



ESCROW SERVICES

REDUCING RISK. FACILITATING RESULTS.

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What transaction risks are you facing?

For the transactions you are involved in:

- Do you anticipate counterparty risks?
- Will there be milestones to be met before payments are made?
- Is there a governmental agency involved that requires a pledge of collateral?
- Are there court proceedings where there may be an appeal or settlement?
- Are they 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?

If the answer is yes to any of these questions, then consider an Escrow from J.P. Morgan.

Escrow Services

What is an escrow?

- An escrow is a legal arrangement held by a third party on behalf of the participants in a transaction.
- Assets are held by the escrow agent and delivered upon fulfillment of conditions established in a written agreement.



What are the types of assets held in escrow?

Deposits are usually cash or securities, but can consist of anything of value:
Cash, Securities, Financial Documents

What is the role of an escrow agent?

- To act as a neutral third party
- To protect the assets on behalf of transaction participants
- To release assets pursuant to pre-agreed terms

What are the benefits of an escrow?

- Reduce counterparty or transaction risk
- Offers flexibility in addressing sticking points
- Provides return on investment on escrow funds

J.P. Morgan is a Leader in the Global Escrow market

The most qualified global escrow services provider with:

- \$40 billion under management
- 4,000+ actively managed accounts
- 1,300+ new accounts annually
- 305+ Fortune 500 clients
- 100+ experienced professionals
- 100+ years experience in the U.S.
- Global capabilities
 - Escrow Servicing Centers on every major continent
 - Transactions possible in all major currencies
- Dozens of Escrow legal templates
- Fast turnaround



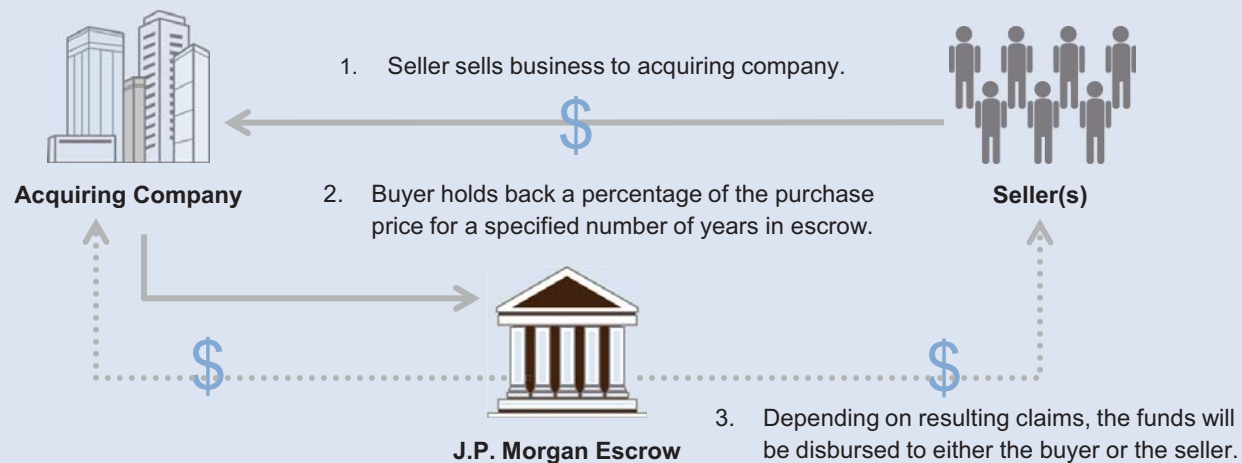
M&A Escrow Holdback

>> MOST COMMON ESCROW TYPE REQUESTED <<

Transaction Overview & Structure

- SITUATION**
- A Company is acquiring another well known auto company.
 - The Manufacturer wants to ensure that the representations and warranties made by the target company are true and accurate.

- SOLUTION**
- J.P. Morgan Escrow – a tri-party agreement whereby the Acquiring Company deposits -10% of the purchase price into escrow.
 - If after one year, there are no claims against representations and warranties, funds are released to Seller.
 - However, if there is a claim, funds may be returned to the Acquiring Company.



