FastTrac® Glossary

Overview

This glossary of terms should serve as a resource for helping you better understand many of the terms you will see and hear used as you launch your company. The terms are arranged alphabetically.

401 (K) PLAN – company-sponsored retirement program whereby the amount withheld, often matched by the employer, is not taxed until it is withdrawn from the plan. In many cases, the employer will match employee contributions up to a specified level.

ABILITY – the skill and aptitude that an employee needs in order to perform successfully the various tasks associated with a job.

ABOVE PAR – the price of a stock or bond that is valued at a price higher than its face amount.

ABSENCE – the temporary unavailability of an employee to report to work.

ABSENTEE OWNER – a property owner who does not reside on his property. The management of the property is usually left in the hands of a caretaker.

ABSTRACT OF TITLE – an attorney's summary compilation of the history of the ownership of a piece of real property in order to determine who holds the present title.

ACCELERATED DEPRECIATION – any depreciation method that produces depreciation at a greater rate in the early years of an asset's life.

ACCELERATION CLAUSE – a statement in a contract that stipulates that the entire balance is due immediately in the event that a breach of a contract occurred, such as the debtor's failure to make payment when due.

ACCESS – the process of inputting or retrieving data from a computer.

ACCESS TIME – the time interval at which computer data is requested from a storage device and the moment that delivery process starts.

ACCOUNT – a record of all the debits and credits chronologically posted to a ledger showing how each transaction affects a particular phase of a business. Entries are usually stated in monetary figures and reflect the current balances, if any.

ACCOUNTANT – a person engaged in accounting work.

ACCOUNTING – the process of identifying, measuring, recording, and communicating financial information about a business or organization. Accounting information can be a helpful aid in the decision-making process.

ACCOUNTS PAYABLE – money owed by a person or company. Accounts payable are carried in the current liabilities section of the firm's balance sheet.

ACCOUNTS RECEIVABLE – money due from customers to a person or company, carried as "open book" accounts. Carried in the current-assets section of the firm's balance sheet.

ACCREDITED INVESTOR – Rule 501 of the SEC regulations defines an individual accredited investor as: “Any natural person whose individual net worth or joint net worth with that person's spouse at the time of his purchase exceeds $1,000,000” OR “Any natural person who had an individual income in excess of $200,000 in each of the two most recent years or joint income with that person's spouse in excess of $300,000 in each of those years and has a reasonable expectation of reaching the same income level in the current year.” For the complete definition of “accredited investor,” see the SEC Web site.

ACCRUAL-BASIS ACCOUNTING – an accounting system in which income and expenses are recorded when an obligation is made rather than when money is received or paid.

ACCRUE – to periodically grow or accumulate.

ACCRUED EXPENSES – expenses that have been accumulated, but have not yet been paid.

ACCRUED INTEREST – interest that has been earned but has not yet been paid.

ACCRUED TAXES – taxes that have been accumulated, but have not yet been paid.

ACID-TEST RATIO – method of judging a firm's ability to meet current ~~debt~~ liabilities quickly. The formula: total cash + receivables / current liabilities. One common standard ratio is one to one (1:1) or higher.

ACQUISITION – the act or process of obtaining control, possession, or ownership of a private portfolio company.

ACQUISITIONS – Companies that have been acquired.

ACQUITTANCE – a written statement that gives evidence of freedom from a financial obligation or debt.

ACROSS THE BOARD – affecting all concerned in an equal manner.

ACRS – Accelerated Cost Recovery System. The IRS-approved method of calculating depreciation expense for tax purposes. Also known as Accelerated Depreciation.

ADDENDUM – a supplement to a written document.

ADHESION CONTRACT – a pre-printed contract that usually favors the presenting party, usually with nonnegotiable terms.

ADMINISTRATION – a group of people who make the management decisions in an organization. Sometimes the staff functions that support the management team.

ADMINISTRATIVE EXPENSES – the expenses incurred in carrying out the activities listed in the management and organization section of the business plan.

ADR (American Depositary Receipt) – a security issued by a U.S. bank in place of the foreign shares held in trust by that bank, thereby facilitating the trading of foreign shares in U.S. markets.

ADVANCE – (1) a loan given with the expectation of repayment; (2) a payment made prior to the due date; (3) to rise to a higher level, such as a promotion.

ADVERTISING – communicating the features and benefits of your product or service through the use of radio, television, print, and other media.

ADVERTISING-BASED MODEL – a business (revenue) model in which a company makes money by charging advertisers for space (for example, a magazine or Web site) or time (as in radio or TV).

ADVISORY BOARD/COUNCIL – a group of outside experts, typically three to six, recruited by entrepreneurs to provide regular input and suggestions to management. Many small companies use an advisory board in place of a board of directors with outsiders, so as to avoid liability and control issues.

AFFILIATE – a company controlled by or associated with another company. In some cases, if the affiliated companies are small, they may share the same members of management.

AFFILIATE (OR CONVERSION) FRANCHISE – a type of franchise in which franchises ally themselves with similar ventures. Many real estate companies are organized this way.

AFFINITY GROUP – an organization, such as an industry trade association, chamber of commerce, or other group of entrepreneurs with common interests.

AFFIRMATIVE ACTION – the steps taken by companies to eliminate the barriers of discrimination that prevent equal opportunity employment to all minorities.

AFTERMARKET – trading activity in a security immediately after its initial offering to the public.

AGE DISCRIMINATION IN EMPLOYMENT ACT (ADEA) – a federal law which bans companies with 20 or more employees from discriminating against people who are age 40 or older.

AGENDA – an outline or list of items to be addressed during a meeting.

AGENT – a person with the authority to act for or in place of another person or entity.

AGGLOMERATION – a group of items gathered haphazardly, such as an agglomeration of assets.

AGING OF RECEIVABLES – (1) an inventory of accounts receivable classified by the debt's age; (2) a method of estimating bad-debt losses by aging the accounts and then assigning a probability of collection to each classification. For example, accounts aged more than six months might be assumed to be worthless, while those more than 90 days delinquent might be assumed to be worth only 50 cents on the dollar.

AGREEMENT – a mutual understanding between two or more parties. This may or may not constitute a contract.

AGRIBUSINESS – the activity of farming as a major economic force. Included in this category would be the production, manufacture, storage, and distribution of farm equipment, supplies, and commodities.

ALLOCATION – the amount of securities assigned to an investor, broker, or underwriter in an offering. An allocation can be equal to or less than the amount indicated by the investor during the subscription process, depending on market demand for the securities.

ALLOWANCE – (1) a reduction from a stated price; (2) a share of money allocated for a specific purpose.

ALTERNATIVE MINIMUM TAX (AMT) – a tax designed to prevent wealthy investors from using tax shelters to avoid income tax. The calculation of the AMT takes into account tax-preference items.

AMERICAN STOCK EXCHANGE (AMEX) – the second largest stock exchange in the United States.

AMERICANS WITH DISABILITIES ACT (ADA) – a federal law that prohibits discrimination against people with disabilities.

AMORTIZATION – (1) the process of liquidating a debt through installment payments; (2) prorating expenditures over time in order to write them off.

AMORTIZE – the gradual reduction of a debt by making periodic payments or recording periodic expenses against income until the total has been satisfied.

AMT – see ALTERNATIVE MINIMUM TAX

ANCHOR STORE – a large, well-known store in a shopping mall; considered by developers and merchants to be an attraction to draw customers. The presence of such an anchor increases the market potential for other businesses and makes adjacent locations more desirable. Malls without powerful anchor stores encounter financial difficulty.

ANGELS – ~~an~~ accredited investors who provides time and money from their own accounts as equity investments in startup companies. Angels ~~as an a private investor who~~ often has non-monetary motives for investing as well as the usual financial ones.

ANGEL FINANCING – capital raised from angel investors~~.~~

ANGEL FUND – a formal group of angels that cooperate on screening possible investments and in the due diligence on interesting candidates for investment, and then vote to invested pooled money in those companies.

ANGEL NETWORK – an angel group that cooperates on screening possible investments and in the due diligence on interesting candidates for investment. Individual angels then decide whether to invest in the target companies and how much money each will invest.

ANNUAL NET PROFITS OR LOSSES – the balance (remainder) of the business's proceeds at the end of every year after all direct, operating, interest, and tax expenses are paid.

ANNUAL PERCENTAGE RATE (APR) – an interest rate that states the true cost of obtaining credit for the duration of the loan.

ANNUAL REPORT – a detailed document prepared by a company at the end of its reporting year. This report usually contains various financial reports, information on company officers, and directors, as well as an analysis on past and future operations of the company.

ANNUAL SALES (OR REVENUES) – money, or the promise of money, received from providing a company's products and services as accomplished during the period of a year.

ANNUITY – an investment that produces a steady flow of cash for a specific period of time.

ANTITRUST – laws formulated to protect trade and commerce from unlawful or unfair business practices. These laws also attempt to curb monopolistic tendencies or to minimize the power stemming from monopolies.

ANTI-DILUTION RIGHTS – rights often demanded by early stage investors to protect investors ownership percentage of in the case of a subsequent financing at a lower company valuation (a down round). Two general forms of anti-dilution rights are full ratchet and the weighted average method.

(a) Full Ratchet Anti-dilution Rights – when any number of shares are sold at a lower price than shares sold to earlier investors, all shares sold with this right are repriced at that lower price, resulting in draconian dilution of the founders and early investors not protected by these rights.

(b) Weighted-average Anti-dilution Rights – when shares are sold at a lower price than shares sold to earlier investors, all shares with this right are repriced at a lower price determined by a weighted-average calculation [not as draconian as (a) above].

APPENDIX – an addition to the end of a document. In a business or feasibility plan, it may include copies of product or service information, legal agreements, resumes of principal owners, etc.

APPLICANT – one who is seeking employment.

APPLICATION – (1) a form to be filled out by a job candidate when seeking employment; (2) the use of computer-based programs to process data for specific purposes.

APPRAISAL – a written document by a professional appraiser estimating the value or quality of an asset (including companies) as of a given date.

APPRAISE – to estimate the value or determine the cost of an item.

APPRECIATION – an increase in the value of an asset over time.

APPROPRIATION – money that has been set aside by formal action to pay some known or anticipated costs.

ARBITRAGE – used to describe a situation where either a temporary or long-term discrepancy in value has emerged; for example, a similar commodity that is priced higher in one locale compared with another. Those who ferret out such discrepancies in value, and realize profits by acting on them, are often called "arbitragers." For example, an investor who borrows Japanese Yen at a cost of one percent, then purchases U.S. Treasury notes paying five percent, is arbitraging between Japan's very low cost of capital and the much higher yields available for invested capital in the U.S.

ARBITRATION – a form of conflict resolution in which a neutral third party hears both parties' arguments and renders a decision.

ARREARS – monies that ~~is~~ are overdue and ~~is~~ are unpaid at the date of maturity.

ASK – also known as the *quoted ask*. This is the price in which an investor can purchase shares of stock.

ASKING PRICE – the price an owner places on an asset he or she is willing to sell. The asking price is also viewed as a benchmark price that the buyer and seller can begin negotiations at since an agreed-upon price has yet to be reached.

ASSESS – to determine the value of something for the purposes of taxation.

ASSESSMENT – an official estimate of a property for the purpose of computing property tax.

ASSET – an item which has value and is owned by an individual or corporation.

ASSET LENDING – the loaning of money on the value of assets offered as security (or collateral). The lender is protected from loss by the liquidation value of the assets.

ASSET TURNOVER – equals a company's total sales (or revenues) divided by its total assets. This ratio measures the overall efficiency with which a company employs its assets to produce sales. The higher the measure, the more efficient the business model.

ASSET-BASED FINANCING – financing an enterprise by using its hard assets for collateral to acquire a loan of sufficient size with which to finance operations. Widely used in leveraged buyouts (LBOs).

ASSIGNEE – a person to whom an assignment is made or to whom a transfer of rights or property is given.

ASSIGNMENT – the transfer of property from one person (the assignor) to another person (the assignee). Items other than property can be assigned, such as sales contracts, mortgages, leases, and options.

ASSIGNOR – the person with authority to assign to another person (the assignee).

ASSUMPTIONS – preconceived notices or hunches on which management bases reasonable financial projections or other probable developments. Usually found in the financial section of the business plan.

ATTORNEY (LAWYER) – a person who has the authority to act for another person in legal matters.

ATTORNEY IN FACT – a type of agency relationship where a competent and disinterested person is authorized by another person to act in his or her behalf. Decisions made by the attorney in fact are legally binding on the principal.

ATTRITION – a reduction in the number of employees through retirement, resignation, or death.

AT-WILL EMPLOYMENT – an employment policy that allows employees and employers to terminate the working relationship at any time.

AUDIT – (1) to examine an individual's or organization's records in an attempt to verify accuracy and legal or regulatory compliance (2) an inspection of the accounting procedures and records by a trained accountant or Certified Public Accountant to determine if financial information being reported by a business entity is materially accurate. Businesses will generally have audits performed on their financial information when required by a third party like a bank that has lent the company money or a foundation or government agency that has given the organization a grant. Business owners will sometimes have audits performed on their financial information to become comfortable that their financial information is materially accurate; see also COMPILATION and REVIEW

AUDIT REPORT – the published results of a company's financial examination that has been conducted by an auditor, usually a certified public accountant.

AUDITOR – a person who is qualified to examine and verify accounts.

AUTOMATED TELLER MACHINE (ATM) – a machine that is able to process a variety of monetary related transactions between a customer and a depository institution.

AVERAGE ANNUAL GROWTH RATE – measures the rate of change in a company's annual sales. Research has linked business growth to higher survival rates, greater levels of market share, improved operating efficiencies, higher levels of profitability, and enhanced net worth.

AVERAGE ANNUAL PERCENTAGE CHANGE IN SALES – the estimated rate at which total sales (or revenues) change (increasing or decreasing) from year to year.

AVERAGE DAILY BALANCE – the average amount of money that a customer keeps on deposit over a specific time frame; calculated by adding the daily balances of an account over a given length of time and dividing it by the number of days covered.

AVERAGE IRR – The arithmetic mean of the internal rate of return.

AWARD – (1) a final decision that is rendered in favor of one party; (2) something that is given on the basis of merit or need.

B2B – see BUSINESS TO BUSINESS

B2C – see BUSINESS TO CONSUMER

BACK ORDER – part of an order that was not filled when the initial shipment was made. Back orders are usually shipped when the items become available without the customer having to place a reorder.

BACK PAY – wages that an employee is entitled to when the employer is found to be in violation of standard employment practices.

BACKDATING – placing a date on a document that is prior to the date the document is actually drawn up.

BACKLOG – a collection of customer orders that have not been completed.

BACKUP – to duplicate an item in the event the original is damaged or destroyed.

BACKUP SYSTEM – standby or alternate components in a computer processing system that can be used in case of loss or damage to the primary component.

BAD CREDIT – the result of a company or individual being late or defaulting on bill payment.

BAD DEBT – money that is past due, still owed on an account and unlikely to be collected.

BAILOUT CLAUSE – a clause in a contract that allows a party to be relieved of his or her obligations in the contract.

BALANCE SHEET – an accounting statement showing the financial condition of a company at a point in time; present assets, liabilities, and net worth. Basic equation: assets = liabilities + owner's equity (or net worth).

BANK – a place of business for keeping, lending, exchanging, and issuing money.

BANK STATEMENT – a printed statement of a customer's account regularly provided by the bank.

BANKER – usually refers to an officer of the bank who is responsible for bank activities.

BANK-HOLDING COMPANY – a corporation that owns or controls the voting stock in one or more operating banks.

BANKRUPT – a person or business that is unable to meet its financial obligations and a court decree has declared the person or business insolvent. The person or business comes under the administration of the bankruptcy laws for the benefit of the creditors.

BANKRUPTCY – a voluntary or involuntary state in which one is unable to meet financial obligations as they become due and so a court has declared (see Chapter 7 and Chapter 11).

BANNER AD – a form of advertising used on Internet Web sites. If interested, users can click on a banner ad and be directly linked to the advertiser's website.

BARTER – the exchange of one commodity for another without the exchange of money.

BARTER ARRANGEMENT – an agreement to exchange goods or services directly without money as a medium of exchange. A great tool for the entrepreneur.

BASE PAY – the rate of pay for a standard work period excluding any additional pay received from overtime, bonuses, sales commissions or other premiums.

BASIS – (1) a price assigned to all property by the IRS (Internal Revenue Service) for taxing purposes. It is usually determined by taking the purchase price of an asset, plus any capital improvement made to the asset and minus the accumulated depreciation; (2) Securities also have a basis which is determined by the price an investor pays for the security plus any other incremental fees. The basis is then used to determine capital gains or losses for tax purposes when the stock is eventually sold.

BASIS POINT – equals one one-hundredth of one percent. Basis points are used to explain changes in interest percentages. For example, an interest rate of 7 percent is fifty basis points greater than an interest rate of 6.5 percent. Basis points are also the smallest measure used for quoting yields in the bond market.

BAUD – the transmission speed for data, equal to one bit per second.

BBB – see BETTER BUSINESS BUREAU

BEAR MARKET – a trend in the market in which prices are going down.

BELLY UP – comparison of the death of a venture to that of a goldfish; going bankrupt.

BELOW PAR – when a security is issued at a price that is below the monetary figure printed on the face of the document; sometimes referred to as a discount.

BENEFICIARY – a person for whose benefit a will, trust, insurance policy, or contract is established.

BENEFITS – (1) referring to the solutions offered to customers through a company's products or services.

BEST EFFORTS – an offering in which the investment banker agrees to distribute as much of the offering as possible and return any unsold shares to the issuer.

BET ON THE FIRST TEE BOX – (derived from golfing protocol) making firm agreements between business associates at the beginning of the relationship.

BETTER BUSINESS BUREAU – a nonprofit association of local businesses that attempts to control unethical business practices. Consumer information is available through the association.

BID – an offer of money in exchange for an item that is for sale.

BID PRICE – a price offered by a prospective buyer to begin the negotiation process of buying a security or other asset.

BIG BOARD – another name for the New York Stock Exchange located on Wall Street in New York City, the oldest in the United States.

BIG TICKET ITEM – merchandise that is large in size and fairly expensive, for example, a car.

BILL OF LADING – written document, a receipt, given by a transportation company, showing the name of the shipper and the receiver and itemizing the goods shipped.

BILL OF SALE – a written agreement stating the terms by which ownership of goods is transferred to another party.

BINDER – an agreement, secured by the exchange of earnest money, between a buyer and a seller to show good faith in wanting to complete the purchase of a property. A binder reserves the right to purchase real estate (or other asset) upon stated terms for a specified period of time. The amount of earnest money deposited is forfeited if the buyer changes his mind unless explicitly stated in the binder that it will be refunded.

BIOTECHNOLOGY – the commercial use of living organisms or biological techniques.

BIT – the fundamental informational building block used by all computers, a single character in a binary number.

BLIND ADS – help-wanted ads in which the employer is not identified.

BLOOD BATH – a slang term referring to investors who suffer a huge financial loss when an asset declines rapidly in value.

BLUE CHIP STOCK – a stock issued by a well-established company that usually maintains a high public confidence in its worth and stability.

BLUE LAW – a statute restricting business activity on Sundays.

BLUE SKY LAWS – state laws designed to protect the public against securities fraud. The term originated when a judge ruled that a stock had as much value as a patch of blue sky.

BLUE-COLLAR WORKER – a term referring to a class of wage earners whose duties are centered on manual labor in production and maintenance.

BOARD OF ADVISORS – a group of outside experts, typically three to six, recruited by entrepreneurs to provide regular input and suggestions to management. Many small companies use an advisory board in place of a board of directors with outsiders, so as to avoid liability issues.

BOARD OF DIRECTORS – the people elected by stockholders of a corporation who have the fiduciary responsible for overseeing the overall direction and policy of the company.

BOILER PLATE – legal clauses routinely included in all contracts.

BOND – an interest-bearing note used by corporations and governments to borrow on a long-term basis.

BONUS – incentives given to employees in addition to base compensation. Can be in the form of a cash award or a nonmonetary form (shares of company stock, gifts, extra vacation time, etc.).

BOOK INVENTORY – the balance of the inventory account after all incoming inventory is added and the cost of outgoing goods is subtracted. This type of perpetual inventory system is usually verified annually by taking a physical inventory and reconciling any discrepancies.

BOOK VALUE OF AN ASSET – the value of an asset (computer, milling machine, truck, etc.) as reflected in the books of the company owning the item.

BOOK VALUE OF A COMPANY – the book value is determined from a company's balance sheet by adding all current and fixed assets and then deducting all debts, other liabilities, and the liquidation price of any preferred issues.

BOOKKEEPER – a person who records the accounts or transactions of a business in a general ledger.

BOOM – a period during which businesses thrive and the economy experiences a period of rapid growth. During such a period, there is increased demand for goods and services and unemployment rates fall.

BOOT – the process of activating a computer.

BOOTSTRAP FINANCING – when a company uses the founder's cash and internal operations to generate money to be used to fund company.

BOTTLENECK – anything that halts the progress or flow of an activity, process, or operation in an organization.

BOUTIQUE – a small shop or company that specializes in a particular business or offers limited services.

BOYCOTT – when one or more parties decide to not do business with a third party. A boycott usually takes the form of a union and its members applying pressure on an employer to change some business practice.

BRAINSTORMING – a management technique used to foster ideas, solve problems, set goals, establish priorities, and make assignments for their accomplishments.

BRAND – a mark or symbol placed on an item or a group of products to differentiate them from competitors' products.

BREACH OF CONTRACT – (1) the breaking of a promise made to fulfill an obligation; (2) a violation of one's duty to carry out a contractual responsibility.

BREAK-EVEN ANALYSIS – a means of determining the quantity of units that has to be sold at a given price so that revenues will equal cost (including production costs and administrative costs). Break-even point in units = total fixed cost / (unit price – unit variable cost)

BREAK-EVEN POINT – the quantity of revenues at which total revenue equals total costs incurred; the point at which the venture is meeting expenses with no profit, no loss.

BRIDGE FINANCING – a limited amount of equity or short-term debt financing typically raised within 6-18 months of an anticipated public offering or private placement meant to "bridge" a company to the next round of financing.

BROKER/DEALER – a person/agent who buys and sells private businesses or assists entrepreneurs in soliciting funding. Many broker/dealer services are regulated by state and federal agencies.

BROWSER – software that allows user to access Web sites.

BUDGET – an estimate of the amount of money to be received and spent during a certain time period.

BUG – program error that results in malfunctioning computer software.

BUILT TO FLIP – descriptive term applied to a company that from its earliest stages was intended to be sold quickly.

BULK – large quantities. Companies usually buy in bulk to realize a cost savings.

BULK DISCOUNT – a reduction in the amount charged when purchases are made in large quantities or multiple purchases.

BULL MARKET – a trend in the market in which share prices are going up.

BURDEN OF PROOF – the obligation of a party to prove or disprove certain facts.

BURN RATE – the rate at which a company expends net cash over a certain period, usually a month. For example, a start-up company whose net cash outflow for its most recent year was $1.2 million could be said to have a "burn rate" of $100,000 per month.

