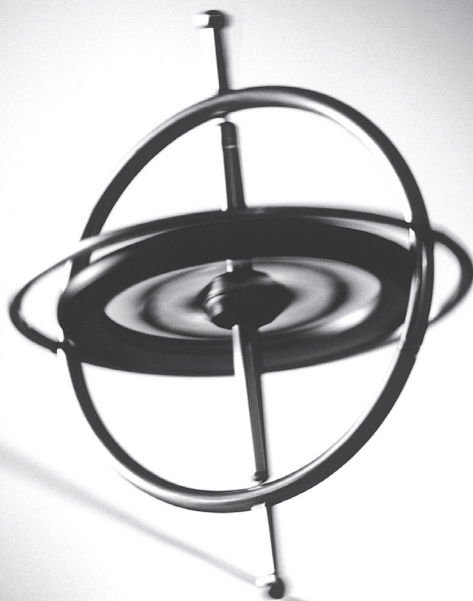


J.P.Morgan

TREASURY SERVICES

## J.P. Morgan Escrow Services:

Reducing Risk & Facilitating Results  
Around the Globe



It's a complex world, growing more so every day. Transactions are becoming more sophisticated. Local laws and regulations change frequently. And despite the current market volatility, the pressures to expand and grow a business remain constant.

*J.P. Morgan*

Recently, cross-border activity has become a significant contributor to overall Merger and Acquisition activity, representing nearly a third of deal volumes globally<sup>1</sup>. Corporations that do business around the world are finding they need a banking partner who can help them navigate turbulent markets, stay on top of changing regulations in local jurisdictions and mitigate risks. They need the support that can only come from a truly global financial institution - one that has the experience to help them move their business forward - no matter what the market conditions.

If you're working on a merger, acquisition or any other type of transaction, consider J.P. Morgan. Our firm offers comprehensive escrow services to companies of all sizes involved in a wide range of transactions.

### **Helping You Assess - and Manage - the Risks in Your Transaction**

When embarking on any transaction, it's essential to try and anticipate the risks your company may face. An escrow can give you a level of comfort that your organization has a degree of financial protection - even in the most complex of transactions. If your company is embarking on a merger, acquisition or construction project, or if you need to set aside funds for a pending litigation or to meet specific regulatory requirements, an escrow arrangement can be beneficial. In fact, many business transactions now require that funds, securities or other assets be placed in escrow until a transaction is completed.

#### **Here are some questions to consider up front that can help you assess the risks you may be facing and determine if you need to set up an escrow account:**

- Do you anticipate counterparty risks?
- Will there be milestones to be met before payments are made?
- Is there a government agency involved that requires a pledge of collateral?
- Are there court proceedings with a potential for an appeal or settlement?
- Is your organization looking for a way to protect investor funds until all funds are raised?
- Would a non-credit alternative to a letter of credit be considered?
- Will there be future cash flows in relation to an M&A?

If you answered yes to any of these questions, then an escrow arrangement from J.P. Morgan may be right for your transaction.

<sup>1</sup> Source: Dealogic

## A Broad Range of Services, Covering All Escrow Transaction Types

There’s no “one size fits all” solution. But no matter what transaction you are engaged in, if you need an escrow to support your business, J.P. Morgan can help.

Type of Escrow Transaction	How the Escrow Works	Benefit
<b>Cash Management</b>	A revenue stream passes through the escrow agent for subsequent disbursement.	Ensures that the parties to the agreement receive their documented share of the revenue stream.
<b>Capital Raising</b>	Funds are held pending a successful capital call or other form of capital raising. Particularly applicable with private equity funds, hedge funds or venture capital funds.	Funds disbursed only after all investors have participated in the transaction.
<b>Construction/ Project Finance</b>	Escrowed funds are released to the contractor only on completion of pre-defined construction milestones.	Provides financial protection to the investors or sponsors of a construction project.
<b>Counterparty Risk Mitigation</b>	Cash collateral is deposited in Escrow by all counterparties.	Helps ensure that all counterparties will fulfill their promise to pay.
<b>Litigation Fund</b>	Funds deposited in Escrow pending appeal of a court judgment.	Funds distributed to class-action claim holders or bankruptcy claim processing only after court’s final ruling.
<b>M&amp;A Related</b>	Funds held to ensure compliance with representations and warranties or performance covenants.	Ensures compliance with representations & warranties or performance covenants.
<b>Non-Credit Trade Facility</b>	An alternative to Standby and Trade Letters of Credit.	Helps ensure performance in trade or other financing arrangements.
<b>Regulatory Compliance</b>	Funds held to ensure compliance with regulatory requirements.	Helps ensure that funds are available to pay fees associated with obtaining licenses or for environmental clean up.

