

# GLOSSARY

**absence of fraud rule** Property or services contributed for a share of stock are presumed to be equal to the par value or the stated value of no par value share.

**actual authority** Authority expressly or implicitly conferred by a principal to permit an agent to perform an assigned task.

**adjusted stated value** A price stated in an agreement that has a periodic adjustment based upon certain conditions or processes.

**affiliated corporation** A corporation that owns a sufficient number of shares in another corporation to control the vote of the shareholders.

**agency** A voluntary consensual relationship between two persons.

**agent** The person acting on behalf of a principal.

**aggregate theory** A partnership is only an aggregation of persons who own and conduct a partnership business; the partnership is not a separate entity.

**all or nothing purchase** A provision requiring that all shares subject to an option be purchased or none of them may be purchased.

**annual report** A report required by statute to be filed annually with a public official.

**apparent authority** A third party's reasonable belief in the authority of an agent, based upon a manifestation of the principal.

**appraisal** A determination of the value of the shares by a professional appraiser based upon agreed or customary industry valuation techniques.

**appraisal right** A shareholder's right to demand payment for the fair value of stock as a result of an extraordinary corporate transaction.

**arbitration** A procedure for an objective determination of a dispute.

**articles of incorporation** The document filed with a public official to form a corporation.

**articles of organization** The document filed to form a limited liability company.

**articles of partnership** The partnership agreement.

**articles of termination** Document filed to terminate the existence of a limited liability company.

**assessable** Additional consideration is required to be paid.

**assignment of interest** Transfer of a partner's interest in the partnership to another.

**assumed name** A name under which the corporation is operating other than its organized name.

**at-will company** A limited liability company without a specified duration or term.

**attachments to minutes** Documents appended to the minutes of a corporation.

**authorized shares** The shares of a corporation permitted to be sold in the articles of incorporation.

**average benefits test** Plan coverage of average benefits for highly compensated employees compared to non-highly compensated employees.

**balance sheet** A financial statement showing assets, liabilities, and shareholder equity.

**basis for shares** The cost of shares.

**beneficial owner** A person entitled to the benefits of ownership without having legal title.

**best efforts** An agreement between the corporation and the underwriter that the underwriter will use its best efforts to sell the securities to public investors.

**blank stock** Series shares.

**"Blue-sky" requirements** Laws of a state regulating the purchase and sale of stock in a business entity.

**bonus plan** A plan for additional compensation related to performance standards.

**book value** The value of a share of stock equal to the proportionate share of shareholder equity as shown on the corporation's balance sheet.

**book value formula** A formula based upon the assets less the liabilities of a business.

**bulk transfer** The sale or transfer of a major part of a company's assets outside the scope of ordinary business activities.

**business corporation** An artificial person or legal entity created under the law of the state to conduct business.

**bylaws** Regulations and rules adopted by an association or organization for its governance.

**call for consideration due** A determination by a board of directors to require payment of some or all of the consideration to be paid for stock.

**cancellation of redeemable shares** The procedure to restore redeemed shares to authorized by unissued status or to eliminate redeemed shares.

**cancellation of repurchased shares** The elimination of reacquired shares in a corporation.

**capital account** An account in which the capital contribution of a member or partner is recorded.

**capital contributions** The value of cash or property contributed to an entity by an owner.

**capital gain and losses** Profit or loss from the purchase and sale of an asset.

**capital surplus** An account in which a corporation records funds received from sales of stock in excess of par value and to which funds received from sales of no par value shares are allocated; the

amount of consideration paid for stock without par value or in excess of its par value.

**capitalization of earnings** A transfer of surplus to stated capital.

**cash subscription** An offer to buy shares in a corporation for cash.

**certificate of authority** The authorization to do business in a state other than the state in which the corporation is formed.

**certificates** Instruments representing the ownership of shares of stock in a corporation.

**circular holdings** A parent corporation that owns a majority of stock in a subsidiary and the subsidiary owns a majority of stock in the parent corporation.

**classification** The grouping together of managers in a limited liability company to elect the group in different years.

