

Glossary

A

- acceptance** Unqualified willingness to go along with an offer. The acceptance must not change the terms of the original offer in any way.
- acceptor** One who is ordered to pay money and who has agreed to pay it by writing the word "accepted" on the document and signing his or her name.
- accord and satisfaction** When one contract is substituted for another. It is often used to settle an honest disagreement or unforeseen circumstance regarding an amount owed.
- act of God** Natural occurrences that humans could neither foresee nor avoid such as floods, earthquakes, tornadoes, hurricanes, snowstorms, fire, and lightning.
- addiction** When a person can no longer function normally without regularly consuming drugs or alcohol, with a tendency to increase use.
- adhesion contract** Standard-form contract buyers must sign and adhere to exactly as written in order to make the purchase.
- administrative law** Those rules and procedures established by regulatory agencies.
- administrator(rix)** One who is appointed by the probate court to look after the estate.
- adulterated** Product that contains any substance mixed or packed with it to reduce its quality or strength below the prescribed minimum standards.
- adultery** Voluntary sexual relationship involving a married person and someone other than his or her spouse.
- advance directives** Written statement specifying whether or not a patient wants life-sustaining medical treatment in the event of a terminal illness or injury.
- agency** Relationship in which one person represents another person in some sort of business transaction with a third party.
- agency by estoppel** Agency created when a principal is prevented from claiming that an agent was unauthorized. Such an agency occurs if the principal has misled a third party into thinking that the agent did have authority.
- agent** One who represents another person, ordinarily called the principal, in some sort of business transaction with a third party.
- aliens** People who are living in this country, but who owe their allegiance to another country.
- alimony** Allowance made to a divorced person by his or her former spouse for support and maintenance.
- ambiguous** When written contracts can be understood in different ways. When this occurs, the court will favor the one who did not draft the contract.
- annul** To make void.
- annulment** Declaration by the court that a marriage was never effective.
- answer** Formal written document that admits or denies each allegation of the complaint and states any defenses that the defendant plans to use.
- antenuptial agreement** *See* premarital agreement.
- anticipatory breach** When a party to a contract has breached or violated the agreement before he or she was required to act.
- appellate court** Courts that have the authority to hear appeals and review cases from lower courts.
- appellate jurisdiction** Authority of court to review a decision of a lower court or administrative agency.
- arraignment** Procedure in which the accused is brought before the court, read the indictment or information, and asked to plead guilty or not guilty.
- arrest** Action when a person is deprived of his or her freedom.
- articles of incorporation** Application for incorporation of a business that describes a corporation's organization, powers, and authority.

articles of partnership Partnership agreement.

assault Attempt to commit a battery. A battery is the unlawful touching of another person.

asset acquisition Method of corporate expansion in which one corporation buys substantially all of the assets, or property, of another corporation.

assignment Transfer of a right under a contract.

B

bad check Check issued against a checking account balance that is insufficient to cover it or against a bank in which the drawer has no funds.

bail Money or other property that is left with the court to assure the court that the person will return to stand trial.

bailee One who holds the personal property of another for a specific purpose.

bailment Agreement created by the delivery of personal property by the owner to someone who is not the owner for a specific purpose.

bailor Owner of personal property which is in the possession of another for a specific purpose.

bait and switch Advertising a nonexistent bargain to lure customers so they can be sold more expensive merchandise.

bank draft Check drawn by a bank against funds that the bank has on deposit with another bank.

bearer instrument Instrument which uses the word "bearer"; it means that payment will be made to anyone who possesses it.

beneficiary Person who receives the benefit or cash benefit if an event specified in the insurance policy occurs.

benefit Something that a party was not previously entitled to receive.

bid Offer to buy or sell goods or services at a stated price.

bigamy Act of having two spouses at the same time.

bilateral contract Contract that contains two promises—one by each person. One person promises to do something in exchange for the other person's promises to do something.

bilateral mistake When both parties to a contract are mistaken about some important fact. If this occurs, the contract may be voided by either party. Mutual mistake.

binder Written or oral agreement which is valid and may make property insurance effective, even before a policy is issued.

blank indorsement Act of signing an order instrument on the back. By doing this, the payee is in effect saying the instrument may be paid to anyone.

bodily injury liability insurance Insurance which protects policyholder from claims or lawsuits for injuries or death caused by his or her negligent operation of a motor vehicle.

breach of contract Wrongful failure to perform one or more promises of a contract.

breach of duty When a person does not exercise the degree of care that a reasonable person would exercise in that same situation.

bulk transfer Transfer of entire stock of merchandise and supplies outside the ordinary course of business in one transaction.

burglary Breaking (opening) and entering of a dwelling at night with the intent to commit a felony.