BUSINESS ANGELS – see ANGELS

BUSINESS BROKERS – see BROKER/DEALERS

BUSINESS DEVELOPMENT COMPANY (BDC) – a vehicle established by Congress to allow smaller, retail investors to participate in and benefit from investing in small private businesses as well as the revitalization of larger private companies.

BUSINESS ETHICS – the moral obligation placed on business leaders in a community to be honest and fair in their dealings with customers, vendors and other parties.

BUSINESS JUDGMENT RULE – the legal principle that assumes the board of directors is acting in the best interests of the shareholders unless it can be clearly established that it is not. If the board was found to violate the business judgment rule, it would be in violation of its fiduciary duties to the shareholders.

BUSINESS LICENSE – a permit or certification that local and state governments require businesses to obtain and post. Obtaining a license may merely require the payment of a fee to do business; in other cases, the proprietor may have to pass a test that certifies he or she is competent to perform certain services. Some licenses limit the number of businesses that can provide certain goods or services.

BUSINESS MODEL – the method by which an organization uses its resources to deliver value to customers while maximizing profits and growth for itself.

BUSINESS PHILOSOPHY – the unique outlook an entrepreneur, owner, or manager takes towards the conduct of business. Business philosophy determines, for example, the extent to which customer service takes precedence over hitting profit targets, whether employees are encouraged to take initiative or not, whether innovation is encouraged or resented. Entrepreneurs can share many business practices, for example accounting and financial systems, marketing strategies and the like, and yet differ considerably in their business or management philosophy.

BUSINESS PLAN – a well-researched and ever changing document that provides direction and focus for both the day-to-day operations and the future growth of the business. A good business plan will include components covering management, the product and/or service, a marketing plan, financials, operations and control systems, and a growth plan and exit strategy.

BUSINESS PROPOSAL – a written document proposing terms for a business relationship, such as a vendor, supplier, or partner arrangement.

BUSINESS TO BUSINESS (B TO B OR B2B) – describes companies that sell to other companies rather than to individual consumers.

BUSINESS TO CONSUMER (B TO C OR B2C) – describes companies that sell to individual consumers.

BUYER – a person who is purchasing merchandise

BUYER'S MARKET – a market in which the supply of goods is greater than the demand. The prices in such a market tend to be lower or falling because the buyers can sometimes dictate the terms of the sales and set the prices.

BUYOUT – to purchase at least a controlling interest of a company's stock in order to assume control of that company's assets and operations. Often such a move involves purchasing an entire small company. A leveraged buyout occurs when the funds used to make the purchase are with borrowed money.

BUYOUT AGREEMENTS – (1) a means of protecting principal parties in a venture from undue financial loss should the personal and/or business relationships among the founders or investors for some reason disintegrate, often included in buy-sell agreements. Saves aggravation, legal expense, goodwill of involved parties; (2) a provision inserted into agreements between private investors and entrepreneurs that allows them to get rid of troublesome investors.

BUY-SELL AGREEMENTS – contracts between associates that set the terms and conditions by which one or more of the associates can buy out one or more of the other associates.

BYLAWS – rules under which a corporation is governed. These rules can be amended as provided by state law and the bylaws. Rules and regulations under which a board of directors operate a corporation.

BY-PRODUCT – a secondary product that is produced in addition to the primary product.

BYTE – the smallest storage unit in main memory or secondary storage. Usually consists of eight bits.

C CORPORATION – one type of stand-alone business organization in which the owners are usually not subject to the liabilities of the corporation and which is a tax-paying entity (does not pass through taxable income to shareholder/owners)

CAGR (COMPOUND ANNUAL GROWTH RATE) – the year-over-year growth rate applied to an investment or other aspect of a firm using a base amount.

CABLE MODEM – a device that receives and transmits data over a cable television system.

CAFETERIA PLAN – each worker can pick and choose among different benefit options in order to select the combination that best fits their personal needs. Also known as *flexible benefits*.

CALL – the option to purchase shares of stock if the price rises above a designated price within a specified period of time.

CANCELLATION FEE – a fee imposed for breaking a service contract.

CANNIBALIZATION – when sales for a company's new product or service come in part or whole from buyers who would have bought an existing product or service; thus, the new product or service is producing its sales at the expense of an existing one.

CAPITAL – a term commonly used as a synonym for funding necessary to start and operate a company.

CAPITAL ASSETS – assets purchased for internal use rather than resale, the expense for which is allocated over multiple years, not expensed in the year of purchase.

CAPITAL EQUIPMENT (PLANT AND EQUIPMENT) – any hard asset, including such items as buildings, land, operating equipment, fixtures, computers, etc.

CAPITAL EXPENDITURE – money spent for the purchase or expansion of plant or equipment.

CAPITAL GAINS – short- or long-term profits from the sale of assets, usually taxed at a lower rate than ordinary income.

CAPITAL INVESTMENTS – a term applied to investment capital used to purchase capital items like manufacturing equipment and real estate.

CAPITAL (OR ASSETS) UNDER MANAGEMENT – the amount of capital available to a general partner management team for venture capital investments.

CAPITALISM – an economic system in which the means of production and distribution are privately or corporately owned and development is proportionate to the accumulation and reinvestment of profits gained in a free market.

CAPITALIZATION TABLE – also called a “Cap Table,” this is a table showing the total amount of the various securities issued by a firm. This typically includes the amount of investment obtained from each source and the securities distributed—e.g., common and preferred shares, options, warrants—and respective capitalization ratios.

CAPITALIZE – (1) to put money into a project; (2) in accounting, to change an item from an expense to a fixed asset, therefore adding an item to an asset account; (3) to turn a situation into one's economic gain.

CAREER – the sequence of jobs occupied by a person through the course of his or her lifetime.

CAREER PATH – the logical and possible sequence of jobs that a person should hold in order to achieve his or her career objectives.

CARRIED INTEREST OR “CARRY” – the portion of any gains realized by a venture fund to which the fund managers are entitled, generally without having to contribute substantial capital to the fund. Carried interest payments are customary in the venture capital industry, in order to create a significant economic incentive for fund managers.

CARRYING CHARGE – premium rates charged on overdue accounts.

CARRYING COST – cost incurred from storage of inventory.

CARTEL – a group of independent business organizations that band together in an attempt to limit competition by influencing prices, production, and marketing.

CASH AND CARRY – the terms of sale when the buyer must pay cash when he or she picks up the merchandise. Credit terms are not accepted and delivery services are usually not available.

CASH BASIS ACCOUNTING – an accounting method that immediately records the receipt of cash or the expense for goods and services. This is not an accepted method of bookkeeping for publicly held companies.

CASH COW – a product or service that sells very well and has a low cost. The name implies the relative ease with which cash is obtained—like milking a cow.

CASH DISCOUNT – a discount given to the buyer as an incentive to render immediate payment or payment within a specific time frame.

CASH EQUIVALENTS – all short-term investments that are easily convertible into cash. Two such liquid investments include treasury bills and bankers acceptances.

CASH FLOW – the most important consideration of business survival. The measurement of the differences between the actual cash received by a firm and its actual cash expenditures. Only the flow of cash is measured. Noncash transactions such as depreciation, amortization, credit sales, and purchases on account are ignored. Negative cash flow is called “burn rate” (see definition).

CASH ON DELIVERY (COD) – any purchases made in which the item(s) needs to be paid for when delivered.

CASH POSITION – the amount of cash and cash equivalents available to a company at a given point in time.

CASH SURRENDER VALUE – the amount an insurance company would pay the policyholder during his or her lifetime if the life insurance policy ~~is~~ were terminated at that time. Also known as *cashing in*.

CASH-FLOW PROJECTION – a forecast of the cash flow for a period of time in the future. Sometimes called a *cash budget*.

CAVEAT EMPTOR – a phrase meaning "let the buyer beware." A situation where the buyer purchases an item at his own risk and the seller is under no obligation to reveal any defects. Items purchased are usually "AS IS" and are not returnable and have no warranty available.

CENTRAL BUYING – a buying approach whereby all purchasing of goods is done through a main or central office. Shipment of ordered goods is usually made directly to the store for which it was ordered, or through a distribution center which repackages the order for the individual stores.

CERTIFICATE OF DEPOSIT – a certificate providing evidence that a bank has received funds deposited for a specific period of time.

CERTIFICATE OF TITLE – a certification given by a title company or attorney verifying the validity of a title.

CERTIFIED CHECK – a check guaranteed to be good by the bank on which it is drawn. In order to eliminate the risk of covering the check, many banks charge the depositor's account immediately for the amount of the check.

CERTIFIED DEVELOPMENT COMPANIES (CDC) – public-private investment groups that are interested in fostering business in their communities.

CERTIFIED MAIL – a mail service that provides proof of delivery. The regular mail service is used and insurance coverage is not provided.

CERTIFIED PUBLIC ACCOUNTANT (CPA) – an accountant who has met all of a state's requirements and has received a state certificate.

CHAIRMAN OF THE BOARD – a member of a company's board of directors who is elected by the other directors to lead the board.

CHANNELS OF DISTRIBUTION – systems of economic institutions through which goods flow into the hands of consumers or industrial firms.

CHAPTER 11 – the part of the Bankruptcy Code that provides for reorganization of a bankrupt company’s assets.

CHAPTER 7 – the part of the Bankruptcy Code that provides for liquidation of a company’s assets.

CHART OF ACCOUNTS – a list of account categories contained in the general ledger including asset, liability, equity, revenue and expense accounts.

CHATTEL – a piece of personal property.

CHIEF EXECUTIVE OFFICER (CEO) – the top managerial position in a company.

CHIEF FINANCIAL OFFICER (CFO) – a member of a company's upper management who oversees all the financial aspects of the business.

CHIEF OPERATING OFFICER (COO) – an executive who oversees the daily operations of a company.

CIRCULATION – the average number of copies distributed by a publication over a given period.

CLAWBACK – a clawback obligation represents the general partner's promise that, over the life of the fund, the managers will not receive a greater share of the fund's distributions than they bargained for. Generally, this means that the general partner may not keep distributions re presenting more than a specified percentage (e.g., 20%) of the fund's cumulative profits, if any. When triggered, the clawback will require that the general partner return to the fund's limited partners an amount equal to what is determined to be "excess" distributions.

CLEARINGHOUSE – an establishment overseen by banks, created to aid in the clearing of checks, drafts, notes, and other items among its members.

CLOSE – to bring to an end; to finalize a sale or agreement.

CLOSE OUT – to liquidate or dispose of an entire inventory of goods usually by reducing prices below their previous retail price. Most businesses will do this when going out of business.

CLOSED-END FUND – a type of fund that has a fixed number of shares outstanding, which are offered during an initial subscription period, similar to an initial public offering. After the subscription period is closed, the shares are traded on an exchange between investors, like a regular stock. The market price of a closed-end fund fluctuates in response to investor demand as well as changes in the values of its holdings or its Net Asset Value. Unlike open-end mutual funds, closed-end funds do not stand ready to issue and redeem shares on a continuous basis.

CLOSELY HELD CORPORATION – a corporation owned by a few individuals, who also own all the stock. No stock in the corporation is publicly traded. State regulations administer the establishment of corporations.

CLOSING – (1) in accounting, when the books are summarized into financial statements for a specific time frame and no further entries are allowed for this period; (2) in real estate, where the buyer and seller (or their agents) meet to finalize the transaction. Sometimes called the *settlement*, this is where the transfer of property and funds take place; (3) in start-up companies, an investment event occurring after the required legal documents are implemented between the investor and a company and after the capital is transferred in exchange for company ownership or debt obligation.

CLOSING COSTS – the expenses incurred by both in closing a deal.

CLOSING ENTRIES – an entry made in a ledger to bring a temporary account to a zero balance in preparation for the next accounting period.

COINSURANCE – the sharing of an insurance risk. In the case of property insurance, it may entail more than one insurance company providing coverage on a particular project in order to reduce the risk of potential loss.

CO-INVESTMENT – the syndication of a private equity financing round, such as an investment by individuals alongside a private equity fund in a financing round.

COLD CALL – an unscheduled call or visit by a seller to a potential buyer.

COLLAR AGREEMENT – agreed-upon adjustments in the number of shares offered in a stock-for-stock exchange to account for price fluctuations in public markets before the completion of the deal.

COLLATERAL – the asset(s), such as real property or an automobile, which is offered as security for a loan.

COLLECTION AGENCY – a bill collecting agency that is often paid based on a percentage of money they receive on overdue payments.

COLLECTIVE BARGAINING – the negotiations between an employer and the union representative to obtain a contract for the employees in the union.

COMFORT LETTER – a statement provided from an accounting firm to a company preparing to go public indicating the accountants' comfort that unaudited financial information in the company's prospectus follows generally accepted accounting practices and no material changes have occurred since the report was prepared.

COMMERCIAL BANK – state or nationally chartered bank that accepts demand deposits, grants business loans, and provides a variety of other financial services. Typically used by the entrepreneur as an asset lender.

COMMERCIAL PAPER – an unsecured promissory note sold in the open market by corporations having a prime credit rating. Such notes usually have a short maturity and pay a relatively low interest rate.

COMMISSION – an incentive fee paid to salespeople to reward them for the amount of business they generate. The commission rate is usually figured at a fixed rate or a percentage of sales.

COMMITMENT – an agreement or pledge to perform an act at a certain point in the future. In the commodity market, when a trader takes on the responsibility to accept or make delivery on a futures contract, he is said to have a commitment.

COMMODITIES – a commodity is an economic product such as food, grains, metals, etc., which are traded at a price set in the future. If the future price of the given commodity falls below the forecasted price, the purchaser experiences a loss. When the futures contract has expired, the speculator has to either sell at the given price or take possession of the product.

COMMON CARRIER – an individual or business that transports goods, people or messages for compensation without partiality, such as bus or trucking companies.

COMMON LAW – rules that have been made from judicial decisions or custom without the aid of written legislation.

COMMON SHARES – also known as common stock. These are the shares of stock that represent ownership in a company, allowing the holders to vote on key issues and receive income from dividend distributions.

COMMON STOCK – a unit of ownership of a corporation. In the case of a public company, the stock is traded between investors on various exchanges. Owners of common stock are typically entitled to vote on the selection of directors and other important events and in some cases receive dividends on their holdings. Investors who purchase common stock hope that the stock price will increase so the value of their investment will appreciate. Common stock offers no performance guarantees. Additionally, in the event that a corporation is liquidated, the claims of secured and unsecured creditors and owners of bonds and preferred stock take precedence over the claims of those who own common stock.

COMPANY – an association of people organized for purposes of carrying on a commercial or industrial enterprise.

COMPENSATION – rewards given to employees based on their contributions or the value of their jobs. These rewards can be monetary or nonmonetary.

COMPETITION – (1) any rivalry between two competitors; (2) when two or more parties acting independently try to secure the business of a third party customer by offering the best terms available.

COMPETITIVE ADVANTAGE – the factors that give a company an advantage over its competitors in the marketplace. One theory of entrepreneurship is that the venture must develop some competitive edge if it is to profitably exist in the market. Also, competitive edge.

COMPETITIVE ANALYSIS – a study of the factors in a company's operations, compared to the same operations in competing companies, to show how well the company can expect to do in competition with those other companies.

COMPETITIVE CONDITIONS – conditions that make a business able to compete with other companies in the same sector or type of business.

COMPETITIVE PRICING – (1) a price established by a number of buyers and sellers negotiating independently in a market setting; (2) setting a price to be comparable to what competitors are charging.

COMPETITOR(S) – companies that are competing for the same potential customers.

COMPILATION (of financial statements) – the preparation of financial statements by accountants where the financial information included on those statements is solely the responsibility and representation of the management or owners of the business. The accountant will not perform the necessary procedures to enable them to provide any assurance as to the accuracy of the information.

COMPRESSION – downsizing computer files so that they take up less room and download more quickly.

CONCEPT – (1) a set of thoughts that communicates to others the precise nature of the enterprise one proposes to undertake; (2) a set of cohesive ideas.

CONCEPT STAGE – a stage of development a company may experience characterized by having defined its concept, but not yet having determined the company's feasibility.

CONGLOMERATE – the merging of two or more businesses from different industries. The new company is placed under the authority of one executive officer and a board of directors.

CONSIGNEE – the person who receives shipped or consigned goods.

CONSIGNMENT – a policy of placing one's goods with a middleman or prospective customer, while retaining title to them. The middleman or customer does not pay for the goods until they are sold or used. If they remain unsold, the goods may be returned.

CONSIGNOR – a person who delivers or addresses goods to an agent to be cared for or sold.

CONSOLIDATED BALANCE SHEET – a balance sheet that reflects the financial situation of a corporation and all of its subsidiaries.

CONSOLIDATION – the creation of a new corporation by combining two or more organizations into one.

CONSULTANT – an individual who provides advice, counsel, feedback, and sometimes implementation services on any of a variety of management issues ranging from strategic planning to marketing to financing to production.

CONSUMER – any person who uses or consumes economic goods and services.

CONSUMER BEHAVIOR – the activities of individuals in the marketplace including the process involved in decision making, purchasing, and evaluation; how people go about acquiring their standard of living.

CONSUMER CREDIT – a line of credit given by a bank to a borrower for the specific purpose of purchasing a consumer good or paying for a personal expense.

CONSUMER GOODS – the items that a consumer purchases for personal or household consumption.

CONSUMER PRICE INDEX (CPI) – a measure of inflation used in the United States, calculated by the U.S. Bureau of Labor Statistics.

CONSUMERISM – an organized demand that businesses maintain a high level of concern for consumers' interest when it comes to the manufacture and sale of merchandise.

CONTEXTUAL MARKETING – targeted, personalized messages to potential customers, based on their specific interests as recorded in a database.

CONTINGENCY FEE – a fee commonly paid to lawyers by a client dependent upon the results of the litigation. It allows the client to receive legal advice with little or no money paid up front. Also, a fee structure used by other service providers.

CONTRACT – a promise or a set of promises for the breach of which the law gives a remedy or the performance of which the law in some way recognizes as a duty.

CONTRACT LABOR – workers, not employees, hired on an "as needed basis" to do specific work.

CONTRACTING OUT – allowing subcontractors to perform part of a job rather than one company's employees performing the entire task.

CONTRACTOR – an individual or company that performs work for others under the terms of a contract. The term is used widely in the construction industry where one is hired to erect a building or perform a certain phase of the building process, such as plumbing, electrical, framing, etc.

CONTROLLED CIRCULATION – publications delivered to recipients who meet specific qualifications.

CONVERSION RATIO – the number of shares of stock into which a convertible security may be converted.

CONVERTIBLE PREFERRED STOCK – preferred stock that may be converted into common stock or another class of preferred stock.

CONVERTIBLE SECURITY – a bond (note, debenture) that may be exchanged for other securities of the corporation, usually common stock. The buyer of a convertible bond has the security of the promised interest or preferred dividend yet can enjoy profits from the rise in price of the stock into which the convertible security can be converted once that stock's price exceeds the stipulated conversion price.

COOPERATIVE – an organization consisting of a group of people or businesses that are brought together due to their common interest and operate as a whole to achieve greater results than they could obtain individually. The members are shareholders in the cooperative. The most common type of cooperative is found in the agriculture market but is also in real estate and consumer groups.

COOPERATIVE ADVERTISING – advertising that is paid for by both the retailers or wholesalers and the advertiser.

COPYRIGHT – an exclusive right granted by the federal government to the creator to publish and sell literary, musical and other artistic materials. Honored for 70 years after the death of the creator.

CORE COMPETENCIES – the fundamental skills, experiences and expertise of an enterprise.

CORNER THE MARKET – when a purchaser buys a security or product (such as precious metals) in a large enough quantity that he or she is able to influence the price of that security or product.

CORPORATE BYLAWS – specific rules concerning the internal affairs of a corporation.

CORPORATE CHARTER – the document prepared when a corporation is formed. The charter sets forth the objectives and goals of the corporation, as well as a complete statement of what the corporation can and cannot do while pursuing these goals.

CORPORATE LICENSING – using popular corporate names to sell products with which they have not been previously associated.

CORPORATE PARTNER – a company that may be chosen by another company to form a formal or informal strategic alliance.

CORPORATE RAIDING – the practice of one corporation attempting to gain control of another through stock purchases.

CORPORATE RESOLUTION – a document stating that the corporation's board of directors has authorized a particular individual to act on behalf of the corporation.

CORPORATE RESTRUCTURING – reorganization of a company in such a way as to make it more efficient by eliminating some positions and reassigning responsibilities.

CORPORATE STRATEGY – a company's long-term plan for doing business and making money.

CORPORATE TAKEOVER – a maneuver in which one company takes possession of another company by buying a controlling interest in the target company's stock.

CORPORATE TAX – a tax assessed by states on their resident corporations. Levy terms and percentages vary widely from state to state.

CORPORATE VENTURING – venture capital provided by [in-house investment funds of] large corporations to further their own strategic interests.

CORPORATION – a legal, taxable entity chartered by a state or the federal government. Ownership of a corporation is held by the stockholders.

CORRESPONDENT BANK – a bank that performs services for another financial institution that is usually limited in its market accessibility.

COSIGNER – a person who signs a note in conjunction with another person. The cosigner assumes responsibility for the amount of the note if the maker defaults.

CO-SPONSOR – two or more companies or people that join together to help support, plan, and carry out an activity. Many companies will sponsor events as a good-will effort in their communities and in exchange for their sponsorship and support will receive recognition and limited advertising.

COST OF GOODS SOLD OR COST OF PRODUCT/SERVICE – (1) purchase price of merchandise sold by a retailer; (2) the cost of raw materials, purchased parts and labor in making a product; (3) that which is deducted from net sales to determine gross margin (gross profit).

COST OF LIVING – the average price of providing the necessities for an individual; the cost of buying those goods and services which are considered to be a standard level of consumption.

COST PLUS PRICING (STANDARD MARKUP) – setting a price by adding a specified percentage to the cost of the product or service.

COST-BENEFIT ANALYSIS – any process by which organizations seek to determine the effectiveness of their spending, in relation to costs, in meeting policy objectives.

COVENANT – a protective or restrictive clause in an agreement.

COVERAGE – the number or percentage of persons reached within a specific geographic area by a medium of communication.

CPU (CENTRAL PROCESSING UNIT) – the main work unit of the computer. This unit controls all data processing, data movement, and the execution of instructions.

CRAM DOWN – extraordinary dilution caused by selling shares of a company at a much lower price than that paid earlier investors resulting in a reduction of a non-participating earlier investor’s percentage ownership.

CREDIT – (1) an entry on the right-hand side of an account ledger representing an addition to a revenue or liability account; (2) the ability to borrow a sum of money or purchase an item with the understanding that the balance will be repaid at a later date.

CREDIT CARD – a card issued by a business that entitles the holder to purchase items on credit at participating retailers.

CREDIT INVESTIGATION – a search undertaken by a lender to find out if an applicant is a good credit risk. The investigation will delve into an applicant's financial background to determine this.

CREDIT MEMO – a note indicating an individual's creditworthiness or credit rating.

CREDIT RATING – an evaluation that is performed on a person or a business to review their past credit history and determine their ability to repay debts.

CREDIT REPORT – the confidential report that is usually generated as a result of a credit investigation into an applicant's background. It details the financial standings of an applicant.