**classify** To designate certain positions on the board of directors to represent certain shareholders or groups of shareholders.

**close corporation** A corporation owned by a small group of shareholders whose shares are not traded on an exchange.

**commission** An amount paid to an employee based upon completion of transactions on behalf of the employer.

**common stock** The ownership interests in a corporation with equal rights to voting, distributions and liquidation of assets.

**comp time** Time off allowed to an employee in substitution for extra time worked for which overtime would normally be paid.

**compensation** Amounts paid to employees for services.

**consolidation** A combination of two or more corporations into a new corporation, whereby the new corporation survives the transaction and the others cease to exist.

**constituent corporations** The corporate parties to a merger, consolidation, exchange or sale of assets.

**constructive receipt** The right to receive a benefit that will be actually received later.

**continuity of life** The continuous existence of a business entity.

**control shares** A sufficient number of shares in a corporation to control voting decisions by the shareholders.

**conversion of stock** The right of a holder of one class of stock to convert the shares owned to shares of another class of stock.

**convertible shares** Shares that may be converted from one class of stock to another.

**corporate powers** The powers of the corporation as authorized by the statute under which it is organized.

**corporate purposes** The business objectives of a corporation.

**corporate seal** An imprint signifying the official act of the corporation.

**corporate shell** A corporation that has disposed of substantially all of its assets.

**corporate structural changes** Transactions that have a significant impact on the structure or existence of the corporation.

**covenant not to compete, noncompetition agreement** Provisions in an employment agreement restricting an employee's activities in competition with the employer's business.

**cross purchase plan** The purchase of life insurance on the lives of the partners by each of the other partners.

**cross-purchase insurance agreement** An agreement by each shareholder to purchase insurance relating to other shareholders to pay obligations that will be created under buy-out agreements upon the occurrence of certain events.

**cumulative distribution preference** An accrued entitlement to a preferred payment of distributions from a corporation.

**“cumulative to the extent earned” distribution preference** An entitlement to a preferred payment of distributions from a corporation that will accrue in any period in which the corporate operations are profitable.

**cumulative voting** A system of voting allowing a person to concentrate the whole number of votes for one or more nominees to a board of directors.

**current incentive program** A program to provide compensation related directly to current performance.

**Deadwood draw provision** An agreement in which a shareholder offers to buy or sell shares at a price and on certain terms and the other shareholder may determine whether to buy or sell according to the offer.

**death benefit compensation program** A program to pay benefits to an employee's heirs or estate upon death.

**debenture** An unsecured corporate obligation to repay money borrowed from an investor.

**debt securities** Loans to a business entity.

**deferred compensation plan** A plan to provide an incentive to employees by deferring compensation until a later event.

**deferred dissolution** A dissolution of a partnership delayed for ninety days following a partner's withdrawal from the partnership.

**de jure corporation** A corporation formed in accordance with the appropriate law.

**depletion reserve** A reserve of funds to account for assets that deplete over time.

**derivative action** A suit brought by an owner of a business on behalf of the business.

**diluted shares** Shares sold at a price higher than the most recent price charged for shares.

**dilution** The reduction of a shareholder's percentage ownership by the issuance of additional shares of stock in a corporation.

**director** A person elected to manage and direct the affairs of the corporation.

**director and officer liability insurance** Insurance policies protecting directors and officers from liability.

**disclosed principal** The existence and identity of the principal is known to a third party.

**discount** A market price lower than the principal amount repayable on a bond.

**disproportionate allocation** An agreed percentage to be shared with a partner that is not in the same proportion as capital contributions or the share of other benefits from the partnership.

**dissenter's rights** The appraisal rights given to a dissenter in an extraordinary corporate transaction.

**dissociate** A member's withdrawal from a company by resignation, expulsion, death, or bankruptcy.

**dissociated partner** A partner who has withdrawn or retired from the partnership.

**distributional interest** A member's right to distributions of cash or property from the company.

**dissolution** Termination of the right to do business, except to wind up the affairs of the business.

**dissolution distribution** A distribution of assets of a corporation to the shareholders when the corporation is terminated.

