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M&A GUIDELINES AND TERMS

START



INTRODUCTION

In the area of mergers and acquisitions (M&A), no two transactions are alike. Transactions can vary by team size, duration, complexity, and value.

Working on a strategic transaction can feel fast-paced and intense. There are processes, guidelines, and requirements to follow, and you may hear terms you're unfamiliar with such as due diligence, working papers, and close.

There are also legal aspects you need to know and legal safeguards you need to implement to keep Cigna legally compliant.

You will learn more about the specific strategic transaction you will be working on during a scheduled WebEx onboarding session. But first, let's review M&A transactions, terms, and expectations as well as basic legal requirements so that you can be better prepared to contribute successfully on a team.



Tip! Remember to use this guide as a reference while you're working on a strategic transaction.

STRATEGIC TRANSACTION BASICS

There are a few key things to know about strategic transactions.

- 1 Strategic transactions require strict confidentiality, and everyone on a transaction team is under a non-disclosure agreement (NDA). There can be serious legal, reputational, and business ramifications if we do not adhere to the legal and regulatory procedures explained by your transaction team.
- 2 Strategic transactions are in support of our business strategy and will relate to a specific business area.
- 3 A strategic transaction could be a combination or consolidation involving an entire company, or may involve a specific business line or assets of a company.
- 4 Transaction sizes and teams vary, but every transaction has a specific value it is intended to achieve.
- 5 Strategic transactions have confidential code names.
- 6 Best practices have been developed to increase value and reduce risk of transactions. Corporate Integration helps the team apply each best practice for the specific transaction.

Click the button to learn more.

Best Practices at Cigna

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Best Practices at Cigna

Research has shown that organizations that apply best practices tend to out-perform those that do not. Here are four best practices that we use at Cigna:

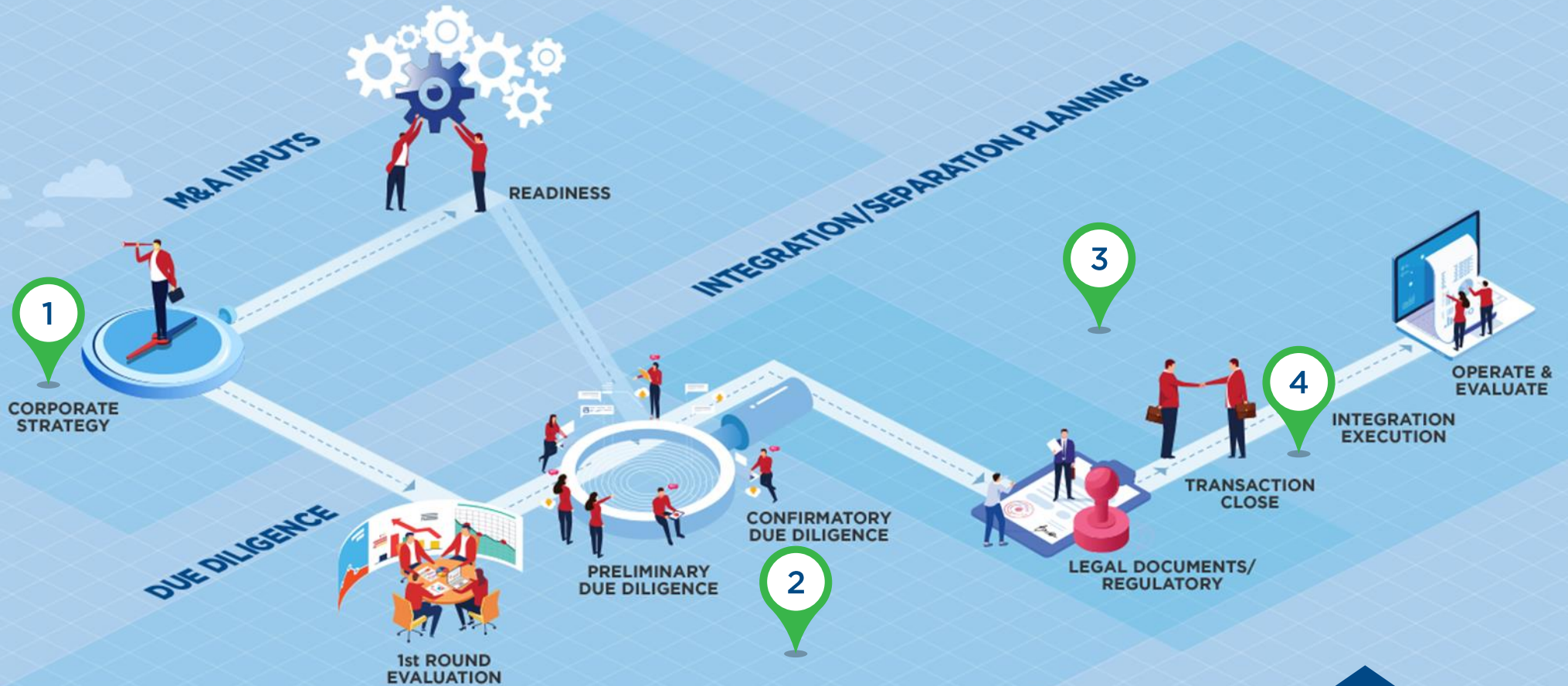
- **Non-Negotiables:** These are expected end state conditions that reduce risk. If any of these conditions will not be met, signoff is required.
- **Strategic Rationale:** This documents the reasons for doing the transaction and prioritizes the desired value we want to achieve.
- **Scorecard:** This is a quarterly report of progress against value, risks, and learnings of the transaction.
- **Two in the Box Approach:** This is an integration planning structure in which each role has at least two representatives, one from Cigna and the other from the target company.



STRATEGIC TRANSACTION PHASES

Every M&A goes through several phases: Target Identification, Due Diligence, Integration Planning, and Integration Execution. Your role may require you to support one or more of these phases.