Buyer's Guide Sticker placed in the window of each used vehicle for sale, which gives buyers needed information about buying used cars.

C

cancelled checks Checks that have cleared the account.

capacity Legal ability to enter a contract.

cashier's check Check that is drawn by a bank upon itself. It is like a certified check, but the bank issues it.

cash value Amount of money the policyholder can take by either borrowing against or cashing in the policy.

caveat emptor Latin phrase translated as "Let the buyer beware."

caveat venditor Latin phrase translated as "Let the seller beware."

cease and desist orders Legally binding orders to stop a practice of using advertising that would mislead the public.

Glossary

- certificate of deposit** Bank's written acknowledgment of the receipt of money and its promise to pay back the money, usually with interest on the due date.
- certificate of incorporation** Corporation's official authorization to do business in the state.
- certified check** Personal check that is certified or guaranteed by the bank. The bank on which it is drawn agrees to pay it whenever it is presented for payment.
- check** Draft drawn on a bank and payable on demand.
- child labor laws** Laws that control the work that children are permitted to do.
- closed-end credit** Credit extended only for a specific amount of money and that cannot be increased by making additional purchases.
- codicil** Amendment made to a will that is either added to the original document or drawn up on a separate piece of paper. A codicil must be executed with all the formalities of the will itself to be valid, and it must be properly signed and witnessed.
- collateral** Property pledged to protect a lender if the borrower fails to repay.
- collective bargaining agreement** Contract negotiated by the employer and representatives of the labor union, covering all issues related to employment.
- collision insurance** Insurance which pays for damages to the insured's own car when it collides with another car or object, or when it turns over.
- commerce clause** Clause in the United States Constitution that states that Congress has the power to regulate commerce among the several states.
- common carrier** Company that transports people or goods for pay and offers its facilities to the general public for anyone who wishes to hire it.
- common law** Decisions of the early law courts developed in England, based on customs. They are characterized by the practice of deciding cases on precedent.
- common-law marriage** Informal marriage requiring no ceremony.
- compensation** Payment or remuneration. Salary or wages agreed on in contract.
- competitive bidding** Process of rival firms submitting bids for a project. The firm with the lowest qualified bid wins the contract.
- complaint** Legal document containing a short and plain statement of the plaintiff's claim against the defendant.
- complete performance** When all terms of a contract have been carried out properly and completely.
- comprehensive insurance** Insurance which covers damage to the insured's car from a variety of sources other than collision. This includes damage or loss from fire, lightning, flood, hail, windstorm, riot, and vandalism.
- concealment** False representation by not saying something that should be said; nondisclosure.
- consanguinity** Related by blood.
- consideration** Exchange of benefits and detriments by the parties to an agreement.
- constitution** Document which spells out the principles by which that country's government operates.
- constructive eviction** When the landlord breaches his or her duties under the lease, such as depriving the tenant of gas, electricity, or some other fundamental.
- consumer** Any person who purchases or leases goods, services, or property primarily for personal, family, or household use.
- contract** Promise or agreement that creates legal obligations enforceable at law.
- contract carrier** Company that transports people or goods for pay but limits it to those with whom it desires to do business.
- contributory pension plan** Plan in which employees, as well as the employer, contribute to the pension fund.
- cooling-off rule** Rule which gives consumers three business days to cancel most contracts made with door-to-door salespersons.
- cooperation** Working together toward a common end.
- corporation** Body formed and authorized by law to act as a single person, separate and distinct from its members or owners.

corporation by estoppel When some party has been willing to treat a person or group of people as a corporation, generally reaping some benefit from the relationship. That party cannot then deny the existence of the corporation.

counteroffer Acceptance that changes the terms of the original offer and terminates the offer.

creditor Party who sells goods on credit or lends money.

crime Act against the public good. It is punishable by a fine, imprisonment, or both.

