A

Accrued interest – The interest due on a bond since the last interest payment was made. The buyer of the bond pays the market price plus accrued interest.

Acquisition – The acquiring of control of one corporation by another. In "unfriendly" takeover attempts, the potential buying company may offer a price well above current market values, new securities and other inducements to stockholders. The management of the subject company might ask for a better price or try to join up with a third company.

American Depositary Receipt (ADR) – 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.

American Stock Exchange (AMEX) – The second largest stock exchange in the United States, located in the financial district of New York City.

Amortization – Accounting for expenses or charges as applicable rather than as paid. Includes such practices as depreciation, depletion, write-off of intangibles, prepaid expenses and deferred charges.

Annual report – The formal financial statement issued yearly by a corporation. The annual report shows assets, liabilities, revenues, expenses and earnings - how the company stood at the close of the business year, how it fared profit-wise during the year, as well as other information of interest to shareowners.

Arbitrage – A technique employed to take advantage of differences in price. If, for example, ABC stock can be bought in New York for $10 a share and sold in London at $10.50, an arbitrageur may simultaneously purchase ABC stock here and sell the same amount in London, making a profit of $.50 a share, less expenses. Arbitrage may also involve the purchase of rights to subscribe to a security, or the purchase of a convertible security - and the sale at or about the same time of the security obtainable through exercise of the rights or of the security obtainable through conversion.

Assets – Everything a corporation owns or that is due to it: cash, investments, money due it, materials and inventories, which are called current assets; buildings and machinery, which are known as fixed assets; and patents and goodwill, called intangible assets.

Auction market – The system of trading securities through brokers or agents on an exchange such as the New York Stock Exchange. Buyers compete with other buyers while sellers compete with other sellers for the most advantageous price.

Auditor's report – Often called the accountant's opinion; it is the statement of the accounting firm's work and its opinion of the corporation's financial statements, especially if they conform to the normal and generally accepted practices of accountancy.

Averages – Various ways of measuring the trend of securities prices, one of the most popular of which is the Dow Jones Industrial Average of 30 industrial stocks listed on the New York Stock Exchange. The prices of the 30 stocks are totaled and then divided by a divisor that is intended to compensate for past stock splits and stock dividends, and that is changed from time to time. As a result, point changes in the average have only the vaguest relationship to dollar-price changes in stocks included in the average.

B

Balance sheet – A condensed financial statement showing the nature and amount of a company's assets, liabilities and capital on a given date. In dollar amounts, the balance sheet shows what the company owned, what it owed and the ownership interest in the company of its stockholders.

Basis point – One gradation on a 100-point scale representing 1%; used especially in expressing variations in the yields of bonds. Fixed income yields vary often and slightly within one percent and the basis point scale easily expresses these changes in hundredths of 1%. For example, the difference between 12.83% and 12.88% is 5 basis points.

Bear – Someone who believes the market will decline.

Bear market – A declining market.

Bearer bond – A bond that does not have the owner's name registered on the books of the issuer. Interest and principal, when due, are payable to the holder.

Bid and Asked – Often referred to as a quotation or quote. The bid is the highest price anyone wants to pay for a security at a given time; the asked is the lowest price anyone will take at the same time.

Block – A large holding or transaction of stock – popularly considered to be 10,000 shares or more.

Blue chip – A company known nationally for the quality and wide acceptance of its products or services, and for its ability to make money and pay dividends.

Blue Sky Laws – A popular name for laws various states have enacted to protect the public against securities frauds. The term is believed to have originated when a judge ruled that a particular stock had about the same value as a patch of blue sky.

Bond – Basically an IOU or promissory note of a corporation, usually issued in multiples of $1,000 or $5,000, although $100 and $500 denominations are not unknown. A bond is evidence of a debt on which the issuing company usually promises to pay the bondholders a specified amount of interest for a specified length of time, and to repay the loan on the expiration date. In every case a bond represents debt - its holder is a creditor of the corporation and not a part owner, as is the shareholder.

Book value – An accounting term. Book value of a stock is determined from a company's records, by adding all assets then deducting all debts and other liabilities, plus the liquidation price of any preferred issues. The sum arrived at is divided by the number of common shares outstanding and the result is book value per common share. Book value of the assets of a company or a security may have little relationship to market value.

Broker – An agent who handles the public's orders to buy and sell securities, commodities or other property. A commission is charged for this service.

Brokers' loans – Money borrowed by brokers from banks or other brokers for a variety of uses. It may be used by specialists to help finance inventories of stock they deal in; by brokerage firms to finance the underwriting of new issues of corporate and municipal securities; to help finance a firm's own investments; and to help finance the purchase of securities for customers who prefer to use the broker's credit when they buy securities.

Bull – One who believes the market will rise.

Bull market – An advancing market.

Buy side – The portion of the securities business in which institutional orders originate.

C

Callable – A bond issue, all or part of which may be redeemed by the issuing corporation under specified conditions before maturity. The term also applies to preferred shares that may be redeemed by the issuing corporation.

Capital gain or capital loss – Profit or loss from the sale of a capital asset. The capital gains provisions of the tax law are complicated. You should consult your tax advisor for specific information.