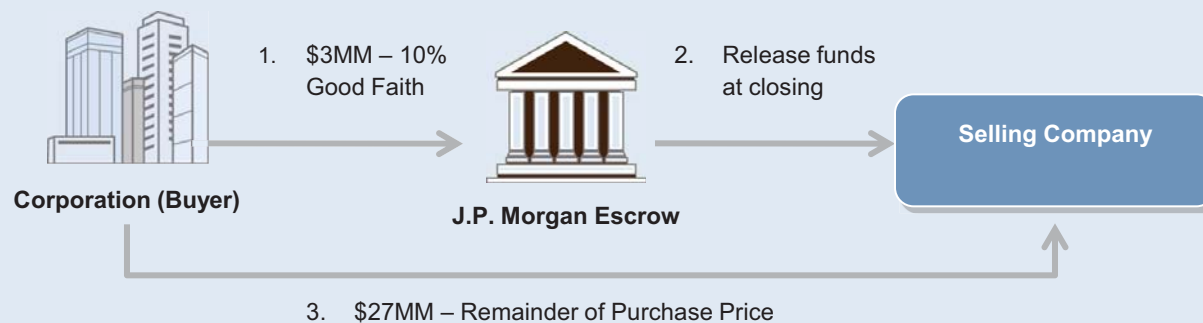
M&A Good Faith Deposit

CASE STUDY

Transaction Overview & Structure

- SITUATION**
- A company is selling a building for \$30 million to a large corporation.
 - The closing for the sale will take place in 90 days. The buyer must make a good faith deposit upon acceptance of their offer to purchase.
 - Escrow is a tool often used in a real estate transaction.

- SOLUTION**
- J.P. Morgan Escrow – a tri-party agreement where the Buyer deposits -10% of the purchase price – in escrow for the benefit of the Seller.
 - Upon receipt of the funds, J.P. Morgan notifies the Seller.
 - At closing the corporation delivers the remainder of the purchase price to the Seller.
 - In accordance with the escrow agreement, J.P. Morgan delivers the proceeds of the Escrow Account to the Seller and closing is complete.