D

damages Payment recovered in court by a person who has suffered an injury.

debtor Party who buys goods on credit or borrows money.

decedent Deceased person.

deed Formal written instrument that transfers ownership of real property.

de facto corporation When a corporation has made a bona fide attempt to incorporate under an existing state incorporation statute and has acted like a corporation, but inadvertently made an error in filing or failed to complete the process.

defamation Wrongful act of injuring another's reputation by making false statements. It is generally divided into two categories—libel and slander.

defendant Person who is accused of a crime.

de jure corporation Legal existence of a corporation.

delegation Transfer of a duty to someone else.

delinquent child Minor, under a certain age (usually sixteen, seventeen, or eighteen), who has committed an act that would be a crime if done by an adult.

demurrage charge Additional fee charged for storage beyond the time for loading or unloading of goods.

depository bank Bank of first deposit.

deregulation Reduction or removal of government control of business.

derivative suit Suit brought against a corporation's management by the shareholders on behalf of the corporation.

desertion Unjustified, voluntary separation of one spouse from the other, for a period of time set by law.

detention hearing Hearing whether there are good reasons for keeping the accused in custody and whether or not there are special circumstances affecting the case.

detriment Any loss suffered. There are three types of detriment. To give up something you have a legal right to; to do something you have a legal right not to do; to not do something that you have the legal right to do.

directors Group of people that set the broad policies for the corporation and are responsible for seeing that the corporation acts within its powers.

direct suit Suit brought against a corporation by the shareholders if they believe that they have been deprived of their rights as shareholders.

disability Physical or mental impairment that substantially limits one or more of the major life activities.

disaffirm Annul; the procedure by which minors may avoid or not be bound by their contracts.

discharged When a contract ends.

disclaimer Statement that, regardless of provisions or policies in employee handbook and regardless of any oral promises to the contrary, an employment-at-will situation still exists between the employer and its employees.

dishonor When payment on a negotiable instrument is refused by the primary party after it has been properly presented.

disparate impact Unintentional discrimination due to policy of employer that on the surface seems neutral, but which has a unequal and unfair impact on members of a protected group.

disparate treatment Intentional discrimination against an individual or a group because of sex, race, color, national origin, or religion.

dissolution Legal detachment or breaking off of a partnership.

diversity of citizenship Actions between citizens of different states where the amount of money involved exceeds \$50,000.

dividends Profits distributed to the shareholders.
divorce Declaration by the court that a valid marriage has come to an end.
document of title Paper giving the person who possesses it the right to receive the goods named in the document.
domestic violence Reckless form of physical or mental abuse between family or household members.
domicile Person's principal place of abode (home).
donee One who receives a gift.
donor One who gives a gift.
draft Order by one person to another person to pay money to the order of a third person. Also known as a bill of exchange.
drawee One who is ordered to pay money.
drawer One who draws a draft or orders the money to be paid.
drug use Use of substances that are illegal and harmful. These substances include alcohol and tobacco, which are legal for adults but not for teenagers or children.
duress Overcoming a person's will by use of force or by threat of force or bodily harm.
duty to account Obligation of agent to keep a record of all money collected and paid out and to report this to the principal.

E

easement Right to make some use of land belonging to another. A right to cross someone else's land at a particular place for a certain purpose such as a driveway, entry or exit, or drainage.
economic duress Threats to a person's business or income to cause him or her to enter a contract without real consent.
electronic fund transfer (EFT) Banking method in which computers and electronic technology are used as a substitute for checks and other paper forms of banking.
eminent domain Right of the government to take private land with or without the consent of the owner for public use.
employment-at-will Right of termination of employee-employer relationship.

equal-pay rule States that employers engaged in interstate commerce must pay women the same rate of pay as men holding the same type of job.
equitable distribution laws Laws that allow judges to distribute property fairly between the husband and wife, regardless of who has title to the property.
equitable estoppel Doctrine which prevents a party from claiming the statute of frauds when the other party makes changes in his/her position or improvements on property based on an oral contract to sell real property.
equity Difference of the fair market value of property and the debt in the property.
ethics Something which attempts to develop the means for determining what those values should be.
executor(rix) Personal representative of the estate named to carry out the terms of the will.
executory contracts Contracts that have not been performed.
express authority All orders, commands, or directions a principal directly states to an agent when the agency relationship is first created.
express contract Contract that is stated in words and may be either oral or written.
express warranty Oral or written guarantee by a manufacturer or a seller.