Capital stock – All shares representing ownership of a business, including preferred and common.

Capitalization – Total amount of the various securities issued by a corporation. Capitalization may include bonds, debentures, preferred and common stock, and surplus. Bonds and debentures are usually carried on the books of the issuing company in terms of their par or face value. Preferred and common shares may be carried in terms of par or stated value. Stated value may be an arbitrary figure decided upon by the director or may represent the amount received by the company from the sale of the securities at the time of issuance.

Cash flow – Reported net income of a corporation plus amounts charged off for depreciation, depletion, amortization, and extraordinary charges to reserves, which are bookkeeping deductions and not paid out in actual dollars and cents.

Cash sale – A transaction on the floor of the stock exchange that calls for delivery of the securities the same day. In "regular way" trade, the seller is to deliver on the third business day, except for bonds, which are the next day.

Certificate – The actual piece of paper that is evidence of ownership of stock in a corporation. Watermarked paper is finely engraved with delicate etchings to discourage forgery.

Certificate of deposit (CD) – A money market instrument characterized by its set date of maturity and interest rate. There are two basic types of CDs: traditional and negotiable. Traditional bank CDs typically incur an early-withdrawal penalty, while negotiable CDs have secondary market liquidity with investors receiving more or less than the original amount depending on market conditions.

Collateral – Securities or other property pledged by a borrower to secure repayment of a loan.

Commercial paper – Debt instruments issued by companies to meet short-term financing needs.

Commission – The broker's basic fee for purchasing or selling securities or property as an agent.

Commission broker – An agent who executes the public's orders for the purchase or sale of securities or commodities.

Common stock – Securities that represent an ownership interest in a corporation. If the company has also issued preferred stock, both common and preferred have ownership rights. Common stockholders assume the greater risk, but generally exercise the greater control and may gain the greater award in the form of dividends and capital appreciation. The terms common stock and capital stock are often used interchangeably when the company has no preferred stock.

Competitive trader – A member of the exchange who trades in stocks on the floor for an account in which there is an interest. Also known as a registered trader.

Conglomerate – A corporation that has diversified its operations usually by acquiring enterprises in widely varied industries.

Consolidated balance sheet – A balance sheet showing the financial condition of a corporation and its subsidiaries.

Convertible – A bond, debenture or preferred share that may be exchanged by the owner for common stock or another security, usually of the same company, in accordance with the terms of the issue.

Correspondent – A securities firm, bank or other financial organization that regularly performs services for another in a place or market to which the other does not have direct access. Securities firms may have correspondents in foreign countries or on exchanges of which they are not members.

Coupon bond – Bond with interest coupons attached. The coupons are clipped as they come due and presented by the holder for payment of interest.

Cumulative preferred – A stock having a provision that if one or more dividends are omitted, the omitted dividends must be paid before dividends may be paid on the company's common stock.

Cumulative voting – A method of voting for corporate directors that enables the shareholders to multiply the number of their shares by the number of directorships being voted on and to cast the total for one director or a selected group of directors. A 10-share holder normally casts 10 votes for each of, say, 12 nominees to the board of directors. One thus has 120 votes. Under the cumulative voting principle, one may do that or may cast 120 (10 x 12) votes for only one nominee, 60 for two, 40 for three, or any other distribution one chooses. Cumulative voting is required under the corporate laws of some states and is permitted in most others.

Current assets – Those assets of a company that are reasonably expected to be realized in cash, sold or consumed during one year. These include cash, U.S. Government bonds, receivables and money due usually within one year, as well as inventories.

Current liabilities – Money owed and payable by a company, usually within one year.

Current return – (See: **Yield**)

D

Day order – An order to buy or sell that, if not executed, expires at the end of trading day on which it was entered.

DCSX – Dutch Caribbean Securities Exchange, a securities exchange incorporated on Curacao, licensed by the Ministry of Finance and supervised by the Central Bank.

Dealer – An individual or firm in the securities business who buys and sells stocks and bonds as a principal rather than as an agent. The dealer's profit or loss is the difference between the price paid and the price received for the same security. The dealer's confirmation must disclose to the customer that the principal has been acted upon. The same individual or firm may function, at different times, either as a broker or dealer. (See: **Market Maker**)

Debenture – A promissory note backed by the general credit of a company and usually not secured by a mortgage or lien on any specific property. (See: **Bond**)

Debit balance – In a customer's margin account, that portion of the purchase price of stock, bonds or commodities that is covered by credit extended by the broker to the margin customer.

Delayed opening – The postponement of trading of an issue on a stock exchange beyond the normal opening of a day's trading because of market conditions that have been judged by exchange officials to warrant such a delay. Reasons for the delay might be an influx of either buy or sell orders, an imbalance of buyers and sellers, or pending corporate news that requires time for dissemination.

Depletion accounting – Natural resources, such as metals, oil, gas and timber that conceivably can be reduced to zero over the years present a special problem in capital management. Depletion is an accounting practice consisting of charges against earnings based upon the amount of the asset taken out of the total reserves in the period for which accounting are made. A bookkeeping entry, it does not represent any cash outlay nor are any funds earmarked for the purpose.