CREDIT SCORE – a procedure for assigning scores to an individual or company on the basis of their risk of default.

CREDIT UNION – a cooperative financial organization that makes small loans to its members at interest rates equal or below the market rate.

CREDITOR – individuals or firms to which money is owed. (1) General: class of claimants who are paid from funds remaining after preferred and secured creditors have been satisfied; they have no preferred status or security for their claims. (2) Preferred: class of claims that must be paid first, by order of court in bankruptcy cases, including: taxes, wages, court costs, secured creditors.

CULTURE – a term used to describe the overall attitudes and approaches by a company to conducting business, including handling of employees, suppliers, and customers.

CUMULATIVE DIVIDENDS – dividends that accrue at a fixed rate until paid are “Cumulative Dividends” which are payments to shareholders made with respect to an investor’s preferred stock. Generally, holders of preferred stock are contractually entitled to receive dividends prior to holders of common stock. Dividends can accumulate at a fixed rate (for example 8%) or simply be payable as and when determined by a company’s Board of Directors in such amount as determined by the board. Because venture backed companies typically need to conserve cash, the use of Cumulative Dividends is customary with the result that the Liquidation Preference increases by an amount equal to the Cumulative Dividends. Cumulative Dividends are often waived if the preferred stock converts to common stock prior to an IPO but may be included in the aggregate value of preferred stock applied to the Conversion Ratio for other purposes. Dividends that are not cumulative are generally called “when, as and if declared dividends.”

CUMULATIVE VOTING RIGHTS – when shareholders have the right to pool their votes to concentrate them on an election of one or more directors rather than apply their votes to the election of all directors. For example, if the company has 12 openings to the Board of Directors, in statutory voting, a shareholder with 10 shares casts 10 votes for each opening (10x12 = 120 votes). Under the cumulative voting method, however, the shareholder may opt to cast all 120 votes for one nominee (or any other distribution he might choose).

CURRENT ASSETS – cash or property that can be converted to cash in a short period of time; usually accounts receivable, inventory, and short-term notes receivable.

CURRENT LIABILITY – a debt which is payable within one year or within the normal operating cycle of a company; usually accounts payable, accrued expenses payable and short-term notes payable.

CURRENT RATIO – a ratio that indicates a firm's degree of liquidity by dividing current assets by current liabilities.

CURRENT YIELD – the annual rate of return on an investment stated as a percentage. Also, for bonds or notes, it is the annual interest divided by the market price of the bond.

CUSTOMER – an individual, business, or other organization that purchases a good or service from a business entity.

CUSTOMER RELATIONSHIP MARKETING – process of developing and maintaining a relationship with customers through interactive technology, loyalty reward programs, and direct mail messages, in order to encourage repeat business.

CUSTOMER SERVICE – what the business does to increase the customer's convenience and satisfaction.

CUSTOMER-IN-HAND – customer already interested enough and ready to purchase a product or service—advance orders, deposits.

CUTBACK – a reduction in the number of workers due to a shortage of work to be performed or a decrease in the budget necessary to pay the workers.

CUTTING EDGE – when the innovator is at the forefront of a new trend.

CYBERMALL – a collection of business-related Web pages.

DAMAGES – a monetary loss experienced by a party as a result of a wrongful act or negligence.

DATA PROCESSING – the conversion of crude information into usable or storable data.

DATABASE – an integrated collection of data stored in different record types.

DAYS SALES OUTSTANDING – a measurement of the average number of days it takes customers to pay their bills.

DEADLINE – the date or time at which something needs to be completed.

DEALER – (1) an individual or company that sells or distributes goods or services to a customer, (2) in the security market, this is an agent who purchases over-the-counter stocks for his or her own account and sells directly to his or her customers from this account. Dealers belong to the National Association of Securities Dealers, Inc. (NASD) and deal mainly with securities that are not actively traded on the stock exchanges.

DEBENTURE – a written promise by a corporation to repay money that has been borrowed. This certificate or voucher is usually referred to as an unsecured corporate bond or promissory note.

DEBIT – an entry in the left side of an account ledger representing an increase in an asset or expense account.

DEBIT CARD – a card resembling a credit card that allows bank customers to withdraw cash from any affiliated automated teller machine as well as being able to make cashless purchases from funds on deposit.

Debt – any obligation by one person to pay another. May be a primary (direct) obligation as in a Note, or a secondary (contingent) obligation as in a guaranty.

DEBT CAPITAL – funds or assets acquired by borrowing.

DEBT INSTRUMENT – any instrument evidencing the obligation of the maker to pay the holder of the debt instrument. Includes Bonds, Debentures and Notes of all kinds.

DEBT RATIO – measurement of what portion of the company is leveraged or financed (how much the owner could lose to creditors).

DEBT SERVICE – the money needed to regularly pay the required amount due on a loan.

DEBT WITH WARRANTS – a loan that obligates the company to repay a certain amount of money over a certain period of time at an agreed-upon rate; carrying with it the right to purchase stock at a fixed price within a specified period of time. (Differs from convertible debentures in that all debts must be repaid and, in addition, the note holder is given warrants. Under convertible debentures, the note holder might not recoup the full loan before converting it into stock.)

DEBTOR – one who owes a debt.

DEBT-TO-ASSETS RATIO – the relationship of a company's total debt to its total assets. The lower the ratio, the more financially sound a company is thought to be.

DEBT-TO-EQUITY RATIO – the relationship of debt to stockholder equity (ownership), or net worth, in a firm's capital structure. The higher the ratio, that is, the more debt there is relative to equity, the greater the firm is leveraged.

DECLINING STAGE OF THE PRODUCT/SERVICE LIFE CYCLE – most products or services spend a part of their marketable lives in this later stage characterized by rapidly dropping sales, falling prices, extremely low profit, good liquidity, and low leverage.

DEDUCTION – an item that can be subtracted from income to determine one's taxable income.

DEED – a document that transfers the title of real property from one owner to another. There are two parties to a deed; the grantor and the grantee. The grantor is the one who conveys the interest in real property and the grantee is the recipient of the deeded property.

DEED OF TRUST – a legal document that is a deed to real property given by a borrower as security for a debt. The deed is transferred to a third-party trustee who holds the legal title for the property in trust until the debt is paid. When the borrower pays the debt, the deed of trust becomes void. However, if the debt is not paid, the trustee may sell the property in a public sale depending on state laws and the terms of the deed of trust.

DEEP POCKETS – refers to financial backers with seemingly endless funds to invest in entrepreneurial as well as other ventures.

DEFAULT – failure to pay a debt, make scheduled payments, or meet any term of a credit contract.

DEFENSIVE PRICING – discouraging new competitors by temporarily lowering prices.

DEFERRED – an accounting situation where a payment is due but is not given credit as a payment until a later date.

DEFERRED COMPENSATION – an employee incentive program in which an amount is earned, but not paid until a certain set of circumstances is realized.

DEFERRED CREDIT – unearned income. Money is received prior to it actually being due or when the product is delivered so the revenue account is not credited until the date in which the money is earned.

DEFICIENCY LETTER – a letter sent by the SEC to the issuer of a new issue regarding omissions of material fact in the registration statement.

DEFINED BENEFIT PENSION – a type of pension plan in which the sponsor distributes to the qualified employees a guaranteed amount of retirement income.

DEFLATION – a decrease in the amount of money available in circulation resulting in a decline in the general price level.

DEFUNCT COMPANY – a company that is no longer doing business.

DELEGATION – (1) a group of people elected or chosen to represent others; (2) the process of empowering others in the down line of an organization to act with authority.

DELINQUENCY – a past-due credit account or debt payment.

DELIVERED COST – the total price a store is billed for merchandise that is ordered and received. All costs, including transportation, are included in this figure.

DELIVERY – (1) the receipt of goods from the seller to the desired location of the buyer; (2) in real estate, the legal act of transferring ownership, such as the passing of a deed from the grantor to the grantee.

DELIVERY DATE – the date a vendor had agreed to have a scheduled shipment to the store making the purchase. Failure by the vendor to meet this date could result in the store canceling the order.

DEMAND DEPOSIT – money placed with a financial institution that must be returned upon demand by its owner; checking account is the most common form.

DEMAND NOTE – a note which is payable immediately when the holder decides to present it.

DEMAND PRICING – setting a premium price on a product or service that is in short supply.

DEMAND REGISTRATION – resale registration that gives the investor the right to require the Company to file a Registration Statement registering for resale the private securities issued to the investor in a private offering.

DEMOGRAPHICS – the science of grouping human populations statistically by such characteristics as age, sex, family size, income, and occupation.

DEMOTION – the reduction in a worker's status to a lower grade, rank, salary, or title.

DEPOSIT – cash and checks given to a bank to maintain a credit balance until the funds are withdrawn and converted to cash.

DEPRECIATION – the periodic allocation of the cost of a tangible long-lived asset over its estimated useful life.

DIFFERENTIATION – the process of making one thing or process different from another.

DILUTION – a reduction in the percentage ownership of a given shareholder in a company caused by the issuance of new shares.

DILUTION PROTECTION – protection against having one’s potential ownership interest diluted, most commonly granted to holders of convertible securities. Such protection is most commonly effected by having the conversion ratio applicable to convertible securities automatically adjust upon the occurrence of certain dilutive events, such as in the case of a stock dividend, extraordinary equity distributions or the issuance of securities in a future round of financing at a valuation that is below the valuation of the current round.

DINK – a double income, no-kids couple.

DIRECT COMPETITION – businesses that sell similar products or services in the same target market. Examples are Burger King and Wendy's; Rite Aid and Walgreen's; Reebok and Nike.

DIRECT COST – any expense that a company incurs from the inception phase of a product or service to the distribution phase; such as raw materials, and labor used to manufacture the product.

DIRECT INTERNET MARKETING – the process of using integrated (opt-in) e-mail messages and personalized Web initiatives to build relationships online, turning Web site visitors into prospects, prospects into customers, and customers into repeat buyers. Also known as *eCRM* or *electronic customer relationship marketing*.

DIRECT MAIL – presenting a product or service to the consumer without the use of middlemen. This allows control over distribution and measures effectiveness of promotional campaigns.

DIRECT MARKETING – a term typically used to describe marketing that uses mailings such as catalogues or third-class mail pieces. The advantage of direct marketing is that the results can be precisely measured.

DIRECT RESPONSE – selling techniques which allow immediate decisions by the consumer, such as telephone solicitations, mail order, and catalogues.

DIRECT SALES FORCE – employees of a company whose role it is to go into the market, locate people who need their company's product, and then persuade them to buy it.

DIRECTOR – person elected by shareholders to serve on the board of directors. The directors elect the president and all other operating officers, and decide when dividends should be paid (among other matters).

DIRECTOR'S INSURANCE – insurance for the Board of Directors to protect against claims of mismanagement.

DISABILITY BENEFITS – benefits that are given to employees who are unable to perform the main functions of their occupation. This is usually in the form of income dispersed as a percentage of the employee's income while working and given for a limited period of time.

DISABILITY INCOME – monies individuals receive in the event they are unable to perform their job due to sickness or an accident. Individuals must have disability insurance as part of their health insurance plan in order to receive this benefit.

DISABILITY INCOME INSURANCE – a form of health insurance that provides periodic payments to replace income when an insured person is unable to work as a result of illness, injury, or disease.

DISBURSEMENT – the act of paying out funds to satisfy a financial obligation.

DISCHARGE – (1) to discharge or fire an employee from a job; (2) to release a party from their obligation or liability.

DISCLOSURE DOCUMENT – a booklet outlining the risk factors associated with an investment.

DISCOUNT – a reduction in the original price of an item or service. There are many different types of discounts: (1) Retail discounts: a temporary or permanent reduction in the price of an item in an attempt to generate a sale. (2) Quantity discounts: price breaks given to a purchaser due to the large volume of goods they are buying. (3) Cash discounts: a percentage discount given if payment of a bill is made promptly, usually within ten days. After the ten-day grace period, the discount no longer applies and the bill needs to be paid in full. (4) Bond discounts: when a bond is selling below its par value it is said to be *discounted*.

DISCOUNT RATE – the interest rate the Federal Reserve charges on loans to its member banks.

DISCRETIONARY ACCOUNT – an account set up by a customer that gives a company or an individual, such as a broker, part or full control over management of that account. The controlling party assumes the responsibility to purchase or sell the various securities or commodities held in the account.

DISCRETIONARY FUNDS – excess money that has not yet been budgeted for any particular spending.

DISCRETIONARY INCOME – amount of disposable personal income available for spending and saving after the basic necessities of food, clothing, and shelter have been provided.

DISCRIMINATION – the act of displaying prejudice against another individual due to race, religion, age, or some other non-job-related reason.

DISPOSABLE INCOME – amount of income available for personal consumption, expenditures, and savings.

DISSOLUTION – legal termination of a corporation, which entails liquidating all assets, paying off all liabilities, and distributing the remaining balance to the company's stockholders.

DISTRIBUTION – the process of getting the finished product from the manufacturer to the customer.

DISTRIBUTION CENTER – a warehouse that processes and moves goods. Many times bulk items are delivered to a distribution center to be divided and repackaged for delivery to retail outlets

DISTRIBUTION CHANNEL – the various organizations responsible for moving the product from the producer to the ultimate consumer.

DISTRIBUTION COST – the cost incurred in marketing and shipping a product from the manufacturer to the end consumer.

DISTRIBUTION RIGHTS – the rights to distribute another company's products or services. An agreement may cover such things as time length of distribution rights, geographic area, as specific products or services.

DISTRIBUTIONS – payments made to the shareholders by means of dividends, capital gains, or the return of capital.

DISTRIBUTOR – a person, or company, that distributes products or services to customers; commonly a wholesaler who buys from a manufacturer and sells to a retailer.

DIVERSIFICATION – the process of spreading investments among various types of securities and various companies in different fields.

DIVERSITY – an attempt to increase the heterogeneity of an organization’s work force by including different groups of people. Many laws have been made to "level the playing field" for people with disabilities (ADA), the elderly (ADEA), etc. to promote diversity in the work environment.

DIVEST – to dispose of an interest or transfer a title.

DIVIDEND – a distribution of profit made to the stockholders of a corporation. (1) Cash: payment in cash. (2) Extra: paid in either stock or cash in addition to the regular or usual dividend the corporation has been paying. (3) Property: payment in assets other than cash—inventory, marketable securities of other companies, fixed assets, etc. (4) Stock: payment of dividend stock.

DIVIDEND REINVESTMENT PLAN (DRP) – a plan that automatically takes the shareholder’s dividends and reinvest them back into the holder’s plan by using the funds to purchase additional shares of stock.

DOLLAR COST AVERAGING – a system of investing in securities by allocating a fixed amount of money at regular intervals.

DOMAIN NAME – the address of a Web site usually starting with "www" and ending with ".com" or ".org." Also referred to as a URL (universal resource locator).

DORMANT PARTNER – a limited partner who does not actively participate in managing the company nor is disclosed to the public as being a partner. Sometimes called a *silent or passive partner*.

DOUBLE TAXATION – a term referring to the fact that earnings of a corporation may be taxed twice, both as the net income of the corporation and again as the dividends distributed to the stockholders. Adept management can often abate its impact in closed corporations.

DOW JONES INDUSTRIAL AVERAGE – an index of the relative price of securities based on the daily average price of a representative stock grouping. Some investors view this average as an economic indicator and rely on it to evaluate the market’s movement and value.

DOWN PAYMENT – a partial payment of the full price, made at the time of purchase or delivery, with the balance to be paid at a future date

DOWN ROUND – issuance of shares at a later date and a lower price than previous investment rounds.

DOWNSIDE – the risk of losing money on a venture.

DOWNSIZING – a reduction in the number of an organization's personnel. Some downsizing may occur through attrition, while others take place more aggressively through layoffs and terminations.

DOWNTIME – a period in which a machine, department, or factory is idle during normal working hours.

DRAG-ALONG RIGHTS – a majority shareholder's right, obligating shareholders whose shares are bound into the shareholders' agreement to sell their shares into an offer the majority wishes to execute.

DRIVING FORCE – someone with the energy and vision to take a business concept and make it a reality; the organizer in small-scale operations; the CEO in larger operations.

DROP SHIPMENT – a purchase made by some central buying organization from a manufacturer who ships the goods directly to the individual stores rather than to the chain's home office or its distribution center. Any shipment made directly to a dealer or industrial buyer at the instigation of some merchant wholesaler.

DUE DILIGENCE – a process undertaken by potential investors—individuals or institutions—to analyze and assess the desirability, value, and potential of an investment opportunity.

DUMMY INVOICE – a document that a retailer prepares to temporarily replace a vendor's invoice if one is not readily available. A dummy invoice allows the retailer to receive, price, and merchandise the goods without waiting for all the paperwork to arrive.

DUN & BRADSTREET – a firm that gathers and sells credit information on business firms.

DURABLE GOODS – a product that is expected to last for a long and useful life. Such products as televisions, washers, and dryers would be considered durable goods.

EARLY STAGE – a state of a company that typically has completed its seed stage and has a founding or core senior management team, has proven its concept or completed its beta test, has minimal revenues, and no positive earnings or cash flows.

EARNEST MONEY – partial payment in advance, showing the serious intent of a buyer. Sometimes called *front money*.

EARNINGS – (1) total remuneration of an employee or group of employees for work performed, including wages, bonuses, commissions, etc. (2) the profits of a company

EARNINGS BEFORE INTEREST AND TAXES (EBIT) – also known as *operating income*, it is the net income generated by conducting business.

EARNINGS BEFORE TAXES (EBT) – net income generated by conducting business with a deduction made for interest owed/paid on company debts.

EARNINGS PER SHARE (EPS) – is a widely used measure of a company's stock performance. Earnings per share (EPS) is a profitability ratio of net income available to common shareholders to the number of common shares outstanding.

EARNINGS REPORT – a statement issued by a company reflecting its financial situation over a given period of time. This report lists revenue, expenses, and the net result.

EARNINGS/DIVIDEND RATIO – ratio of company profits to dividends declared.

EASEMENT – a nonpossessory interest in land that allows the holder the right to use another's land in a particular way.

EASY MONEY – money that can be obtained fairly easily at a low interest rate due to a large supply of funds being available.

EBITDA (EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION AND AMORTIZATION) – a measure of cash profitability typically applied to companies that have been subject to a leveraged buyout (LBO). Strictly defined, EBITDA is operating profit before depreciation, as well as operating revenue minus cost of sales, operating expenses, and selling, general, and administrative expenses.

E-CHECK – a method of paying for items by having the purchaser's checking account automatically debited for the amount owed.

E-COMMERCE – business transactions facilitated by electronic technology, including private telephone and cable lines, Internet Web sites and e-mail, and corporate intranets. It can include functions such as using computers to place orders with suppliers, invoice and bill customers, and ship goods.

ECONOMIES OF SCALE – economic principle that, as the volume of production increases, the cost of producing each unit decreases.

EIGHTY/TWENTY PRINCIPLE – a phenomenon in which a venture may get 80 percent of its business from 20 percent of its product line, while spending 80 percent of its effort to gain the remaining 20 percent of volume.

ELASTIC DEMAND – when there is a large change in the quantity of an item demanded but only a slight change in the price, the item is said to have an elastic demand.

ELEVATOR PITCH – An extremely concise presentation of an entrepreneur’s idea, business model, company solution, marketing strategy, and competition delivered to potential investors. Should not last more than a few minutes, or the duration of an elevator ride.

EMPLOY – to engage an individual or a company to perform a job in exchange for compensation.

EMPLOYEE MANUAL – a book that explains a company's policies, procedures, and benefits.

EMPLOYEE ORIENTATION – a program directed toward new employees that informs them of job related information.

EMPLOYEE STOCK OPTION PLAN (ESOP) – a plan established by a company whereby a certain number of shares is reserved for purchase and issuance to key employees. Such shares usually vest over a certain period of time to serve as an incentive for employees to build long-term value for the company.

EMPLOYEES – employees include all full-time or equivalent full-time workers who are compensated for the work they do on behalf of the business. This includes all senior managers, as well as the full-time equivalent of any part-time or seasonal workers.

EMPLOYMENT AGENCY – a business that strives to help firms recruit capable employees and aids individuals in finding employment. The employment agency usually receives a percentage of the successfully placed candidate's starting salary as compensation.

EMPLOYMENT CONTRACT – an agreement between an employer and an individual to induce him or her to work for the company. The need for a contract arises when a firm wants a talented person to leave a good job to come work for it and that person demands assurances of fair treatment. Most managers are reluctant to offer these contracts.

EMPLOYMENT TAXES (PAYROLL TAXES) – any variety of taxes levied by government, based on an employer's payroll. Most common employer's contributions to Social Security are known as FICA (Federal Insurance Contribution Act), also FUTA (Federal Unemployment Tax Act).

EMPOWERMENT – an increase in the amount of responsibility and decision making given to employees.

ENCRYPTION – a coding technique used to secure sensitive data, like credit-card information.

END USER – the ultimate consumer.

ENTERPRISE ZONE – a relatively small geographical area, usually located in an economically depressed location which is designated as an Enterprise Zone by state governments. To encourage development the business firms in the zone are granted a wide range of governmental benefits and incentives.

ENTREPRENEUR – derived from the French word "to undertake." Someone who is willing and eager to create a new venture in order to present a concept to the marketplace.

ENTREPRENEURIAL ORGANIZATION – a company structure and/or culture that promotes entrepreneurial behavior so as to encourage risk-taking, opportunity-seeking, innovation, creative financing, and leveraging resources.

ENTREPRENEUR'S BET – that the venture will reach its cash break-even point before it runs out of money.

ENTREPRENEURSHIP – a process through which individuals and groups pursue opportunity, leverage resources, and initiate change to create value. Thus, an entrepreneur is one who creates and manages change by pursuing opportunity, acting with passion for a purpose, living proactively, and leveraging resources to create value.

EPA (ENVIRONMENTAL PROTECTION AGENCY) – established by President Nixon in 1970 to enforce environmental protection standards, the EPA has many assistance programs for small business regarding environmental protection.

EQUAL EMPLOYMENT OPPORTUNITY (EEO) – legislation that outlaws discrimination based on race, religion, national origin, age, sex, and physical disability.

EQUAL PAY ACT – a compensation law that requires men and women working for the same establishment to be paid the same rate of pay for work that is equal in skill, effort, responsibility, and working conditions.

EQUAL PAY FOR EQUAL WORK – the concept that people should be compensated at the same rate for performing the same job regardless of individual characteristics.

EQUITY – (1) total assets minus total liabilities equals equity or net worth; (2) money invested into a company that is not intended to be repaid, but represents an ownership interest.

EQUITY CAPITAL – funds invested in a business by its owner(s).

EQUITY KICKER – options for private equity investors or lenders to purchase shares at a discount.

ERISA – the United States Employee Retirement Income Security Act of 1974, as amended, including the regulations promulgated thereunder.

ESCAPE CLAUSE – a clause in a contract that allows one party to avoid performing to the terms of the contract if stated events happen. For example, many contracts are reduced or canceled in case of "acts of God," war, or strike.

ESCROW – placing money in a special and separate account under the control of another party, usually a financial institution, to be held until the completion of conditions set forth in an agreement.