F

face value Amount of protection stated in the insurance policy.
Federal Trade Commission (FTC) Federal commission whose job is to prevent businesses from violating the Federal Trade Commission Act.
felony Major crime punishable by imprisonment or death. Examples are murder, manslaughter, burglary, robbery, and arson.
financial responsibility laws State laws that make sure the owner or driver of a car involved in an accident is financially able to pay for any damage.

firm offer Merchant's written promise to hold an offer open for the sale of goods. It needs no consideration to be binding.

fixture Items of personal property that are attached, annexed, or affixed to real property.

forbearance Not doing something that you have the legal right to do.

forged check Check signed by someone other than the drawer and without the drawer's authority.

fraud Deliberate deception to secure an unfair or unlawful gain.

fraudulent misrepresentation Any statement that has the effect of deceiving the buyer.

full warranty Assurance that a defective product will be fixed or replaced free within a reasonable time after a complaint has been made about it.

future goods Goods that are not both existing and selected. Crops that are not yet grown or items not yet manufactured are examples of future goods.

G

general agent One who has been given authority to perform any act within the scope of a business.

general jurisdiction Authority of a court to hear a wide range of cases.

general partnership Association of two or more persons to carry on a business for profit.

general warranty deed Deed containing express warranties that title to the property is good.

gift Something given freely, for no consideration. A gift has the status of an executed contract and the giver cannot force its return.

good faith Defined by the UCC as "honesty in fact." It requires the agent to notify the principal of all matters pertaining to the agency relationship with no intent to seek advantage or to defraud.

goods Movable items including furniture, books, livestock, cultivated crops, clothing, automobiles, and personal effects of any kind.

goodwill When buying a business, the seller is offering the buyer the continued public approval and patronage of the business. It is common to include as part of the sale contract

an agreement by the seller not to open a competing business within a certain period of time after the sale.

grand jury Jury of inquiry. It is a group of citizens called together by a court official to determine whether there is enough evidence to justify accusing certain persons of certain crimes.

gratuitous Free. The law does not enforce free agreements.

gratuitous bailment Bailment that is free of charge. This can be for the benefit of the bailee or for the bailor.

grievance procedure Series of steps employees must take to appeal an employer's decision they feel violates just cause.

guarantee Promise or assurance of the quality or life of a product.

guardian One who is appointed by the court to look after the affairs of a mentally incompetent person.

guest See transient.

H

heir Person who inherits by right of relationship.

holder Person who possesses a negotiable instrument payable to the person holding it, to his or her order, or to bearer.

holder in due course Holder who takes an instrument for value, in good faith, and without notice.

holographic will Will written entirely in the handwriting of the testator(rix). It is valid without witnesses.

hotelkeeper Individual, partnership, or corporation that regularly offers rooms to transients for a price. A special type of bailee.

I

identified goods Goods that presently exist and that have been selected or set aside to be the subject matter of a particular contract.

illusory Having a false appearance. An illusory promise is not binding.

implied authority Powers that can be understood from the express terms of an agency agreement.

implied contract Contract that comes about from the actions of the parties. Often people enter into implied contracts without exchanging words.

implied covenant Exception to employment-at-will doctrine which holds that in any employment relationship there is an implied promise that employer and employee will be fair and honest in their dealings with one another.

implied warranty Guarantee of quality imposed by law. An implied warranty is not in writing, but comes about only when goods are sold.

indemnification Repayment of money lost as a result of instructions given by principal and carried out by agent.

independent contractor Contractor hired to perform a task for the proprietor but is not controlled by the proprietor in carrying out that task.

indictment Written accusation issued by the grand jury charging the individual or individuals named in it with a certain crime.