Depository Trust Company (DTC) – A central securities certificate depository through which members affect security deliveries between each other via computerized bookkeeping entries thereby reducing the physical movement of stock certificates.

Depreciation – Normally, charges against earnings to write off the cost less salvage value, of an asset over its estimated useful life. It is a bookkeeping entry and does not represent any cash outlay nor are any funds earmarked for the purpose.

Director – Person elected by shareholders to serve on the board of directors. The directors appoint the president, vice presidents, and all other operating officers. Directors decide, among other matters, if and when dividends shall be paid.

Discount – The amount by which a preferred stock or bond may sell below its par value. Also used as a verb to mean "takes into account" as the price of the stock has discounted the expected dividend cut.

Discretionary account – An account in which the customer gives the broker or someone else discretion to buy and sell securities or commodities, including selection, timing, amount, and price to be paid or received.

Diversification – Spreading investments among different types of securities and various companies in different fields.

Dividend – The payment designated by the board of directors to be distributed pro rata among the shares outstanding. On preferred shares, it is generally a fixed amount. On common shares, the dividend varies with the fortunes of the company and the amount of cash on hand, and may be omitted if business is poor or the directors determine to withhold earnings to invest in plant and equipment. Sometimes a company will pay a dividend out of past earnings even if it is not currently operating at a profit.

Dollar-cost-averaging – A system of buying securities at regular intervals with a fixed dollar amount. Under this system investors buy by the dollars' worth rather than by the number of shares. If each investment is of the same number of dollars, payments buy more shares when the price is low and fewer when it rises. Thus temporary downswings in price benefit investors if they continue periodic purchases in both good and bad times, and the price at which the shares are sold is more than their average cost. Dollar-cost-averaging does not assure a profit and does not protect against loss in declining markets. Since dollar-cost-averaging involves continuous investment in securities regardless of fluctuating price levels of such securities, investors should consider their financial ability to continue purchases through periods of low price levels.

Down tick – A term used to designate a transaction made at a price lower than the preceding trade. A plus sign, or a minus sign, is displayed throughout the day next to the last price of each stock at the trading post on the floor of the New York Stock Exchange.

Dow Theory – A theory of market analysis based upon the performance of the Dow Jones Industrial Average and transportation stock price averages. The theory says that the market is in a basic upward trend if one of these averages advances above a previous important high, accompanied or followed by a similar advance in the other.

When both averages dip below previous important lows, this is regarded as confirmation of a downward trend. The Dow Jones is one type of market index.

E

Earnings report – A statement, also called an income statement, issued by a company showing its earnings or losses over a given period. The earnings report lists the income earned, expenses and the net result.

Equity – The ownership interest of common and preferred stockholders in a company. Also refers to excess of value of securities over the debit balance in a margin account.

Ex-dividend – A synonym for "without dividend." The buyer of a stock selling ex-dividend does not receive the recently declared dividend. When stocks go ex-dividend, the stock tables include the symbol "x" following the name.

Ex-rights – Without the rights. Corporations raising additional money may do so by offering their stockholders the right to subscribe to new or additional stock, usually at a discount from the prevailing market price. The buyer of stock selling ex-rights is not entitled to the rights.

Extra – The short form of "extra dividend." A dividend in the form of stock or cash in addition to the regular or usual dividend the company has been paying.

F

Face value – The value of a bond that appears on the face of the bond, unless the value is otherwise specified by the issuing company. Face value is ordinarily the amount the issuing company promises to pay at maturity. Face value is not an indication of market value. Sometimes referred to as par value.

Fiscal year – A corporation's accounting year. Due to the nature of their particular business, some companies do not use the calendar year for their bookkeeping. A typical example is the department store that finds December 31 too early a date to close its books after the Christmas rush. For that reason many stores wind up their accounting year January 31. Their fiscal year, therefore, runs from February 1 of one year through January 31 of the next. The fiscal year of other companies may run from July 1 through the following June 30. Most companies, though, operate on a calendar year basis.

Fixed charges – A company's fixed expenses, such as bond interest, which it has agreed to pay whether or not earned, and which are deducted from income before earnings on equity capital are computed.

Flat income bond – This term means that the price at which a bond is traded includes consideration for all unpaid accruals of interest. Bonds that are in default of interest or principal are traded flat. Income bonds that pay interest only to the extent earned are usually traded flat. All other bonds are usually dealt in "and interest," which means that the buyer pays to the seller the market price plus interest accrued since the last payment date.

Floor – The trading area where stocks, bonds and options are bought and sold on the Exchange.
Floor broker – A member of the stock exchange who executes orders on the floor of the Exchange to buy or sell any listed securities.

Formula investing – An investment technique. One formula calls for the shifting of funds from common shares to preferred shares or bonds as a selected market indicator rises above a certain predetermined point - and the return of funds to common share investments as the market average declines.

Free and open market – A market in which supply and demand are freely expressed in terms of price. Contrasts with a controlled market in which supply, demand and price may all be regulated.