## Why J.P. Morgan Escrow Services?

When risk management is critical to your transaction, rely on J.P. Morgan escrow services. We offer:

- **Access to cross-border capabilities.** Our dedicated escrow professionals around the world focus solely on escrow transactions. As a result, they fully understand the nuances of escrow and its many applications within local jurisdictions. Our sales experts guide you through the steps to complete the escrow transaction, and our client service specialists will be there to support you throughout the life of the escrow agreement.
- **Quick, reliable and responsive service.** Our team of dedicated escrow professionals will review agreements quickly, accurately and securely - often within 24 hours. Our rapid turnaround means you can close your deals without unnecessary delays. Our escrow team can also deliver flexible solutions for a wide range of transactions.
- **Integrated solutions.** J.P. Morgan also offers a variety of investment, foreign exchange, payment and online reporting services.

### J.P. Morgan offers a variety of escrow solutions, including:

#### Mergers and Acquisitions

- Good Faith Deposits
- Holdback Indemnities
- Representations and Warranties

#### Regulatory/Litigation

- Appeals
- Bankruptcy
- Environmental Cleanup
- Reinsurance
- Settlements

#### Capital Raising

- IPOs
- Private Equity Funds

#### Other

- Carbon Credit
- Debt Repayment
- Letter of Credit
- Project Finance
- Trade

## Experience When You Need It, Where You Need It

J.P. Morgan offers comprehensive escrow services to companies of all sizes involved in a wide range of transactions. We're located in 60 countries, with escrow service centers on every major continent, which means we can conduct transactions in all major currencies. And we can help minimize transaction risk, no matter where you are located.

Our experience speaks for itself:

- More than 100 experienced escrow professionals around the globe.
- More than \$40 billion under management.
- More than 4,000 actively managed accounts, with over 1,300 added each year.
- More than 100 years of escrow experience in the United States.



### CASE STUDY

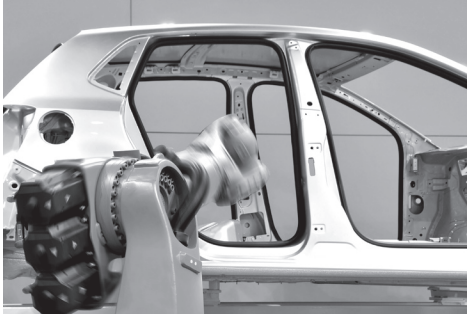
## Cash Flow Escrow Account Aids Manufacturing Joint Venture

### Situation:

A U.S.-based company was embarking on a joint venture with a Malaysian manufacturer of consumer goods. The equity stake and revenue share was to be split 60/40, with the U.S. company retaining 60 percent. Each company wanted to ensure that it would receive the correct allocation from future revenues.

### Solution:

- A cash flow escrow account was established, and revenue funds flowed into this account.
- Each month, funds were swept out of the escrow account and automatically distributed to both parties, according to the pre-defined schedule.



#### CASE STUDY

### Holdback Escrow Helps Acquisition of Car Parts Manufacturer

#### Situation:

A large automobile manufacturer wanted to acquire another well-known auto company. The auto manufacturer wanted to ensure that all representations and warranties made by the target auto company were true and accurate. Ninety percent of the purchase price was to be paid when the deal was completed. But the acquiring company wanted to hold back 10 percent of the purchase price, for up to one year, for any post-closing adjustments that might need to be made.

#### Solution:

- A holdback escrow was established for a period of one year. During this time, the auto manufacturer had the right to make claims against representations and warranties. If claims were made, funds would be returned to the acquirer.
- At the end of the year, if there were no outstanding claims, the funds would be released back to the seller.



#### CASE STUDY

### Escrow Accounts Help Facilitate M&A Indemnities


#### Situation:

When a large corporation headquartered in France acquired a smaller company based in the U.K., 90 percent of the purchase price was paid when the deal was completed. The remaining 10 percent was held back for two years until all representations and warranties could be resolved between the buyer and the seller.

#### Solution:

- Separate escrow accounts were set up with J.P. Morgan, including accounts for warranty claims, tax liabilities, aged receivables, earn-out premiums and pension liabilities.
- Once post-closing price adjustments were made at the end of two years, the separate escrow accounts allowed funds to be easily disbursed to either the buyer or seller, as events warranted.

For more information, please contact your J.P. Morgan Treasury Services representative or scan this mobile bar code with your smart phone or visit [jpmorgan.com/escrow](http://jpmorgan.com/escrow).

 You can also follow us on Twitter @ [jpmorganTS](https://twitter.com/jpmorganTS).

