



## **Restricted Stock Awards**

### **Frequently Asked Questions**

#### **What is a restricted stock award?**

Your restricted stock award is a grant of Lowe's stock subject to restrictions on sale and a risk of forfeiture. Your right to the shares of stock covered by the restricted stock award is contingent on continued service to the company for a specific period of time (the "vesting period").

During the vesting period, the restricted shares are not transferable, although you have some of the rights of a shareholder, including the right to vote and to receive dividends. If you fail to satisfy the vesting conditions (such as by terminating employment prior to the completion of the vesting period), you forfeit your right to the unvested shares.

#### **When are equity awards issued?**

The Company issues equity awards annually on March 1st for all employees in an equity eligible position at that time. There is a "catch-up" grant issued on August 1st for employees newly hired or newly promoted into an equity eligible position. Employees hired or promoted into an eligible position after August 1st will not be issued an award until the following March. Employees will only receive one grant per year, regardless of changes in their eligibility level.

#### **How is the grant size determined?**

The number of shares awarded is calculated using a predetermined compensation value that the Company wishes to distribute to employees based on position or pay grade level, the closing price of LOW stock on the New York Stock Exchange on March 1st, and a modified Black-Scholes valuation (a mathematical model which calculates the value of an equity grant based on factors including risk free rate of return, stock price volatility, dividend yield, type and terms of the grant).

#### **How will I be notified that I have received a grant?**

The Compensation Department will send you a notice within a few days after the grant is made. The Grant Notice you receive includes information about your award, such as the grant value, the number of shares awarded, and the vesting period of the award.

**Will I receive a grant agreement?**

Approximately 6 weeks after your grant, you will receive an email with instructions on how to review and accept the terms and conditions of your grant. This process is handled solely through E\*TRADE and requires no paperwork to be signed or mailed. All acceptances of your grants now occur on-line exclusively.

**How do I establish an E\*TRADE account?**

After you receive your first stock award, E\*TRADE will mail a welcome letter to your home address with a personalized authentication code and instructions on how to activate your E\*TRADE account.

If you have been granted equity awards or have participated in the Employee Stock Purchase Plan in the past, then E\*TRADE has already sent you a welcome letter. If you have not yet activated your account or if you have misplaced the authentication code, you can request it be sent to you. Lowe's does not provide E\*TRADE with your email address, so do not select the email option for the authentication code. If you have problems logging on, please contact E\*TRADE toll free at 800-838-0908 (650-599-0125 from outside the U.S.).

**Will I earn dividends on the restricted stock award shares?**

The Board of Directors may declare a dividend on all shares held on a specified date. If dividends are declared, the Compensation Department will send you a notification. While your shares are vesting, any dividends you may receive are considered compensation income and will be taxed at ordinary income tax rates. Any dividends paid will be included on your next payroll check following the dividend payable date and will also be included on your year-end W-2.

Once the shares vest and are deposited in your E\*TRADE account, you will receive dividends from E\*TRADE in the same manner as other shareholders of the company receive their declared dividends. The dividends are taxable and reported to the IRS by E\*TRADE on a Form 1099-DIV.

**What are voting rights?**

Voting rights means you will receive an annual report and proxy statement which will allow you to vote for or against issues presented at the Annual Shareholders Meeting.

**What happens to my restricted stock award shares if I leave the company?**

If your employment terminates (with the exception of Retirement (as defined in the grant agreements), death or long-term disability) before your restricted stock award shares have vested, your award is canceled and you will not be entitled to receive any shares from these restricted stock awards.

### **What happens to my restricted stock award shares if I retire, die, or become disabled?**

There are usually special rules in the event you retire, die, or become disabled. Please refer to your plan documents and specific grant agreements for the applicable provision for each award. These rules sometimes change, and the grant agreements, distributed through E\*TRADE at the time of grant, include the specific rules applicable to that grant. These documents can be accessed online in your E\*TRADE account.

### **What happens to my restricted stock award shares once they vest?**

When your shares vest, you will realize compensation of the fair market value of the shares based on the closing stock price on the date of vesting. If your vest date occurs on a day the stock market is closed, the closing price on the previous market day will be used. Unless you notify Lowe's 30 days in advance to make other acceptable arrangements for the payment of taxes you owe, shares will be withheld by Lowe's to pay your tax withholding requirement and the net shares will be delivered to your E\*TRADE account.

Lowe's is required to withhold at standard supplemental income tax rates: 25% Federal and any rates applicable to your state. We also are required to withhold FICA taxes at the rate of 5.65% (Note: the 5.65% rate is for 2011 only. Normally the rate is 7.65%) unless you have already exceeded the social security tax wage limit (which is \$106,800 for 2011), in which case the FICA tax rate is only 1.45%. Note that withholding may or may not cover your actual income tax liability depending upon your personal tax bracket.

So, for example, assume your 3/1/08 grant was 100 shares and Lowe's stock is at \$20 on 3/1/2011 and you reside in the state of North Carolina:

Income = 100 shares x \$20 = \$2,000

Federal tax @ 25% + North Carolina State tax @ 6% + FICA @ 5.65% = \$2,000 x 36.65% = \$733.00

Number of shares to be sold to pay taxes = \$733.00/\$20 = 36.65, rounded to 37 shares

Net shares deposited into your account = 100 - 37 = 63 shares

The value of the fractional share, if any, (37 - 36.65 = .35 shares times \$20 = \$7.00 in this example) will be added to your Federal tax withholding.

Once the award vests and applicable tax withholding is calculated, the shares (net of any shares withheld for taxes) will be deposited into your E\*TRADE account.

**Can I elect to have additional taxes withheld above the standard supplemental rates?**

No, under the terms and conditions of the plan document, we are required to withhold at the minimum standard supplemental income tax rates. However, if you wish, you can rectify any anticipated shortfall in federal tax withholdings by amending your W-4 to have additional taxes withheld each pay period. You can do this by logging into My Lowe's Life and clicking on My Wealth/View My Payslip/W-4Tax Information. Of course you can also make quarterly federal and/or state estimated tax payments. You may wish to consult with your tax advisor regarding the need for any additional tax payments.

**When will the net shares show up in my E\*TRADE after a vesting?**

You can expect to see your net shares in your E\*TRADE account 3-5 business days from the date of the vesting.

**How can I get more information?**

Refer to your online restricted stock grant agreement located in your E\*TRADE account for additional information. If you still have additional questions, please send an email to [compensation@lowes.com](mailto:compensation@lowes.com) or [stockplan@lowes.com](mailto:stockplan@lowes.com).

For questions on your E\*TRADE account, please contact E\*TRADE toll free at 800-838-0908 (650-599-0125 from outside the U.S.).