Fundamental research – Analysis of industries and companies based on such factors as sales, assets, earnings, products or services, markets and management. As applied to the economy, fundamental research includes consideration of gross national product, interest rates, unemployment, inventories, savings, etc.

Funded debt – Usually interest-bearing bonds or debentures of a company. Could include long-term bank loans. Does not include short-term loans, preferred or common stock.

G

General mortgage bond – A bond that is secured by a blanket mortgage on the company's property but may be outranked by one or more other mortgages.

Gilt-edged – High-grade bond issued by a company that has demonstrated its ability to earn a comfortable profit over a period of years and pay its bondholders their interest without interruption.

Give-up – A term with many different meanings. For one, a member of the exchange on the floor may act for a second member by executing an order for him or her with a third member. The first member tells the third member that he or she is acting on behalf of the second member and "gives up" the second member's name rather than his or her own.

Gold fix – The setting of the price of gold by dealers (especially in a twice-daily London meeting at the central bank); the fix is the fundamental worldwide price for setting prices of gold bullion and gold-related contracts and products.

Good delivery – Certain basic qualifications must be met before a security sold on the Exchange may be delivered. The security must be in proper form to comply with the contract of sale and to transfer title to the purchaser.
Good 'til canceled (GTC) or open order - An order to buy or sell that remains in effect until it is either executed or canceled.

Government bonds – Obligations of the U.S. Government, regarded as the highest grade securities issues.

Growth stock – Stock of a company with a record of growth in earnings at a relatively rapid rate.

H

Holding company – A corporation that owns the securities of another, in most cases with voting control.

Hypothecation – The pledging of securities as collateral - for example, to secure the debit balance in a margin account.

I

Income bond – Generally income bonds promise to repay principal but to pay interest only when earned. In some cases unpaid interest on an income bond may accumulate as a claim against the corporation when the bond becomes due. An income bond may also be issued in lieu of preferred stock.

Indenture – A written agreement under which bonds and debentures are issued, setting forth maturity date, interest rate and other terms.

Independent broker – Member on the floor of the NYSE who executes orders for other brokers having more business at that time than they can handle themselves, or for firms who do not have their exchange member on the floor.

Index – A statistical yardstick expressed in terms of percentages of a base year or years. For instance, the NYSE Composite Index of all NYSE common stocks is based on 1965 as 50. An index is not an average.

Initial public offering – The original sale of a company's securities (See: **Primary distribution**)

Institutional investor – An organization whose primary purpose is to invest its own assets or those held in trust by it for others. Includes pension funds, investment companies, insurance companies, universities and banks.

Interest – Payments borrowers pay lenders for the use of their money. A corporation pays interest on its bonds to its bondholders.

Interrogation device – A computer terminal that provides market information - last sale price, quotes, volume, etc. - on a screen or paper tape.

Investment – The use of money for the purpose of making more money, to gain income, increase capital, or both.

Investment banker – Also known as an underwriter. The middleman between the corporation issuing new securities and the public. The usual practice is for one or more investment bankers to buy outright from a corporation a new issue of stocks or bonds. The group forms a syndicate to sell the securities to individuals and institutions. Investment bankers also distribute very large blocks of stocks or bonds - perhaps held by an estate.

Investment Company – A company or trust that uses its capital to invest in other companies. There are two principal types: the closed-end and the open-end or mutual fund. Shares in closed-end investment companies, some of which are listed on the Exchange, are readily transferable in the open market and are bought and sold like other shares. Capitalization of these companies remains the same unless action is taken to change, which is seldom. Open-end funds sell their own shares to investors, stand ready to buy back their old shares, and are not listed. Open-end funds are so called because their capitalization is not fixed; they issue more shares as people want them.

Investment counsel – One whose principal business consists of acting as investment advisor and rendering investment supervisory services.

Issue – Any of a company's securities, or the act of distributing such securities.

L

Leverage – The effect on a company when the company has bonds, preferred stock, or both outstanding. Example: If the earnings of a company with 1,000,000 common shares increases from $1,000,000 to $1,500,000, earnings per share would go up from $1 to $1.50, or an increase of 50%. But if earnings of a company that had to pay $500,000 in bond interest increased that much, earnings per common share would jump from $.50 to $1 a share, or 100%.

Liabilities – All the claims against a corporation. Liabilities include accounts, wages and salaries payable; dividends declared payable; accrued taxes payable; and fixed or long-term liabilities, such as mortgage bonds, debentures and bank loans.

Limit, limited order, or limited price order – An order to buy or sell a stated amount of a security at a specified price, or at a better price, if obtainable after the order is represented in the trading crowd.

Liquidation – The process of converting securities or other property into cash. The dissolution of a company, with cash remaining after sale of its assets and payment of all indebtedness being distributed to the shareholders.

Liquidity – The ability of the market in a particular security to absorb a reasonable amount of buying or selling at reasonable price changes. Liquidity is one of the most important characteristics of a good market.

Listed stock – The stock of a company that is traded on a securities exchange.