ESOP (EMPLOYEE STOCK OWNERSHIP PLAN) – a plan set up under federal law which allows employees to buy stock in the company with funds borrowed from a bank, with the principal repaid from an employees' profit-sharing plan.

ESTATE – all the assets and liabilities left by a person at the time of his or her death.

ESTIMATED ANNUAL SALES – annual sales equal to the total actual dollars a business receives from the sale of its products and/or services.

EVICTION – action taken by a landlord which physically prevents the tenant from entering the leased premises. This action has been deemed acceptable by a judgment of a court.

EX NIHILO – (Latin) out of nothing; from scratch.

EXCHANGE ACT [34 ACT] – regulates periodic reporting by companies with publicly traded securities, companies with more than 500 shareholders, and brokers and dealers in securities.

EXCHANGE RATE – the rate at which one unit of currency can be converted into that of another currency.

EXECUTIVE – an individual who holds a position of authority in a firm and who is called on to make administrative or managerial decisions.

EXECUTIVE SUMMARY – a document which captures and presents succinctly the essence of the written business plan. It is, in effect, a capsulated version of the entire plan. The executive summary is not simply a background statement, nor is it an introduction. It is the plan in miniature. Because many plan reviewers are inundated with proposals, they use the executive summary for a quick understanding of the total plan.

EXEMPT EMPLOYEES – employees who are not confined by standard minimum wage and overtime laws.

EXERCISE PRICE – (1) the price that a stock can be purchased in a call option or sold in a put option, (2) the price at which an option or warrant can be exercised. The strike price is another term used for exercise price.

EXIT INTERVIEW – a discussion that occurs at the end of an employee's term of employment.

EXIT STRATEGY – an investor's intended method for liquidating its investment holdings and realizing a return on its investment. Exit strategies can include selling or distributing the portfolio company's shares at or after an initial public offering (IPO), upon a sale of the portfolio company or at the time of a recapitalization.

EXPANSION STAGE – A stage of development a company may experience characterized by a powerful position in the industry, high employee morale, a clearly developed exit strategy, and healthy profits.

EXPERIENCE CURVE – the rate, volume, or speed of change in the amount of someone's knowledge, plotted mathematically on a graph.

EXPORTER – one who sells and/or ships goods to customers in other countries.

EXPRESS WARRANTY – an assurance or guarantee related to the quality or performance of an item being sold that results from the words or conduct of the seller. Consumers have a right to expect a seller to uphold any such claims based on the seller's expressed warranty.

FACE VALUE – the amount printed on the bond or other debt instrument, on which the borrower computes interest and which it repays at maturity.

FACTOR – financial institution that buys accounts receivables from a firm and bills customers directly, taking a percentage of the money collected as a fee, in contrast to a bank that only lends on accounts receivable.

FACTORING – (1) the selling of accounts receivable; (2) selling invoices at a discount.

FAIR USE – a doctrine established as part of the copyright law that allows the use of copyrighted materials for specific purposes without the permission of the copyright's owner(s). Such purposes may include teaching, research, or news reporting.

FAMILY AND MEDICAL LEAVE ACT (FMLA) – a federal law requiring employers to give eligible employees up to 12 weeks of unpaid leave during a year's time if they meet acceptable conditions.

FAQ (FREQUENTLY ASKED QUESTIONS) – a list of answers to common questions on a given topic, usually posted by newsgroups.

FCC (FEDERAL COMMUNICATIONS COMMISSION) – A commission of the U.S. federal government with authority to regulate radio, television, telephone, and other electronic communication.

FDA (FOOD AND DRUG ADMINISTRATION) – a department of the U.S. government that promotes and protects the public health by helping safe and effective products reach the market in a timely way and monitoring products for continued safety after they are in use.

FDIC (FEDERAL DEPOSIT INSURANCE CORPORATION) – an independent federal agency that insures the deposits of member banks up to a maximum amount. The FDIC also assists with the enforcement of banking regulations in banks that are not part of the Federal Reserve System.

FEASIBILITY PLAN (OR STUDY) – the process of determining the viability of a business concept by exploring the demand, size, and profitability of the proposed market, the availability of funding sources, and by making sure that the business and the personal criteria of the entrepreneur are a good match.

FEDERAL INCOME TAX – tax assessed on EBT (Earnings Before Tax) of a business and paid to the Internal Revenue Service of the federal government.

FIBER OPTICS – the technology of using glass fibers to guide light pulses from source to destination, facilitating the transmission of data.

FICA (FEDERAL INSURANCE CONTRIBUTIONS ACT) – a payroll deduction required by the federal government to help finance programs for retired Americans. It also provides disability benefits and health insurance for the aged.

FICTITIOUS BUSINESS NAME – the registration of the name of a business to link a business name to the owner's tax-payer identification number, required by many states.

FINANCE CHARGE – total cost of credit in dollars and cents to obtain credit.

FINANCIAL INSTITUTION – any firm that deals with money and/or securities. Banks, savings and loans, insurance companies, hard-asset lenders, credit unions, stockbrokers, consumer financial companies, and investment bankers, as well as a host of other highly specialized organizations are examples of the institutions that operate in the huge and highly complex world of finance.

FINANCIAL LEVERAGE – equals total debt divided by the total owners' investment. This ratio measures a company's ability to withstand business setbacks. The lower the level of financial leverage, the less total debt a company is carrying relative to the owners' investment and the more likely the company will be able to cover that debt in the event of a downturn.

FINANCIAL MIDDLEMEN – institutions that get money from those who have it and sell it to those who have need for it.

FINANCIAL RATIOS – measurements used to establish common standard figures that can be compared from year-to-year, company-to-company, or company-to-industry.

FINANCIAL STATEMENT – periodic accounting reports of a company's activities. Usually includes balance sheet and income statement.

FINANCING – activities associated with securing additional funds for business use.

FINDER – a person who helps to arrange a transaction for a fee.

FINDER'S FEE – commission paid to a person for furnishing to the payer a buyer or a property or for arranging an introduction that leads to a deal.

FIRST-IN, FIRST-OUT METHOD (FIFO) – an accounting method for inventory that assumes the first items acquired are the first items used or sold. Therefore, the ending inventory consist of items that were the last ones manufactured or purchased.

FIRST-ROUND FINANCING – the first infusion of third-party capital in a new venture after the initial founder's money has been exhausted.

FISCAL YEAR – a corporation's accounting period that consists of twelve consecutive months.

FIXED ASSET – property with relatively long life, such as land, buildings, and equipment.

FIXED COST – a cost that remains constant within a relevant range of volume or activity.

FIXTURE – (1) an item, such as a display counter or a rack, that is used as an aid to help in the buying or selling process; (2) an item that is attached to a building that cannot be removed easily without damaging the property. Once attached, a fixture usually becomes part of the property.

FLAGSHIP – a product or service upon which a company gains and maintains its reputation and top rating in the marketplace. Considered to be a firm's front runner in the market.

FLASH SALES REPORT – an unaudited report reflecting a company's sales during a period of time. Many times these reports reflect the previous day's sales, but with improved technology, many businesses can pull up flash sales reports any time during the day to monitor sales.

FLEXTIME – a system that allows employees an option of various starting and stopping times for their work day. Although employees still work the same amount of hours, they have more input as to what those hours are.

FLIER – (1) a speculative or reckless venture taken by someone with little experience to undertake such a risk; (2) an advertising circular or handout that is produced for mass circulation.

FLIPPING – the act of buying shares in an IPO and selling them immediately for a profit. Brokerage firms underwriting new stock issues tend to discourage flipping and will often try to allocate shares to investors who intend to hold on to the shares for some time.

FLOAT – the time frame between when a check is deposited in the payee's bank and when that check is cleared by the payor's bank. Sometimes the amount of money in the process of being collected, represented by the number of checks yet to be cleared, is also referred to as float.

FLOWCHART – a diagram consisting of a set of symbols and connecting lines to reflect the flow of an item through a procedure or a system.

FOB (FREE ON BOARD) – a delivery term indicating that the seller is responsible for the shipment of goods and the expense of shipment to the FOB point of designation. For example, if the terms of the shipment are "FOB shipping point," then the retail store must pay all expenses from the vendor's shipping point. However, when the terms state "FOB store," then the vendor incurs all expenses until the merchandise reaches the store's receiving dock.

FOCUS GROUP – a structured discussion with a select, predetermined group of potential consumers to learn their reactions to a new product or service.

FORECASTING – an attempt to calculate how much of a product or service will be utilized at a future date in order to plan for its production and distribution.

FORECLOSURE – a legal collection proceeding taken by the lender to bring to an end the borrower's right to a property used as collateral to pay the debt. The collateral is sold and the sale proceeds are used to pay-off or reduce the debt by the amount of the sale.

FORFEITURE – the loss of cash or property resulting in a breach of a legal obligation.

FORM 10-K – this is the annual report that most reporting companies file with the SEC. It provides a comprehensive overview of the registrant's business.

FORM 10-KSB – this is the annual report filed by reporting "small business issuers." It provides a comprehensive overview of the company's business, although its requirements call for slightly less detailed information than required by Form 10-K.

FORM S-1 – the form can be used to register securities for which no other form is authorized or prescribed, except securities of foreign governments or political subdivisions thereof.

FORM S-4 – type of Registration Statement under which public company mergers and security exchange offers may be registered with the SEC.

FORM SB-2 – this form may be used by "small business issuers" to register securities to be sold for cash. This form requires less detailed information about the issuer's business than Form S-1.

FOUNDERS' SHARES – shares owned by a company's founders upon formation of the company.

FRANCHISE – a contract between two parties. In modern usage, it is a license from the franchiser that entitles its holder to operate a particular type of business according to certain stated conditions and arrangements.

FRANCHISE AGREEMENT – an agreement between franchisor and franchisee that covers such things as length, termination, obligations, territory, and royalties.

FRANCHISING – a distribution system by which a parent company is linked to independent companies that buy a right to own and operate the franchise along the lines of the parent company's comprehensive marketing program.

FRANKING – a mark placed on authorized U.S. mail indicating that it can be mailed without charge.

FREE CASH FLOW – the cash flow of a company measured as operating cash flow less capital expenditures and tax obligations.

FREE ENTERPRISE – the freedom with which a firm or an individual is able to organize and operate in a competitive environment without excessive government intervention.

FREE MARKET – any market where goods can be exchanged relatively freely, on terms negotiated by those involved in the trading, without excessive government interference. A "free market" is often associated with a capitalist economy, as distinct from a centrally planned, socialist economy.

FREE TRADE – the movement of goods between countries in the absence of harsh restrictions placed upon this exchange.

FREE TRADE ZONE – an area where goods may be imported or exported without any customs duties (that is, taxes) being assessed.

FRICTIONLESS COMMERCE – (1) an online transaction in which the intermediary facilitates, rather than relays, the exchange of data without impeding it; (2) an environment in which prices for goods, such as books, can be compared quickly and easily, causing the goods to become commodities.

FRIENDLY TAKEOVER – the acquisition of one company by another at the invitation of the first company.

FRINGE BENEFITS – employment benefits given by an employer that does not affect the basic wage rate. These benefits include paid vacations, pensions, paid holidays, health, and life insurance and are funded in whole or in part by the employer.

FRONT MONEY – money provided for initial efforts to launch an enterprise; same as seed money: money paid in the early stages of a deal.

FULL DISCLOSURE – a requirement that all companies listing securities on the exchange must file an annual report (and possibly other financial and informational reports) and register their company with the Securities Exchange Commission.

FULL RATCHET ANTI-DILUTION – see ANTI-DILUTION

FULLY DILUTED EARNINGS PER SHARE – earnings per share expressed as if all outstanding convertible securities, option, and warrants have been exercised.

FULLY VESTED – an employee's stock options or benefit plan (pension plan, 401K, etc.) in which the employee is entitled to all the employer's contributions made to the plan. Even if the employee leaves the company, these benefits are still available to him/her.

FUND SIZE – the total amount of capital committed by the investors of a venture capital fund.

FURLOUGH – a leave of absence from duty or work, usually requested by the employee.

FUTURE VALUE – the amount an investment or a series of investments will ~~accumulate~~ be valued at some future date.

FUTURES – a contract to buy a security or commodity at some future date at a price that is fixed today. Futures are usually traded on organized exchanges with the expectation that no commodity will be received immediately.

GAAP (GENERALLY ACCEPTED ACCOUNTING PRINCIPLES) – the common set of accounting principles, standards, and procedures. GAAP is a combination of authoritative standards set by standard-setting bodies as well as accepted ways of doing accounting.

GARNISHMENT – a court order directing an employer to make deductions from an employee's wages and forward the money to the court or directly to the plaintiff to whom the employee is indebted. This procedure continues until the debt is paid off.

GAZELLE – high-growth entrepreneur or business

GENERAL AND ADMINISTRATIVE EXPENSES – the expenses incurred in providing the product or service, but not to include the actual/direct costs of the product or service.

GENERAL LEDGER – the primary record, when used in conjunction with subsidiary ledgers, that contains all of the balance sheet and income statement accounts.

GENERAL MANAGER – an individual responsible for overseeing the day-to-day operations of a division or branch office of a company.

GENERAL PARTNER (GP) – the partner in a limited partnership responsible for all management decisions of the partnership. The GP has a fiduciary responsibility to act for the benefit of the limited partners (LPs) and is fully liable for its actions.

GENERAL PARTNERSHIP – an agreement in which all partners are completely liable for the indebtedness brought about by the partnership or any partner.

GENTLEMEN'S AGREEMENT – an unsecured contract between parties based solely on the faith and honor that all participants will perform as agreed upon, a hand-shake agreement

GOING PUBLIC – a privately held company elects to sell a portion of its common shares of stock to the public. Also referred to as an *initial public offering* (IPO).

GOLDEN PARACHUTE – employment contract of upper management that provides a large payout upon the occurrence of certain control transactions, such as a certain percentage share purchase by an outside entity or when there is a tender offer for a certain percentage of a company's shares. Often used to discourage unfriendly takeovers. This is discussed in more detail at the Executive Employment Agreement .

GOODWILL – the difference between the market value of a firm and the market value of its net tangible assets.

GRACE PERIOD – a period of time allowed in which the contract or policy will remain effective even if the premium has not been paid. This period of time is usually a month (28-31 days) past the premium's due date.

GRANT – financial support made available for specific projects by non-profit organizations that are not expected to be repaid.

GRAPEVINE – an informal means of communicating in the workplace; also referred to as *gossip*.

GREENMAIL – the monies paid to the party who has acquired a large block of stock in a company, ostensibly in an effort to take control of it, by its management in a move to ward off the takeover threat.

GRIEVANCE – a complaint, filed by employees who feel a wrong has been committed against them. The complaint is usually handled in a formal manner and reviewed by a grievance committee in the hopes of eliminating the grievance.

GROSS MARGIN (GROSS PROFIT) – net sales minus cost of goods sold.

GROSS MARKUP – the difference between what the customer and the retailer pay for goods. Also called *gross margin* or *gross profit*. Usually expressed as a percentage.

GROSS SALES – total sales for a given accounting period. Includes goods that are later returned.

GROWTH STAGE OF THE PRODUCT/SERVICE LIFE CYCLE – most products or services will spend a part of their marketable lives in this stage characterized by rising sales, substantial profits, increased demand, increased competition, improved cash flow, improved liquidity, and high leverage.

GROWTH STOCK – the stock of an organization that is projected to earn a consistently high return over a period of time. This proposed increase is larger than that projected for most other corporations.

GUARANTEE – 1) a promise or assurance that an item is of a specified quality; 2) an agreement in which one person will perform the obligations of another if that person fails to perform or defaults.

GUARANTOR – one who makes a guarantee.

GUERILLA MARKETING – guerillas fight using non-traditional methods (since guerillas are not part of an army).

GUILD – an organization of members with similar interests and pursuits.

HARD ASSETS – assets with liquidation value, such as equipment and machinery.

HARVEST – liquidating the accumulated assets and equity of a venture. Converting profitable investment into cash to realize one's profit.

HEADHUNTER – a slang term referring to an individual or an agency that recruits personnel for their client. Normally headhunters seek candidates at the executive level and are reimbursed with a flat fee or on a commission basis.

HEALTH INSURANCE – provides coverage for individuals requiring medical attention, such as hospitalization and outpatient treatment. Health insurance can come in a number of forms, and some companies offer it as an employee benefit.

HEAVY HITTER – a powerful person; someone with lots of money or brains. An angel to the entrepreneur.

HMO (HEALTH MAINTENANCE ORGANIZATION) – an organized system of health care that was formed in an attempt to contain escalating health care costs. Participants are usually limited in their selection of doctors and pay a nominal fee per visit (usually referred to as a co-pay).

HOLDING COMPANY – a corporation that owns either a controlling interest in another company or all of its shares. The accounts of a wholly-owned subsidiary may be consolidated with those of the parent company. Normally a company whose main assets are securities in other companies.

HOLDING PERIOD – the amount of time an investor has held an investment. The period begins on the date of purchase and ends on the date of sale, and determines whether a gain or loss is considered short term or long term, for capital-gains-tax purposes.

HORIZONTAL MERGER – a merger between two companies that manufacture similar products or provide similar services.

HOST – a computer that provides information or services to other computers.

HOT ISSUE – a newly issued stock that is in great public demand. Technically, it is when the secondary market price on the effective date is above the new issue offering price. Hot issues usually experience a dramatic rise in price at their initial public offering because the market demand outweighs the supply.

HTML--HYPERTEXT MARKUP LANGUAGE – the simple codes used to create Web pages.

HURDLE RATE – The internal rate of return that a fund must achieve before its general partners or managers may receive participating interest in the proceeds of the fund. Often, if the expected rate of return on an investment is below the hurdle rate, the project is not undertaken.

HYPERLINK ~~–~~emphasized word or phrase that, when clicked on with a mouse, displays another document on the Internet.

HYPERMEDIA – same as Hypertext, except objects, such as graphics, video, and sound bites—not just text—can be linked.

HYPERTEXT – a method of preparing and publishing text in which readers can choose their own paths through the material by clicking on certain words or phrases.

IDEA STAGE – a stage of a company may experience in which the product or service is only an idea and its functionality, production potential, and marketability have not yet been determined.

IMMEDIATE-RESPONSE ADVERTISING – an advertising gimmick to cause the potential consumer to buy a particular product within a relatively short time.

IMPORT – to receive goods or services from one country into another.

IMPORTER – one who buys goods from foreign markets.

IMPULSE GOODS – goods purchased without prior planning on the buyer's part. The sight of the products in the store triggers the purchase.

INCENTIVE – reward, whether monetary or psychological, that motivates and/or compensates an employee for performance above standard.

INCOME STATEMENT – a financial statement that shows the amount of income earned by a business over a specific accounting period. All costs (expenses) are subtracted from the gross revenues (sales) to determine net income, which outlines the profit-and-loss financial statement (P & L).

INCOME TAX – a tax applied to the net income of an individual or a business.

INCORPORATE – to form a corporation according to the laws of the ~~various~~ state~~s~~ governing incorporation. Tax and other laws can vary depending on the type of corporation, of which there are several including the "C" corporation, Limited Liability Companies, etc.

INCUBATORS – business incubators accelerate the successful development of entrepreneurial companies. Targeted to start-up and fledgling firms, these business assistance programs offer support through an array of resources and services developed and orchestrated by incubator management. Incubators serve firms located together in an incubator building and, often, affiliate firms located outside the incubator. They provide flexible space, shared basic business services and, in many cases, assistance with financing. For more information, visit the National Business Incubator Association Web site at http://nbia.org.

INCUMBENT – a person who is currently holding an office or position.

INDEPENDENT AUDIT – an audit conducted by an auditor who is not associated with the company whose books are being reviewed.

INDEPENDENT CONTRACTOR – a person who is hired by a company to perform a specific job in a designated period of time. The worker is not recognized as an employee of the organization and is not entitled to company benefits.

INDIRECT COMPETITION – (1) businesses that sell similar products or services as a sideline to their normal business. For example, major grocery chains that sell greeting cards and flowers indirectly compete with card and flower shops; (2) businesses that sell different products or services to fulfill a similar customer demand. Examples include bagel and donut shops competing for breakfast business, or training consultants and training video producers competing for employee development business.

INDIRECT COST – a manufacturing cost that is not traceable to a specific product or cost objective and which must be assigned by some allocation method.

INDUSTRY – a business or trade group. The business and all its competitors looked at collectively is the industry.

INELASTIC DEMAND – refers to products with a demand slow to react to changes in price. Therefore, a price increase will result in increased revenues and a price reduction leads to lower sales revenue. If an item had a perfectly inelastic demand, demand would not change with fluctuations in price.

INFLATION – the rate at which the level of prices for goods and services is rising, as measured in the United States by the Consumer Price Index. Food and energy prices, which are volatile, are excluded from the measure of core inflation.

INFLUENCER – a role that a potential customer assumes to influence the actual paying customer to purchase a desired product or service.

INFOMERCIAL – An entire television program, usually not shown in prime time, created for the sole purpose of selling something.

INITIAL MARKUP – the original markup taken on a product before any markdowns are taken.

INITIAL PUBLIC OFFERING (IPO) – a company's first sale of stock to the public. Often used when a small company seeks outside equity financing for expansion.

INSIDER – an individual who holds a position of authority in an organization and has special knowledge relevant to that organization or has enough power to influence the decisions made in the company.

INSTITUTIONAL INVESTORS – organizations that professionally invest, including insurance companies, depository institutions, pension funds, investment companies, mutual funds, and endowment funds.

INSUFFICIENT FUNDS – a term used to describe inadequate funds in a depositor's account to cover a check presented on that account.

INSURANCE – a coverage contract by which one party provides protection against loss to another party.

INSURED AND BONDED – protection measures applied to employees to prevent owners and their customers from incurring damages because of injuries or thefts on the job.

INTANGIBLE ASSETS – assets that have no physical substance although they can provide economic benefits to a company. Notable intangible assets are goodwill and copyrights.

INTANGIBLE REWARDS – rewards of no monetary value that an employee receives from the employer such as being praised for a job well done or given in-house recognition for outstanding performance.

INTELLECTUAL PROPERTY – intangible property usually developed from the knowledge, ideas, and talent of individuals. For example, patents, trademarks and trade names, copyrights, trade secrets, customers and customer lists, and valuable employees. Generally, rights to intellectual property can be legally protected. However, pursuing such rights has been complicated by the cost of litigation and the impact of technology and global competition.

INTENT-TO-USE FILING – application for trademark protection based on the inventor's or company's "bona fide intention" to use the mark in interstate commerce. This process allows the applicant to conduct market research and further investigation before putting the mark into commercial use.

INTEREST – a charge for borrowing money.

INTEREST RATE – a percentage rate charged on the amount of money that is borrowed, usually stated as an annual percentage rate (APR).

INTERNAL CUSTOMER – different departments and functions within a business, or other organization, are sometimes viewed as "internal customers" to those who supply support services or other inputs.

INTERNAL RATE OF RETURN – this is a measure of an investment's performance that is one among several techniques that helps determine cash return adjusted for the time value of money.

INTERNATIONAL FRANCHISE – a franchise organization that has established itself outside the country of origin.

INTERNET MARKETING – using the Web and e-mail to deliver marketing messages to target audiences, building relationships with individuals in those audiences, and/or providing customer support via post-sale interactions.

