REVERSE STOCK SPLITS

When a company completes a reverse stock split, each outstanding share of the company is converted into a fraction of a share. For example, if a company declares a one for ten reverse stock split, every ten shares that you own will be converted into a single share. If you owned 10,000 shares of the company before the reverse stock split, you will own a total of 1,000 shares after the reverse stock split.

A company may declare a reverse stock split in an effort to increase the trading price of its shares – for example, when it believes the trading price is too low to attract investors to purchase shares, or in an attempt to regain compliance with minimum bid price requirements of an exchange on which its shares trade. In some reverse stock splits, small shareholders are "cashed out" (receiving a proportionate amount of cash in lieu of partial shares) so that they no longer own the company's shares. Investors may lose money as a result of fluctuations in trading prices following reverse stock splits.

Although the SEC has authority over a broad range of corporate activity, state corporate law and a company's articles of incorporation and by-laws generally govern the company's ability to declare a reverse stock split and whether shareholder approval is required.

If a company is required to file reports with the SEC, it may notify its shareholders of a reverse stock split on Forms 8-K, 10-Q or 10-K. Depending on the particular facts, companies pursuing a reverse stock split may also be required to file a proxy statement on Schedule 14A, if shareholder approval is required, or a Schedule 13E-3, if the reverse stock split will result in the company "going private." Corporate filings can be found on EDGAR."

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