Individual Retirement Account Individual's own personal pension plan.

indorsement Act of placing one's signature on the back of an instrument for the purpose of transferring the instrument to another.

infancy See minority.

injunction Court order issued by a judge ordering a person to do or not to do something.

insider Corporate director or officer who has information about a publicly traded corporation that is not available to the public.

insurable interest Relationship, title, or claim that makes the loss of a person or property a financial burden to the policyholder.

insurance Contract under which, for a prearranged consideration, a party agrees to compensate another for loss on a specified subject by specified perils.

insured Person whose life or property is insured.

intangible personal property Property that has no substance and cannot be touched.

intellectual property Original work fixed in a tangible medium of expression. It includes patents, copyrights, and trademarks.

intentional tort Wrong that occurs when a person knows or desires the consequences of his or her act.

interest Fee the borrower pays to the lender for using money.

interlocking directorates When two or more competing companies are controlled by the same board of directors.

intermediate court Court between the lower court and the highest court. Also called appellate court.

intestate Person who dies without a will. The property is distributed according to the laws of descent in that particular state.

J

joint custody Awarding of custody of children to both parents jointly.

joint liability In a partnership, all the partners must be sued together in a lawsuit.

joint tenancy Ownership of an undivided interest in property by two or more people. If one dies, his or her share or interest passes to the surviving joint tenants.

judgment Court's determination or decision in a case.

jurisdiction Power and authority given to a court to hear a case and to make a judgment.

L

law Rules of conduct established by the government of a society to maintain stability and justice in that society.

legal tender U.S. coins or currency (paper money).

legislature Body of lawmakers, which has the job of creating or passing statutory law.

lessee In a lease, the tenant.

lessor In a lease, the landlord.

license Legal document stating that the holder has permission from the proper authorities to carry on a certain trade or profession.

limited jurisdiction Authority of a court to hear only one particular type of case.

limited partnership Partnership formed by two or more general partners and one or more limited partners. Limited partners are investors only.

limited warranty Warranty that provides restricted protection.

liquidate To turn the debtor's belongings into cash to pay creditors.

living will Document that makes an advance statement specifying what treatments a person will accept or reject in the event of terminal illness or injury.

lodger Person staying at a hotel, motel, or rooming house for a definite period of time.

lottery Game in which prizes, usually in the form of money, are awarded by the chance drawing of a set of numbers.

loyalty Faithfulness or acting in a party's best interest at all times.

M

majority Status of a person who has reached the age at which full civil rights are granted; legal age.

maker Person who has written a promise to pay money to another person.

marriage license Certificate issued by a governmental office giving permission to two people to marry.

material fact Fact that is important; it matters to one of the parties involved and cannot be a promise of something to happen in the future.

medical payments insurance Insurance which pays for medical (and sometimes funeral) expenses resulting from bodily injuries to anyone occupying the holder's car at the time of an accident.

Medicare Compulsory hospital insurance and optional medical insurance provided under social security to people who are over age 65 or who have been disabled for two or more years.

memorandum Written evidence of an agreement. It may consist of such things as a letter, a sales slip, an invoice, a telegram, or words written on a check.

merchant Business or person who either deals regularly in the sale of goods or who has a specialized knowledge of those goods.

merchantable Goods that pass without objection in the trade under the contract description, are fit for the ordinary purposes for which such goods are used, are adequately contained, packaged, and labeled as the agreement may require, and conform to the promises made on the container or label, if any.

merger Method of business expansion in which one corporation continues its corporate identity and absorbs the other corporation.

minor Young person who has not reached the age of legal adulthood. Eighteen is now generally accepted as the age of legal adulthood.

minority Term used to describe a person who has not reached the age of legal adulthood.

misdemeanor Less serious crime with a less severe penalty. Examples would be driving an automobile without a license; lying about one's age to purchase alcohol beverages, and leaving the scene of an automobile accident.

misrepresentation Untrue statement of facts, which may or may not be innocent.

mitigation of damages Obligation of the injured party to protect the other party from any unnecessary losses.

morality Values that govern a society's attitude toward right and wrong.

mortgage Written instrument by which the borrower pledges real property to the lender as security for a loan.

murder Unlawful killing of another human being with malice aforethought. This means that the murderer has an evil intent before the murder took place.

mutual-benefit bailment Agreement in which both the bailor and the bailee receive some benefit.

mutual release Agreement between two parties to end their agreement.