**distribution** A transfer of money or property from a corporation to or for the benefit of a shareholder.

**dividend** Income distributions to shareholders.

**dividend arrearages** Accumulated unpaid accounts of dividend preferences.

**dividend preference** A prior right to payment of dividend.

**domestic corporation** A corporation organized under the laws of the state in which it is operating.

**double taxation** The taxation of a corporation's income at the corporate level and also at the shareholder level when distributions of the income are made to the shareholders.

**draws against compensation** Advance payments of anticipated compensation.

**due diligence** The review and confirmation of all documentation and factual material information stated in a registration statement.

**earned surplus** An account in which a corporation records accumulated earnings from operations.

**earnings multiple formula** A formula based upon historical earnings of a business.

**emergency powers** The power of a corporation to act in an emergency.

**employee expense reimbursement plan** A plan whereby an employer reimburses an employee for certain expenses.

**employee handbook/manual** A publication of the administrative rules and procedures relating to employment.

**employment agreement/contract** An agreement between an employer and an employee.

**employment at will** An employment relationship in which the employee may be terminated at any time and for any reason.

**Employment Retirement Income Security Act (ERISA)** A federal law regulating employment benefits.

**enterprise** A business that sells merchandise from stock (including one that manufactures what it sells).

**entity** A separate organization having an existence apart from its members or owners.

**entity purchase plan** The purchase of life insurance on the lives of partners by the partnership.

**entity theory** A partnership is a separate business entity that operates independently of the individual partners.

**equity securities** The ownership interest in a corporation, representing a right to vote, to receive distributions, and to receive assets in liquidation.

**escrow of shares** An agreement to hold shares until they have been paid for in full.

**event of withdrawal** The circumstance under which a general partner is deemed to have withdrawn from a limited partnership.

**ex-dividend** A term used to describe shares of stock in a corporation in which a dividend has been declared and will be paid to the shareholder of record on the record date.

**exempt employees** Salaried executive or professional employees who are employed for completion of the job, regardless of the number of hours they work.

**exercise limitation** A restriction on the amount of options exercised during a period.

**expulsion** The involuntary termination of a partner in a partnership.

**extraordinary corporate activity** Transactions outside of the scope of normal corporate business routine.

**extraordinary corporate matter** A decision affecting the organization of the corporation.

**facsimile signature** A copy of an original signature affixed by a stamp or copy device.

**fair-cross-section test** Plan coverage of employees on a non-discriminating basis.

**fair market value** The value of a share of stock based upon a transaction between a willing buyer and a willing seller.

**fair value** Value of shares determined to be fair in connection with an extraordinary corporate transaction.

**fiduciaries** Persons who have a duty to act primarily for another's benefit in matters connected with the operation of the corporation.

**fiduciary duty** An obligation owed by a person in a position of trust or confidence to another.

**fiduciary relationship** A relationship of trust or confidence based upon integrity and fidelity.

**firm commitment** An agreement between the corporation and the managing underwriter that the underwriter will purchase the securities to be offered to the public and resell them to investors.

**firm price** A price stated in an agreement that does not change.

**fiscal year** The annual accounting period for a business.

**five-year cliff vesting** An employee is entitled to all benefits after five years of service.

**forced buyout provision** Provision requiring a shareholder to sell or buy shares in a corporation.

**foreign corporation** A corporation formed under the laws of a state other than that in which it is operating.

**foreign limited partnership** A limited partnership organized in another state.

**foreign partnership** A partnership organized in another state.

**foreign professional corporation** A professional corporation formed in a state other than that in which it is operating.

**forfeiture clause** Provisions eliminating benefits or compensation upon certain conditions.

**fractional share** A certificate or notation that represents a percentage of one full share of stock in a corporation.

**franchise fee** A fee charged by some states to maintain the existence and good standing of a corporation.

**franchise tax** A tax imposed for the right to maintain an entity or a franchise in a state.

**funding of plan** Payments of money to a plan for employees.

**general agent** A person continuously employed to conduct a series of transactions for a principal.

**general partnership** An association of two or more persons to carry on as co-owners a business for profit.

**going-concern value** The value of the business assuming it continues carrying on its business as it is currently conducted.