Load – The portion of the offering price of shares of open-end investment companies in excess of the value of the underlying assets. Covers sales commissions and all other costs of distribution. The load is usually incurred only on purchase, there being, in most cases, no charge when the shares are sold (redeemed).

Locked in – Investors are said to be locked in when they have profit on a security they own but do not sell because their profit would immediately become subject to the capital gains tax.

Long – Signifies ownership of securities. "I am long 100 U.S. steel" means the speaker owns 100 shares.

M

Manipulation – An illegal operation. Buying or selling a security for the purpose of creating false or misleading appearance of active trading or for the purpose of raising or depressing the price to induce purchase or sale by others.

Margin – The amount paid by the customer when using a broker's credit to buy or sell a security.

Margin call – A demand upon a customer to put up money or securities with the broker. The call is made when a purchase is made; also if a customer's account declines below a minimum standard set by the exchange or by the firm.

Market Maker – (Specialist) A member of the Securities Exchange who has two primary functions: first, to maintain an orderly market in the securities registered to the specialist. In order to maintain an orderly market, the exchange expects specialists to buy or sell for their own account, to a reasonable degree, when there is a temporary disparity between supply and demand. Second, the specialist acts as a broker's broker. When commission brokers on the exchange floor receive a limit order, say, to buy at $50 a stock then selling at $60 - they cannot wait at the post where the stock is traded to see if the price reaches the specified level. They leave the order with a specialist, who will try to execute it in the market if and when the stock declines to the specified price. At all times the specialists must put their customers' interests above their own.

Market order – An order to buy or sell a stated amount of a security at the most advantageous price obtainable after the order is represented in the trading crowd. (See: **Good 'til canceled order**, **Limit order**, **Stop order**)

Market price – The last reported price at which the stock or bond sold, or the current quote.

Maturity – The date on which a loan or bond comes due and is to be paid off.

Member Corporation – A financial firm, organized as a corporation, with at least one member of the Exchange who is an officer or employee of the corporation.

Merger – Combination of two or more corporations.

Money market fund – A mutual fund whose investments are in high-yield money market instruments such as federal securities, CDs and commercial paper. Its intent is to make such instruments, normally purchased in large denominations by institutions, available indirectly to individuals.

Mortgage bond – A bond secured by a mortgage on a property. The value of the property may or may not equal the value of the bonds issued against it.

Municipal bond – A bond issued by a state or a political subdivision, such as county, city, town or village. The term also designates bonds issued by state agencies and authorities. In general, interest paid on municipal bonds is exempt from federal income taxes and state and local taxes within the state of issue. However, interest may be subject to the alternative minimum tax (AMT).
Mutual fund – (See: **Investment company**)

N

NASD – National Association of Securities Dealers

NASDAQ – An automated information network that provides brokers and dealers with price quotations on securities traded over-the-counter. NASDAQ is an acronym for National Association of Securities Dealers Automated Quotations.

Negotiable – Refers to a security, the title to which is transferable by delivery.

Net asset value – Usually used in connection with investment companies to mean net asset value per share. An investment company computes its assets daily, or even twice daily, by totaling the market value of all securities owned. All liabilities are deducted, and the balance is divided by the number of shares outstanding. The resulting figure is the net asset value per share. (S

Net change – The change in the price of a security from the closing price on one day to the closing price the next day on which the stock is traded. The net change is ordinarily the last figure in the newspaper stock price list. The mark +1 1/8 means up $1.125 a share from the last sale on the previous day the stock traded.

New issue – A stock or bond sold by a corporation for the first time. Proceeds may be used to retire outstanding securities of the company, for new plant or equipment, for additional working capital, or to acquire a public ownership interest in the company for private owners.

Noncumulative – A type of preferred stock on which unpaid dividends do not accrue. Omitted dividends are, as a rule, gone forever.

NYSE – New York Stock Exchange

NYSE Composite Index – The composite index covering price movements of all common stocks listed on the New York Stock Exchange. It is based on the close of the market December 31, 1965, as 50 and is weighted according to the number of shares listed for each issue. The index is computed continuously and printed on the ticker tape. Point changes in the index are converted to dollars and cents so as to provide a meaningful measure of changes in the average price of listed stocks. The composite index is supplemented by separate indexes for four industry groups: industrial, transportation, utility and finance.

O

Odd Lot – An amount of stock less than the established 100-share unit.

Off-board – This term may refer to transactions over-the-counter in unlisted securities or to transactions of listed shares that are not executed on a national securities exchange.

Offer – The price at which a person is ready to sell. Opposed to bid, the price at which one is ready to buy.

Open-end investment company – (See: **Investment company**)

Open order – (See: **Good 'til canceled order**)

Overbought – An opinion as to price levels. May refer to a security that has had a sharp rise or to the market as a whole after a period of vigorous buying which, it may be argued, has left prices "too high."

Oversold – The reverse of overbought. A single security or a market which, it is believed, has declined to an unreasonable level.

Over-the-counter – A market for securities made up of securities dealers who may or may not be members of a securities exchange. The over-the-counter market is conducted over the telephone and deals mainly with stocks of companies without sufficient shares, stockholders or earnings to warrant listing on an exchange. Over-the-counter dealers may act either as principals or as brokers for customers. The over-the-counter market is the principal market for bonds of all types.