[Click a phase to learn more about it.](#)



STRATEGIC TRANSACTION PHASES

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1. Business Strategy & Target Identification

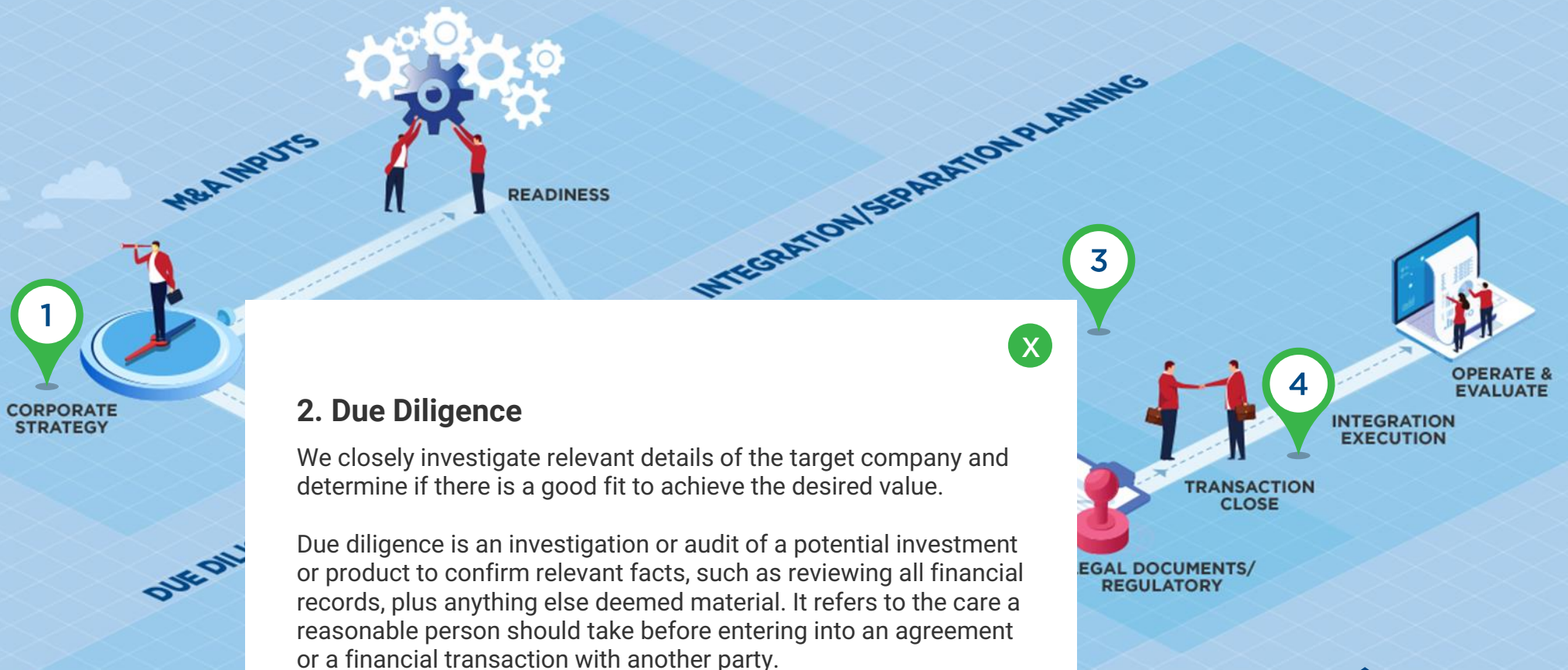
We identify business areas where we may want to pursue an M&A opportunity to support our corporate strategy. We identify potential target companies. We will then determine if the opportunity is one Cigna would like to pursue.



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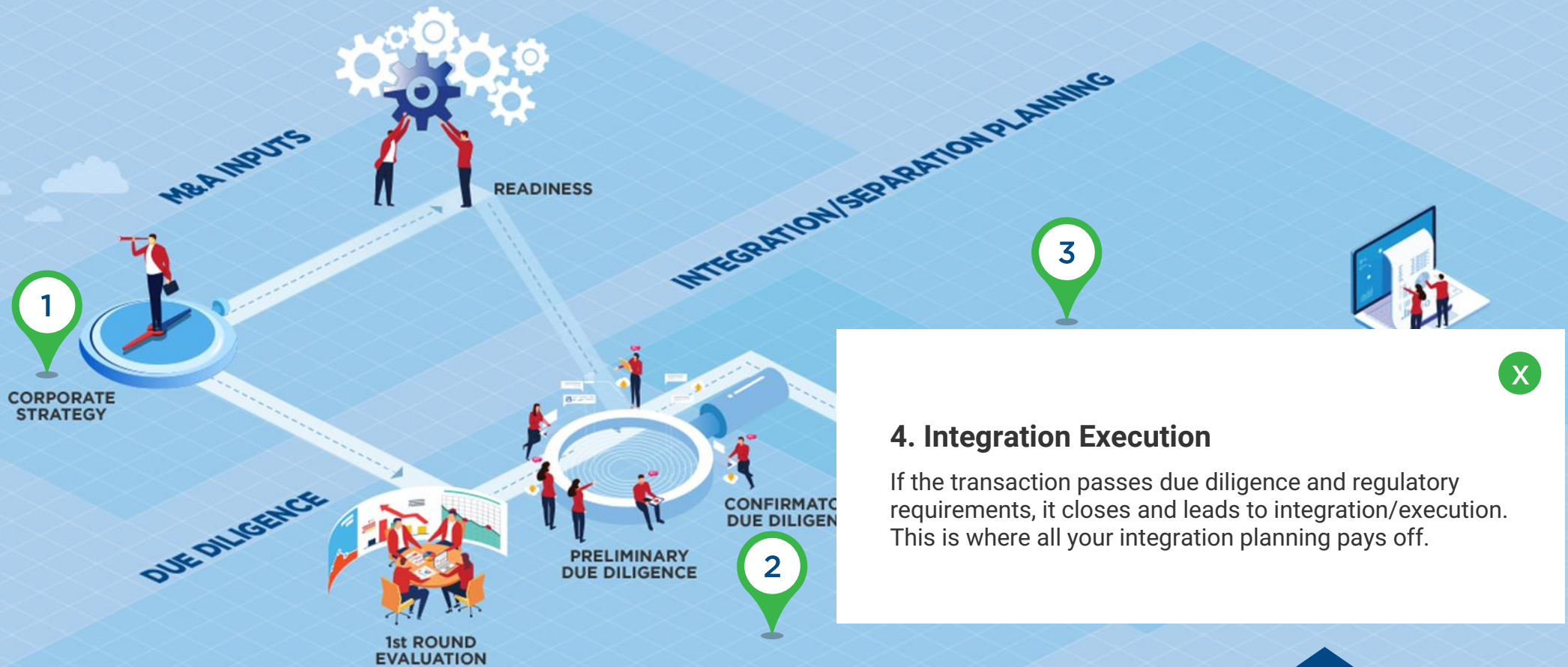
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CONSIDER THIS!