**golden parachute provision** Provision for continuation of compensation and benefits after termination of employment.

**good faith offer** A valid and sincere offer to purchase shares in a corporation.

**grant limitation** A restriction on the amount of options granted during a period.

**greenmail** The sale of control of a corporation back to the corporation or to other shareholders at a premium.

**group incentive plan** Compensation and benefit provisions to provide compensation to members of a group related directly to the performance of the group.

**guaranty** A promise by one to pay the debt of another.

**holder of record** A shareholder who owns stock on a record date.

**hostile takeover** A person taking over the operations of corporation using statutory rules against the will of the corporation and its shareholders.

**implied covenant of good faith and fair dealing** An implied obligation to exercise legal rights honestly and equitably.

**income account** The account in which the income allocated to a member is recorded.

**incorporator** The person(s) who sign the Articles of Incorporation.

**indemnification** Reimbursement of a person who has paid another's debt or obligation.

**indemnify** To protect another from possible liability or expense.

**indenture** An agreement between a corporation, a trustee, and investors concerning the rights and obligations of a bond.

**independent contractor** An agent whose actions are not subject to the control of the principal.

**informational reports** Reports to the Internal Revenue Service showing dividends paid to shareholders.

**inherent authority** Authority of an agent to perform tasks typically performed by that type of agent.

**initial public offering** The first offering of a corporation's securities to the public.

**inside shareholders** Initial investors in a corporation before the corporation's shares are sold to the public.

**insolvent** The inability to pay debts as they come due in the usual course of business.

**insurance funding** The purchase of insurance policies to pay obligations created by certain events under a buy-out agreement.

**interest in partnership** A partner's equity in the partnership, comprising a proportionate share of assets and liabilities, a right to proportionate distributions, and a right to manage.

**interlocking director** A director who has been elected to serve on the board of more than one corporation.

**intrastate offering** A public offering of securities of a corporation for sale only within the boundaries of a particular state.

**involuntary dissolution** A dissolution of a corporation caused by the state, a creditor or a shareholder through judicial action.

**irrevocable proxies** An authorization for another to vote on behalf of a shareholder that may not be revoked.

**issued shares** The shares of a corporation sold to shareholders.

**Jeopardy Auction/Wheel of fortune provision** Provision permitting any shareholder to require that all shareholders offer to sell their shares to the corporation and to require the corporation to purchase the shares most favorably offered.

**joint venture** An association of two or more persons to conduct a specific transaction or project for a profit.

**judicial liquidation** The process of liquidating and winding up a corporation conducted by a court.

**key employee** Person employed in positions that are critical to the successful operations of a business.

**legend on certificate** Statement on a certificate for shares concerning restrictions on the transfer of the shares represented by the certificate.

**letter of intent** The initial formal writing expressing the understandings of parties to a proposed extraordinary corporate transaction.

**limited liability** The concept by which corporate debts are limited to recovery from corporate assets, including capital contributed by shareholders.

**limited partnership** An association of two or more persons carrying on business as co-owners for profit with one or more general partners and one or more limited partners.

**liquidated damage clause** Provisions in an employment agreement specifying agreed amounts for damages for breach of the agreement.

**liquidating distributions** The amount to be distributed to the shareholders of the corporation after creditors of the corporation have been paid.

**liquidation** The process of collecting all corporate assets, completing or terminating unexecuted contracts, paying creditors and expenses, and distributing the remaining assets to the shareholders.

**liquidation preference** A prior right to payment of assets in liquidation.

**manager** A person responsible for management of a limited liability company, elected by the members.

**mandatory buyout or sellout arrangements** Provisions in an agreement that require a purchaser to buy or a seller to sell shares in a corporation.

**marshaling of assets** The procedure by which creditors of the partnership have priority to partnership assets and creditors of an individual partner have priority to the partner's personal assets.