P

Paper profit (loss) – An unrealized profit or loss on a security still held. Paper profits and losses become realized only when the security is sold.

Par – In the case of a common share, par means a dollar amount assigned to the share by the company's charter. Par value may also be used to compute the dollar amount of common shares on the balance sheet. Par value has little relationship to the market value of common stock. Many companies issue no-par stock but give a stated per share value on the balance sheet. In the case of preferred stocks it signifies the dollar value upon which dividends are figured. With bonds, par value is the face amount, usually $1,000.

Participating preferred – A preferred stock that is entitled to its stated dividend and to additional dividends on a specified basis upon payment of dividends on the common stock.

Passed dividend – Omission of a regular or scheduled dividend.

Penny stocks – Low-priced issues, often highly speculative, selling at less than $1 a share. Frequently used as a term of disparagement, although some penny stocks have developed into investment-caliber issues.

Point – In the case of shares of stock, a point means $1. If ABC shares rise 3 points, each share has risen $3. In the case of bonds a point means $10, since a bond is quoted as a percentage of $1,000. A bond that rises 3 points gains 3% in $1,000, or $30 in value. An advance from 87 to 90 would mean an advance in dollar value from

$870 to $900. In the case of market averages, the word point means merely that and no more. If, for example, the NYSE Composite Index rises from 90.25 to 91.25, it has risen a point. A point in this index, however, is not equivalent to $1.

Portfolio – Holdings of securities by an individual or institution. A portfolio may contain bonds, preferred stocks, common stocks and other securities.

Preferred stock – A class of stock with a claim on the company's earnings before payment may be made on the common stock and usually entitled to priority over common stock if the company liquidates. Usually entitled to dividends at a specified rate - when declared by the board of directors and before payment of a dividend on the common stock - depending upon the terms of the issue.

Premium – The amount by which a bond or preferred stock may sell above its par value. May refer, also, to redemption price of a bond or preferred stock if it is higher than face value.

Price-to-earnings ratio – A popular way to compare stocks selling at various price levels. The P/E ratio is the price of a share of stock divided by earnings per share for a 12-month period. For example, a stock selling for $50 a share and earning $5 a share is said to be selling at a price-to-earnings ratio of 10.

Primary distribution – Also called primary or initial public offering. The original sale of a company's securities.

Primary market – Market for new issues of securities. The proceeds of sales goes to the issuer of the securities sold. The term also applies to governments securities auction and to opening option and futures contract sales.

Prime rate – The lowest interest rate charged by commercial banks to their most credit-worthy customers; other interest rates, such as personal, automobile, commercial and financing loans are often pegged to the prime.

Principal – The person for whom a broker executes an order, or dealers buying or selling for their own accounts. The term "principal" may also refer to a person's capital or to the face amount of a bond.

Private Placement – The sale of securities or investments directly to a limited number of qualified investors. A new issue of stocks and bonds may be placed privately with an institutional investor like an insurance company or a bank trust department. A Private Placement does not have to be registered with the DCSX, as a Public Offering does, if the securities are purchased for investment as opposed to resale.

Profit-taking – Selling stock that has appreciated in value since purchase, in order to realize the profit. The term is often used to explain a downturn in the market following a period of rising prices.

Prospectus – The official selling circular that must be given to purchasers of new securities registered with the Exchange. It highlights the much longer Registration Statement file with the Exchange.

Proxy – Written authorization given by a shareholder to someone else to represent him or her and vote his or her shares at a shareholders meeting.

Proxy statement – Information given to stockholders in conjunction with the solicitation of proxies.

Q

Quote – The highest bid to buy and the lowest offer to sell a security in a given market at a given time. If you ask your financial advisor for a "quote" on a stock, he or she may come back with something like "45 1/4 to 45 1/2." This means that $45.25 is the highest price any buyer wanted to pay at the time the quote was given on the floor of the exchange and that $45.50 was the lowest price that any seller would take at the same time.

R

Rally – A brisk rise following a decline in the general price level of the market, or in an individual stock.

Real Estate Investment Trust (REIT) – An organization similar to an investment company in some respects but concentrating its holdings in real estate investments. The yield is generally liberal since REITs are required to distribute as much as 90% of their income.

Record date – The date on which you must be registered as a shareholder of a company in order to receive a declared dividend or, among other things, to vote on company affairs.

Redemption price – The price at which a bond may be redeemed before maturity, at the option of the issuing company. Redemption value also applies to the price the company must pay to call in certain types of preferred stock.

Red herring – A registration statement filed with but not yet approved by the Securities and Exchange Commission (SEC).

Refinancing – Same as refunding. New securities are sold by a company and the money is used to retire existing securities. The object may be to save interest costs, extend the maturity of the loan, or both.

Registered bond – A bond that is registered on the books of the issuing company in the name of the owner. It can be transferred only when endorsed by the registered owner.

Registered competitive market maker – Brokers who trade for their own or their firm's account and who have an obligation, when called upon by an exchange official, to narrow a quote or improve the depth of an existing quote by their own bid or offer.