INTERNSHIP~~S~~ – a practice whereby an organization offers college students the opportunity for on-the-job training and real-world experience in exchange for a nominal wage and/or college credit.

INTRANET – using the World Wide Web/browser technology internally in a company.

INTRAPRENEUR – a term coined by Gifford Pinchot III to identify an "entrepreneur" working within the confines of a corporation, while retaining some degree of independence.

INTREPRENEURIAL – the practice of applying the basic principles of entrepreneurship to one's individual and group relationships. Intrepreneurial managers, for example, galvanize their organization around projects as they would lure investors to a new business idea. Non-management employees can also benefit from this concept, using the entrepreneurial spirit to grow relationships within their organization or department.

INTRODUCTION STAGE OF PRODUCT/SERVICE LIFE CYCLE – most products or services will spend a part of their marketable lives in this stage characterized by full-scale marketing efforts, limited competition, low profits, high prices, and financially leveraged positions.

INVENTORY – the quantity of goods that are on hand available for use or resale.

INVENTORY CONTROL – process of balancing incoming and outgoing stock to assure that adequate supplies are on hand with which to do business.

INVENTORY TURNOVER – the ratio upon purchase of inventory; includes invoice price less cash discount plus freight and transportation and applicable insurance, taxes, and tariffs.

INVENTORY TURNS – the time interval from acquisition of a product to its sale is one inventory turnover. Supermarkets often have a high rate of inventory turn while furniture stores may have a much lower rate of turn.

INVESTING – activities associated with outlaying money for the purpose of making more money and not associated with providing products or services to customers.

INVESTMENT BANKER – serves as a middleman between the suppliers of capital and the users of capital; also known as an *underwriter*.

INVESTMENT CAPITAL – cash needed, spent, or sought to invest for the purpose of making more money.

INVESTMENT LETTER – a letter signed by an investor purchasing unregistered long securities under Regulation D, in which the investor attests to the long-term investment nature of the purchase. These securities must be held for a minimum of one year before they can be sold.

INVESTMENT TAX CREDIT – a special tax credit allowed to business by Congress to encourage investment in corporate assets.

INVESTOR – a person who invests money in order to make more money.

INVOICE – itemized list of goods sent by seller to buyer. Usually gives prices, terms of sale, shipping dates, or any other information relevant to the sale.

IPO (INITIAL PUBLIC OFFERING) – a company's first registration and sale of stock to the public. The reasons for an IPO are: (1) to raise significant amounts of capital to fuel the planned and/or continued growth of the privately held company, and (2) to start the process of providing an opportunity for existing investors to convert illiquid private stock into shares which can be sold on public markets. However, only infrequently do private shares become tradable on public markets immediately.

IRA (INDIVIDUAL RETIREMENT ACCOUNT) – a special savings plan that allows employees to set aside funds and defer taxes on these funds with the purpose of withdrawing these funds at retirement, when they will be taxed at a lower rate.

IRA ROLLOVER – the reinvestment of assets received as a lump-sum distribution from a qualified tax-deferred retirement plan into an IRA. Reinvestment may be the entire lump sum or a portion thereof. If reinvestment is done within 60 days, there are no tax consequences.

IRR – See INTERNAL RATE OF RETURN

IRREVOCABLE TRUST – a trust that by law cannot be withdrawn or set aside by its originator.

IRS FORM W-4 – a form employees complete and give to their employers to establish their filing status and the number of withholding allowances.

IRS (INTERNAL REVENUE SERVICE) – federal agency that interprets and enforces the U.S. tax laws governing the assessment and collection of revenue for operating the government.

ISP (INTERNET SERVICE PROVIDER) – the company that supplies Internet accounts and server space for Web pages.

ISSUED SHARES – the amount of common shares that a corporation has sold (issued). Does not include shares that have been authorized by the company's shareholders but remain unused.

ITEMIZED DEDUCTIONS – a list of allowed expenses that a tax payer can deduct to arrive at his or her taxable income. These deductions include but are not limited to such items as contributions to charitable organizations, various health care expenses, qualified home mortgage interest, and investment interest.

JAVA – a sophisticated programming language currently used for writing applications that run across the Web; unlike HTML, it's fairly difficult to use without a background in programming.

JOB DESCRIPTION – an overall written summary of task requirements describing what a specific job entails.

JOB ROTATION – a practice that involves moving a worker from one station to another, exposing the employee to multiple tasks in the organization.

JOB SHARING – a way of staffing and scheduling employees that allows two or more people to work the same job by alternating the times, days, and even weeks that each individual works. Employees that share a job usually work a combined number of hours to equal one full-time worker.

JOBBER – a wholesale merchant who acts as a middleman, buying goods from manufacturers, then selling them to retailers.

JOINT TENANCY – describes a situation in which two or more people are co-owners of property. In the event of one of the owner's death, the property passes automatically to the surviving owner(s). This automatic transfer of property is known as *right of survivorship*.

JOINT VENTURE – usually refers to a ~~short-lived~~ partnership with each partner sharing in costs and rewards of the project; common in research, investment banking, and the health-care industry.

JPEG – a graphics format used for displaying photographs, realistic artwork, and paintings on the Web.

JUNK BONDS – bonds of a speculative grade which represent a higher risk to investors but offer the opportunity for higher interest.

JURISDICTION – the power of a court to hear and decide a particular dispute and render a legally binding judgment on the parties involved.

JUST-IN-TIME INVENTORY – a technique of inventory control in which supplies are delivered to the production site as needed rather than being stockpiled in a warehouse "just-in-case.'"

KEOGH PLAN – retirement accounts for the self-employed and their employees, similar to IRAs. The maximum allowable annual contribution varies upward from 15 percent of annual income and is regulated by a complicated set of laws.

KEY EMPLOYEES – professional management attracted by the founder to run the company. Key employees are typically retained with warrants and ownership of the company.

KEY PERSONNEL – employees who are deemed as essential to achieving the goals and objectives of an organization.

LANDLORD – the owner of property that is leased or rented to another person.

LATER STAGE – a stage of company growth characterized by viable products, a developed market, significant customers, sustained revenue growth, and both profits and positive cash flow from operations.

LAYOFF – a period of inactivity in the workplace that results in an employee's separation from work. Usually the layoff is a temporary one and caused by factors outside the worker's control.

LBO - LEVERAGED BUYOUT – the purchase of a company financed by borrowing on its assets. The takeover of a company or purchase of the controlling interest in a company using a significant amount of borrowed money. The amount of debt funds usually consists of 70 percent or more of the purchase price. As a result of the transaction, the public corporation becomes a privately held one.

LEAD – a potential customer who has not been contacted by a salesperson or company.

LEAD INVESTOR – the member of a syndicate of private equity investors holding the largest stake, in charge of arranging and negotiating the financing. Other non-Lead Investors participating in the financing are generally expected to "tag-along" and accept the terms negotiated by the Lead Investor.

LEAD TIME – the anticipated amount of time required to activate specific goals, such as implementing advertising to coincide with a market-ready product.

LEARNING CURVE – a line on a graph showing how long it takes for someone to learn something reflected on the horizontal axis and how much must be learned in each time period shown on the vertical axis.

LEASE – a form of contract that conveys to another the right to possess property in return for payment, usually in the form of rent. In a lease, the person who conveys the property is the lessor and the person who holds the property under a lease is the lessee.

LEASE FINANCING – financing the acquisition of plant or equipment by leasing it rather than buying it.

LEASEHOLD IMPROVEMENT – an improvement to leased property, considered an intangible asset to the lessee, that becomes the property of the lessor at the end of the lease.

LEASE-PURCHASE AGREEMENT – an agreement wherein part of the lessee's monthly rent is applied toward the purchase of the property. When the agreed equity is reached, the ownership is transferred to the lessee.

LEAVE OF ABSENCE – a period of time off work, usually initiated by the employee. Employers grant this absence on the assumption that it is only a temporary leave and the employee is usually reinstated at the same level of seniority they occupied prior to the leave.

LEGAL STRUCTURE – the various forms of business organizational structure: sole proprietorship, partnership, corporation, S corporation, limited liability company, not-for-profit corporation.

LENDER – an individual or financial institution that temporarily lends out money with the expectation that it will be repaid in full with interest.

LESSEE – one who holds property under a lease.

LESSOR – one who transfers property by lease, such as a landlord.

LETTER OF CREDIT – a bank's written guarantee of funds available for drafts written on it.

LETTER OF INTENT – a letter addressed to a company from a customer, supplier, distributor, investor, or other interested party, stating the desire to conduct business. A letter of intent does not necessarily obligate the party writing it but can be an influential device to sway prospective investors or bankers to finance the venture based on evident industry and market support.

LEVERAGE – a company that has interest-bearing debt is said to be *leveraged*; the difference between the profit (calculated as a percent) generated from borrowed money and the interest rate on the loan.

LEVERAGED BUYOUT (LBO) – the purchase of a company financed by borrowing on its assets. The takeover of a company or purchase of the controlling interest in a company using a significant amount of borrowed money. The amount of debt funds usually consists of 70 percent or more of the purchase price. As a result of the transaction, the public corporation becomes a privately held one.

LIABILITY – a debt of the business; an amount owed or an obligation to perform a service to creditors, employees, government bodies, or others; a claim against assets.

LICENSING AGREEMENT – a legal contract in which the licensor grants to the licensee rights to use specific property, in return for which royalties will be paid.

LIEN – A legal claim against property held as security for repayment of credit.

LIFE INSURANCE – insurance providing for payment of a specified amount on the insured's death to his or her estate or a designated beneficiary.

LIFESTYLE FIRM – this term is often used to describe companies that place lifestyle issues—independence, steady income, location, hours, for example—before expansion and growth as key priorities.

(LIFO) LAST-IN, FIRST-OUT METHOD – an inventory-costing method under which the cost of the last items purchased are assigned to the first items sold and the cost of the inventory is composed of the cost of items from the oldest purchases.

LIMITED LIABILITY COMPANY (LLC) – a type of business formation that allows the owners to be taxed as a partnership, but with the limited liability of a corporation.

LIMITED LIABILITY PARTNERSHIP – a company organization that offers advantages of both partnership and incorporation, now available as an option in most states.

LIMITED PARTNER – an individual who has limited liability in a partnership. He or she cannot participate in management.

LIMITED PARTNERSHIP – a form of partnership composed of both a general partner(s) and a limited partner(s); the limited partners have no control in the management of the company and are usually financially liable only to the extent of their investment in the partnership.

LINE OF CREDIT – short-term financing usually granted by a bank up to a predetermined limit; debtor borrows as needed up to the limit of credit without need to renegotiate the loan.

LIQUIDATED DAMAGES – the money, referred to in a sales contract, that the buyer forfeits if he or she fails to go through with the contract.

LIQUIDATION – 1) The process of converting securities into cash. 2) The sale of the assets of a company to one or more acquirers in order to pay off debts. In the event that a corporation is liquidated, the claims of secured and unsecured creditors and owners of bonds and preferred stock take precedence over the claims of those who own common stock.

LIQUIDITY EVENT – an event that allows a ~~VC~~ investor to realize a gain or loss on an investment. The ending of a private equity investor's involvement in a business venture with a view to realizing an internal return on investment. Most common exit routes include sale of the company and much less frequently Initial Public Offerings [IPOs]. (See also: Exit Strategy.)

Liquidation Preference – in the case of a liquidation of the company by the sale to a larger firm or a bankruptcy, the preferred shareholders with a 1X liquidation preference get 100% of their investment returned to them prior to the distribution of the remaining capital to other shareholders without such rights. If the liquidation preference is "participating," those preferred shareholders can then convert their preferred shares to common and receive their pro rata share of the remaining proceeds. If not "participating," those preferred shareholders must choose between the liquidation preference or participating pro rata. In tough times for a company not doing well, investors in such distressed companies can insist on 2X and higher liquidation preferences.

LIQUIDITY – the relative amount of ease in converting assets to cash.

LIST BROKER – an organization or individual who prepares, organizes, and rents mailing lists.

LIST PRICE – the price of an item recommended by the manufacturer. Also known as the *suggested retail price*, this is not necessarily the retail price at which the item sells after various discounts are taken.

LISTING – a piece of property put on the market by a seller with one or more real estate brokers.

LISTSERV – a program that manages on-line discussion forums, or lists; messages are sent by e-mail to other members of the listserve.

LOAN – an agreement between two parties in which the lender transfers an item to the borrower with the expectation of the item being returned at a later date. Many arrangements involve money being loaned with the repayment including interest as well as the principle loan.

LOAN TO VALUE RATIO (LTV) – the relationship between the size of the mortgage loan and the mortgage lender's valuation of the property expressed as a ratio.

LOCKUP PERIOD – the period of time that certain stockholders have agreed to waive their right to sell their shares of a public company. Investment banks that underwrite initial public offerings generally insist upon lockups for a set period of time, typically 180 days from large shareholders (such as 1% ownership or more) in order to allow an orderly market to develop in the shares. The shareholders that are subject to lockup usually include the management and directors of the company, strategic partners, and such large investors. These shareholders have typically invested prior to the IPO at a significantly lower price to that offered to the public and therefore stand to gain considerable profits. If a shareholder attempts to sell shares that are subject to lockup during the lockup period, the transfer agent will not permit the sale to be completed.

LOGO – an identifying graphic used by a company to represent itself or its products.

LONG-TERM CAPITAL GAIN – the gain achieved when selling capital assets that have been held for a period of more than one year.

LONG-TERM CAPITAL LOSS – the deficit experienced when selling at a loss any capital assets that have been held for a period of more than one year.

LONG-TERM DEBT – loans that are to be paid back over a period greater than a year.

LONG-TERM LIABILITIES – debt of a business that matures more than one year into the future, beyond the normal operating cycle or is to be paid out of non-current assets.

LOSS LEADER – a product or service priced below cost to attract customers to a retail business.

LOSS LEADER PRICING – selling a few products or services at a loss in order to attract customers to other products.

LOW-BALL PRICING – an unethical practice in which a seller deliberately quotes an unrealistically low price which he or she does not intend to honor in order to block out competition. The seller hopes to make a profit from extra charges on the product or service.

LUCK – (1) opportunity at the right time; or (2) when preparation meets opportunity.

M&A (MERGER & ACQUISITION) – legal combination of two or more organizations into one business unit.

MAINTAINED MARKUP – the difference between what an item actually sells for and what it costs. Initial markup less markdown equals maintained markup.

MANAGEMENT BUYOUT – process of taking a company from a publicly traded organization to a private one through management's purchase of all outstanding shares of the company's stock.

MANAGEMENT FEE – compensation for the management of a venture fund's activities, paid from the fund to the general partner or investment advisor. This compensation generally includes an annual management fee.

MANAGEMENT TEAM – a group of individuals who combine their talents to run an enterprise.

MANAGER – a person who is responsible for overseeing the operation of a department or an organization. A manager also trains, directs, and monitors employees to make sure department and company objectives are being met.

MANPOWER – the total supply of people that are available to work in an organization.

MANUFACTURER – a business engaged in the production of goods.

MANUFACTURER'S AGENT OR MANUFACTURER'S REPRESENTATIVE – an agent who generally sells for another business on an extended contractual basis, usually within an exclusive territory, handles non-competing but related lines of goods, and possesses limited authority with regard to prices and or sale terms.

MARGIN – also called *markup*; the amount the entrepreneur adds to a product's cost to obtain its selling price.

MARGINAL COST – actual additional out-of-pocket cost of producing one more unit.

MARGINAL REVENUE – the extra income received from selling one more unit.

MARKDOWN – reduction in price (usually in connection with retail pricing).

MARKET – (1) the actual and/or potential buyers of a product or service; (2) a place where exchanges between buyers and sellers occur.

MARKET CAPITALIZATION – the total dollar value of all outstanding shares of an enterprise. Computed as shares multiplied by current price per share. Prior to an IPO, market capitalization is arrived at by estimating a company's future growth and by comparing a company with similar public or private corporations.

MARKET DEMAND – the degree to which the market accepts a market offering.

MARKET DRIVEN – an enterprise created to exploit a market opportunity.

MARKET GROWTH RATE – how fast a market is expanding.

MARKET NICHE – a particular appeal, identity, or place in the market that a product or service has. What a company does well, different, or better than others in the market.

MARKET PENETRATION – the degree of success and acceptance of a product by a specified target market.

MARKET POSITION – the place or niche for a certain product or service within a market.

MARKET POSITIONING – the projection of a product as having a certain desired image which makes it appealing to a certain segment of the market for that type of product.

MARKET PRICE – the price for which a product can be sold in the market to a bona fide buyer.

MARKET RESEARCH – the systematic gathering, recording, and analyzing of data about problems relating to the marketing of goods and services. Such research may be undertaken by impartial agencies or by business firms or their consultants for the solution to their marketing problems.

MARKET SEGMENT – a specified, homogeneous, identifiable portion of the market.

MARKET SHARE – that portion of the total market sold by a specific company, expressed as a percentage.

MARKET SIZE – the number of potential customers or amount of potential sales in a given economic sector or industry.

MARKET SURVEY – a form of market research that collects information from the market by asking carefully selected questions by phone, face-to-face, or through the mail.

MARKETER – the person who fills this role in a venture is the one who has the industry knowledge to market and ultimately sell the product.

MARKETING – the performance of business activities that direct the flow of goods and services from producer to consumer or user.

MARKETING EXPENSES – the expenses incurred in marketing the product or service to potential customers.

MARKETING PLAN – a written formulation for achieving the marketing goals and strategies of the venture, usually on an annual basis. Business plans always contain a marketing-plan section.

MARKUP – amount added to the cost of a product or service to determine its retail price.

MASS PRODUCTION – the production of standardized items in large quantities usually involving machinery.

MATURITY STAGE OF THE PRODUCT/SERVICE LIFE CYCLE – most products or services will spend a part of their marketable lives in this stage characterized by stable increases, leveling off in sales, declining profits, falling prices, aggressive competition, improved liquidity, decreased leverage and excessive cash flow.

MBO (MANAGEMENT BY OBJECTIVE) – a system of managing whereby the supervisor and those that report to him or her meet to establish major objectives for a specific period of time. They also develop plans for how and when the objectives will be accomplished and establish criteria to evaluate whether the objectives have been met. Progress reviews are held periodically to monitor goal attainment.

MEDIA – the means used by the transmitter of a message to deliver it to the intended receiver in a communications system. In advertising, refers to newspaper, radio, television, magazines, billboard, direct mail, and other such institutions which are used to carry advertisements.

MERCHANDISING – a term that is used in many ways, depending upon the industry. (1) In retailing, it refers to all activities connected with buying and selling merchandise, including store display, promotional, pricing, and buying acumen. Even such factors as store layout and fixture design play a role in "merchandising a store." (2) In manufacturing, the term refers to the activities that are intended to make the offering attractive to potential buyers, such as packaging, sales promotion, special pricing deals, and other such promotional activities.

MERCHANT – a retail business unit that buys, takes title to, and resells merchandise.

MERCHANT WHOLESALER – wholesaler who takes title to goods he or she buys for resale to institutions that intend to either resell the goods as they are or process them in some way for resale.

MERGER – the absorption of one or more companies by another.

MERIT INCREASE – a wage increase given to a worker in recognition of a good job performance.

MESBIC (MINORITY ENTERPRISE SMALL BUSINESS INVESTMENT COMPANY) – privately owned and managed investment firms, chartered by the Small Business Administration, that provide debt and equity capital to new, small independent businesses.

MEZZANINE FINANCING – refers to the stage of venture financing for a company immediately prior to its IPO. Investors entering in this round have lower risk of loss than those investors who have invested in an earlier round. Mezzanine-level financing can take the structure of preferred stock, convertible bonds, or subordinated debt.

MICROENTERPRISE – a term applied to extremely small service and retail businesses.

MICROLOANS – these are loans that are typically for $50,000 or less that are provided by government agencies and banks to help support very small businesses, sometimes referred to as "microenterprises." Microloans are being fostered by some federal and state policymakers as a tool for helping welfare recipients become self-supporting.

MIDDLEMAN – a business concern that specializes in performing operations or rendering services directly involved in the purchase and/or sale of goods in the process of their flow from producer to consumer. Middlemen are of two types: merchant and agent.

MINIMUM WAGE – established by the Fair Labor Standards Act of 1938 and administered by the U.S. Department of Labor, the minimum wage is the lowest allowable rate that a worker can be paid under federal or state law and union contract.

MISAPPROPRIATION – wrongful taking of property or information, such as a trade secret, by someone who has a legal obligation or duty not to take or use this information for their own competitive advantage.

MISSION STATEMENT – a brief written acknowledgement of a company's primary purpose, values, and strategies.

MONEY FINDER – financial consultants that not only help an entrepreneur package a deal, but will also put him or her into contact with potential investors, usually for a success fee.

MONOPOLY – a firm that holds an overwhelming degree of the market offering a specific commodity. This allows the company to exert control over prices and limit competition.

MOONLIGHTING – holding two jobs at the same time. Usually a part-time job is taken to supplement the income received from a regular, full-time job.

MORTGAGE – the written conveyance of real property by the creditor allowing the debtor title to the property but not final possession. Final possession is granted and the conveyance is void when the final payment is made.

MULTIPLES – statistics used to value a company. They can include price-to-earnings ratios (P/Es), for instance. Valuations remain industry specific. For instance, unprofitable Internet companies typically use sales multiples.

MUTUAL FUND – an investment company that continually offers new shares and buys existing shares back at the request of the shareholder and uses its capital to invest in diversified securities of other companies

NASD – the National Association of Securities Dealers. A mandatory association of brokers and dealers in the over-the- counter securities business. Created by the Maloney Act of 1938, an amendment to the Securities Act of 1934.

NASDAQ – an automated information network which provides brokers and dealers with price quotations on securities traded over the counter.

NASDAQ STOCK MARKET – a computerized market for trading over-the-counter stocks. This market is heavily weighted in technology stocks. NASDAQ is short for National Association of Securities Dealers Automatic Quotation System.

NDA – see Non-disclosure Agreement

NEAR-TERM MARKET – a relatively brief (6-18 months) opportunity for a product or service to have value in the market before technological obsolescence or changing consumer demand eliminates it.

NEGLIGENCE – the failure to exercise reasonable care required under the circumstances, resulting in injury or damage to property or person.

NEGOTIATION – the bargaining, discussion, and compromise between two parties in an effort to reach a settlement. In business, for example, negotiations may occur between a union representative and management to arrive at labor issues acceptable to both sides.

NET – the amount that remains after all charges and deductions are subtracted from the gross amount.

NET ASSET VALUE (NAV) – NAV of a mutual fund is calculated by adding the value of all of the investments in the fund and dividing by the number of shares of the fund that are outstanding. NAV calculations are required for all mutual funds (open-end and closed-end funds). The price per share of a closed-end fund will trade at either a premium or a discount to the NAV of that fund, based on market demand. Closed-end funds generally trade at a discount to NAV.

NET FINANCING COST – also called the cost of carry or, simply, carry, the difference between the cost of financing the purchase of an asset and the asset's cash yield. Positive carry means that the yield earned is greater than the financing cost; negative carry means that the financing cost exceeds the yield earned.