**master** A principal who employs another and who has the right to control the conduct of the agent in the performance of services.

**matching price provision** An agreement that the corporation or the other shareholders are obligated to pay a price equal to that offered to a shareholder by an outside investor.

**members** Owners of a limited liability company.

**membership** An ownership interest in a limited liability company.

**merge** Two or more entities combine by the transfer of property of all to one of them, which continues an existence, the others being terminated.

**minority nominee** A person nominated for election to the board of directors by the minority shareholders.

**minute book** The record of minutes of meetings and consents of the incorporators, directors, and shareholders.

**mortgage bonds** A secured corporate obligation to repay money borrowed from an investor.

**multiple of earnings formula** A price of corporate shares determined by multiplying the earnings of a corporation by a stated or determined figure.

**“name-saver corporation”** A corporation formed only for the purpose of reserving the corporate name in a particular state.

**negotiable** The transfer of a certificate for value and without notice of any defense by which the holder becomes entitled to the rights represented by the certificate.

**net assets** The amount by which total assets exceed total liabilities.

**net distributable profit** The amount of revenue to be distributed after deducting specified expenses and reserves for business purposes.

**net worth** The shareholder's equity.

**no par value** A term describing shares that do not have any minimum amount for which the shares can be sold to an investor.

**nominal, or dummy, directors** Directors named in the articles of incorporation who are not intended to remain as directors after the organizational meeting.

**nominee certificate** A certificate for shares in the name of another.

**nonassessable** No additional consideration is required to be paid.

**noncumulative distribution preference** An entitlement to a preferred payment of distributions from a corporation that does not accrue.

**nondisclosure agreement** Provisions in an employment agreement preventing disclosure or use of proprietary and confidential information.

**nonexempt employees** Hourly and salaried employees who are not executive or professional employees and are paid based upon the number of hours they work.

**nonjudicial liquidation** The process of liquidating and winding up a corporation conducted by corporate management.

**officer** Person(s) elected to administer a corporation by the board of directors.

**operating agreement** The agreement governing the rights and obligations of members and managers in a limited liability company.

**option price** The price at which stock may be purchased under a stock option.

**option to purchase** An agreed right to purchase shares in a corporation, the exercise of which is at the election of the holder.

**organizational meeting** The initial meeting of a group in a corporation.

**outstanding shares** The shares of a corporation currently owned by shareholders.

**over the counter** The exchange of securities of public corporations that involves computer communications among brokerage companies.

**paid-in capital** The amount of capital required to be paid into a corporation.

**par value** An arbitrary value placed upon shares of stock in a corporation to limit sale of the shares to at least the amount stated.

**partial liquidation** The distribution of assets from a segment of a corporation's business after liabilities relating to that segment are paid.

**partially disclosed principal** The existence of the principal is known to a third party, but the identity of the principal is not known.

**participation (of preferred stockholder in other stocks)** The right of a preferred stockholder to share in distributions made to other stockholders in addition to any preferred distributions received.

**partition** The right of a tenant in common to divide and sever his or her proportionate interest in property.

**partnership agreement** A contract among partners describing the administration of the partnership business.

**pension plan** A plan to pay benefits to an employee upon retirement.

**people pill** An agreement among members of management that if any of them are demoted or fired after a change of control, all will resign.

**percentage test** Plan coverage for a specified statutory percentage of employees.

**piercing the corporate veil** A judicial theory used to ignore the separate entity of the corporation and hold individual shareholders liable.

**poison pills** Provisions in the stock structure of a corporation that allow existing shareholders to have superior rights in the event an outsider attempts to acquire control of the corporation.

**pool or syndicate** A group of underwriters that agree to join together to sell securities of a public corporation.

**preemptive rights** The shareholder's rights to purchase a proportionate share of newly issued stock.

**preferences** Priority rights to distributions of cash or property from a corporation granted to a particular group of shareholders before any distribution can be received by the other shareholders.

**preferred stock** An ownership interest in a corporation with a preference to voting, distributions or liquidation of assets.