Respond to the following question.

What is the focus of due diligence?

Select the correct option and click **Submit**.

The investigation or audit of a potential investment or product

The preliminary planning to bring the involved companies together successfully post close of the transaction

The process of identifying business areas where an M&A opportunity can be pursued to support strategy

SUBMIT



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Respond to the following question.

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Select the correct option and click **Submit**.

The investigation or audit of a potential investment or product

The preliminary planning to bring the involved companies together successfully post close of the transaction

The process of identifying business areas where an M&A opportunity can be pursued to support strategy

Feedback

The focus of due diligence is:

- The investigation or audit of a potential investment or product

Due diligence allows the M&A project team to closely investigate the target company to determine if it is a good fit based on the desired transaction value, and decide whether to move ahead with the transaction.



INTEGRATION PLANNING STRUCTURE

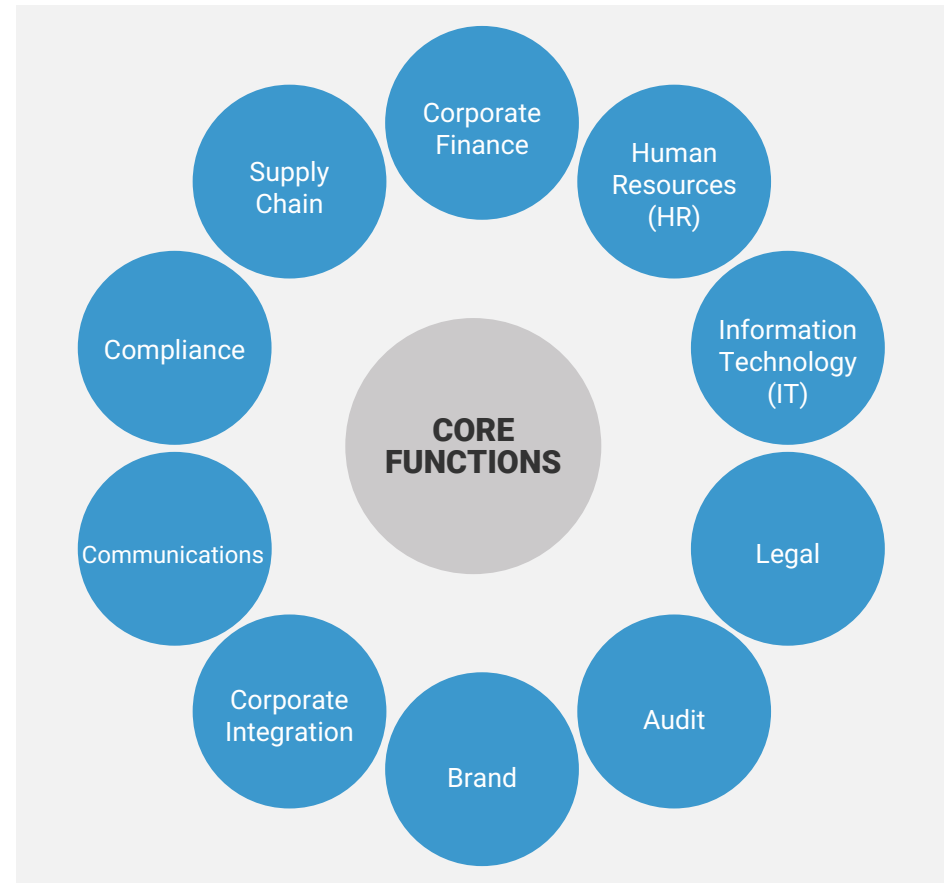
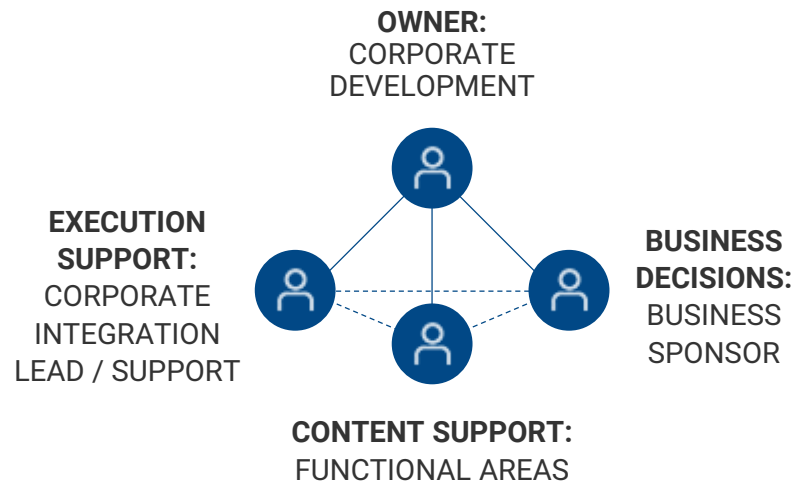
The integration planning structure is unique for each transaction and is usually designed around the value being generated.

[Click each tab to learn more.](#)

Due Diligence Team

Integration Planning Structure

Corporate Development leads the due diligence team, and the core functions within the enterprise are engaged as needed.