NET INCOME – the formula for determining net income is calculated by subtracting all expenses and taxes from total revenue.

NET MARGIN – a measurement of how many cents on each dollar of sales are profit.

NET PRESENT VALUE – the present value of the expected future cash flows calculated by discounting the future cash flow back to a present value.

NET PROFIT – the amount of revenue that is available after all costs and expenses have been paid. However, if expenses exceed revenue, a net loss occurs.

NET SALES – the dollar amount of sales made during a specific time period, excluding sales tax and any returns or allowances.

NET WORTH –determined on the company's balance sheet by subtracting liabilities from assets. Also the book value of a company.

NETWORK – the common channels established with important people in a variety of related fields to provide information and contacts which can be used to help the entrepreneur become successful.

NETWORK (MULTI-LEVEL) MARKETING – a marketing strategy in which products are sold within people's own networks.

NEW ISSUE – a stock or bond offered to the public for the first time. New issues may be initial public offerings by previously private companies or additional stock or bond issues by companies already public. New public offerings are registered with the Securities and Exchange Commission.

NEWCO – the typical label for any newly organized company, particularly in the context of a leveraged buyout.

NEW VENTURE – a new business providing products or services to a particular market.

NEW YORK STOCK EXCHANGE (NYSE) – the largest market in the United States in terms of total dollar volume traded.

NICHE MARKET – a small segment of a market in which an entrepreneur is strongly competitive.

NO-LOAD FUND – mutual funds that are not marked or sold by a salesperson and do not involve a sales charge or load to acquire them.

NO-LOCKOUT AGREEMENT – a stipulation by which management is unable to withhold work or close down a facility as a means of forcing employees to accept management's terms or conditions.

NOMINAL PARTNER – a person who is not an actual partner but allows his or her name to be identified with the business. Entrepreneurs sometimes use sports professionals or actors for this purpose.

NON-COMPETE/NON-DISCLOSURE AGREEMENT – legal agreement(s) stipulating that the signee not disclose confidential information about the company and/or product, and/or preventing the signee from joining or starting a similar venture.

NON-DISCLOSURE AGREEMENT – legal agreement(s) stipulating that the signee not disclose confidential information about the company and/or product; employees as well as consultants, contractors, and sometimes vendors are often required to sign nondisclosure agreements. These cover not just proprietary technology, formulas, and the like but also other trade secrets such as business strategies, marketing plans, and client and customer lists.

NONDURABLE GOODS – items that have a relatively short shelf life and have to be disposed of if not purchased.

NON-EXEMPT EMPLOYEES – employees who are protected by standard wage and overtime laws.

NONPROFIT CORPORATION (NOT-FOR-PROFIT) – an organization formed to provide activities and services for society. The main focus can be charitable, educational, industry promotion or other objectives, without a profit motive.

NO SHOP, NO SOLICITATION CLAUSES – a no shop, no solicitation, or exclusivity, clause requires the company to negotiate exclusively with the investor or buyer, and not solicit a proposal from anyone else for a set period of time after the term sheet is signed. The key provision is the length of time set for the exclusivity period.

NON-ACCREDITED – an investor not considered accredited for a Regulation D offering. (See “Accredited Investor.”)

NOTE – an instrument signed by the maker (borrower) promising to pay another (the payee) a sum of money on demand or at a stated date.

NOTE PAYABLE – a written promise to pay a stated sum on or by a specific date. Notes can be classified in two categories. (1) Short-term notes are due in one year or less and (2) long-term notes extend for longer periods of time.

NYSE – see NEW YORK STOCK EXCHANGE.

OCCUPATION – a person's vocation; the job that person holds.

ODD-LOT ORDERS – transactions of stock that are not made in the usual form of 100-share units.

OEM--ORIGINAL EQUIPMENT MANUFACTURER – a company that assembles all the necessary parts to produce a finished product.

OFFERING – the financial "package" presented by a new venture.

OFFERING DOCUMENTS – documents evidencing an private investment in a startup venture, including some combination of a purchase agreement and/or subscription agreement, notes or stock certificates, warrants, registration-rights agreement, stockholder or investment agreement, investor questionnaire, and other documents required by the particular deal.

OFFERING MEMORANDUM – this is a summary of the terms and key provisions of a private or public offering to obtain financing.

OFFICER – (1) an executive of a company; (2) a bank employee responsible for loans.

OFF-LINE – describing equipment or other devices in a computer system that are not connected to or communicating with the central processing unit (CPU).

ONE-TIME COST – a cost of doing business that is expected to occur only one time, usually at start-up.

ONE-TIME EXPENSE – a business expense that is not expected to recur.

ONGOING COST – a cost of doing business that is expected to occur on an ongoing basis.

ONLINE – describing equipment or other devices in a computer system that are connected to or communicating with the central processing unit (CPU).

OPEN-END FUND– an open-end mutual fund generally sells as many shares as investor demand requires. As money flows in, the fund grows. If money flows out of the fund, the number of the fund’s outstanding shares drops. Open-end funds are sometimes closed to new investors, but existing investors can still continue to invest money in the fund. In order to sell shares, an investor generally sells the shares back to the fund. If an investor wishes to buy additional shares in a mutual fund, the investor generally buys newly issued shares directly from the fund.

OPENING – 1) an employment opportunity that is not filled; 2) the opening of a new store or the revealing of a new line of items by a business or industry.

OPERATING BUDGET – a financial plan outlining how a company will use its resources over a specified period of time.

OPERATING EXPENSES – the cost, including selling, administrative, and general overhead costs involved in a business's operations throughout a given time period.

OPERATING MARGIN – a measurement of how well a company is managing its overhead costs.

OPERATIONAL PLAN – an analytical and contemplative action plan used to coordinate the efforts of all phases of the enterprise toward achieving the venture's goals for twelve months.

OPERATIONS – activities associated with doing business; providing services or products to customers.

OPERATIONS MANUAL – typically a guide to key methods and approaches for the ongoing operations of a smaller company; it may include specifics about production, quality control, shipping, and accounting, among other areas.

OPPORTUNITY COST – the amount of income or capital that is forfeited by selecting one opportunity over another.

OPTION – a security granting the holder the right to purchase a specified number of a company's securities at a designated price at some point in the future. The term is generally used in connection with employee benefit plans as Incentive Stock Options ("ISOs" or "statutory options") and Non-qualified stock options ("NSOs" or "Nonquals"). However "stand-alone options" may be issued outside of any plan. Generally non-transferable, in distinction to warrants.

OPTION POOL – the number of shares set aside for future issuance as performance incentives to key employees of a private company.

ORGANIZATION CHART – a diagram outlining the "chain of command" that makes up the structure of a business, showing specific areas of responsibility.

ORGANIZATION STRUCTURE – the pattern of how power, authority, and functions are distributed in any established group of people.

ORIENTATION PROGRAMS – programs designed to acquaint new associates in an organization to the policies and procedures, the company, and to provide introductions to co-workers.

OSHA (OCCUPATIONAL SAFETY & HEALTH ADMINISTRATION) – a department of the U.S. government that establishes and enforces safety and health standards for working men and women.

OTB (OPEN-TO-BUY) – a term used to indicate the amount of money available for merchandise purchases. Usually stated in retail dollars, open-to-buy figures allocate how much inventory a store can receive during a specified time without exceeding planned inventory levels.

OTC (OVER-THE-COUNTER) – a market for securities made up of dealers who may or may not be members of a formal securities exchange. The over-the-counter market is conducted over the telephone and is a negotiated market rather than an auction market such as the NYSE.

OUT OF STOCK – a situation in which the item a customer is requesting is not currently available.

OUTPLACE – a company benefit extended to employees who are about to be terminated from their current position. Outplacing assists these employees by directing them to agencies or organizations specializing in job placement.

OUTSOURCING – the purchase of parts and equipment from outside sources.

OUTSTANDING SHARES – the shares of stock held by investors.

OVERDRAFT – a check drawn for a larger amount than the drawee has on deposit.

OVERDUE – a situation in which a bill is not paid or an item is not returned when due.

OVERHEAD – operating cost not directly associated with the product or its marketing, such as rent, managers' salaries, and administrative expenses.

OVERNIGHT DELIVERY – a delivery promise to get packages to their destination by the next day.

OVERQUALIFICATION – possessing more education, skills, or experience than what a job requires.

OVERSUBSCRIPTION – occurs when demand for shares exceeds the supply or number of shares offered for sale. As a result, the underwriters or investment bankers must allocate the shares among investors. In private placements, this occurs when a deal is in great demand because of the company's growth prospects.

OVERSUBSCRIPTION PRIVILEGE – a purchase rights arrangement by which shareholders are given the right to apply for any shares that are not purchased.

OVERTIME – work performed by an employee over the standard amount of hours agreed to in a contract. The excess hours are often paid at a premium, usually 1.5 times the normal hourly rate.

PACKAGING – the physical way a product or service is packaged for merchandising, marketing, and distribution purposes.

PAID IN CAPITAL – money invested into the company above and beyond the par value of stock that becomes equity and is not intended to be repaid, but represents an ownership interest.

PAR VALUE – the monetary figure printed on a security. Has no inherent value.

PARENT COMPANY – a company that owns the majority of shares in another company.

PARI PASSU at an equal rate or pace, without preference. Pro rata

PARTICIPATING PREFERRED STOCK – preferred stock that has the right to share on a pro-rata basis with any distributions to the common stock upon liquidation, after already receiving the preferred-liquidation preference.

PARTICIPATION RIGHT – describes a right of a holder of preferred stock to enjoy both the rights associated with the preferred stock and also participate in any benefit available to common stock, without converting to common stock. For example, a series of preferred stock with Participation Rights may have the right to receive its Liquidation Preference upon a triggering event and then also share in whatever money is left to be distributed to the holders of common stock as if the preferred stock had been converted to common stock. Dividends may also be "Participating" where after a holder of preferred stock receives its Cumulative Dividend together with any dividend paid on the common stock.

PARTNERSHIP – a nontaxable entity in which each partner shares in the profits, losses, and liabilities of the partnership. Each partner is responsible for the taxes on its share of profits and losses.

PART-TIME EMPLOYEES – employees whose hours are less than those with full-time status, usually achieved by working shorter days or fewer days per week.

PATENT – a federal governmental grant to an inventor, giving exclusive rights to an invention or process for 18 years. A U.S. patent does not grant rights in foreign countries.

PAY FOR PERFORMANCE – a compensation plan that links the amount of money one is paid to specific levels of performance.

PAYROLL – an employer's list of all the employees who have earned wages or salaries over a certain period of time and the amount due to each one. Amounts are withheld from paychecks for taxes, insurance, and other required and elected deductions.

PAYROLL DEDUCTIONS – sums withheld from an employee's gross pay to cover required and elected obligations. These include but are not limited to federal and state income taxes, social security, insurance premiums, contributions to pension funds, and retirement plans.

PAY TO PLAY – a provision requiring an existing investor to participate in a subsequent investment round, especially a Down Round. Where Pay to Play provisions exist, an investor's failure to purchase its rata portion of a subsequent investment round will result in conversion of that investor's preferred stock into common stock or another less valuable series of preferred stock.

PENETRATION PRICING – a strategy in which the price is set low in order to penetrate the market quickly.

PENNY STOCK – term for very-low-priced stocks, sometimes selling at a few pennies a share; usually issued by companies with small equity requirements.

PENSION – a sum of money paid regularly to an employee (or to the employee's dependents) who has retired from a company and is eligible for such benefits.

PENSION FUND – money that has been set aside to help meet the obligation of a company's retirement plan.

PENSION PLAN – a contract whereby an employer agrees to provide benefits to its employees when they retire.

PERCEIVED VALUE – the value a customer places on a product or service that is a strong determinant to the ceiling price that can be charged.

PERFORMANCE REVIEW – an appraisal instrument used to analyze the performance of an individual.

PERKS (PERQUISITES) – non-monetary benefits supplemental to salary such as travel benefits, office size and expense accounts.

PERPETUAL INVENTORY – a book inventory system of accounting that maintains records that continually update and disclose the amount and composition of the inventory on hand.

PERSONAL CORPORATION – this is a means for an individual to incorporate and gain similar protection from personal liability as a company has. Regulations for personal corporations vary from state to state.

PERSONAL FINANCIAL STATEMENTS – personal balance sheets and tax returns for three years. (Sometimes required of the founders/managers of a start-up by prospective investors and loan officers.)

PERSONNEL DEPARTMENT – an organizational department with a wide range of responsibilities. These include but are not limited to recruiting, testing, hiring, training, and counseling employees as well as any other activities management deems necessary.

PHANTOM STOCK – an employee incentive program that awards management bonuses based on increases in the market price of the company's stock.

PHYSICAL DISTRIBUTION – the handling and moving of raw materials, fabricated parts, and finished products from production to consumption.

PHYSICAL INVENTORY – an itemized listing or counting of the merchandise on hand.

PIECE RATE WAGE SYSTEM – a compensation system that is directly tied to output. Money is paid for each unit of output. As production increases, income rises accordingly.

PIGGYBACK REGISTRATION – a situation when a securities underwriter allows existing holdings of private shares in a corporation to be listed for public sale in combination with an offering of new public shares.

PIK DEBT SECURITIES – PIK (Payment in Kind) Debt are bonds that may pay bondholders compensation in a form other than cash.

PINK SLIP – a termination notice.

PIPE – see PRIVATE INVESTMENT FOR PUBLIC EQUITY.

PIV (POOLED INVESTMENT VEHICLE) – a legal entity that pools various investors' capital and deploys it according to a specific investment strategy.

PLACEMENT AGENT – the investment bank, broker, or other person that locates investors to purchase securities from the Company in a private offering, in exchange for a commission.

PLAIN ENGLISH – recent Security and Exchange (SEC) rules require corporate documents be written in clear, concise language.

PLAIN ENGLISH HANDBOOK – the Securities and Exchange Commission online version of “Plain English Handbook: How to Create Clear SEC Disclosure Documents.”

POISON PILL – a right issued by a corporation as a preventative to a takeover measure. It allows right holders to purchase shares in either their company or in the combined target and bidder entity at a substantial discount, usually 50 percent. This discount may make the takeover prohibitively expensive.

POOLING OF INTEREST – an accounting practice allowed in certain circumstances. One company acquires another which allows the two companies to pool assets, liabilities, and equity together, often resulting in a showing of a positive earnings impact (compared to the alternative practice, called "purchase accounting," which often has a negative earnings impact.)

PORTAL – a Web site that serves as a gateway to the rest of the Internet and provides links to content on a wide variety of subjects.

PORTFOLIO COMPANY – one of a group of companies in which an investor has ownership.

POST-MONEY VALUATION – this is the valuation accorded a company after investment by venture capitalists or angels.

POST-MONEY VALUATION – the valuation of a company immediately after the most recent round of financing. This value is calculated by multiplying the company's total number of shares by the share price of the latest financing. Pre-money valuation + investment = post-money valuation.

POWER OF ATTORNEY – an instrument or document authorizing one person to act as an agent for another.

PREEMPTIVE RIGHT – a shareholder’s right to acquire a number of shares in a future offering at current prices per share paid by new investors, whereby the shareholder’s percentage ownership remains the same as before the offering.

PREFERRED DIVIDEND – a dividend ordinarily accruing on preferred shares payable where declared and superior in right of payment to common dividends.

PREFERRED STOCK – a corporate security that has preference over common stock in receiving dividends and assets. Its dividend is usually stated as a fixed percentage of par value or as a stipulated sum each year, but the company has no legal liability to pay it if the company has not earned the money to pay it. *Cumulative*: if the dividend is not paid when due, it accumulates as a backlog that must be paid before common stockholders receive dividends. *Noncumulative*: if the dividend is missed, it is not required to be paid at a later time. *Participating*: can enjoy additional dividends after the common stockholders are paid a stated amount. *Nonparticipating*: cannot receive any dividends other than the fixed amount offered. *Voting*: may or may not have voting privileges. May have other class rights such as liquidation preferences and obligations of the company to get majority permission from the class for certain transactions (debt, acquisition, financings, etc.).

PREFERRED STOCK RIGHTS – the rights conferred by the ownership of preferred stock.

PREMIUM PAY – a wage rate that is higher than straight time pay. Some situations in which higher rates are paid is when working overtime, holidays, or odd shifts.

PRE-MONEY VALUATION – this is the value accorded a company prior to investment from venture capitalists or angels. Pre-money valuation + investment = post-money valuation.

PREPAID EXPENSES – expenses that are typically paid for up front (such as insurance) and therefore carry a cash value and are considered an asset.

PREPAYMENT – the payment of a debt before its actual due date. Usually associated with the payment of additional principle to reduce the open mortgage balance.

PRESENT VALUE – the estimated present worth of an amount of cash to be received or paid in the future.

PRESS RELEASE – written information given to the news media.

PRESTIGE PRICING – policy of charging relatively high prices to enhance the quality image of the product or seller.

PRE-TAX PROFIT – earnings before subtracting the tax obligation of the entity

PRICE – the sum of money (or equivalent) for which something is bought or sold. While tradition held that it was the amount paid by the buyer, the government now leans toward the view that it is the amount received by the seller at his or her plant.

PRICE CEILING – the top range of prices of any products or services. Usually set by what customers are willing to pay.

PRICE CUTTING – reducing the price of products or services below the level recognized as standard and appropriate by buyers and sellers. This action is undertaken to reduce competition and hopefully lead to increased sales.

PRICE DISCRIMINATION – the practice of charging different prices to different buyers for goods of like grade, quality, and quantity.

PRICE ELASTICITY – a reduction in the amount of sales that occurs when the price of an item is increased.

PRICE FIXING – a generally illegal situation in which competitive businesses agree to establish equal prices for products and services or agree to make price changes at the same time.

PRICE FLOOR – the bottom range of prices of any products or services. Usually set by analyzing costs.

PRICE INELASTICITY – a change in price that does not result in a significant change in demand.

PRICE LEADER – a firm whose pricing behavior is followed by other companies in the same industry; a product or service whose price has been reduced to attract people to purchase.

PRICE SKIMMING – setting a high price on high-demand products or services. Usually set in the early stages of the product life cycle.

PRICE/EARNINGS (P/E) RATIO – a ratio of the current price for shares in a company to the per share earnings of the company in the current period.

PRICING METHODS (PRICING STRATEGIES) – various methods sellers of goods and services use to establish prices. (1) Retailers and wholesalers normally add a fixed percentage to their costs—called *mark-up* or *mark-on pricing*. (2) Sellers of foodstuffs and raw materials are more apt to have their prices set for them by rapidly shifting changes in external supply and demand—called *auction market pricing*. (3) Sellers of premium goods sometimes improve demand for their goods by intentionally increasing the price to create an aura of exclusivity around their product.

PRIME RATE – the base rate at which banks charge an interest on loans to their most favored customers.

PRINCIPAL – the original amount borrowed or financed; interest is paid on the principal. The face amount of a note.

PRIVATE EQUITY – an umbrella term for investments that include angels, venture capital and buyout funds in private companies. Sometimes used (especially in Europe) as a synonym for venture capital.

PRIVATE PLACEMENT – sales of securities not involving a public offering and exempt from registration pursuant to certain regulations. An offering of securities to obtain investors that is exempt from registration but limited in distribution. Also known as a Reg. D offering

PRIVATE PLACEMENT MEMORANDUM (PPM) – the legal documents and exhibits given to potential investors when a company is issuing securities exempt from federal registration and filing requirements. The PPM describes the company, the securities, and the risks to the investor of buying and holding them and generally follows guidelines set by the Securities and Exchange Commission.

PRIVATELY- HELD COMPANIES – describes a corporation which does not offer shares to the public. It does not have to publish an annual report or comply with SEC regulations. (There are some exceptions.)

PRIVATE SECURITIES – private securities are securities that are not registered and do not trade on an exchange. Their price per share is set through negotiation between the buyer and the seller or issuer.

PRO FORMA – indicates a projection in the future, used with financial documents, such as pro forma cash flow, pro forma income statement, and pro forma balance sheet.

PRODUCT – the goods and services that consumers are able to purchase.

PRODUCT DATA MANAGEMENT (PDM) – a system whereby master data of any sort is maintained in a centralized and secure "data warehouse" or "vault" where its integrity can be assured and all changes made to it can be monitored, controlled, and recorded.

PRODUCT DEVELOPMENT – the complete process of defining the functions, features, and benefits of a product or service; performing research and development from both technical and market perspectives, writing plans and specifications, and building and testing prototypes and models. This process is equally relevant for both products and services.

PRODUCT DISTRIBUTION FRANCHISE – a franchise system in which the manufacturer of a product establishes a distribution network by contracting with dealers who distribute the product.

PRODUCT DRIVEN – an enterprise developed to exploit a new product or service. It is a product or service looking for a market.

PRODUCT LIABILITY – the responsibility of the manufacturer, wholesaler, or retailer for damages occurring through use of the product.

PRODUCT LIABILITY INSURANCE – coverage designed to provide protection against financial loss arising out of the legal liability incurred by a manufacturer, merchant, or distributor due to injury or damage resulting from the use of the covered product.

PRODUCT LINE – the assortment of goods marketed by a company; a group of products that are closely related because they either satisfy a class of need, are used together, are sold to the same customer groups, are marketed through the same types of outlets, or fall within given ranges.

PRODUCT MIX – the variety of products that a company offers to the public.

PRODUCT OBSOLESCENCE – a diminishing of a product's usefulness and attraction usually due to the introduction of new and improved items that perform better, are less expensive, or both.

PRODUCT/SERVICE LIFE CYCLE – the stage that a product or service is in during its marketable life. Stages include introduction, growth, maturity, and decline.

PRODUCTION – the flow of raw goods to finished goods.

PRODUCTIVITY – a measure of efficiency, sometimes expressed as a ratio of output to input.

PRODUCT-LIFE CYCLE – the stages of market acceptance a product or service travels from its birth to death.

PROFIT – the result of subtracting from revenues all expenses related to those revenues in a given period.

PROFIT MARGIN – a measure of profitability; the percentage of each dollar of sales that is net income; net income divided by sales.

PROFIT SHARING – an employee incentive program in which a portion of the company's profits are distributed to all eligible employees.

PROFITS PER EMPLOYEE – an important measure of a company's overall efficiency, its ability to minimize direct and indirect costs, and its long-term financial viability. The higher the profits per employee, the more efficiently the organization is operating and the more earnings it is able to generate.

PROMISSORY NOTE [NOTE] – debt instrument in which the maker promises to pay the holder according to its terms.

PROMOTION – efforts aimed at stimulating the demand for a product; these efforts include advertising, personal selling, publicity and special promotional events designed to gain the public's attention and interest in the seller's proposition.

PROPRIETARY/PROPRIETARY RIGHTS – that which is owned, such as a patent, formula, brand name, or trademark associated with the product or service.

PROPRIETORSHIP – one of the simplest forms of business. An individual is the owner of the business and has full responsibility for its operation and is entitled to all profits as well as liabilities and losses.

PROSPECT – a potential customer or investor who has the means to purchase a product or service or invest, but has not made the decision to do so.