**preincorporation share subscription** An offer to purchase shares in a corporation to be formed.

**premium** A market price higher than the principal amount repayable on a loan.

**principal** The person empowering an agent to act on his or her behalf.

**professional corporation** An artificial person or legal entity created under the law of the state to conduct a profession.

**profit sharing plan** A plan to share profits with an employee.

**promissory note** An instrument promising to repay a debt.

**promoters** The persons responsible for organizing a corporation.

**property subscription** An offer to buy shares in a corporation for property.

**prospectus** The written disclosure of information about a corporation that must be furnished to a public investor before the sale of securities.

**proxy** A written authorization of a shareholder to another to vote the shareholder's shares at a meeting.

**proxy statement** A statement disclosing information concerning matters to be considered at a shareholder meeting of a public corporation.

**public corporation** A corporation that has sold shares to investors through public stock markets.

**public offering** Securities of a corporation offered for sale to public investors.

**qualification** Formal registration of a business formed in one jurisdiction for permission to do business in another.

**qualification of plan** Satisfying statutory requirements for tax benefits of an employee benefit plan.

**quorum** The minimum number of shares required to be represented at a meeting to conduct business.

**ratification** Retroactive authority for a transaction given by a principal with full knowledge of all material facts.

**ratio test** Plan coverage comparison of highly compensated employees with non-highly compensated employees.

**record date** A date set within a defined statutory period for determining shareholders entitled to notice of and to vote at a meeting.

**redeemable shares** Shares subject to a repurchase option in favor of the corporation.

**redemption of shares** The corporation's right to reacquire shares of stock according to the provisions under which the stock was issued.

**red herring** A preliminary prospectus for a public offering of securities that does not contain the price of the securities.

**registered agent** A person who officially acts on behalf of the corporation to receive official notices.

**registered office** The office of the corporation at which official papers are to be served or mailed.

**registrar** A person who records and signs certificates for securities.

**registration by coordination** The procedure to register securities with state securities administrators when a company is filing a registration statement with the SEC.

**registration by filing** The procedure to register securities with state securities administrators when a company is already registered with the SEC under the 1934 Act and meets minimum net worth and trading requirements.

**registration by qualification** The procedure to register securities with state securities administrators when no federal registration is required.

**registration of corporate name** The act of registering a corporate name for a defined period with a public official.

**registration statement** The statement of disclosure of all material activities and financial information of the corporation that is filed with the SEC prior to public offering of securities of the corporation.

**regular meetings** Periodic meetings of directors as specified in the articles of incorporation or bylaws of a corporation.

**renewal provision** Terms in an employment contract providing for an extension of the employment period.

**reorganization** An extraordinary corporate transaction that may occur without tax consequences under definitions in the Internal Revenue Code.

**reservation of corporate name** The act of reserving the corporate name with a public official.

**restatement of articles** A composite of the original articles of incorporation and all past amendments consolidated into a new document.

**restrictive or proprietary covenant** Provision in an employment agreement preventing an employee from exploiting the employer's business or assets.

**retained earnings** Accumulated profits of a corporation.

**Revenue Act of 1978** A federal law regulating discrimination in uninsured employee expense reimbursement plans.

**reverse triangular merger** A merger transaction involving three corporations in which the acquiring corporation forms a subsidiary and funds it with shares to accomplish the merger of a target corporation; the target subsidiary merges into the target; and the target corporation becomes the wholly owned subsidiary of the acquiring corporation.

**revocation of voluntary dissolution** A decision by the incorporator, directors, and shareholders of a corporation to revoke a voluntary dissolution proceeding.

**safe harbor activities** Activities in which the limited partner may participate without risking loss of limited liability.

**salary** Periodic agreed payments to employees for services.

**savings clause** A clause that makes the election of a director obligatory only if that person is competent to serve in that position.

**savings provision** A provision in an earnings multiple formula that states a minimum amount for the stock regardless of the product of the formula.

**scrip** A certificate of ownership in a corporation (issued for less than a full share).

**Section 1244 plan** A plan to issue shares in a corporation according to the provisions of Section 1244 of the Internal Revenue Code.