Registered representative – The man or woman who serves the investor customers of a broker/dealer. In the Exchange-member organization, a registered representative must meet the requirements of the exchange as to background and knowledge of the securities business. Also known as a financial advisor or customer's broker.

Registrar – Usually a trust company or bank charged with the responsibility of keeping record of the owners of a corporation's securities and preventing the issuance of more than the authorized amount.

Registration – Before an initial public offering may be made of new securities by a company, the securities must be registered. A registration statement is filed with the Exchange by the issuer. It must disclose pertinent information relating to the company's operations, securities, management and purpose of the public offering. Before a security may be admitted to dealings on the securities exchange, it must be registered. The application for registration must be filed with the exchange and the BNA by the company issuing the securities.

Regular way delivery – Unless otherwise specified, securities sold on the Exchange are to be delivered to the buying broker by the selling broker and payment made to the selling broker by the buying broker on the third business day after the transaction. Regular way delivery for bonds is the following business day.

Rights – When a company wants to raise more funds by issuing additional securities, it may give its stockholders the opportunity, ahead of others, to buy the new securities in proportion to the number of shares each owns. The piece of paper evidencing this privilege is called a right. Because the additional stock is usually offered to stockholders below the current market price, rights ordinarily have a market value of their own and are actively traded. In most cases they must be exercised within a relatively short period. Failure to exercise or sell rights may result in monetary loss to the holder.

Round lot – A unit of trading or a multiple thereof. On the NYSE, the unit of trading is generally 100 shares in stocks and $1,000 or $5,000 par value in the case of bonds. In some inactive stocks, the unit of trading is 10 shares.

S

Scale order – An order to buy (or sell) a security, that specifies the total amount to be bought (or sold) at specified price variations.

Seat – A traditional figure of speech for a membership on an exchange.

Secondary distribution – Also known as secondary offering. The redistribution of a block of stock some time after it has been sold by the issuing company. The sale is handled off the Exchange by a securities firm or group of firms and the shares are usually offered at a fixed price related to the current market price of the stock. Usually the block is a large one, such as might be involved in the settlement of an estate. The security may be listed or unlisted.

Secondary market – Exchanges and over-the-counter markets where securities are bought and sold subsequent to original issuance, which took place in the Primary Market. Proceeds of secondary market sales accrue to the selling dealers and investors

Sell side – The portion of the securities business in which orders are transacted.

Serial bond – An issue that matures in part at periodic stated intervals.

Settlement – Conclusion of a securities transaction when a customer pays a broker/dealer for securities purchased or delivers securities sold and receives from the broker the proceeds of a sale.

Short covering – Buying stock to return stock previously borrowed to make delivery on a short sale.

Short sale – A transaction by a person who believes a security will decline and sells it, though the person does not own any. For instance: You instruct your broker to sell short 100 shares of XYZ. Your broker borrows the stock so delivery can be made to the buyer. The money value of the shares borrowed is deposited by your broker with the lender. Sooner or later you must cover your short sale by buying the same amount of stock you borrowed for return to the lender. If you are able to buy XYZ at a lower price than you sold it for, your profit is the difference between the two prices - not counting commissions and taxes. But if you have to pay more for the stock than the price you received, that is the amount of your loss. Stock exchange and national regulations govern and limit the conditions under which a short sale may be made on a national securities exchange. Sometimes people will sell short a stock they already own in order to protect a paper profit. This is know as selling short against the box.

Sinking fund – Money regularly set aside by a company to redeem its bonds, debentures or preferred stock from time to time as specified in the indenture or charter.

Speculation – The employment of funds by a speculator. Safety of principal is a secondary factor.

Speculator – One who is willing to assume a relatively large risk in the hope of gain.

Spin off – The separation of a subsidiary or division of a corporation from its parent company by issuing shares in a new corporate entity. Shareowners in the parent company receive shares in the new company in proportion to their original holding and the total value remains approximately the same.

Split – The division of the outstanding shares of a corporation into a larger number of shares. A 3-for-1 split by a company with 1 million shares outstanding results in 3 million shares outstanding. Each holder of 100 shares before the 3-for-1 split would have 300 shares, although the proportionate equity in the company would remain the same; 100 parts of 1 million are the equivalent of 300 parts of 3 million. Ordinarily, splits must be voted by directors and approved by shareholders.

Stock – (See: **Capital stock**, **Common stock**, **Preferred stock**)

Stock exchange – An organized marketplace for securities featured by the centralization of supply and demand for the transaction of orders by member brokers for institutional and individual investors.

Stock dividend – A dividend paid in securities rather than in cash. The dividend may be additional shares of the issuing company, or in shares of another company (usually a subsidiary) held by the company.

Stockholder of record – A stockholder whose name is registered on the books of the issuing corporation. (See: **Registrar**)

Stock index futures – Futures contracts based on market indexes.