PROSPECTUS – a formal written offer to sell securities that provides an investor with the necessary information to make an informed decision. A prospectus explains a proposed or existing business enterprise and must disclose any material risks and information according to the securities laws. A prospectus must be filed with the SEC and be given to all potential investors. Companies offering securities, mutual funds, and offerings of other investment companies including Business Development Companies are required to issue prospectuses describing their history, investment philosophy or objectives, risk factors, and financial statements. Investors should carefully read them prior to investing.

PROTOTYPE – an original model or working example of the product or innovation.

PROXY – written authorization for a designated party to vote the stock of another party.

PROXY VOTE – a vote exercised by authorizing another person to cast one's ballot. Often used for stock owners who are unable to attend shareholders' meetings.

PSYCHOGRAPHICS – analysis of consumers' psychological characteristics.

PSYCHOLOGICAL PRICING – making the price sound right to the customer. An example is pricing a product or service for $9.99 instead of $10.00.

PUBLIC ACCOUNTING – the field of accounting that offers services in auditing, taxation, and management, providing services and advice to the public for a fee.

PUBLIC COMPANY – a company whose shares are sold to the public at large in accordance with the Securities and Exchange Commission (SEC) regulations.

PUBLIC OFFERING – the sale of a company's shares of stock to the public by the company or its major stockholders.

PUBLIC RELATIONS (PR) – communication geared to increase public awareness and acceptance of a company, person, product, or idea.

PUBLICITY – the use of media sources to present news stories about a specific product or service.

PUBLICLY HELD CORPORATION – a corporation registered with the Securities and Exchange Commission (SEC); its securities are traded through public markets.

PURCHASE ACCOUNTING – an accounting method used in any merger or acquisition which is not handled as a "pooling of interest." Under the purchase method, the purchasing company treats the target company as an investment. Assets are added to the purchasing company's balance sheet; if the purchase price is above the market value, the difference is recorded as goodwill and must be charged again future earnings.

PURCHASE ORDER – formal specification sheet issued by the buyer to the supplier to secure goods or services.

PURCHASE PRICE – the amount a consumer has paid for an item.

PUT OPTION – a contract that gives the holder the option to sell an asset at a specified price on or before a specified date.

QPAM – qualified professional asset manager as defined by ERISA.

QUALITY ASSURANCE – a system of establishing checkpoints along a product or service production process for the purpose of establishing quality control.

QUALITY CONTROL – the attempt to establish and maintain qualitative factors to ensure that a quality product is consistently produced. In a service industry, measures are put in place to assure that standards of performance are achieved.

QUANTITY DISCOUNT – a reduction in price allowed for buying certain quantities.

QUARTERLY REPORT – a report published every three months containing financial information about a company.

QUESTIONNAIRE – a set of questions administered to individuals to obtain statistically useful information or to obtain feedback about personal opinion on a given subject.

QUICK ASSETS – the sum of marketable securities, receivables, and cash. Quick assets are also defined as current assets minus inventory.

QUICK RATIO – the measure of a firm's liquidity or its ability to pay off liabilities quickly with the funds that are currently available. This ratio is calculated by taking the quick assets (current assets – inventory) divided by current liabilities. This ratio is also referred to as the *acid-test ratio*.

QUIET PERIOD – the SEC prohibits the issuer from speaking publicly about the business from the time an agreement to sell stock is reached until 90 days after it is completed. There are serious penalties for noncompliance.

QUOTA – the amount of sales or production expected from an employee in order to receive base compensation.

RAIDER – also known as a *corporate raider*. An aggressive investor who buys into a company with the hopes of taking over its management.

RAMP-UP COSTS – the costs involved in up-front production, marketing, and overhead that happen prior to the sales that come as a result of the efforts.

RANDOM SAMPLE – a limited number of observations chosen by chance from a large number of possible selections. In this form of sampling, every item in the sampling field has the same chance of being chosen as any other item.

RAPID GROWTH STAGE – a stage of development a company may experience characterized by phenomenal demand, production at capacity, increasing human resource demands, and critical needs at the management level.

RATE OF RETURN – the percentage of income earned on an investment stated as an annual figure. There are many different varieties of rate of return figures, depending on the type, purpose, and maturity of the investment.

RAW MATERIAL – the unprocessed materials used to produce an item. The production process results in a change of form from the original materials.

REAL ESTATE – includes the land and almost anything that is below, upon, or attached to the land. Therefore, buildings, fences, and vegetation are all considered part of real estate.

REBATE – usually a monetary payment made to the consumer after they have purchased an item for the full purchase price. Many rebates need to be mailed in with proof-of-purchase in order to receive the rebate.

RECAPITALIZATION – The reorganization of a company's capital structure. A company may seek to save on taxes by replacing preferred stock with bonds in order to gain interest deductibility. Recapitalization can be an alternative exit strategy for venture capitalists and leveraged buyout sponsors.

RECALL – an attempt to have a distributed product deemed as defective returned to the dealer or manufacturer for updating, repair, or replacement.

RECEIPT – a written statement showing that goods, services, money, or another item of value has been received.

RECESSION – a phase in the economy that shows reduced activity.

RECRUITING – an activity the personnel department engages in to seek out qualified candidates to fill openings within a company.

REDEEMABLE PREFERRED STOCK – redeemable preferred stock, also known as exploding preferred, at the holder's option after (typically) five years, which in turn gives the holders (potentially converting to creditors) leverage to induce the company to arrange a liquidity event.

RED HERRING – preliminary prospectus, distributed to prospective investors, with a legend in red ink on the cover stating that (SEC approval) registration statement has not yet become effective.

RED TAPE – a slang term referring to the complex and bureaucratic routines and procedures that create delays and inactivity.

REFINANCE – to renew, revise, or reorganize existing debt that incorporates or pays off current debt.

Registered Offering ["Public Offering"] – a transaction in which a company sells specified securities to the public under a registration statement which has been declared effective by the SEC.

REGISTERED STOCK – stock that has been registered with the SEC and thus can be sold publicly.

REGISTRATION – the SEC's review process of all securities intended to be sold to the public. The SEC requires that a registration statement be filed in conjunction with any public securities offering. This document includes operational and financial information about the company, the management and the purpose of the offering. The registration statement and the prospectus are often referred to interchangeably.

REGISTRATION RIGHTS – The right to require that a company register restricted shares. Demand registration rights enable the shareholder to request registration at any time, while piggyback registration rights enable the shareholder to request that the company register his or her shares when the company files a registration statement (for a public offering with the SEC).

REGISTRATION STATEMENT – the document filed by a company with the SEC under the Securities Act in order to obtain approval to sell the securities described in the Registration Statement to the public. [S-1, S-2, S-3, S-4, SB-1, SB-2, S-8, etc.] Includes the Prospectus.

Regulation A – SEC provision for simplified registration for small issues of securities. A Reg. A issue may require a shorter prospectus and carries lesser liability for directors and officers for misleading statements.

REGULATION C – the regulation that outlines registration requirements for Securities Act of 1933.

REGULATION D – Regulation D is the rule (Reg. D is a "regulation" comprising a series of "rules") that allow for the issuance and sale of securities.

REGULATION D OFFERING – see PRIVATE PLACEMENT.

REGULATION S – the rules relating to Offers and Sales made outside the U.S. without SEC registration.

REGULATION S-B – Reg. S-B of the Securities Act of 1933 governs the Integrated Disclosure System for Small Business Issuers.

REGULATION S-K – the Standard Instructions for Filing Forms Under Securities Act of 1933, Securities Exchange Act of 1934, and Energy Policy and Conservation Act of 1975.

REGULATION S-X – the regulation that governs the requirements for financial statements under the Securities Act of 1933 and the Securities Exchange Act of 1934.

REMANUFACTURING – manufacturing an old, worn-out product into a new and usable product.

REPORTING COMPANY – a company that is registered with the SEC under the Exchange Act.

REPOSSESSION – to take back an item or items that were purchased on an installment contract for which the buyer has become delinquent in payments.

REQUEST FOR PROPOSALS (RFP) – a public announcement inviting companies to submit plans for providing a product or service and/or bids for the price of providing it.

RESALE REGISTRATION – registration by a company of the investor's sale of the shares purchased by the investor in a private offering.

RESEARCH AND DEVELOPMENT (R & D) PARNERSHIPS – a legal form of organization made popular by the Internal Revenue Code which allows them to write off immediately all expenditures for research and development work. High-tech firms use them to attract money or R & D work, later granting the partners either stock or royalties for the rights to the partnership's patents or products.

RESIGNATION – a notice given by an employee to signify their desire to terminate their relationship with their current employer.

RESTRICTED SHARES – shares acquired in a private placement are considered restricted shares and may not be sold or otherwise transferred absent registration or qualification under an appropriate exemption from registration (which exemption normally involves expiration of an appropriate holding period). Non-affiliates generally must wait one year after purchasing the shares, after which time, if the company is public, they may sell, in any rolling three-month period, up to the greater of 1 percent of the company’s outstanding shares or the average weekly trading volume for the past four weeks. For affiliates, there is a two-year holding period and their restricted shares remain subject to volume restrictions so long as they remain an affiliate.

RESUME – a short account of an applicant's career, education, personal data, and other pertinent information that an individual assembles to present to a potential employer for consideration of a job.

RETAILER – any company or individual that sells commodities or goods to the ultimate consumer.

RETAINED EARNINGS – net income that is kept within the organization.

RETAINER – a fee given to an attorney (or other service provider) in exchange for his or her advice or services or a claim on his or her services if a future need for them occurs.

RETIREMENT – to relinquish one's position or occupation, either voluntarily or forcibly, due to age, disability, or sickness.

RETURN ON ASSETS (ROA) – measures a company's ability to produce net profits by effectively utilizing its assets. The higher the ratio, the more effective the company is at using its assets to produce profits.

RETURN ON EQUITY (ROE) – measures the return on the owner's investment in the company and is perhaps the most important measure of a business's financial viability. The higher the ratio, the higher the rate of return on the owner's investment.

RETURN ON INVESTMENT (ROI) – a measurement of the amount of money that has been realized as a result of a certain investment of resources.

RETURN ON SALES (ROS) – measures the percent of every dollar in sales that a company maintains as net profit after all direct and indirect expenses are paid. The higher the ratio, the more profits being captured from each dollar of sales.

RETURN TO VENDOR ~~(RTV)~~ – merchandise that is returned to the vendor by the receiving store. A few of the reasons the items might be returned are wrong style(s) were shipped or merchandise was received late or damaged in shipment.

REVENUE – the gross income received before any expenses are deducted.

REVENUE MODEL – a type of business model that describes what a company does to generate revenue such as selling subscriptions or collecting licensing fees.

REVERSE DISCRIMINATION – a situation in which minorities and women receive differential treatment over more qualified white men.

REVERSE ENGINEERING – the process of taking something apart to figure out how it works. This term is currently being applied in the press to describe what some hackers are doing with computer programs.

REVERSE MARKETING – a method that reverses traditional marketing procedures by focusing on current and qualified prospects and using techniques that induce customers to come to the seller.

REVERSE MERGER – the merger of an acquiring company into an acquired company, with survival of the acquired company. This is done to preserve a desirable attribute of the acquired company, such as having publicly traded stock. A private company can go public by a reverse merger into a publicly held company, without all the procedures associated with an initial public offering.

REVERSE SPLIT – a corporation initiates an exchange of several shares of its outstanding stock for one with a value equal to the total of the several. For example, the shareholder might return 5 shares of $1 each in return for one share of $5 each. Generally, a reverse split is done for one of the following reasons: (1) To decrease the number of shares outstanding, thus also decreasing the administrative and accounting costs of the corporation. (2) To increase the value of a single share of stock, thus discouraging small investors from buying the stock. For example, the corporation might issue one share at $5000 each in exchange for 50 shares at $100 each. (3) To increase the value of a single share of stock, thus attracting large investors who have established minimum prices for the stock in which they will invest. This minimum is based upon the investors' administrative costs. Generally, a reverse split has no economic or other financial impact.

REVIEW (of financial statements) – a service (less exhaustive than an audit) where a trained accountant performs inquiry and analytical procedures on financial information to attain a reasonable basis for expressing limited assurance that there are no material modifications that should be made to the statements for them to be materially accurate.

RIGHT OF FIRST REFUSAL – the right of first refusal gives the holder the right to meet any other offer before the proposed contract is accepted.

RIGHTS OFFERING – issuance of “rights” to current shareholders allowing them to purchase additional shares, usually at a discount to market price. Shareholders who do not exercise these rights are usually diluted by the offering.

RISK – the chance of loss on an investment due to many factors, including inflation, interest rates, default, politics, foreign exchange, call provisions, etc.

RISK CAPITAL – this is another term for *equity investing*, sometimes also referred to as *investment capital, angel capital* or *venture capital*.

RISK FACTOR – an estimate of the chance of loss with a new venture.

RISK MANAGEMENT – the process of analyzing and managing risk to reduce the frequency, severity, or unpredictability of accidental losses.

ROI – see RETURN ON INVESTMENT

ROLLING AVERAGE – an average figure for a given variable that is continuously or periodically updated to reflect new data.

ROYALTIES – payments for the rights to use intellectual property or natural resources.

ROYALTY-BASED FUNDING – this usually refers to financing for small companies that is secured and repaid with royalties from designated inventions.

RULE 144 – Rule 144 is the most common (some would say almost exclusive) exemption relied upon to permit the resale of restricted stock and control stock. Filing with the SEC is required prior to selling restricted and controlled stock. Certain conditions have to be satisfied, including holding periods and volume limitations on the number of shares that may be sold.

RULE 144A – a safe-harbor exemption from the registration requirements of Section 5 of the 1933 Act for resales of certain restricted securities to qualified institutional buyers, which are commonly referred to as “QIBs.” In particular, Rule 144A affords safe-harbor treatment for reoffers or resales to QIBs—by persons other than issuers—of securities of domestic and foreign issuers that are not listed on a U.S. securities exchange or quoted on a U.S. automated inter-dealer quotation system. Rule 144A provides that reoffers and resales in compliance with the rule are not “distributions” and that the reseller is therefore not an “underwriter” within the meaning of Section 2(a)(11) of the 1933 Act. If the reseller is not the issuer or a dealer, it can rely on the exemption provided by Section 4(1) of the 1933 Act. If the reseller is a dealer, it can rely on the exemption provided by Section 4(3) of the 1933 Act.

RULE 144A EXCHANGE OFFER – a transaction in which one class of securities that were issued in a private placement are exchanged for another, unusually almost identical, class of securities, in a transaction registered with the SEC on a Form S-4 Registration Statement.

RULE 501 – Rule 501 of Regulation D defines Accredited Investor, among other definitions and regulations.

RULE 505 – Rule 505 of Regulation D is an exemption for limited offers and sales of securities.

RULE 506 – Rule 506 of Regulation D is considered a “safe harbor” for the private offering exemption of Section 4(2) of the Securities Act of 1933. It is the most common and preferred exemption relied upon for VC-backed private placements. Companies using the Rule 506 exemption can raise an unlimited amount of money if they meet certain exemption requirements.

S CORPORATION (SUB-CHAPTER S CORPORATION) – a firm that has elected to be taxed as a partnership under the sub-chapter S provisions of the Internal Revenue Code.

SALARY – fixed compensation paid to an employee in exchange for work performed during a specified period of time.

SALES – money, or the promise of money, received from providing a company's products and services to customers.

SALES AGENT – a person who works as a subcontractor for a company to sell products or services.

SALES AND MARKETING EXPENSES – the expenses incurred in carrying out the activities listed in the marketing section of the plan.

SALES BUDGET – a detailed projection of sales by product for a future period of time; the sales expense projected; anticipated cost of the sales operation.

SALES CYCLE – the average period of time it takes for the sales organization to close on a sale—from the initial contact with a prospective customer to writing up the order. Different products and services have widely varying sales cycles, with more complex and expensive products usually having longer cycles.

SALES FORECAST – a projection of the anticipated sales volume of a product or service.

SALES MANAGER – a person who oversees the planning and directing of sales efforts in his or her designated area of responsibilities. In addition, this person usually supervises one or more salespeople.

SALES PER EMPLOYEE – is an important measure of a company’s overall productivity, its ability to manage the overhead associated with its work force, and its long-term financial health. The higher the sales per employee, the more productive are the employees.

SALES PITCH – a statement directed at potential customers to entice them to purchase a product or service.

SALES PLAN – setting specific goals, volume in dollars and/or units, and the strategy anticipated to accomplish them.

SALES POTENTIAL – the ratio of a venture's sales to the total industry sales of the available market.

SALES QUOTA – a sales goal assigned to a marketing unit for use in the management of its sales efforts.

SALES REP – abbreviation for sales representative

SALES REPRESENTATIVE – a person who works as a subcontractor for a company to represent and sell products or services.

SATURATION – a phase of the product life cycle in which the demand for the product has decreased rapidly. At this stage, most of the people with an interest in the product have already purchased it.

SAVINGS ACCOUNT – an account into which money it placed. The account is usually with a bank and the bank pays interest on the balance in the account. To withdraw money a passbook or some other form of written authorization is presented. Penalties may apply if an excessive number of withdrawals occur.

SAVINGS AND LOAN ASSOCIATION – national or state-chartered institutions that accept savings deposits and invest the bulk of the funds thus received in mortgages.

SBA (SMALL BUSINESS ADMINISTRATION) – federal agency created in 1953 that assists with business loans and other problems relating to the operation of small business.

SBIC (SMALL BUSINESS INVESTMENT COMPANY) – a program that provides equity capital, long-term loans, debt-equity investments and management assistance to qualifying small businesses.

SBIR (SMALL BUSINESS INNOVATION RESEARCH PROGRAM) – see SMALL BUSINESS INNOVATION DEVELOPMENT ACT OF 1982.

SCORE ASSOCIATION (SERVICE CORP OF RETIRED EXECUTIVES) – nonprofit association comprised of over 10,000 volunteer business counselors serving as counselors, advisors and mentors to aspiring entrepreneurs and business owners.

SEARCH ENGINES – programs such as Google, Yahoo, Lycos, and Infoseek that let you search the distributed database of the World Wide Web.

SEASONALITY – variation of sales activity caused by the time of the year.

SECOND-ROUND FINANCING – the second time an entrepreneur attempts to raise additional capital. Often used for growth and expansion activities.

SECONDARY SALE – The sale of private or restricted holdings in a portfolio company to other investors.

SECONDS – merchandise that is slightly damaged or has previously been handled and is usually sold at discounted prices.

SECRET PARTNER – an active partner whose membership in the partnership is not revealed to the public.

SECRETARY OF STATE – the body of each state government that regulates business registrations, among other things.

SEC – see SECURITIES AND EXCHANGE COMMISSION

SECURED BONDS – bonds that give the bond holder a pledge of certain assets of the company as a guarantee of repayment.

SECURITIES – includes all types of equity and debt instruments and rights in and to them.

SECURITIES ACT OF 1933 – the federal law covering new issues of securities. It provides for full disclosure of pertinent information relating to the new issue and also contains antifraud provisions.

SECURITIES ACT OF 1934 – the federal law that established the Securities and Exchange Commission. The act outlaws misrepresentation, manipulation, and other abusive practices in the issuance of securities.

SECURITIES AND EXCHANGE COMMISSION – the SEC is an independent, nonpartisan, quasi-judicial regulator y agency that is responsible for administering the federal securities laws. These laws protect investors in securities markets and ensure that investors have access to all material information concerning publicly traded securities. Additionally, the SEC regulates firms that trade securities, people who provide investment advice, and investment companies.

SECURITY – the process of protecting the company's assets including customer lists, trade secrets, furniture, fixtures, and equipment.

SEED MONEY – the first round of capital for a start-up business. Seed money usually takes the structure of preferred stock or convertible bonds, although sometimes it is common stock. Seed money provides startup companies with the capital required for their initial development and growth. Angel investors and early-stage venture capital funds often provide seed money.

SEED STAGE FINANCING – an initial state of a company’s growth characterized by a founding management team, business plan development, prototype development and beta testing.

SELF EMPLOYED – an individual who earns income from a business which he or she owns rather than receiving a salary or wage from an employer.

SELF-SERVICE – a retail establishment in which customers serve themselves and complete the transaction by paying the cashier.

SELL BASIS – the price of a security when it is sold. This price is used to calculate the gain or loss and is the opposite of the cost basis, which is the price at which the security was purchased.

SELLERS' MARKET – an economic situation in which the demand for a product is greater than the availability of that product. As a result, the sellers are able to dictate the price and terms of sale to a greater extend than if there was an overabundance of the product.

SELLING EQUITY – selling a portion of one's ownership of a business.

SENIOR SECURITIES – securities that have a preferential claim over common stock on a company's earnings and in the case of liquidation. Generally, preferred stock and bonds are considered senior securities.

SEQUENTIAL MARKETING – the strategy of developing/entering new markets in a logical sequence after the existing markets are stable.

SERIES A PREFERRED STOCK – generally, the first round of stock offered during the seed or early stage round by a portfolio company to the outside equity investor or fund. This stock is convertible into common stock in certain cases such as an IPO or the sale of the company. Later rounds of preferred stock in a private company are called Series B, Series C and so on.

SERVICE – an intangible function that benefits the consumer.

SERVICE MARK – a word or symbol used by a service organization, similar to a trademark for a product or product company. Registration is with the U.S. Patent and Trademark Office.

SEVERANCE PAY – money given to employees when they are asked to leave their job, usually without any advance notice of termination. The person's level in the organization, the cause of termination, and their length of service are factors that determine the amount of severance pay.

SEXUAL HARASSMENT – any unwanted or uninvited sexual comments, threats, or advances that adversely affect an employee's work environment.

SHARE OF STOCK – a unit of ownership in a corporation, which can be held privately or publicly.

SHAREHOLDER AGREEMENT – a binding agreement made by a group of shareholders prior to a meeting in which they vote on key issues and how these issues will be handled.

SHELF LIFE – the length of time a product continues to be saleable or aesthetically pleasant to customers.

SHELL COMPANY – a company with little or no businesses activity, but with a valid securities regulation in effect. Such companies may be used for a reverse merger acquisition involving a privately-held company.

SHORT-TERM DEBT – loans that are to be repaid within one year.

SHUTDOWN – to cease to work due to breakdown, lack of parts and labor, or lack of demand for the items being produced.

SIC CODES (STANDARD INDUSTRY CLASSIFICATION CODES) – a system established by the United States Government for categorizing various businesses according to their specific industry, with a unique code belonging to each industrial category. This system is being replaced by the North American Industrial Classification (NAICS) code.

SIGNATURE LOAN – loan requiring no collateral and depending on the personal guarantee of the debtor.

SILENT INVESTOR – a financial partner in an organization who is not officially or publicly recognized as an equity stakeholder in the venture.

SILENT PARTNER – a partner who has a financial interest in the company but plays no active role, even though he or she may be known to the public as a partner.

SINKING FUND – money set aside in a special fund to be used for a specific purpose such as reducing a financial obligation.

SKIM THE CREAM – strategy for pricing a new product or service at a high level in order to take advantage of the willingness of some consumers to pay it.

SKUNK WORKS – small units within a large organization that operate independently to develop cutting-edge products.

SMALL BUSINESS – a commercial enterprise that, as defined in the federal Small Business Administration Act, is independently owned and operated and which is not dominant in its field of operation. Other definitions, for such purposes as taxation or employee benefits, may be based on such factors as the number of employees or the amount of annual revenue.