**Section 1244 stock** Shares issued by a small business corporation that qualify for ordinary loss treatment under Section 1244 of the Internal Revenue Code.

**secured debt** A loan that is repayable either through the promise of the debtor to repay or through the sale of property securing the loan.

**securities** A contractual ownership obligation between a business and an investor.

**Securities Act of 1933** A federal law regulating the issuance and sale of securities.

**Securities Exchange Act of 1934** A federal law regulating the disclosure of information and trading of securities.

**security** A right to recover and sell assets in the event an obligation is not paid as agreed.

**selected dealers** Investment bankers or brokerage companies that agree to sell securities of a public corporation to their customers.

**senior securities** Securities that have preferential rights to payment before payments on other securities.

**separate voting group** Shares of stock entitled to vote as a group on certain issues described in the articles of incorporation or statute.

**series of shares** Shares of stock in a corporation, the rights for which are determined by the board of directors as authorized in the articles of incorporation.

**servant** An agent whose actions are subject to the control of the principal.

**service of process** The act of delivering court documents to a party to litigation.

**severability provision** Provision in an employment agreement allowing objectionable or illegal terms to be removed from the agreement.

**severance compensation** Compensation paid upon termination of employment.

**share exchange** A transaction in which one corporation exchanges its shares for all or part of the shares of another corporation.

**share subscription** An offer to buy shares in a corporation.

**share transfer restriction** An agreement among shareholders to restrict or require the sale of stock under certain circumstances stated in the agreement.

**shareholder voting agreement** An agreement among shareholders concerning the manner in which their shares will be voted on certain issues.

**shareholders** The owners of a corporation.

**shark repellent** Statutory provisions and corporate structures that prevent outsiders from causing an extraordinary corporate transaction to be approved for their personal benefit.

**sharks** Investors who purchase shares in a corporation to cause an extraordinary corporate transaction to be approved for their personal benefit.

**short-form merger** A merger between a parent corporation and a subsidiary corporation in which the parent corporation owns at least ninety shares of the subsidiary.

**short swing profits** The profit made through purchase and sale of a public corporation's securities by an officer, director, or ten percent shareholder during any six-month period.

**silent partners** Partners without any management authority.

**sinking fund** A reserve account for the redemption of stock into which periodic installments are deposited to fund the payment for redemption.

**small-impact merger** A merger transaction in which the surviving corporation will not change its articles of incorporation or the shares owned by its shareholders, and will not increase its outstanding stock by more than 20 as a result of the merger.

**sole proprietorship** A business owned by an individual.

**special agent** A person employed to conduct a limited number of transactions for a principal.

**special meetings** Meetings of the directors that are called at times other than the periodic meeting specified in the articles of incorporation or bylaws.

**split-dollar insurance** An insurance policy in which the employer and employee each pay a portion of the premium.

**stagger** To elect only a portion of the board of directors each year.

**stated capital** An account in which a corporation records the par value of share of stock or to which funds received from sales of no par value shares are allocated.

**Stated value** The value established for no par stock by the board of directors of a corporation.

**statement of denial** A filed statement denying an individual's authority or status as a partner.

**statement of partnership authority** A filed statement identifying partners authorized to perform certain acts for the partnership and describing the extent of a partner's authority.

**sticker** An amendment to the final prospectus to state current information about the public corporation.

**stock exchange** A place of business that conducts the marketing of securities of public corporations.

**stock option** A right to purchase shares in a corporation at a specified price.

**stock option, incentive stock option** An option granted to an employee to buy stock that has tax benefits under federal law.

**stock split** A division of the ownership interest of shareholders into a greater number of shares.

**stock transfer agent** An independent company that administers the registration and transfer of a corporation's stock.

**stock transfer ledger** The record of ownership and transfer of shares of a corporation.

**stock voting agreement** An agreement among shareholders concerning the manner in which their shares will be voted on certain issues.

**street name** The process of registering securities in the name of broker or bank to hold for an account of a particular investor.