N

necessaries Items such as food, clothing, shelter, and medical care; necessities. A minor can be held responsible for fair value of necessities.

negligence Failure to exercise the degree of care that a reasonable person would have exercised in the same circumstances.

negotiable instrument Written instrument that may be transferred by indorsement or delivery.

negotiation Transfer of an instrument in such a way that the transferee becomes a holder.

no-fault divorce law Law that eliminates the need to prove that one party is at fault when seeking a divorce.

note Often called a promissory note, is a written promise by one person to pay money to another person.

novation Agreement whereby an original party to a contract is replaced by a new party.

nuisance Anything that interferes with the enjoyment of life or property.

O

obedience In an agency relationship, the agent must carry out all reasonable orders and instructions within the scope of the agency agreement.

Occupational Safety and Health Administration (OSHA) Agency of the federal government that sets safety and health standards for most U.S. companies.

offer Proposal by one party to another party to enter into a contract. A valid offer is one of the six elements that creates a contract.

officers Group of people who implement the policies of the directors by carrying out the day-to-day operations of the corporation. They are appointed by and can be removed by the corporation's directors.

open-end credit Credit that can be increased by the debtor, up to a limit set by the creditor, by continuing to purchase goods or services on credit.

order for relief Legal name for a Chapter 7 bankruptcy judgment, which provides a way to liquidate.

order instrument Instrument payable to someone's order and which uses words such as "Pay to the order of."

original jurisdiction Authority of a court to try a case the first time it is heard.

outstanding checks Checks that have been written but that have not yet been returned to the bank for payment.

P

parol evidence rule Principle prohibiting the introduction in court of oral evidence that tends to contradict the written terms of an agreement.

partnership by estoppel When someone does or says something that leads a third party to believe that a partnership exists. This type of partnership is not a real partnership.

partnership by proof of existence Partnership formed simply because of the way that two or more people conduct their business together.

passenger People being legally transported.

payee One who is to receive money.

pension plan Program established by an employer or a union that is designed to provide income to employees after they retire.

performance When the parties fulfill the terms of a contract.

periodic tenancy Right to occupy property that automatically continues for successive fixed periods until cancelled by either the landlord or the tenant.

perjury Making false statements under oath in court of law. Perjury is a crime.

personal defense Defense that arises because of some improper act or omission by a party to the instrument.

police power Right of government to regulate the use of real property for the public welfare, morals, and health.

policy Written contract between the person buying insurance and the insurance company that sells it.

policyholder Person who buys or owns the insurance policy.

polygamy Act of having more than two spouses at the same time.

pooling agreements Contracts to vote in a certain way on a particular issue.

portability Ability to transfer pension benefits from one job to another.

precedent When a judge is required to follow an earlier court decision when deciding a case with similar circumstances. Also called doctrine of *stare decisis*.

premarital agreement Agreement between prospective spouses made in contemplation of marriage, to be effective on marriage.

premium Amount of money the policyholder agrees to pay the insurance company at regular intervals for his or her insurance coverage.

prenuptial agreement See premarital agreement.

price Consideration for a sales contract; money used to pay for goods.

price fixing When competitors agree on certain price ranges within which they set their own prices. This discourages competition and raises prices.

primary liability Absolute obligation to pay the instrument.

principal Person who is represented by a person ordinarily called an agent in a business transaction with a third party.

private carrier Company that operates its own trucks and other vehicles to transport its own goods.

privity of contract Relationship between the parties of a contract.

probate Court-supervised procedure that proves or validates the deceased person's will.

product liability Responsibility of manufacturers and sellers for injuries caused by products that are defective. They are accountable for the products they market.

promissory estoppel Principle that bars a party from taking back certain types of promises, such as charitable subscriptions, on which another party relies.

promoter Person who carries out the incorporation process by taking the initial steps to organize and finance a business.

property damage liability insurance Insurance which provides protection when other people bring claims or lawsuits against the insured for damaging property of theirs, such as a car, fence, or tree.

prosecutor Party that accuses the person of a crime. The plaintiff.

prospectus Detailed view of the stock offering.

protest Formal, written certificate of dishonor made by an official of the U.S. government, a notary public, or any other person authorized

to certify dishonor by the law of the place where the dishonor occurred.

proximate cause Something that produces a result, and without which, the result would not have occurred.

proxy Right to vote another shareholder's stock.

proxy marriage When one or both of the parties to a marriage are absent and are represented by an agent who acts on their behalf.

public policy Doctrine which gives federal and state governments the right to regulate the health, safety, welfare, and morals of the people.