Stock symbols – Every corporation whose transactions are reported on the Exchange has been given a unique identification symbol of up to eight letters. These symbols abbreviate the complete corporate name and facilitate trading and ticker reporting. Some of the most famous symbols are: T (American Telephone & Telegraph), XON (Exxon), GM (General Motors), IBM (International Business Machines), S (Sears Roebuck) and XRX (Xerox).

Stop limit order – A stop order that becomes a limit order after the specified stop price has been reached.

Stop order – An order to buy at a price above or sell at a price below the current market. Stop buy orders are generally used to limit loss or protect unrealized profits on a short sale. Stop sell orders are generally used to protect unrealized profits or limit loss on a holding. A stop order becomes a market order when the stock sells at or beyond the specified price and, thus, may not necessarily be executed at that price.

Street name – Securities held in the name of a broker instead of a customer's name are said to be carried in "street name." This occurs when the securities have been bought on margin or when the customer wishes the security to be held by the broker.

Swapping – Selling one security and buying a similar one almost at the same time to take a loss, usually for tax purposes.

Syndicate – A group of investment bankers who together underwrite and distribute a new issue of securities or a large block of an outstanding issue.

T

Technical research – Analysis of the market and stocks based on supply and demand. The technician studies price movements, volume, trends and patterns, which are revealed by charting these factors, and attempts to assess the possible effect of current market action on future supply and demand for securities and individual issues. (See: **Fundamental research**)

Tender offer – A public offer to buy shares from existing stockholders of one public corporation by another public corporation under specified terms good for a certain time period. Stockholders are asked to "tender" (surrender) their holdings for stated value, usually at a premium above current market price, subject to the tendering of a minimum and maximum number of shares.

Third market – Trading of stock exchange-listed securities in the over-the-counter market by non-exchange member brokers.

Ticker – A telegraphic system that continuously provides the last sale prices and volume of securities transactions on exchanges. Information is either printed or displayed on a moving tape after each trade.

Trader – Individuals who buy and sell for their own accounts for short-term profit. Also, an employee of a broker/dealer or financial institution who specializes in handling purchases and sales of securities for the firm and/or its clients.

Transfer – This term may refer to two different operations. For one, the delivery of a stock certificate from the seller's broker to the buyer's broker and legal change of ownership, normally accomplished within a few days. For another, to record the change of ownership on the books of the corporation by the transfer agent. When the purchaser's name is recorded, dividends, notices of meetings, proxies, financial reports and all pertinent literature sent by the issuer to its securities holders are mailed directly to the new owner.

Transfer agent – A transfer agent keeps a record of the name of each registered shareowner, his or her address, the number of shares owned, and sees that certificates presented for transfer are properly canceled and new certificates issued in the name of the new owner.

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 has no vote while held by the company.
Turnover rate – The volume of shares traded in a year as a percentage of total shares listed on an exchange, outstanding for an individual issue or held in an institutional portfolio.

U

Underwriter – (See: **Investment banker**)

Unlisted stock – A security not listed on a stock exchange.

Up tick – A term used to designate a transaction made at a price higher than the preceding transaction. Also called a "plus" tick. A "zero-plus" tick is a term used for a transaction at the same price as the preceding trade but higher than the preceding different price. Conversely, a down tick, or "minus" tick, is a term used to designate a transaction made at a price lower than the preceding trade.

V

Variable annuity – A life insurance policy where the annuity premium (a set amount of dollars) is immediately turned into units of a portfolio of stocks. Upon retirement, the policyholder is paid according to accumulated units, the dollar value of which varies according to the performance of the stock portfolio. Its objective is to preserve, through stock investment, the purchasing value of the annuity which otherwise is subject to erosion through inflation.

Volume – The number of shares or contracts traded in a security or an entire market during a given period. Volume is usually considered on a daily basis and a daily average is computed for longer periods.

Voting right – Common stockholders' right to vote their stock in affairs of a company. Preferred stock usually has the right to vote when preferred dividends are in default for a specified period. The right to vote may be delegated by the stockholder to another person.

W

Warrants – Certificates giving the holder the right to purchase securities at a stipulated price within a specified time limit or perpetually. Sometimes a warrant is offered with securities as an inducement to buy.

When issued – A short form of "when, as and if issued." The term indicates a conditional transaction in a security authorized for issuance but not as yet actually issued. All "when issued" transactions are on an "if" basis, to be settled if and when the actual security is issued and the exchange rules the transactions are to be settled.

Working control – Theoretically, ownership of 51% of a company's voting stock is necessary to exercise control. In practice - and this is particularly true in the case of a large corporation - effective control sometimes can be exerted through ownership, individually or by a group acting in concert, of less than 50%.

Y

Yield – Also known as return. The dividends or interest paid by a company expressed as a percentage of the current price. A stock with a current market value of $40 a share paying dividends at the rate of $3.20 is said to return 8% ($3.20÷$40.00). The current yield on a bond is figured the same way.

Yield to maturity – The yield of a bond to maturity takes into account the price discount from or premium over the face amount. It is greater than the current yield when the bond is selling at a discount and less than the current yield when the bond is selling at a premium.

Z

Zero coupon bond – A bond that pays no interest but is priced, at issue, at a discount from its redemption price.