

Corporate Action Terminology

Use this document to help you identify terms about corporate action transactions- Merger/Exchange or Spin-Off Transactions –you do not recognize.

Term	Definition
Conversion price for cash in lieu for fractional shares	The price the fractional shares are sold to create cash in lieu for fraction shares. Fractional shares are usually created by a share exchange ratio that is a fraction.
Cost Basis	The tax basis of the security. Usually, this is the amount originally paid for the security.
Credit Security	A transaction used to journal shares and value from one position to another. A credit security adds shares and value to a position and is considered an opening transaction.
CUSIP Number	A secondary trading symbol or identifier for each publicly traded security on an exchange such as NYSE, AMEX or NASDAQ.
Debit Security	A transaction used journal shares from one position to another. A debit security subtracts shares and value from a position and is considered a closing transaction.
Exchange	A trade of shares and/or cash of one company for shares and/or cash of another company.
Merger	Reorganization when two or more companies become a single company. Usually, there is some form of exchange, either in shares or in cash, of one of the companies.
New Company Price per share	The opening trading price of the new company, usually the initial offer price.
Open Trade Lot	A trade lot with shares available to sell.
Original Company	Originally held security. In a Merger/Exchange scenario, this is the security that will be exchanged for a new security.
Original Company Price per Share	The opening trade price of the original company, generally the day before the merger/exchange took place.
Parent Company	Originally held security in a spin-off transaction. In most spin-off situations, the investor continues to hold shares of the parent company after the spin-off.
Parent Company Price per share	The price per share of the parent company in a spin-off transaction. Use the price at the close of the market the night before the spin-off date.
Percent of cost allocated	Amount of the cost basis of the position in the parent company allocated to the

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	new company. This number should never be greater than 1.
Share exchange ratio	The number of shares the investor receives of the new company, based on the number of shares the investor owns of the original company, expressed in decimal format.
Spin-Off	Transaction where a portion of an existing company (parent company) is broken off to create a new, totally independent entity.
Spin-off date	The date the shares for the new company are distributed.
Ticker Symbol	The trading symbol representing a publicly traded company on exchange markets, such as NYSE, AMEX and/or NASDAQ. Symbols are usually assigned to equities, mutual funds, Exchange Traded Funds (ETF) and Options. Each ticker symbol is unique to each security trading on that particular market, but can change over time. Usually, the name changes due to spin-offs, mergers, exchanges and/or Merger/Exchanges or other company reorganizations.