

ESCROW SERVICES

WHY A GOOD ESCROW AGENT IS CRUCIAL IN YOUR NEXT DEAL

When companies engage in mergers, acquisitions or real estate transactions, all eyes are on closing the deal. With so much at stake, most businesses can't afford to jeopardize or delay the long-awaited closing. However, choosing an escrow agent – often a mandatory step in the process – is frequently low on the priority list, even though a successful closing may, in fact, rest on the escrow services you choose. Here's some advice on choosing the best escrow agent to help facilitate your next transaction.

ESCROW: A DEFINITION

Generally, "escrow" is a way of exchanging property or money using a neutral third party, typically a large financial institution that offers escrow services or an independent escrow company. The escrow agent retains custody of the assets – cash, securities and deeds, to name a few – until certain conditions are met, at which time those assets are released.

Given the many reasons that companies may need an escrow account, it is important to screen escrow services providers to make sure they meet the specific needs of all parties.

While there are countless uses for escrow services, a few common examples include:

- Holdbacks on mergers and acquisitions
- Holding earnest money on real estate transactions
- Court case settlements
- Technology/intellectual property

Escrow can be beneficial to both parties involved in the transaction, as the escrow agent not only holds the assets for safekeeping as a neutral third party, but also processes all disbursements required by the escrow agreement and provides accountings of all transactions.

CHARACTERISTICS OF A GOOD ESCROW AGENT

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Here are five characteristics you should consider when choosing an escrow agent for a commercial transaction:

- **Rapid turnaround.** In many transactions, the escrow arrangement is often the last consideration in a long and often difficult process. When it comes to closing a deal, selecting a responsive and dependable provider that can set up an escrow account under tight time constraints – sometimes within a matter of hours – is of paramount importance.

- **Expertise.** Look for an escrow services provider whose staff has the ability to service different types of escrow accounts for a variety of situations. A trained and experienced escrow team can usually deliver a smoother transaction with fewer hassles for your company.
- **Quality investment options.** Frequently, the primary goal of an escrow arrangement is to protect or preserve a sum of money until it can be released to its rightful owner. Therefore, your escrow agent should be able to offer a comprehensive range of high quality money market mutual funds and/or other daily liquidity products that are designed to preserve capital.

Be wary of investment options that carry an undue amount of risk to principal.

- **Comprehensive capabilities.** Your escrow agent should provide all of the services necessary to ensure a smooth transaction throughout the entire process – from review and preparation of the escrow agreement and instructions to the ultimate disbursement of the funds. That way, your business will not have to shoulder the administrative burden usually associated with managing an escrow account.

Your escrow agent should:

- Review the escrow agreement and instructions
 - Establish the escrow account as specified under the agreement
 - Comply with depository duties and disburse funds as provided under the agreement
 - Provide statements and reporting as required
 - Assist in resolving issues related to escrow
- **Superior client service.** Finally, you want your escrow agent to provide expert service to all parties involved in the transaction. If you choose escrow services from a reliable and trustworthy financial institution, a dedicated escrow professional will help you set up the account, make investment options available, and remain accessible throughout the entire process.

Web based reporting may also be important for your business, and should complement the more personalized service from your escrow professional.

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