

Options to Acquire: How These Acquisition Strategies Differ from a Traditional Purchase

A blog post on the **Cooley M&A** site discusses the “option to acquire” structure, which addresses both the needs of a target company to develop a product or business on the one hand and the desire by a buyer to identify growth opportunities on the other.

“In an option to acquire transaction, the buyer agrees to pay the target an option fee in exchange for the exclusive option to acquire the target for a fixed price during an option period subject to certain conditions and agreements that are set forth in a fully negotiated and executed acquisition agreement,” the post explains. “As part of the arrangement, the parties may also enter into a collaboration agreement covering certain development activities of the target during the option period, with the achievement of the developments functioning as milestones to the buyer’s ability to exercise its option to buy. The collaboration agreement is usually separate from the option and acquisition agreement. Sometimes, the specific terms of the option may also be set forth in a standalone option agreement that is separate from the acquisition agreement.”

While options to acquire are fairly common in the medical device and life sciences industries, the option also provides attractive opportunities for funds and companies in other industries as well, as a way to get an inside track on new technology, the firm writes.

[Read the article.](#)