INTEGRATION PLANNING STRUCTURE

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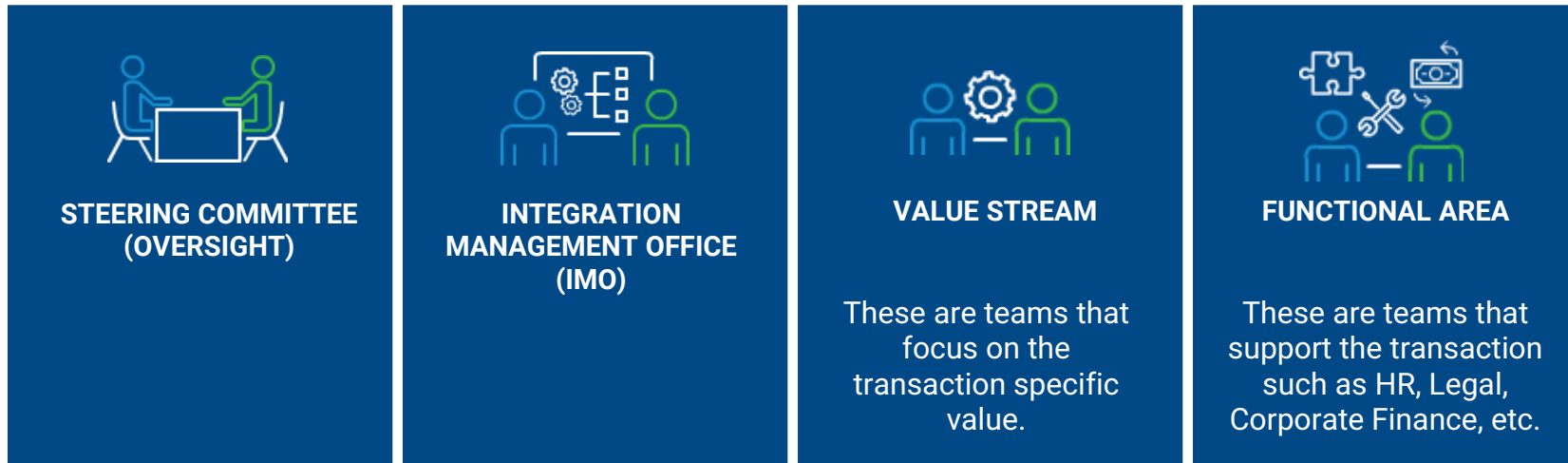
[Click each tab to learn more.](#)

Due Diligence Team

Integration Planning Structure

Generally, the structure follows the best practice of “two in the box” where each box will have at least two representatives, one from Cigna and the other from the target company. This helps facilitate collaboration.

Here is an example of a transaction’s integration planning structure.



 Cigna  Target Company

CONSIDER THIS!

As you know, all M&A team members are required to follow strict confidentiality rules.

Take a look at the example below and respond to the question.

A team member has a key role on an M&A transaction. To help her plan a couple of especially busy weeks, she prints out her calendar. She writes reminders and notes about the activities she has scheduled. She uses the transaction code name to indicate transaction-specific meetings. She keeps these documents in a folder on her desk.

Do you think this team member is being sufficiently cautious to safeguard transaction information?

Select the correct option and click **Submit**.

Yes

No

SUBMIT

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Do you think this team member is being sufficiently cautious to safeguard transaction information?

Select the correct option and click **Submit**.

Yes

No

SUBMIT

Feedback

This team member is not being sufficiently cautious in safeguarding the transaction information.

It is important that M&A team members segregate documents and communications for a transaction in separate files or folders. In addition, transaction related materials should be kept secure for example, in a locked drawer.

During a legal review, any and all information on the transaction is subject to scrutiny.

Therefore, when you are on a strategic transaction, be sure to:

- Set up a separate folder for e-mails about the transaction.
- Create a separate folder on your computer for all documentation on the transaction.
- Keep all paper files related to the transaction in a separate folder and locked away.

HOW TO PARTICIPATE IN AN M&A TEAM – THE CRITICAL THINGS TO KNOW

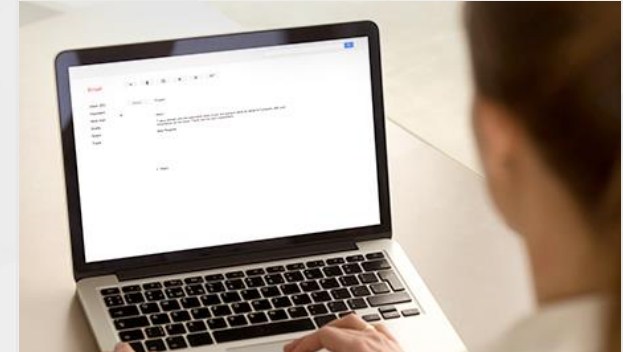
GENERAL GUIDELINES

M&A team members are required to sign a non-disclosure agreement (NDA) before becoming a part of an M&A team. As a part of this agreement, you need to follow certain guidelines when discussing the project, e-mailing documents or sharing any information, and when printing and handling documents. Let's look at these guidelines in a little more detail.

[Click each scenario to learn more.](#)



When talking about the project



When e-mailing documents



When printing and handling documents



When storing documents

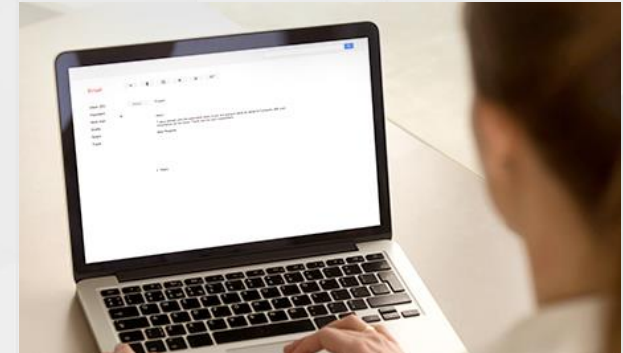


When talking about the project

1. Do not discuss the project with anyone except another team member under NDA for the project. This means you:
 - Cannot reference the transaction in general terms
 - Should not refer to the project by code name
 - Cannot mention the transaction to colleagues, family members, or friends
 - Should not share any information about project-related travel (especially on social media)
2. Do not speak about the project where you can be overheard, including:
 - Elevators, hallways, and restrooms
 - Speakerphones in cubicles
 - Offices or meeting rooms with the door open
 - Public places such as restaurants or when traveling
3. When talking about the project **with transaction-specific team members**, always **use the project code name** and not the real name and remember, the code name is also confidential.
4. Do **not assume anyone**, such as managers of the identified team member, are **under NDA**
5. Assistants may still manage your calendar and help with travel while not under NDA, but you should **refrain from sharing detailed and confidential information.**