Q

qualified indorsement Indorsement in which words have been added to the signature that limit or qualify the liability of the indorser.

quiet enjoyment Right of the tenant to undisturbed possession when he or she is renting property.

R

ratification Approval of an act that previously had not been binding; when a principal, with full knowledge of the facts, accepts the benefits of the unauthorized act. The act is thereby ratified.

ratify Approve; the procedure by which a minor can approve a voidable contract on reaching majority.

real defense Defense that may be used against a holder in due course in a legal action involving a negotiable instrument; a defense that prohibits a holder in due course from collecting on a negotiable instrument.

real property Land and anything permanently attached to it.

reasonable time Time that is suitable, fair, and proper to the objective in view.

registration statement General description of the securities and the company making the offer.

Regulation Z Requirement of lenders to disclose the finance charge and the annual percentage rate, the true interest rate of a loan. It is part of the Truth in Lending Act.

Glossary

rehabilitation Goal of the juvenile court system to restore the offender to a useful life rather than to impose harsh penalties.

reimbursement Repayment for money spent by the agent, to which he is entitled.

remedy Legal means of enforcing a right or correcting a wrong.

repossess To take back goods by the secured party if the debtor does not pay back the loan.

rescind To cancel; to annul.

residence Place where a person actually lives. It may or may not be that person's domicile.

respondeat superior Latin phrase translated "Let the master respond."

restraint of trade Limitation on the full exercise of doing business with others.

restrictive covenant Promise made by seller not to compete with buyer, within a certain geographic area for a reasonable period of time.

restrictive indorsement Indorsement in which words have been added, in addition to the signature of the transferor, that limit the use of the instrument.

right-to-work laws State laws set up to prevent union shops that require employees to join the union.

risk of loss Responsibility for loss or damage to goods.

robbery Wrongful taking and carrying away of the personal property of another accompanied by violence or threats.

S

sale Contract by which ownership of goods is transferred by the seller to the buyer for a consideration called the price.

secondary liability Obligation to pay the instrument only after certain conditions have been met.

secondary party Drawer or indorser.

secured loan Loan in which creditors obtain an interest in something of value from which they can be paid if the debtor does not pay.

secured party Lender or seller who holds the security interest in a secured loan.

Securities and Exchange Commission (SEC) Federal agency created in 1934 to administer federal securities laws.

security Money investment that looks for a profit solely because of another's efforts.

sentence Appropriate punishment for a crime. Penalties under the law can include fines, imprisonment, and death.

servant Person whose conduct in the performance of a task is subject to the control of another.

share Single unit of ownership of a corporation.

shareholder Investor in or owner of a corporation.

shareholder proposal Resolution or policy suggested by a shareholder.

shoplifting Act of stealing goods from a store. The severity of the charge depends on the value of the goods stolen.

sobriety checkpoint Temporary roadblock set up by police to stop cars at random to check for drunk drivers.

social security Government program that provides continuing but limited income to workers and their dependents.

solemnize Marriage ceremony whereby the parties declare in the presence of a person who has authority by state law to perform marriages that they take each other as husband and wife.

sole proprietorship Form of business that is owned and operated by one person.

special indorsement Act of writing on the back of an instrument an order to pay to a specified person and then signing the instrument.

specific performance When the injured party asks the court to order the other party to do specifically what he or she agreed to do. This remedy can only be used when money damages are not sufficient to give relief.

stale check Check that is more than six months old.

statute Law specifically passed by a governing body created for that purpose.

statute of frauds Law requiring certain kinds of contracts to be in writing to be enforceable.

statute of limitations State law which specifies length of time within which a legal action may be brought.

statutory agent Person designated to receive service of process should the corporation be sued.

strict liability Doctrine which states that the people engaged in dangerous activities will be held liable, regardless of how careful they were and regardless of their intent.

subagent One who is lawfully appointed by an agent to carry out the agent's duties.

sublease Transfer of part of the term of a lease by the tenant.

substantial performance Slightly less than full performance. When someone who has, in good faith, fulfilled the major requirements of a contract, leaving only minor details incomplete, has substantially performed.