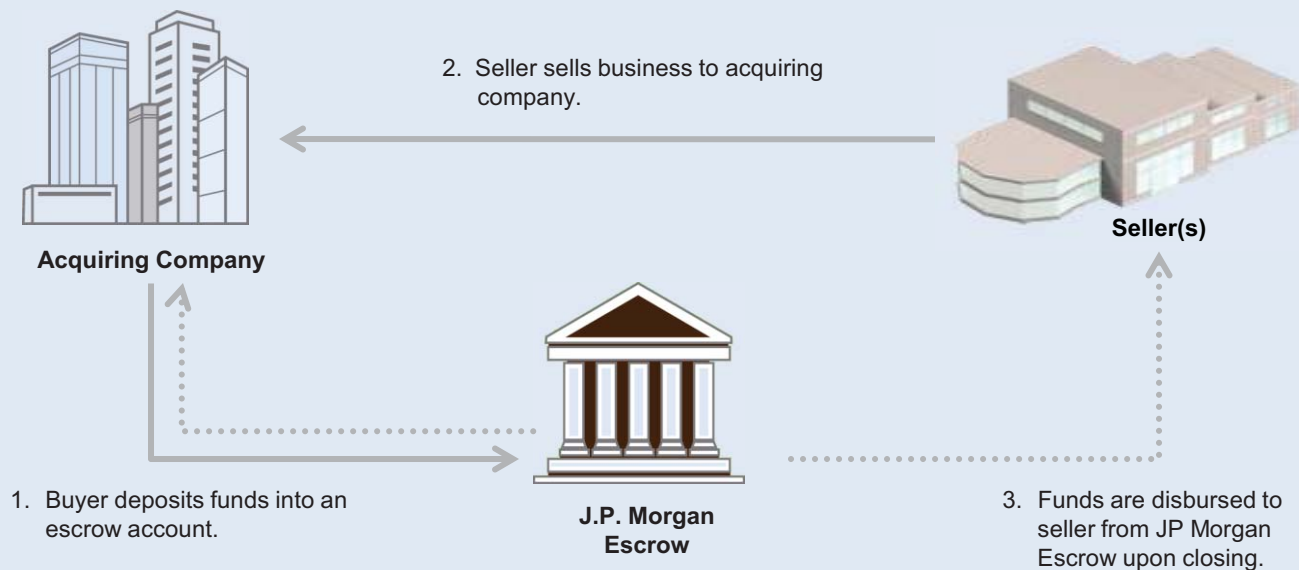


M&A Pre-Funding Escrow

Transaction Overview & Structure

- SITUATION**
- A Company is acquiring another well known company.
 - A Pre-funding escrow is created to facilitate the purchase and centralize different funding sources used in the acquisition.

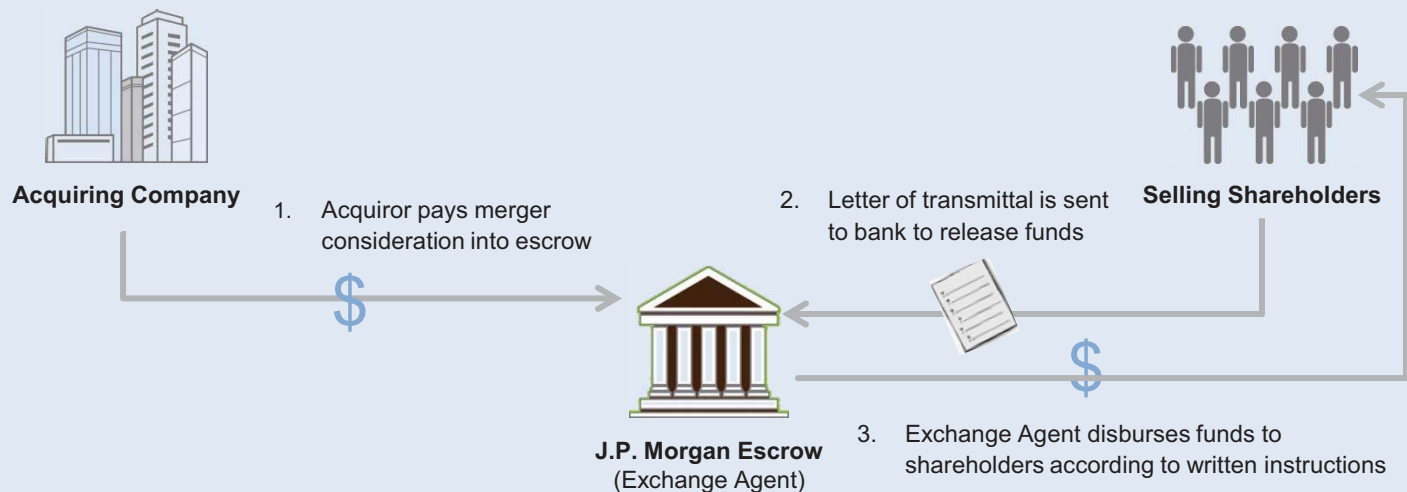
- SOLUTION**
- A J.P. Morgan Escrow Account was established as a pre-funding account whereby the buyer funded all or a portion of the purchasing funds prior to the closing of the transaction.
 - A J.P. Morgan Escrow eliminates potential risk that investors may not fund due to timing issues arising from time zone differences between investors and where closing is occurring. This account ensures that funding from all sources occurred and disbursement was executed flawlessly.



Transaction Overview & Structure

SITUATION An Auto Manufacturing Company is acquiring another well known auto company. The Auto Manufacturer wants to ensure that the tabulation of tenders, reporting, calculation and disbursement of consideration and tax reporting is executed accurately and securely.

SOLUTION J.P. Morgan Escrow – a well capitalized global bank – acts as Exchange Agent. On day of acquisition, Selling Shareholders send Letter of Transmittal to J.P. Morgan to release funds. Upon verification of Letter, J.P. Morgan disburses funds to Shareholders according to written instructions. Tax Reporting is provided to Shareholders.