When talking about the project



When e-mailing documents



When printing and handling documents



When storing documents

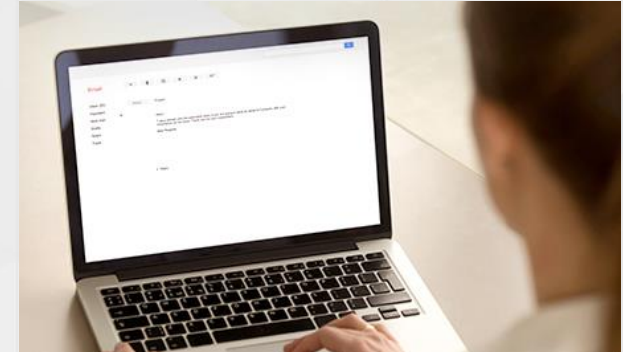


When e-mailing documents

1. When sending e-mail, be careful that your addressees are the proper team members.
2. Use password-protected attachments as needed.
3. In creating the e-mail, use a subject with the project name or generic words since the subject shows up on the Outlook list of e-mails on your computer screen.
4. All writings should include the project code name, not the actual name of the other potential party to a transaction.
5. If you need attorney-client privilege, direct your e-mail to legal counsel for legal advice. Address it only to the necessary parties and include the words **“Privileged and Confidential – Attorney-Client Communication.”**
6. Keep your language professional; avoid jokes and sarcasm.



When talking about the project



When e-mailing documents



When printing and handling documents



When storing documents

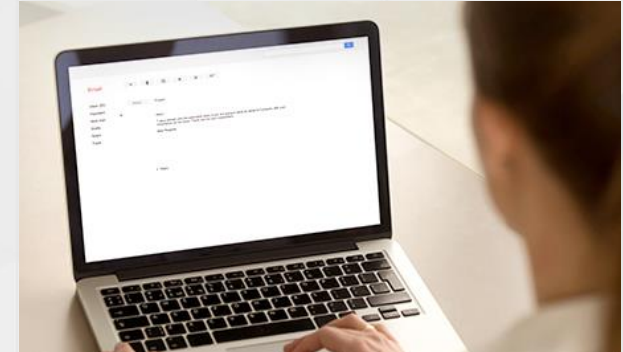


When printing and handling documents

1. Use a cover sheet that is marked **Personal and Confidential** and does not contain any text regarding the project.
2. When using shared printers, be sure to pick up the documents before others do.
3. When sending mail, always put documents inside an additional envelope marked **Personal & Confidential**.
4. Do not read about or work on the project in public places, such as on the train or airplane.



When talking about the project



When e-mailing documents



When printing and handling documents



When storing documents

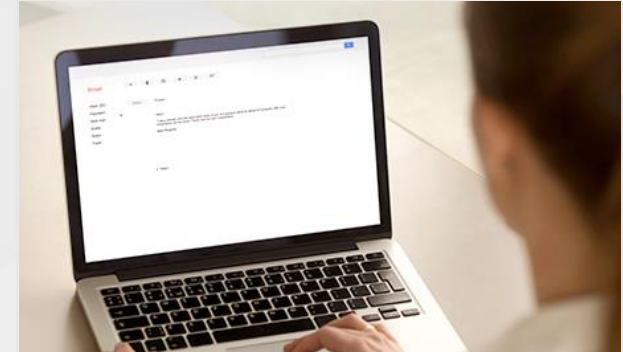


When storing documents

1. Keep transaction-related documents in designated folders.
2. Use the legally approved transaction processes to store documents.
3. Do not leave project papers out on your desk (even when you step out to a meeting). At night, lock them in a file cabinet.
4. Shred project documents if they are not required.



When talking about the project



When e-mailing documents



When printing and handling documents



When storing documents

CONSIDER THIS!

Take a look at the example below and respond to the question.

Martin, a team member on an M&A project, sends an integration planning e-mail to another team member, only to realize he has accidentally copied someone who is not on the team.

What should Martin do?