**subagent** An agent hired by another agent who has authority to do so.

**Subchapter S corporation** A corporation the income of which is taxed to the individual shareholders.

**Subchapter S election** An election to permit the income of a corporation to be treated and taxed as ordinary income of the shareholders.

**subordination of bonds** An agreement to permit the payment of other indebtedness before payment of the obligation on a bond.

**subsidiary corporation** A corporation whose shares are owned in whole or in part by another corporation.

**substantial contacts** Participation in transactions or events that subject an individual or company to local regulation.

**surplus** The excess of net assets over stated capital.

**surviving corporation** The acquiring corporation in a corporate merger.

**surviving partner** A partner still living after the death of a partner.

**tax preference** Income subject to a surtax under federal law.

**tenancy in common** Ownership of property by more than one person with each owner entitled to an undivided share of the property.

**tenancy in partnership** The property classification used in the original Uniform Partnership Act generally requiring all partners to act together in using or disposing of partnership property.

**thin incorporation** The term describing a situation in which a corporation's debt is disproportionately higher than its equity.

**timetable** A schedule of tasks to be completed in preparation for a corporate meeting.

**tombstone ad** Notice to publicize forthcoming sales of public securities.

**trademark** A name protected from use by others by registration under federal or state law.

**trade name** A name used by a business in promoting its products and services.

**trade secrets** Proprietary and confidential business information.

**transacting business** The test to determine whether a corporation must qualify to do business in a foreign jurisdiction.

**transfer agent** A person who administers the transfers and issuance certificates for securities.

**transfer of corporate name** The act of transferring a reserved corporate name from one person to another.

**treasury shares** Shares of the corporation that have been purchased by the corporation from a shareholder.

**triangular merger** A merger transaction involving three corporations in which the acquiring corporation forms a subsidiary and funds it with shares to accomplish the merger of a target corporation; the target merges into the subsidiary.

**true value rule** The actual value of property or services contributed for a share of stock is equal to the par value or the stated value of no par value share.

**trust indenture** An agreement between a corporation, a trustee, and investors concerning the rights and obligations of a bond.

**Trust Indenture Act of 1939** A federal law regulating the contents of and rights under a trust indenture.

**ultra vires doctrine** A corporation acting without authority to do so.

**uncertificated securities** Stock of a corporation that is registered in the corporation records but is not represented by a stock certificate.

**underwriter** An investment banker or brokerage company that offers and sells securities of a public corporation.

**underwriter manager** The underwriter primarily responsible for supervision of the registration of securities and distribution of the securities to investors.

**undisclosed principal** Neither the existence nor identity of the principal is known to the third party.

**Uniform Commercial Code** A state statute regulating commercial transactions, including the sale and transfer of goods.

**unlimited liability** The sole proprietor's personal liability for business debts.

**unsecured debt** A loan that is repayable only through the promise of the debtor to repay.

**vesting** The time at which an employee is entitled to the benefits of a plan.

**vicarious liability or respondeat superior** Liability imposed on one person for the acts or omissions of another.

**voluntary dissolution** A decision by the incorporator, directors, or shareholders of the corporation to dissolve the corporation.

**voting group** Specified shareholders entitled to vote on specified issues.

**voting list** A list of shareholders entitled to vote at a shareholder's meeting.

**voting trust** A trust agreement that separates legal and beneficial ownership of shares and authorizes a voting trustee to vote shares for the term of the trust.

**waiting period** The period of time after a registration statement has been filed with the SEC but before it becomes effective.

**"wasting assets" provisions** A financial reserve established for assets that deteriorate over time.

**watered, or discount, shares** Par value shares sold by a corporation for less than par value.

**weighted voting** Specifying more than one vote per share for a certain class of stock.

**winding-up** The act of liquidating the assets of an entity, paying creditors and distributing any surplus and profits to its owners.

**work product protection clause** Provision in an employment agreement providing ownership by the employer of an employee's ideas and inventions.

**wrongful dissolution** The termination of a partnership by a partner without having a right to do so.