of its stock to current stockholders. With a 2-for-1 stock split, for example, current shareholders receive one additional share for each share they hold as of the record date.

When a company splits its stock, it has more shares outstanding. But its market value does not increase, as the price of its stock (after the split) reflects those additional shares. In the case of a 2-for-1 stock split, the stock price after the split would be half the price before the split (not including any normal market fluctuations). Generally, a company will split its stock to make its stock price appear more affordable to individual investors, as the share price after the split will be lower than before the split.

# How a stock split affects equity awards

A stock split does not directly affect the potential value of any equity awards received through your company's plan. However, both the grant price of a stock option and the number of stock options (or other awards) will be adjusted to reflect the split. This adjustment is made automatically; there is nothing you need to do.

Here's a stock option example, using a 2-for-1 stock split. The number of options is adjusted upwards and the grant (or exercise) price is adjusted downwards. The cost to exercise (exclusive of taxes and fees) is unchanged.

	Before 2-for-1 split	Adjustments after 2-for-1 split
Options granted	1,000	2,000
Grant (exercise) price	\$10	\$5
Cost to exercise	\$10,000	\$10,000

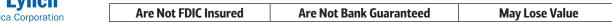
Here's a restricted award example, again using a 2-for-1 stock split. The number of awards is adjusted upwards to maintain the value of the grant.

	Before 2-for-1 split	Adjustments after 2-for-1 split
Restricted awards	1,000	2,000
Share price at grant	\$10	\$5
Market value at grant	\$10,000	\$10,000

In the case of a reverse stock split, through which a company reduces the number of its shares outstanding, the opposite would happen. The number of options (or other awards) would be adjusted downward and the grant price adjusted upwards.

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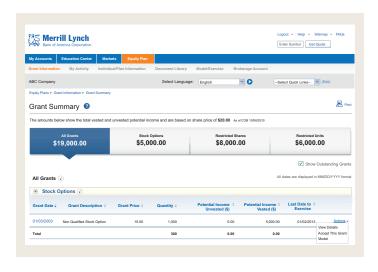
### Viewing your grant information

When you select the **Equity Plan** tab at the top of Benefits OnLine®, the **Grant Summary** page displays the potential value (unrealized) of your unvested and vested awards, calculated using the previous trading day's closing price. This information will reflect any adjustments made for stock splits.

Click on an award's grant date for additional information about that award.

#### What about dividends

If your company pays dividends, the amount of the dividend is generally adjusted to reflect the post-split price. In a 2-for-1 stock split, for example, a dividend of 50-cents per share might be adjusted to 25-cents per share.



### Important dates for stock splits

There are a few key dates to be aware of for stock splits:

- Record Date The date a shareholder must own the stock (or have received the award) to be eligible for the additional shares.
- Payable Date The date the additional shares are paid out (credited to a shareholder's account).
- Blackout Period The period during which you cannot perform transactions in your awards as the adjustments for the stock split are made. Typically, this period begins three business days prior to the record date and ends one business day after the payable date (your company may impose a different blackout period).

Note: Any pending transactions, such as Good Til Cancelled orders, are cancelled at the outset of a blackout period.

#### **Questions:**

If you have any questions about how stock splits might affect your awards, please call a participant service representative at your plan's toll-free number.



#### **Learn more**

The Equity Awards Education Center on Benefits OnLine features a series of videos to help you understand your awards. You'll also find a library of "Quick Tips" to help you manage and monitor your awards, a series of articles on equity award topics, and a user's guide to Benefits OnLine.

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