

GLOSSARY

The following terms are used in connection with common business entities. Many of these terms have specific legal implications, the full effect of which is not necessarily reflected in the definitions used here. Check your state law for clarification, and address particular legal questions to a lawyer experienced in business law, family businesses, or succession law. Words in SMALL CAPITALS are defined elsewhere in this list.

advisory group. A group of people selected (not elected) by the person wanting advice. An advisory group has no decision-making authority or responsibility and no voting authority. An advisory group does not replace a board of directors; in other words, a board of directors continues to have authority and responsibility even when an advisory group exists.

annual plan. A plan for an entity that covers the entity's fiscal year and describes various tactics that management will follow to implement the entity's STRATEGIC PLAN. An annual plan usually includes budgets.

articles. A document filed with the secretary of state to legally form a corporation or a limited liability company. Corporations file articles of incorporation and limited liability companies file articles of organization.

balance point. The place where the balancing gets done; also, who is doing the balancing.

1. Another name for a board of directors that does the balancing functions we describe in this book. For example, "the balance point makes sure that" (the board makes sure that) or "the entrepreneur's role as the balance point" (the entrepreneur's role as the board).

2. Refers to the individual doing the balancing. For example, "the entrepreneur is the balance point" (the entrepreneur himself or herself wants to do the balancing) or "who will be the balance point?" (who will make the balancing decisions?)

balancing. The act of integrating owners' interests and managers' interests in the company.

balancing board. A board of directors who integrate the often competing interests of owners and managers. A balancing board works with the owners and managers to help each group fulfill their respective responsibilities.

beneficiaries. People or entities receiving assets distributed from a trust either directly or for their benefit.