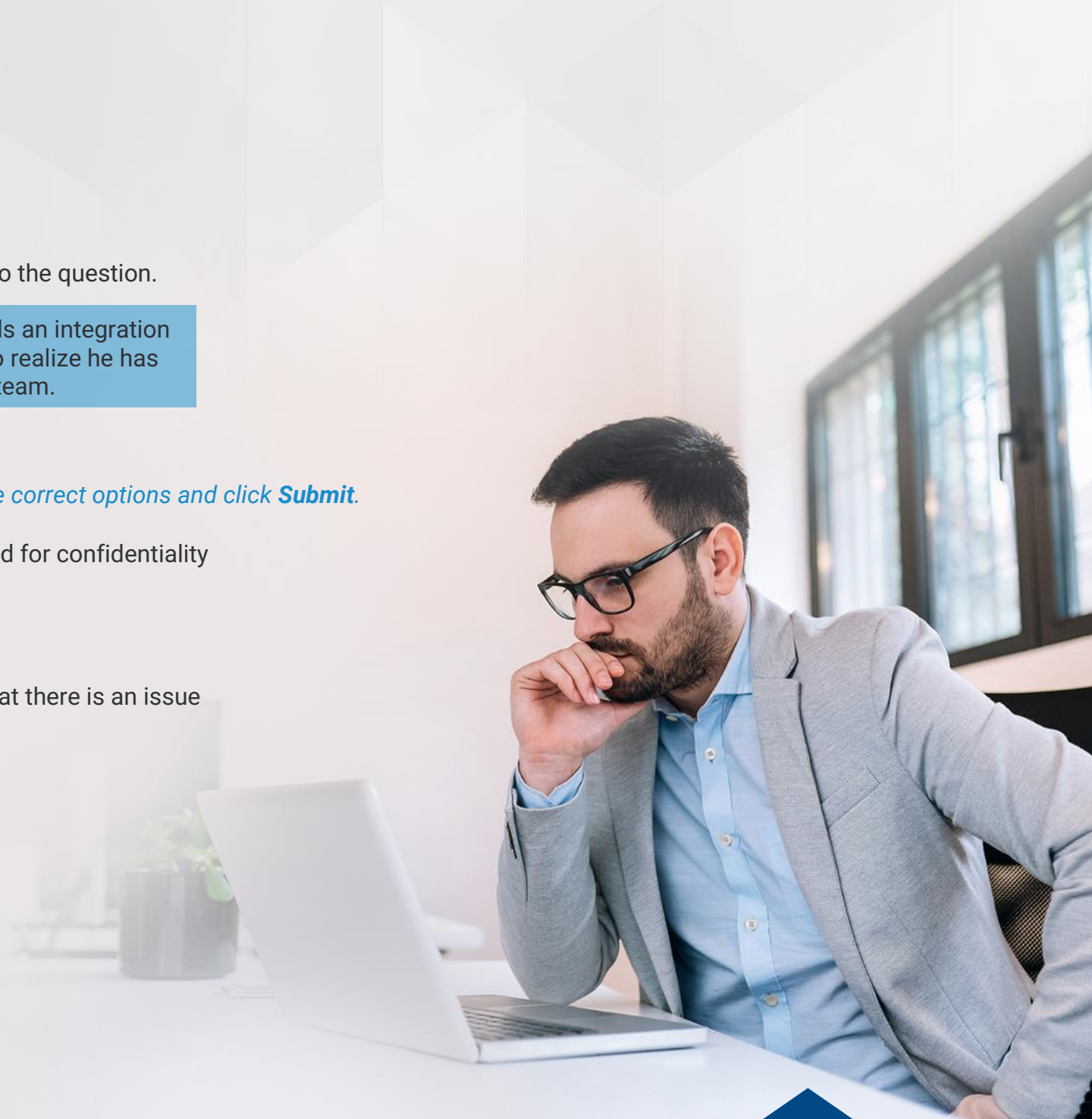
*This question has multiple answers. Select all the correct options and click **Submit**.*

Speak with the cc'd person about the need for confidentiality

Attempt to recall the e-mail

Inform the manager of the cc'd person that there is an issue

SUBMIT



CONSIDER THIS!

Take a look at the example below and respond to the question.

Martin, a team member on an M&A project, sends an integration planning e-mail to another team member, only to realize he has accidentally copied someone who is not on the team.

What should Martin do?

This question has multiple answers. Select all the correct options and click

Speak with the cc'd person about the need for confidentiality

Attempt to recall the e-mail

Inform the manager of the cc'd person that there is an issue

SUBMIT

Feedback

Martin should:

- Speak with the cc'd person about the need for confidentiality
- Attempt to recall the e-mail

In addition, Martin can do the following:

- Contact the cc'd person and ask them to disregard and delete the e-mail
- Inform the Corporate Integration team and legal counsel

Most importantly, no privileged information should be shared in any e-mail. Every transaction team has access to a secure shared site for this purpose.

When sending e-mails about a transaction:

- Always check that you've included the correct recipients.
- Use clear language but keep details in documents on secure shared sites.
- Mark all e-mails private and confidential.

KEY LEGAL GUIDELINES

Throughout the Due Diligence and Integration Planning phases of a strategic transaction, the two companies are considered separate entities and are expected to carry on with business as usual.

Most information about each company is considered sensitive, and any sharing of information between companies needs to follow legal guidelines.

Here are some important legal guidelines you need to be aware of.

[Click each term to learn more.](#)



Working
Papers



Data
Room



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Working Papers



Data Room



Working Papers

Documents that are being created jointly within the integration planning teams from the target company and Cigna should be considered “Working Papers”.

Legal counsel from the target company and Cigna must approve any document identified as a Working Paper.

Working papers should be labeled as “DRAFT” until legal approval, and then labeled “Privileged and Confidential” when being submitted for legal review.

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Working Papers



Data Room



Data Room

After information has gone through a legal review, it can be shared in a Data Room, which is a secure shared site. Each company manages approval and access to the Data Room.

CONSIDER THIS!

Take a look at the example below and respond to the question.

Shaun is part of an integration planning team on a strategic transaction. His counterpart from the target company requests some information on products and services. The information is publicly available on Cigna.com, so Shaun sends the link to some marketing materials.

Has Shaun followed the right protocols?

*Select the correct option and click **Submit**.*

Yes

No

SUBMIT



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Has Shaun followed the right protocols?

Select the correct option and click **Submit**.

Yes

No

SUBMIT

Feedback

No, Shaun has not followed the right protocols.

As the information is publicly available, the target company can pull up the information themselves.

However, before Shaun can share the link to the marketing materials, it must go through the legal review process.

KEY GUIDELINES

Over and above the general guidelines, M&A team members must abide by certain principles. There are serious impacts if we are not compliant. Here is a summarized list:

- 1 Act within all legal guidelines.
- 2 Meeting and data requests must go through the defined and agreed upon legal review process.
- 3 Only share the minimally necessary information to meet the purpose of the request.
- 4 Clarify terminology between the two companies to ensure effective communication.



DO'S AND DON'TS

Here are some do's and don'ts that we must follow to ensure the success of an M&A transaction.

DO'S

- ✓ Use the defined legal review process for your M&A transaction to set up meetings and share data with the target company or with workstreams.
- ✓ Use an appropriate, professional tone in written documentation.
- ✓ Read the full FAQ document provided by the IMO office.
- ✓ When in doubt, reach out to the legal team.

DON'TS

- ✗ Do not record calls or meetings.
- ✗ Do not discuss the project (including code name) except with those on the transaction-specific team.
- ✗ Do not exaggerate the benefits of the transaction.
- ✗ Do not attempt to joke or include humor in written communications, as this can be misinterpreted.

Click the button to learn more.