T

tangible personal property Property that has substance and can be touched.

tenancy at sufferance When a tenant wrongfully remains in possession of the premises after the tenancy has expired.

tenancy at will Interest in real property that continues for an indefinite period of time.

tenancy for years Right to occupy property for a fixed period of time.

tenancy in common Type of co-ownership in which two or more persons have an undivided interest in the whole property.

tenancy in partnership Co-ownership of all the real and personal property included in the partnership.

tender Offer to do what you have agreed to do under a contract.

tender offer Offer by an individual or a corporation to the shareholders of another corporation to purchase a number of shares at a specified price.

testator(rix) Man or woman who makes a will.

third-party beneficiary Person who is not a party to a contract but who benefits from it.

title Right of ownership to goods.

Title VII Part of Civil Rights Act of 1964 which prohibits discrimination in employment based on sex, race, color, national origin, or religion.

tort One person's interference with another's rights, either through intent, negligence, or strict liability.

trade secret Inside information on products, processes, or inventions.

transient Person whose stay is uncertain in length. Also called a guest.

trespass Wrongful injury to or interference with the property of another.

U

unconscionable contract Contract that unfairly oppresses one party and unreasonably favors the other party.

unconstitutional Action or law that is no longer valid.

undue influence Unfair and improper persuasive pressure exercised by one person in a relationship of trust with another person.

unemployment compensation System of government payments to people who are out of work and looking for a job.

unfair and deceptive trade practice Practice that misleads (or has the potential to mislead) consumers.

Uniform Commercial Code (UCC) Collection of laws that governs various types of business transactions including the sale of goods.

Uniform Partnership Act (UPA) Law adopted by most states to improve the common law of partnerships and to establish uniformity among state partnership laws.

unilateral contract Contract that contains one promise only. A person promises to do something if and when the other person performs some act.

unilateral mistake Error on the part of one of the parties to a contract.

uninsured motorist insurance Insurance which provides protection when the insured is injured in an automobile accident caused by another driver who is at fault and who has no bodily injury liability insurance to cover the loss to the injured party.

Glossary

unjust dismissal Exceptions to employment-at-will doctrine that the courts created to provide employees with grounds for legal action against employers who have treated them unfairly.

unruly child Minor who has done something that would not be a crime if it were done by an adult.

Used Car Rule Rule requiring all used car dealers to place a large sticker, called a Buyer's Guide, in the window of each used vehicle offered for sale.

usury Charging more than the maximum legal interest rate set by the state.

V

valid Legally good. A valid contract has legal strength and contains the essential elements of mutual assent, consideration, competent parties, and legal purpose.

value Performance of legal consideration; acceptance of instruments in payment of debts.

vandalism Willful or malicious causing of damage to property.

verdict Decision of the jury.

vesting Act of giving a worker a guaranteed right to receive a future pension.

void Having no legal force. A void contract has no legal force or effect.

voting trust Transfer of voting rights of a shareholder to a trustee.

W

warranty Guarantee by a seller that its products are not defective and that they are suitable for the use for which they are intended. It can either be expressed or implied.

warranty of fitness Implied warranty in which seller guarantees that goods are suitable and fit for the purpose for the buyer's needs.

warranty of fitness for a particular purpose Use this phrase to replace warranty of fitness.

warranty of merchantability Implied warranty that makes merchant sellers liable for goods that are not of fair, average quality and fit for the ordinary purposes for which such goods are used.

warranty of title Implied warranty that the seller of goods possesses a good, clean title to the goods and can lawfully transfer that title to the buyer.

will Document that is drawn up and signed by persons during their lifetime providing for the distribution of their property on their death.

words of negotiability To make an instrument negotiable it must have the words "to the order of" or "to bearer."

work credit Unit that stands for a specific amount of money earned during a certain period.

workers' compensation Insurance program that provides income for workers who are injured or who develop a disability or disease as a result of their job.

Z

zoning laws Laws that prescribe what use may be made of property in specified areas.