Corporate Debt Proceeds Escrowed pending Contingency

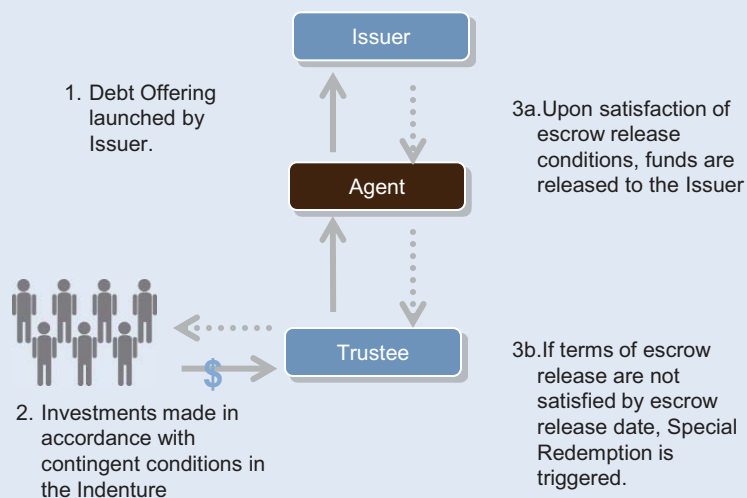
CASE STUDY

Transaction Overview & Structure

- SITUATIONS**
- A company is launching a bond offering (in the US and in Europe) to finance the acquisition of an Australian target. Investments on the bonds are made with the assumption the Issuer will complete the acquisition (e.g. regulatory approval and an underlying restructuring are pending).
 - A company is undergoing a refinancing plan to improve its debt maturity profile. By offering senior secured notes, they are able to strengthen its balance sheet while also removing costly debt at a discount.

- SOLUTION**
- Net proceeds of the Notes offering are placed into a J.P. Morgan escrow account along with cash provided by the Issuer to ensure sufficient funding of the Special Redemption.
 - Upon satisfaction of conditions secured under the Indenture, J.P. Morgan Escrow will release funds to Issuer for use(s) pursuant to terms of the agreement.
 - If terms of the indenture are not satisfied by the “Escrow End Date”, escrowed funds will be used to purchase the Notes at a price often equal to the sum of the issue price with coupon plus accrued and unpaid interest.

Debt Proceeds Escrowed Pending Contingency



J.P. Morgan is a Leader in the Bond Escrow Market

Europcar – EUR 300 MM cash bond proceeds plus coupon pre-payment into Escrow pending completion of a refi.

Inaer Aviation – EUR 60 MM cash bond proceeds plus coupon pre-payment into Escrow contingent on the closing of the acquisition of an Australian target.

Sappi Paper – USD 800 MM cash bond proceeds plus coupon pre-payment into Escrow pending completion of a refi.

KazMunaiGas – USD 250 MM cash bond proceeds plus coupon pre-payment into Escrow pending a refi.

SAS Airlines – SEK 1.6 BN cash bond proceeds in escrow pending a stock issuance.

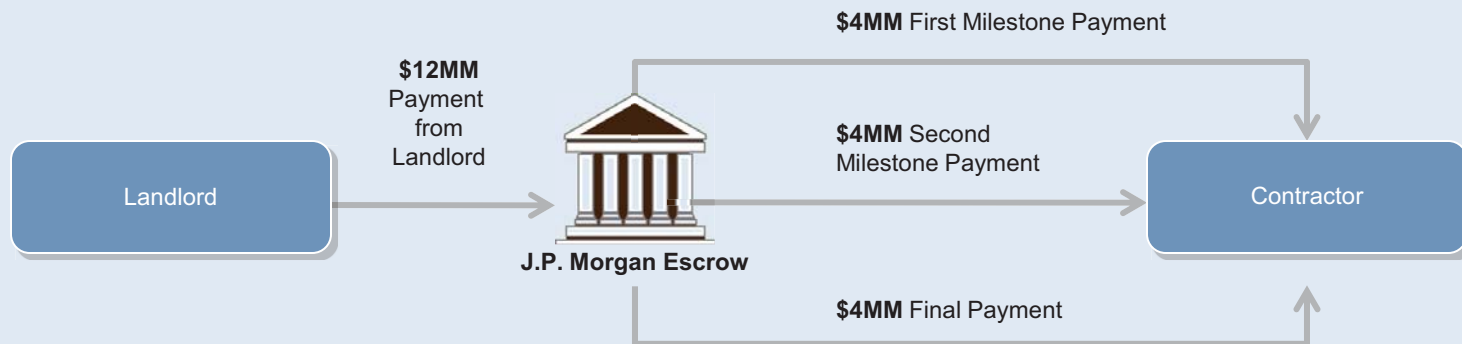
PetroSaudi – USD 250 MM cash bond proceeds in escrow pending the acquisition of a drill ship.