Other Reminders



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Other Reminders

Other Reminders

- Make sure that all information exchange is going through the legal review process.
- Information cannot be shared cross-phase (Due Diligence and Integration Planning) without going through the defined legal review process.
- Retain in separate folders all e-mails, documents, data, or other records related to integration planning.
- Only those under NDA, including third-party consultants, may participate in due diligence and integration planning.

CONSIDER THIS!

You have learned about key processes, guidelines, and requirements to follow for M&A transactions.

Now, take a look at the scenario below and respond to the question.

Joe has signed the NDA and started supporting the separation planning work. He estimates the transaction will require about 20 hours of his time each week until close, impacting his ability to complete other assignments.

[Click InsureCo Divestiture for a background on the scenario.](#)

InsureCo Divestiture

How should Joe handle this with his supervisor?

*Select the correct option and click **Submit**.*

He should tell his supervisor that he is supporting the sale of FurryFriends so his supervisor understands the importance of the work and they can discuss reprioritizing his assignments.

He should tell his supervisor that he has been asked to support a confidential project and share the estimated time commitment so they can discuss reprioritizing his assignments.

He should not bother his supervisor, but he should tell a trusted teammate about the FurryFriends sale so they can work together to help cover his workload.

He should not tell his supervisor, and work an additional 20 hours a week to get all of his work done.

SUBMIT



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He should tell his supervisor that he is supporting the separation planning work for FurryFriends so his supervisor understands the importance of the work and they can discuss reprioritizing his assignments.

He should tell his supervisor that he has been asked to support a confidential project and share the estimated time commitment so they can discuss reprioritizing his assignments.

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InsureCo Divestiture

InsureCo has decided to divest a pet insurance product, FurryFriends, because it no longer aligns with their strategy. This is a critically important transaction which will allow InsureCo to focus on their new strategic direction.

While all of FurryFriends' specific operations are separate, there are common functions like Finance, HR, and Real Estate that are shared with the rest of InsureCo's products. These need to be addressed.

FurryFriends is being purchased by MyPetCo, a small company based in Detroit. Joe works for InsureCo. He will not move with the transaction. But since he runs the shared Customer Service function, he has been asked to support the separation planning to divest FurryFriends and move the product to MyPetCo.

SUBMIT

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He should not tell his supervisor, and work an additional 20 hours a week to get all of his work done.

Feedback

Joe should not tell anyone about the sale of FurryFriends if they are not under NDA.

While some overtime may be needed, Joe is not expected to handle the entire transaction with overtime. He should let his supervisor know he is working on a confidential project so they can work out his assignments. If his supervisor needs more information, Joe should direct the supervisor to the Corporate Development lead for the transaction.

SUBMIT

CONSIDER THIS!

Take a look at the scenario below and respond to the question.

Joe needs to travel to Detroit to meet with his counterpart, Tracy. He has asked his admin to set up his travel.

Click [InsureCo Divestiture](#) for a background on the scenario.

[InsureCo Divestiture](#)

Is it okay that his admin, who hasn't signed an NDA, knows that he is traveling to Detroit?

*Select the correct option and click **Submit**.*

Yes, but Joe has to get his admin under NDA to set up his travel.

No. Joe cannot tell anyone not under NDA that he is traveling to Detroit. It says so right in the NDA.

Yes. Joe can continue to get support from his admin even though his admin is not under NDA.

SUBMIT



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SUBMIT

Feedback

While Joe should not generally share the fact that he is traveling to Detroit, it is okay for his admin to know. Admins do not need to be under NDA to continue their support, including travel and calendar support.



CONSIDER THIS!

Take a look at the scenario below and respond to the question.

Joe has a vacation planned and he will be out of town during an important meeting with MyPetCo.

Click [InsureCo Divestiture](#) for a background on the scenario.

InsureCo Divestiture

What should he do?

*Select the correct option and click **Submit**.*

Since Joe signed the NDA, he has to cancel all vacations so he can be available to support the transaction.

Joe tries to get them to change the date of the meeting, but they wouldn't listen to him. He should go on vacation and miss the meeting. He can catch up on the discussion when he returns.

Joe's teammate, Mary, has the knowledge to cover the meeting for him, but she is not under NDA. Joe should approach his work stream lead to discuss whether they should bring Mary under NDA or if someone else can cover for Joe while he is out of the office.

Joe's teammate, Mary, has the knowledge to cover the meeting for him, but she is not under NDA. Since this is an important meeting and Joe cannot cancel his plans, he should send Mary the invite so she can cover the meeting for him.

SUBMIT



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InsureCo has decided to divest a pet insurance product, FurryFriends, because it no longer aligns with their strategy. This is a critically important transaction which will allow InsureCo to focus on their new strategic direction.

While all of FurryFriends' specific operations are separate, there are common functions like Finance, HR, and Real Estate that are shared with the rest of InsureCo's products. These need to be addressed.

FurryFriends is being purchased by MyPetCo, a small company based in Detroit. Joe works for InsureCo. He will not move with the transaction. But since he runs the shared Customer Service function, he has been asked to support the separation planning to divest FurryFriends and move the product to MyPetCo.

SUBMIT

CONSIDER THIS!

Take a look at the scenario below and respond to the question.

Joe has a vacation planned and he will be out of town during an important meeting with MyPetCo.

Click [InsureCo Divestiture for a background on the scenario.](#)

What should he do?

*Select the correct option and click **Submit**.*

Since Joe signed the NDA, he has to cancel all vacation plans so that he can be available to support the transaction.

Joe tries to get them to change the date of the meeting, but they wouldn't listen to him. He should go on vacation and miss the meeting. He can catch up on the discussion when he returns.

Joe's teammate, Mary, has the knowledge to cover the meeting for him, but she is not under NDA. Joe should approach his work stream lead to discuss whether they should bring Mary under NDA or if someone else can cover for Joe while he is out of the office.

Joe's teammate, Mary, has the knowledge to cover the meeting for him, but she is not under NDA. Since this is an important meeting and Joe cannot cancel his plans, he should send Mary the invite so she can cover the meeting for him.

