

Financial Services SIG

With Finance being such an integral part of business today, Members were offered Part 1 of our Jargon Busting Glossary in the last issue.

Herewith Part 2 (M-P)

Margin Account Account with a broker that allows a customer to buy securities by putting up a percentage of the price with the broker financing the rest.

Mark to the Market Assessing the value of a securities portfolio in a margin account to be sure that it meets the maintenance requirements.

Matured Principal Bonds which have matured but have not been paid.

Mezzanine Financing The last round of investment prior to a company going public, which is typically provided to get over whatever hurdles are left that stand between it and access to the public markets.

Money Market Deposit Account Bank account that pays interest at a rate comparable to money market mutual funds and where funds are liquid.

Mutual Fund Share Share representing a fractional ownership in a large investment account managed by an investment company.

Naked Option Option written with no underlying security position.

Net Asset Value (NAV) Book value of a company's different classes of securities. It is total assets less intangible assets less liabilities and securities having a prior claim divided by the number of units outstanding of each type of share.

New Issue Stocks/securities being offered to the public for the first time and subject to the rules of the SEC. Also see Initial Public Offering (IPO).

No-Load Fund Mutual fund that does not impose a sales charge on the purchase of its shares.

Nominal Yield Annual income paid on a fixed income security divided by the par value and expressed as a percentage.

Non-Cumulative Dividends Non-Cumulative Dividends entitle the holder to dividends only when and if such dividends are declared by your company's Board of Directors.

Non-Participating Dividends After specified dividends have been paid to the holders of preferred stock at the dividend rate, such holders may not participate in additional dividends or remaining assets declared in a given period.

Novation In the contract setting a novation is replacement of an existing party with a new party such that the new party assumes all rights and obligations and the former party ceases to have any. In finance, it refers to replacement of an old debt obligation with a new one.

Odd Lot Less than 100 shares of a security. Generally entails payment of a higher commission rate to the broker than would be charged on a round lot sale.

Offering Memorandum A document that provides investors with your company's business plan, investment information and investment risks. Also known as Private Placement Memorandum (PPM).

Omitted Dividend A scheduled dividend that the board of directors decided not to declare. Generally occurs when a company is in poor financial shape and decides to conserve its cash.

Option The right to purchase a specified amount of your company's equity (stock, etc.) at a predetermined price over a predetermined period.

Out of the Money Describes an option whose strike (or exercise) price is higher than the current market value of the underlying stock.

Outstanding Shares The total amount of common stock issued and not retired as indicated on your company's balance sheet. The amount does not include convertible equity such as preferred shares, warrants, options, etc.

Over-the-Counter Securities sold by brokerage or bond houses other than on an exchange are sold "over-the-counter."

Pac-Man Defense Technique used by target company in takeover bid to thwart acquirer by buying up shares in the acquiring company.

Pari Passu Means equal, without preference, and often refers to equality of various classes of stock on a company's liquidation, dissolution and winding up.

Participating Dividends After specified dividends have been paid to holders of preferred stock at the dividend rate, such holders may participate in additional dividends or remaining assets declared in a given period according to a specified formula (usually on an as-converted, pro rata basis with holders of common stock).

Participating Preferred Stock A preferred stock that is not only entitled to a regular dividend, but also to a participation with the common in any profits remaining after paying preferred dividends and a stated dividend on the common stock.

Pass-Through Security Security that passes income from the debtor to the investor through an intermediary. When the board of directors fails to provide for a regular quarterly or semiannual dividend payment, the dividend is said to have been "passed."

Pay to Play What an investor agrees to do in case your company falters and a new round of financing must be raised at lower stock valuations. (For example, an investor may agree to invest additional funds at certain times and pursuant to certain terms.)

Piggyback Rights The right of an investor in your company to have its shares registered, usually at no expense to itself, when the company initiates an SEC registered offering. The term "piggy-back" is derived from the fact that the investor receives a "free-ride" when the company attempts to market shares for its own account (or that of other selling shareholders).

Pink Sheets Listing of the bid and asked price of over-the-counter stocks put out daily by the National Quotation Bureau lists the market makers who trade each stock.

Poison Pill Defensive technique by a target company to make its stock less appealing to a potential acquirer. A company may issue stock with special attributes that come due after a takeover that would make such a takeover more costly.

Pool Operations When two or more persons, under an agreement, each contribute a certain amount of stock or a certain amount of money to be used in buying and selling stocks for a joint purpose.

Pooling of Interests Accounting method used after a merger in which the balance sheets of the two companies are added together line by line.