Construction / Project Escrow

Transaction Overview & Structure

- SITUATION**
- The owner of a large commercial building has recently signed a new tenant and agreed to make extensive improvements to the building to secure the lease. The full cost for the improvements is expected to be \$12 million.
 - To ensure progress proceeds as expected, the landlord agrees to place funds in escrow and an agreement is structured to allow “milestone payments” to be made to the contractor based on predefined construction milestones.

- SOLUTION**
- An Escrow Account is opened using a Construction Fund Escrow Agreement.
 - The contract calls for the full price of the improvements to be placed in Escrow up front.
 - Upon notice from the owner or a designee that the given milestone has been reached, J.P. Morgan will execute the milestone payment to the Contractor.

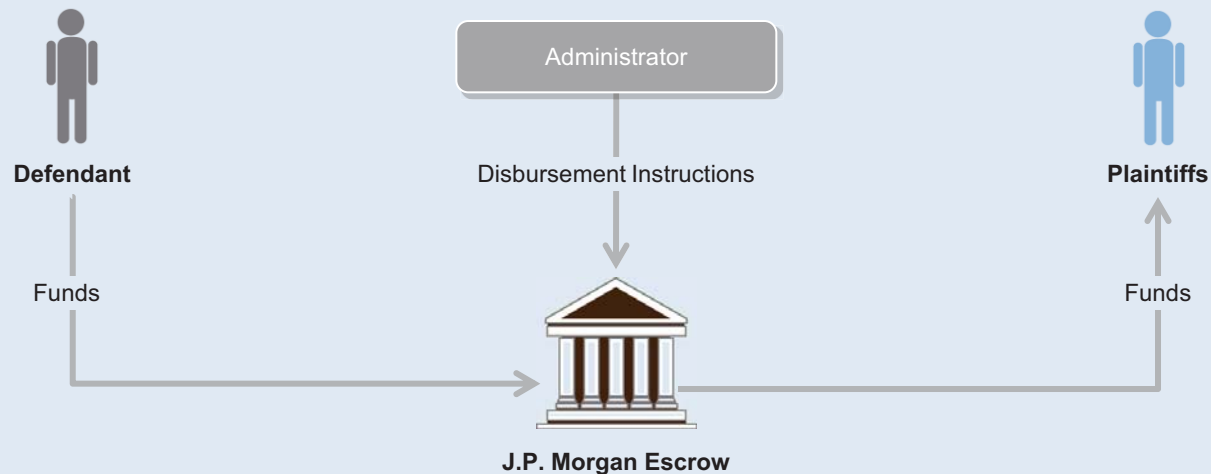


Litigation Escrow – Class Action Settlement

Transaction Overview & Structure

- SITUATION**
- An auto manufacturing company is a defendant in a class action lawsuit where the plaintiffs are successful.
 - The auto manufacturing company wishes to pay the settlement amount and put the case behind them.

- SOLUTION**
- The auto manufacturing company pays the settlement into an escrow account at J.P. Morgan.
 - The court appoints an administrator to disburse the settlement funds allowing the auto manufacturer to fulfill their obligation.
 - Plaintiffs receive their settlement amounts from the escrow account via disbursement instructions of the administrator.



