Company Acquisition

Last Updated August 5, 2026

Introduction

A company (business) may acquire another company in an "acquisition" ("company acquisition"). When the company ("acquiring company") acquires the other company ("acquiree", "target company"), the other company becomes an acquired company and subsidiary of the acquiring company, and the acquiring company becomes the parent company of the acquired company.

Requirements

The acquiring company and the target company must meet the following requirements for the acquisition to be successful.

1. The board of directors (or officers if there is no board of directors) of the acquiring company should reach a consensus on whether to proceed with the acquisition.
2. The board of directors (or officers if there is no board of directors) of the target company should reach a consensus on whether to proceed with the acquisition.
3. The acquiring company and the target company should agree to the terms of the acquisition.
4. The acquiring company should purchase with money 100% of the shares, units, or interests of the target company at the target company's share, unit, or interest price.

Terms of the Acquisition

The acquiring company and target company both create the "terms of the acquisition", a document that defines the legal, financial, and structural conditions of the acquisition. The acquiring company and the target company may both update the terms of the acquisition until both the acquiring company and the target company agree to the terms of the acquisition.

Share, Unit, or Interest Price

The share, unit, or interest price of a company is calculated as the company's market capitalization divided by the number of the company's shares, units, or interests.

Market Capitalization

A company's market capitalization is calculated as the monetary value of the company's assets minus the monetary value of the company's liabilities.

Retroactive Purchase of Shares, Units, or Interests

A parent company that has not purchased 100% of the shares, units, or interests of an acquired company should retroactively purchase the remamining shares, units, or interests of the acquired company at the current share price of the acquired company.

Merger

A company acquisition becomes a merger when the target company is dissolved after the acquisition. During a statutory merger, the acquiring company survives. During a consolidated merger, the acquiring company dissolves, and a new company and legal entity is formed.

Governing Law Clause

This document is governed by the Law of CLOUT.