

ESCROW SERVICES

The products and services described in this document are offered by JPMorgan Chase Bank, N.A. or its affiliates subject to applicable laws and regulations and agreement. Not all products and services are available in all locations. Eligibility for particular products and services will be determined by JPMorgan Chase Bank, N.A. or its affiliates. All trademarks, trade names and service marks appearing herein are the property of their respective owners.

This report is confidential, contains proprietary information and is intended exclusively for the benefit and internal use of the parties to whom it is addressed and/or delivered. It may not be copied, published, disclosed or used for any other purpose without the prior written consent of J.P. Morgan.

J.P. Morgan is the marketing name for the Treasury Services business of JPMorgan Chase Bank, N.A. and its affiliates worldwide.

©2014 JPMorgan Chase & Co. All rights reserved. JPMorgan Chase Bank, N.A. Member FDIC.

Escrow in M&A Transactions

Overview of Holdback Escrows

- At the closing of a merger or acquisition, a portion of the purchase price is placed in an escrow account and held until the terms of the escrow agreement have been satisfied.
- Holdback escrows can serve as a risk mitigation tool: the claims process provides the buyer with an opportunity to retrieve the funds in escrow in the event that the seller fails to meet specific terms of the purchase agreement.
- Escrows can secure against future claims involving representations and warranties made by the seller about the condition of the business, or for a change in the purchase price between the merger announcement and close.
- Escrow can be used to support domestic or cross-border transactions in a wide variety of jurisdictions and for any transaction value.

Benefits of Escrow

Breadth of Claim Coverage

- Escrow agents act as independent and neutral third parties without an interest in the number or type of claims.
- Escrow covers a wide range of indemnity claims.
 - Escrow can also cover closing-related claims such as purchase price adjustments or expense claims.
- Escrow has a long and published track record of claim payouts for private target transactions.
- Escrow can serve as an effective risk mitigation tool.

Ease of Implementation

- As a neutral third party, escrow agents have a streamlined onboarding process, thus allowing for quicker turnaround times and reduced closing costs.
- Escrow legal agreements are relatively simple and standardized with well-established use in the marketplace and requiring minimal negotiation.
 - Escrow agents are neutral with respect to the issues negotiated between the buyer and seller.
- The annual fee typically ranges from \$1,000 to \$10,000 – there are no underwriting fees, and costs do not increase as escrow size or transaction size increases.
- Escrow deposits generally earn yields similar to what companies typically earn from excess cash on their balance sheets.
 - Investments can range from short-term (maximizing liquidity) to longer-term (providing additional yield).

Find the full text of this and thousands of other resources from leading experts in dozens of legal practice areas in the [UT Law CLE eLibrary \(utcle.org/elibrary\)](http://utcle.org/elibrary)

Title search: Escrow Services

Also available as part of the eCourse

[M&A: Representation and Warranty Insurance Policies](#)

First appeared as part of the conference materials for the
10th Annual Mergers and Acquisitions Institute session

"Representation and Warranty Insurance Policies: They're Real and They're *Spectacular!*"