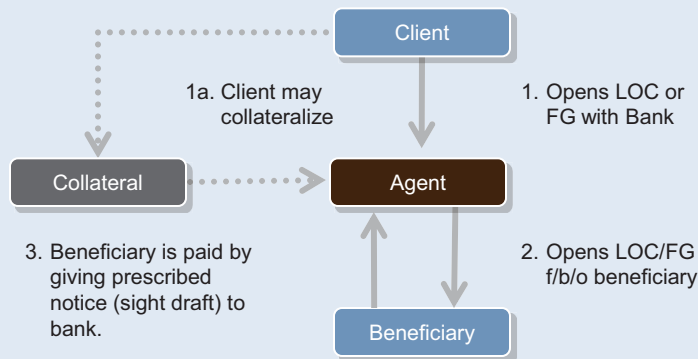
Escrow as a substitute for Letter of Credit or Financial Guarantees

Transaction Overview & Structure

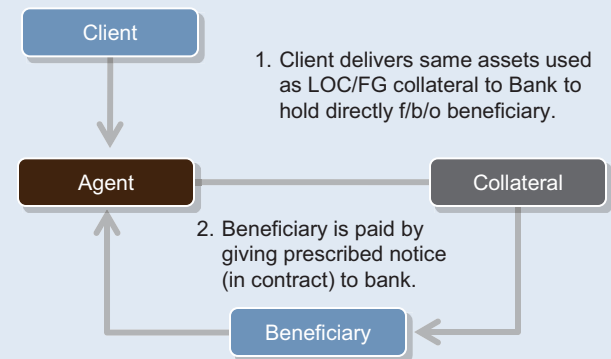
- SITUATION**
- A company wishes to buy specialized materials abroad for a renovation project.
 - The supplier will deliver goods and give the client terms of 60 days to pay, as long as the company can provide proof of ability to pay.
 - The company has traditionally used Letters of Credit for this purpose, but this time also considers the option of establishing an escrow account.

- SOLUTION**
- Escrows, Letters of Credit and Financial Guarantees all operate in a similar fashion and help to mitigate risk.
 - Escrows have a similar structure: a beneficiary is paid by giving notices prescribed in the documentation.
 - Escrows can be used as an alternative to Letters for Credit for those companies that chose not to borrow funds or find the escrow alternative to be less expensive.

LOC/Financial Guarantee Structure



Escrow Structure



Cash as Collateral

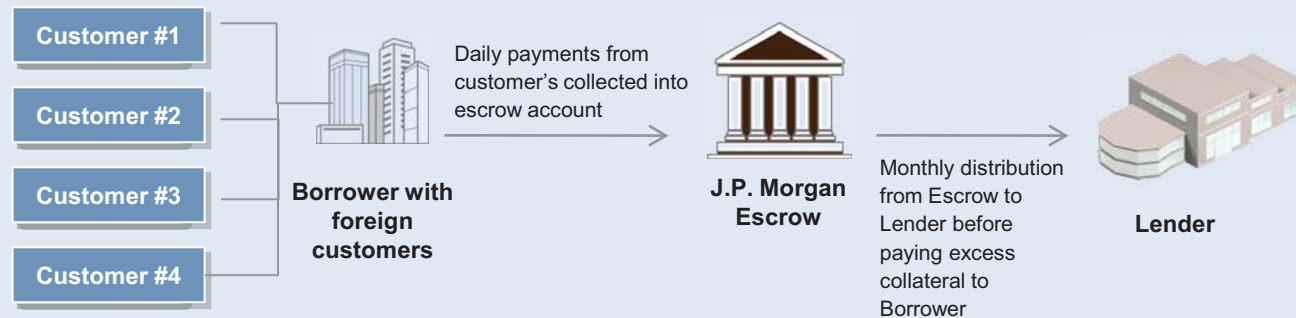
Transaction Overview & Structure

SITUATION

- A lender provides a credit line to a borrower that is to be secured by borrower's trade receivables
- Due to default concerns with the borrower, the lender wants to ensure that the customers of the borrower make payments to a location where they will be certain to repay the credit line.

SOLUTION

- The borrower sets up an escrow account with JPMorgan to receive payments from the borrower's customers.
- On a monthly basis the lender provides instructions to repay the credit line its amount due before releasing excess funds to the borrower.



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