

Shareholder Tax FAQ: 2025 Reverse Stock Split

Overview

On July 31, 2025, the Company executed a 1.0-for-2.92 reverse stock split of its common stock. This FAQ provides general information regarding the tax impact of this action and the related IRS Form 8937.

1. What is a reverse stock split?

A reverse stock split reduces the total number of shares outstanding while increasing the price per share proportionally. In this case, every 2.92 shares of "Old" common stock were converted into 1 share of "New" common stock.

2. Is this a taxable event for me?

Generally, a reverse stock split is intended to be a tax-free "recapitalization" for U.S. federal income tax purposes. You should not recognize a gain or loss for income tax purposes, except with respect to "cash in lieu" of fractional shares (see below).

3. How do I calculate my new cost basis?

Your total tax basis in your shares remains the same. However, because you now own fewer shares, your **basis per share** must be adjusted.

- **The Formula:** Take your old cost basis per share and multiply it by 2.92.
- **Example:** If you originally bought 292 shares at \$10.00 per share (Total Basis: \$2,920), you now own 100 shares at a basis of \$29.20 per share (Total Basis: \$2,920).

4. What happens to fractional shares?

The Company did not issue fractional shares. If the 1-for-2.92 calculation resulted in a fractional share, you likely received a cash payment (Cash in Lieu) from your broker.

- **Tax Impact:** This cash payment is generally treated as a sale of that fraction of a share. You may recognize a small capital gain or loss based on the difference between the cash received and the tax basis allocated to that fractional share.

5. Does the holding period of my shares change?

No. For tax purposes, the date you acquired your "New" shares is considered the same as the date you acquired your "Old" shares. This is important for determining whether any future gain is "Long-Term" or "Short-Term."

6. Why did the Company file Form 8937?

The Internal Revenue Code (Section 6045B) requires issuers to report organizational actions that affect the basis of securities. Form 8937 is the official disclosure of the reverse split's impact on shareholder basis. It is provided here for your records and for use by your tax preparer.

7. What about my Stock Options or Preferred Stock?

As disclosed in our SEC filings, the exercise prices of outstanding options were increased, and the number of underlying shares was reduced by the same 2.92 ratio. Similarly, the conversion ratios for all series of Redeemable Convertible Preferred Stock were adjusted. These adjustments are designed to maintain the economic value of the instruments and generally do not result in taxable income at the time of the split.

Disclaimer: This FAQ is for informational purposes only and does not constitute tax advice. Shareholders are encouraged to consult their own tax advisors regarding their specific circumstances.