SMALL BUSINESS ADMINISTRATION (SBA) – provides financial, technical, and management assistance to help Americans start, run, and grow their businesses through dozens of programs nationwide.

SMALL BUSINESS ADMINISTRATION (SBA) LOAN – (1) SBA loan provides guarantee for up to 90 percent of a loan obtained from banking sources; (2) direct SBA loan for an amount under $150,000.

SMALL BUSINESS DEVELOPMENT CENTERS (SBDC) – administered by the SBA, SBDCs provide management assistance to current and prospective business owners through one-stop assistance.

SMALL BUSINESS INNOVATION DEVELOPMENT ACT OF 1982 – the Small Business Innovation Research (SBIR) program is a set-aside program for domestic small-business concerns to engage in Research/Research and Development (R/R&D) that has the potential for commercialization. The SBIR program was established under the Small Business Innovation Development Act of 1982, reauthorized until September 30, 2000 by the Small Business Research and Development Enhancement Act, and reauthorized again until September 30, 2008 by the Small Business Reauthorization Act of 2000.

SMALL BUSINESS INNOVATION RESEARCH (SBIR) – grants offered by federal agencies such as NASA to provide seed money to companies to develop prototypes of novel technological products.

SMALL BUSINESS INVESTMENT COMPANY (SBIC) – a program of the Small Business Administration (SBA), Small Business Investment Companies are licensed investment firms that use private capital along with SBA-backed debentures to help finance small businesses. For more information go to: http://www.sba.gov/INV/howtoseek.html

SMALL CLAIMS COURT – a court that hears and resolves minor disputes.

SMALL CORPORATE OFFERING REGISTRATION (SCOR) – a stock offering that is administered on the state rather than federal level.

SMALL PRODUCTION RUNS STAGE – a stage of product or service development a company may experience in which the proven product or service is produced on a small scale.

SOCIAL ENTREPRENEUR – someone who uses the methods of business entrepreneurs to achieve social goals, such as creating new jobs or helping disadvantaged communities.

SOFT GOODS – a term that refers to apparel, linens, towels, and small accessories.

SOFT SELL – a sales technique that uses a low-pressure approach.

SOLE PROPRIETORSHIP – a business firm owned by only one person and operated for his or her profit.

SPECIAL ORDER – (1) a customer's request forwarded to a vendor ordering an item that is not carried in stock or is temporarily out of stock; (2) an order submitted by a retailer requesting specially manufactured merchandise to supplement the store's present product mix. The merchandise requested is not in the vendor's regular stock.

SPECIALTY GOODS – consumer goods having unique characteristics and/or brand identification for which a significant group of buyers are habitually willing to make a special purchasing effort, such as fancy food, stereo components, sporting equipment, cameras, and men's suits.

SPECIALTY STORES – retail outlets that concentrate on specific classifications of merchandise and carry a large selection of items in the area of specialization. Examples include books, jewelry, furniture, and shoe stores.

SPINOFF – a divestiture of a business operation into a separate legal entity.

SPLIT SHIFT – a shift of daily working hours that is divided into two or more working periods and the separation between the two shift is greater than the normal time allowed for lunch and supper breaks. Such scheduling allows businesses to maximize manpower during peak times and minimize payroll during slower times.

STAGE OF DEVELOPMENT (BUSINESS) – the stage that a company is in including concept, start-up, initial operations, expansion, rapid growth, or stable operations. Each stage has unique characteristics, financing needs, leadership requirements, etc.

STAGE OF DEVELOPMENT (PRODUCT/SERVICE) – the stage that a product or service is in including model stage, working prototype stage, small production runs stage, full manufacturing/production stage, or other stages.

STAGGERED BOARD – this is an anti-takeover measure in which the election of the directors is split in separate periods so that only a percentage (e.g., one-third) of the total number of directors come up for election in a given year. It is designed to make taking control of the board of directors more difficult.

STANDARD MARK-UP (COST PLUS PRICING) – setting a price by adding a specified percentage to the cost of the product or service.

START-UP – a company in the earliest stages of development.

START-UP CAPITAL – money needed to launch a new venture during the pre-start-up and initial period of operation.

START-UP COSTS – the costs involved in starting a venture which include one-time and ongoing costs.

START-UP STAGE – a stage of development a company may experience characterized by a need for planning, people, and financial resources.

STATEMENT OF CASH FLOWS – a financial statement that reflects the increases and decreases in cash for a certain time period.

STATUTORY VOTING – a method of voting for members of the Board of Directors of a corporation. Under this method, a shareholder receives one vote for each share and may cast those votes for each of the directorships. For example: An individual owning 100 shares of stock of a corporation that is electing six directors could cast 100 votes for each of the six candidates. This method tends to favor the larger shareholders.

STOCK – the equity of a company divided into portions or shares reflecting the ownership of the company.

STOCK CERTIFICATE – a document issued to a stockholder by a corporation indicating the number of shares of stock owned by the stockholder.

STOCK DIVIDEND – a proportional distribution of securities to the company's stockholders.

STOCK EXCHANGE – a place where the buying and selling of securities can occur in an organized setting.

STOCK OPTIONS – 1) The right to purchase or sell a stock at a specified price within a stated period. Options are a popular investment medium, offering an opportunity to hedge positions in other securities, to speculate on stocks with relatively little investment, and to capitalize on changes in the market value of options contracts themselves through a variety of options strategies. 2) A widely used form of employee incentive and compensation. The employee is given an option to purchase its shares at a certain price (at or below the market price at the time the option is granted) for a specified period of years.

STOCK PURCHASE PLAN – a plan that allows employees to buy company stock, usually at a discounted price. In some cases, the employer contributes to the purchase.

STOCK SPLIT – a reduction in the stated value of a share of common stock and the issuance of a proportionate number of additional shares. By lowering the price per share, stock splits usually encourage potential buyers to invest in the stock.

STOCKHOLDERS – the owners of a corporation.

STOCKHOLDERS' EQUITY – the difference between total assets and the total liabilities of a company. Also known as book value.

STOCK OPTION PLAN – a form of deferred compensation which gives an employee the right to buy a company's stock for a given period of time at a stipulated price.

STRAIGHT-LINE DEPRECIATION – a method of depreciation in which capital cost is amortized in equal periodic amounts over the estimated life of an asset.

STRATEGIC ALLIANCE – a collaboration between companies characterized by cooperative management, mutual benefits, and the creation of new value for both (or all) partners.

STRATEGIC INVESTORS – Corporate ~~or individual~~ investors that add value to investments they make through industry relationships that can assist companies in commercializing technology, increasing revenues and expanding markets.

STRATEGY IMPLEMENTATION – actions taken to carry out a plan for achieving goals.

SUBCONTRACT – an arrangement allowing a third party to come in and complete all or part of the work indicated in the original contract.

SUBLEASE – a lease made by a tenant to another person.

SUBORDINATED DEBT – debt whose claims on assets are somehow inferior to the claims of another class of debt. The superior debt has first claim to the assets used as collateral for the debt; for example., a second mortgage on a home gets nothing until the first mortgage has been fully satisfied in case of default.

SUBSCRIPTION AGREEMENT – the application submitted by an investor wishing to invest in an early stage company or venture firm

SUBSCRIPTION-BASED MODEL – a business model in which the revenue comes from a recurrent fee for the product or service. This fee is usually charged monthly or annually such as a magazine subscription.

SUBSIDIARY – a company whose stock is more than 50 percent owned by another company.

SUBSIDIES – direct government financial aid given to individuals and industries.

SUGGESTIVE SELLING – a strategy of selling in which salespeople recommend additional items related to those the customer asks about and is likely to purchase or has already bought. This technique can also be used to introduce newly arrived merchandise, items on sale, etc.

SUNK COSTS – costs that have already been incurred and cannot be reversed by any subsequent decisions that are made.

SUPERVISOR – an individual who oversees and is responsible for an area, business, operation, or school and the employees who work those areas.

SUPPLY CHAIN MANAGEMENT – control of all the steps in the manufacturing and/or distribution process. This chain can involve the entire network of suppliers, factories, warehouses, distribution centers, and retailers that participate in the process from raw materials to finished products.

SURPLUS – the excess in the amount of a product or service that exceeds the quantity demanded.

SWOT ANALYSIS – examination of a company's Strengths-Weaknesses-Opportunities-Threats.

SYNDICATION – a group of investors or underwriters who band together to invest in the success or failure of a startup or growing venture.

TAG-ALONG RIGHTS / RIGHTS OF CO-SALE – a minority-shareholder protection affording the right to include their shares in any sale of control interest in a company and at the offered price.

TAKEDOWN SCHEDULE – a takedown schedule means the timing and size of the capital contributions from the limited partners of a venture fund.

TAKEOVER – the acquisition of controlling interest of one company by another.

TANGIBLE ASSETS – assets that are touchable and real (such as equipment and buildings) as opposed to intangible assets (such as goodwill), which are not of a physical or material nature.

TARGET CUSTOMERS – a store's marketing effort directed to a specific demographic of people in an attempt to entice them into the store and become customers.

TARGET MARKET – the market selected for penetration by a firm's management.

TARGET PRICING – an attempt at pricing items to maximize both sales and profit.

TAX-FREE REORGANIZATIONS – types of business combinations in which shareholders do not incur tax liabilities.

TAXABLE INCOME – the amount of income left after all allowable deductions and exemptions have been subtracted. This remaining income is therefore taxable.

TEAMBUILDING – a training technique used between group members or different groups to foster a high level of interaction. The goal is to create an atmosphere of trust, openness and cooperation.

TECHNICAL OBSOLESCENCE – a product or service which is no longer in demand because of a new, superior technology or innovation.

TELECONFERENCING – a format in which the participants of the meeting are at various locations and they communicate by telephone.

TELEMARKETING – using a combination of computers and telephones to sell products or services or create leads for companies to use in their sales process.

TEMPORARY EMPLOYEE – an employee hired for a limited time to fill needed staffing positions.

TENANT FINISH – the construction/remodeling work that is done by the lessee of a property.

TENDER OFFER – an offer to purchase stock made directly to the shareholders. One of the more common ways hostile takeovers are implemented.

TERM LOAN – a loan with an original maturity beyond one year.

TERM SHEET – a summary of the terms the investor is prepared to accept. A non-binding outline of the principal points which the Stock Purchase Agreement and related agreements will cover in detail.

TEST MARKET – a controlled study carried out in a carefully selected marketplace. The study's purpose is usually to test how successful a new marketing strategy will be before undertaking the expense of distributing it to a broader marketing base.

TESTIMONIAL – an endorsement of a product by a satisfied customer or a celebrity.

TIME VALUE OF MONEY – the basic principle that money can earn interest; therefore, something that is worth $1 today will be worth more in the future if invested. This is also referred to as future value.

TOMBSTONES – basic newspaper advertisements that include information about the stock offering, including members of the underwriting group.

TORT – a noncontractual civil wrong committed by one person against another. The wrong must be in violation of a legal responsibility that directly results in harm.

TOTAL ASSETS – the actual dollar value of all tangible and intangible property owned or maintained by a company at any point in time. These are the operational resources a business maintains, such as cash, short-term investments, accounts receivable, inventory, furniture, fixtures, equipment, buildings, and land

TRACK RECORD – athletic metaphor for an individual's history of performance in any given field of endeavor.

TRADE ASSOCIATION – a not-for-profit organization that exists to support its members. Usually, those that belong to a trade association work in closely related businesses.

TRADE DISCOUNT – a discount allowed to various customers on the list price of merchandise before the credit terms apply. These discounts are used to encourage prompt payment.

TRADE DRESS – a legal concept that embraces such proprietary retail design components as signage, color schemes, and uniforms. It also applies to Web site design features.

TRADE IN – to surrender an item as payment or partial payment for the purchase of another item. Very common in the car business to trade an older car in for a newer car accompanied by an additional payment or future payments.

TRADE NAME – a name used by a manufacturer or merchant for a product.

TRADE OUT – a form of business bartering; exchanging services or products which are mutually beneficial.

TRADE SECRET – any type of information, including a formula, pattern, compilation, program, device, method, technique, or process that derives independent value from not being generally known to other persons who can obtain economic value from its disclosure or use.

TRADE SHOW – an industry-wide market where many manufacturers demonstrate their products and actively solicit sales.

TRADEMARK ™ – a brand or part of a brand that is given legal protection because it is capable of exclusive appropriation.

TRADEMARK (OR BRAND NAME) FRANCHISE – a franchise system in which the franchisee pays for the right to use the franchisor's established trademark (or brand name) in exchange for royalty fees.

TRADING DOWN – (1) a strategy of a seller to handle and promote less expensive merchandise or items of a lower quality to appeal to customers at a lower socioeconomic level. By selling more units at the lower price, the company hopes to show an increase in profits. (2) a sales technique used by a salesperson to finalize a sale. If a customer seems resistant to a higher priced item, a less expensive item that performs similar functions might be suggested in order to complete a sale rather than have the customer walk out without purchasing anything.

TRADING UP – (1) a strategy of a seller to handle and promote more expensive or higher quality merchandise to improve the image of the store. Such a move is an attempt to appeal to customers at a higher income level. (2) a sales technique to entice a customer to purchase a better grade or more expensive item than they initially set out to purchase by pointing out different features and qualities.

TRAINEE – an employee who is enrolled in a training program to prepare him or her for a specific job.

TRANSACTION-BASED MODEL – a business model in which the revenue is generated from a fee or a percentage charged for each transaction, whether the transaction is a purchase or a sale.

TRANSACTIVE CONTENT – material on a Web site that requires the visitor to engage in a transaction. The visitor must supply the site with information about themselves.

TRANSFER AGENTS – record keepers for stock transactions and shareholder information, often a commercial bank.

TREASURY STOCK – stock issued by a company but later reacquired. It may be held in the company's treasury indefinitely, reissued to the public, or retired. Treasury stock receives no dividends and does not carry voting power while held by the company.

TRUSTEE – one to whom property or money is given to be administered for the benefit of a beneficiary.

TRUST INDENTURE – agreement between the company, the debt holders, and the trustee for the debt holders. Required for registered offerings of debt securities. (See Trust Indenture Act of 1939.)

TURNAROUND – the successful efforts to reverse the financial downfall of a company.

TURNAROUND ARTIST – a person who takes over management of a troubled enterprise to save it.

TURNKEY OPERATION – a product or service concept, completely assembled, installed, or set up to begin operation, which is then leased or sold to an individual to run as his or her own venture.

TURNOVER – (1) the number of people that are hired into an organization within a period to replace those that leave. Sometimes this figure is calculated as a ratio by taking the number of people who have joined the company as well as the number of the people who have left during a specific period of time for every 100 employees. (2) the frequency with which an asset, such as inventory, is replaced during a period of time, usually a year.

ULPA – Uniform Limited Partnership Act, see also the RULPA, Revised Uniform Limited Partnership Act U.L.P.A. § 101 et seq. (1976), as amended in 1985 (R.U.L.P.A.).

UNDERCAPITALIZATION – a situation in which a new enterprise starts with too little money to carry it through the beginning stages of development.

UNDEREMPLOYED – a situation in which a person is working at a job for which he or she is overqualified.

UNDERSTOCK – merchandise that is not on display but rather kept in stockrooms or under counters and used to fill in when floor merchandise is sold.

UNDERWRITER – middleman between the company issuing new securities and the investing public.

UNDERWRITTEN OFFERING – registered offering that is sold through a consortium of investment banks assembled by one or more lead investment banks.

UNEMPLOYMENT COMPENSATION – money paid to individuals who are not currently employed in the workforce. These individuals must meet several eligibility requirements in order to receive benefits.

UNEMPLOYMENT RATE – the proportion of the workforce who has lost employment in the last month or has unsuccessfully sought a job during that time.

UNION – a labor organization whose major objective is to promote members' interests when negotiating with employers.

UNIQUENESS (PRODUCT or SERVICE) – the reasons for purchasing/choosing one product or service over another.

UNIT COST – the cost incurred in the production of one unit of product; usually computed by dividing total production cost by the number of units produced for a given time period.

UNIT OFFERING – private or public offering of securities in groups of more than one security. Most often a share of stock and warrant to purchase some number of shares of stock, but could be two shares of stock, a note and a share of stock, etc. Also used in some cases to refer to the sale of LP and LLC interests, since those interests are composed of more than one right.

UNLIMITED LIABILITY – a legal situation in which the sole proprietor of a business is fully liable for all of its debts and obligations to the extent of his or her total estate.

UNSECURED BONDS – debt bonds issued on the general credit of a company.

UNSECURED DEBT – a debt without any real or personal property used as collateral.

UNSECURED LOAN – loan granted solely on the strength of the maker's signature.

URL (UNIFORM RESOURCE LOCATOR) – a string of characters (always beginning with http://) that identifies the location of every page, graphic image, and file on the World Wide Web.

USDA (UNITED STATES DEPARTMENT OF AGRICULTURE) – through many programs the USDA enhances the quality of life by supporting the production of agriculture.

USER – a role that a potential customer assumes that is the actual user of the product or service, but may not be the customer who pays for the product or service. An example is the user of diapers, who is not usually the purchaser.

VACATION – a period of time when an employee separates himself or herself from work and pursues personal interests. The amount of vacation time an employee receives is usually defined in the contract or company policy as well as the amount of pay received for this period.

VACATION PAY – compensation paid for approved time taken off from work.

VALUATION – the value given to a private or public company; it is obtained most basically by multiplying the price per share (or most recent amount paid for shares) by the total number of shares outstanding (for public companies).

VALUE ADDED – the process of enhancing a basic product.

VALUE PRICING – setting a price according to what customers believe the product or service is worth.

VARIABLE COST – a cost that changes in total in direct proportion to productive output or any other volume measure.

VENDOR – the source of supply, raw materials, or finished goods throughout the production and distribution processes.

VENTURE – a business endeavor that involves a high level of risk and chance.

VENTURE CAPITAL FINANCING – an investment in a growing business that is perceived to have excellent prospects but does not have access to public capital markets. Type of financing sought by early-stage companies seeking to grow rapidly.

VENTURE CAPITALIST – an investor who provides growth financing to new ventures—often technology-based—with an innovative product and the prospect of rapid and profitable growth.

VENTURE LEASING – the practice of extending large amounts of lease credit to venture-backed companies for the purpose of leasing office equipment, supplies, or technology. Lease terms vary, but are generally thirty-six months or less.

VERTICAL INTEGRATION – when an organization controls many or all major functions of a business, from raw materials to distribution of finished products.

VERTICAL LEADER – the biggest or most important company in an industry segment, defined by the volume of business along its entire supply chain from bottom (raw materials) to top (finished product or service).

VERTICAL MARKET – (1) a group of enterprises within an industry with shared product and service needs, so that a single marketing strategy can be effectively employed across that market; (2) a market that includes all the businesses necessary to produce an item from raw materials to the finished product. For example, the vertical market to produce a book would include the paper makers, the printers, the binders, the publishers, the distributors, and the bookstore.

VESTED RIGHTS – the provisions in a pension program (or other benefit plan) that entitle an employee to the portion of the pension (or other benefit) they have acquired while being employed by the company offering the plan.

VESTING – an employee's right to receive part or all of a pension fund (or other benefits or ownership) if he or she leaves the company prior to retirement.

VORTAL – a vertical portal or site on the Internet that leads to other sites with information about one topic or sector, as opposed to horizontal portals opening onto a wide range of topics.

VOTING RIGHT – the common stockholders' right to vote their stock in the affairs of the company. Preferred stock usually has the right to vote when preferred dividends are in default for a specified amount of time. The right to vote may be delegated by the stockholder to another person (by proxy).

VOTING TRUST – a voting trust is a legal mechanism for holding stock or other assets, under which voting privileges are defined in the trust agreement.

VOUCHER – a piece of paper verifying that a transaction has occurred or serves as proof of authority to pay cash.

W-2 FORM – wage and tax statement. By the end of January of each year, employers must provide each employee with at least two copies of his or her withholding statement. This statement shows earnings for the preceding year and various deductions. Employees must file one copy of their W-2 Forms with their federal income tax form.

WAGE – compensation given to an employee in exchange for work performed. Wages vary and can be paid per piece, per hour, per day, or in any other period or unit that has been previously agreed upon.

WAGE BRACKET – the range of salaries allowed as compensation for an employee in a given profession.

WALK-INS – people seeking employment that arrive at a prospective workplace without any appointment and not in response to a specific ad or request.

WAREHOUSE FACILITY – a storage site for supplies and completed products. Increasingly, such facilities are becoming computer-driven to allow for just-in-time (JIT) manufacturing and delivery.

WARRANTS – the type of security that entitles the holder to buy a proportionate amount of common stock or preferred stock at a specified price for a period of years. Warrants may be ~~are usually~~ issued together with a loan, a bond or preferred stock —and act as sweeteners, to enhance the marketability of the accompanying securities. The number of warrants issued in a financing is often expressed as a percentage of the number of underlying securities (usually common stock) issued or issuable in the financing. For example, a particular round of preferred stock financing might carry 20 percent warrant coverage, meaning the number of warrants issued will equal 20 percent of the number of shares of common stock issuable upon conversion of the preferred stock issued to investors at closing.

WARRANTY – a promise or pledge that something is what it is claimed to be.

WASH-OUT ROUND – a financing round whereby previous investors, the founders, and management suffer significant dilution. Usually as a result of a wash-out round, the new investor gains majority ownership and control of the company. Also known as burn-out or cram-down rounds.

WATCH DOG – someone on the management team charged with safeguarding a firm's financial assets, for example, a CPA or bookkeeper.

WHOLESALING – all activities involved in selling goods or services to those who are buying for the purpose of resale or business use.

WILLIAMS ACT OF 1968 – an amendment of the Securities and Exchange Act of 1934 that regulates tender offers and other takeover-related actions such as larger share purchases.

WORD-OF-MOUTH ADVERTISING – one satisfied customer tells another about a particular product or service.

WORKERS' COMPENSATION INSURANCE – mandated insurance payments made by employers to cover their employees' work-related injuries and diseases.

WORKING CAPITAL – the amount of funds available to pay short-term expenses. Seen as a cushion to meet unexpected or out-of-the-ordinary expenses. It is determined by subtracting current liabilities from current assets.

WORKING PROTOTYPE STAGE – a stage of product or service development a company may experience in which a model product has been developed into a fully functional prototype, but production runs have not begun.

WORKOUT – a negotiated agreement between the debtor and its creditors outside the bankruptcy process, whereby a debtor may payoff a debt by making small monthly payments.

WRITE OFF – reassigning a payment as an expense rather than a depreciable asset.

WRITE-UP/WRITE-DOWN – An upward or downward adjustment of the value of an asset for accounting and reporting purposes. These adjustments are estimates and tend to be subjective, although they are usually based on events affecting the investee company or its securities beneficially or detrimentally.

WWW (WORLD WIDE WEB) – a vast collection of information in hypertext and hypermedia format on "home pages."

YIELD – the rate of return on an investment. If you invest $10,000, for which you receive $1,000 a year in dividends; your yield is 10 percent.

ZONING COMMISSION – the group of individuals that establishes/reviews the restrictions placed on a geographic area's construction/redevelopment.