Feedback

Joe is not expected to cancel his vacation plans, but he needs to make sure the transaction work is covered while he is gone. He should talk with his work stream lead to discuss the best option for covering the time while he is gone.

SUBMIT

CONSIDER THIS!

Take a look at the scenario below and respond to the question.

InsureCo is expanding their online customer support and creating a mobile app. To expedite this process, they have decided to acquire a company, MobileMe, because they have an app that can jump-start this capability.

This is a new space for InsureCo, and an important part of their strategy moving forward. Speed to market of the mobile app is the first priority of the transaction. Second is retaining the talent and preserving their culture as they become part of InsureCo.

Since speed to market of the mobile app is the first priority, how should InsureCo and MobileMe think about the acquisition?

*Select the correct option and click **Submit**.*

InsureCo should take a “hands off” approach, letting MobileMe stay intact and not integrate any of their functions so that they can continue to develop the mobile app as quickly as possible. They can deal with integrating systems like Finance and HR later, once the mobile app is launched.

InsureCo should fully integrate MobileMe immediately, even if it delays the roll out of the mobile app. It is critical that the MobileMe employees understand that they are now part of InsureCo and start to adapt to the InsureCo processes and culture.

InsureCo should be selective about what is integrated and what is not. They should review the best practices learned from past transactions, like the Non-Negotiables, to determine where integration is needed and where MobileMe processes and procedures should remain intact.

SUBMIT



CONSIDER THIS!

Take a look at the scenario below and respond to the question.

InsureCo is expanding their online customer support and creating a mobile app. To expedite this process, they have decided to acquire a company, MobileMe, because they have an app that can jump-start this capability.

This is a new space for InsureCo, and an important part of their strategy moving forward. Speed to market of the mobile app is the first priority of the transaction. Second is retaining the talent and preserving their culture as they become part of InsureCo.

Since speed to market of the mobile app is the first priority, how should InsureCo and MobileMe think about the acquisition?

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InsureCo should be selective about what is integrated and what is not. They should review the best practices learned from past transactions like the Non-Negotiables, to determine where integration is needed and where MobileMe processes and procedures should remain intact.

Feedback

It is rare in M&A that an approach is absolute. It is important to look at each transaction to understand the priorities, apply the best practices, and determine an approach that will maximize value while reducing risk.

While integration of some functions may compromise the intended value, others, if not done, will create business risk. Additionally, delaying critical integration work is risky as other priorities, including other M&A transactions, may become higher priority and cause the work to be de-prioritized.

SUBMIT

KEY TERMS AND THEIR DEFINITIONS

We have a lot of terms on an M&A transaction. Let's begin by looking at some of the key terms that will help you as a member of an M&A team.

Click a word to view its definition.

A
Acquisition

C
Close
Closing Memo
Consolidation

D
Divestiture
Due Diligence

J
Joint Venture

I
Integration
Planning

M
Merger

N
NDA

S
Signing

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[Click a word to view its definition.](#)



Acquisition

An acquisition refers to the purchase of one entity or an entity's assets by another entity (usually, a smaller company by a larger one), which may be structured as a purchase of stock or assets, or as a merger.

Close

Closing Memo

Consolidation

Divestiture

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A Acquisition	<p>Close The legal transfer of ownership. The day the money and ownership transfer and financial close occurs (also known as Day 1). The Close may happen simultaneously with the Signing, or it may be some time later depending on the time it takes to satisfy the conditions to close (e.g., regulatory approval).</p> <p>Closing Memo Written documentation to memorialize and communicate relevant information regarding the transaction as we move from Due Diligence and Integration Planning to Integration Execution.</p> <p>Consolidation A consolidation is when two existing companies are united into one new company.</p>	J Joint Venture
I Integration Planning		S Signing

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Divestiture

A divestiture refers to the sale of a business unit, which may be structured as a sale of stock or assets, or as a merger.

Due Diligence

Due diligence is an investigation or audit of a potential investment or product to confirm relevant facts, such as reviewing all financial records, plus anything else deemed material. It refers to the care a reasonable person should take before entering into an agreement or a financial transaction with another party.

Due diligence is broken down into two phases, Preliminary Due Diligence and Confirmatory Due Diligence. At the end of each of these phases, a report will be created on the feasibility of the transaction.



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A Acquisition	Close Closing Memo Consolidation	Divestitu Due Dilige	X Joint Venture A joint venture is when two or more different entities agree on a business arrangement to conduct certain commercial activities or initiatives, which may or may not involve a partnership or creation of a new legal entity.
I Integration Planning	M Merger	N NDA	

KEY TERMS AND THEIR DEFINITIONS

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Click a word to view its definition.

A
Acquisition

C
Close
Closing Memo
Consolidation

D
Divestiture
Due Diligence

J
Joint Venture

X
Integration Planning

Integration planning is the process of planning how to bring two companies together successfully or planning the sale of a business unit.

M
Merger

N
NDA

S
Signing

KEY TERMS AND THEIR DEFINITIONS

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Click a word to view its definition.

A Acquisition	Close Closing Memo Consolidation	D Divestiture Due Diligence	J Joint Venture
I Integratio Planning	X Merger A merger is when two existing companies come together, whereby one of the companies is merged into the other company.	N NDA	S Signing

KEY TERMS AND THEIR DEFINITIONS

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A Acquisition	Close Closing Memo Consolidation	D Divestiture Due Diligence	J Joint Venture
I Integration Planning	X NDA Non-disclosure agreement. Transactions are governed by an agreement not to disclose the information about the transaction or which is obtained during diligence until after the closing.		S Signing

KEY TERMS AND THEIR DEFINITIONS

We have a lot of terms on an M&A transaction. Let's begin by looking at some of the key terms that will help you as a member of an M&A team.

Click a word to view its definition.

A Acquisition	Close Closing Memo Consolidation	D Divestiture Due Diligence	J Joint Venture
I Integration Planning	M Merger	N NDA	X Signing Both parties sign a contract laying out the material terms of the transaction and outlining how the transaction will proceed.

ANY QUESTIONS?

At any time during a transaction, if you have questions or doubts, reach out to Corporate Development, Corporate Integration, or your legal support.

