

Q&A Frequently Asked Questions

1. Who is Deposit Alternative?

Deposit Alternative is a privately owned company founded in the United States in 2006. Its primary focus is providing Deposit Bonds for property purchases. Deposit Alternative is the first full-service deposit bonding company in the United States and is headquartered in Las Vegas.

2. What is a Deposit Bond?

A deposit bond is a new financial alternative for the deposit or down payment required on real estate purchases. A deposit bond can be used for all or part of the transaction's required deposit amounts, for as much as 20 percent of the purchase price, and can be issued for periods of 3 months to 48 months.

3. Are Deposit Bonds a New Product?

No. Deposit Bonds have been used successfully in many other countries including Australia and New Zealand for more than 10 years. The Deposit bond product is relatively new to the United States.

4. Why use a Deposit Bond?

With deposit bonds, there is no need to use cash for the required down payment when purchasing a property. Buyers using deposit bonds do not need to withdraw cash from their savings or investments, or obtain financing by using equity in another property. A deposit bond is also less expensive than traditional real estate financing.

5. Are Deposit Bonds Insured?

Yes. All Deposit Alternative deposit bonds are underwritten by QBE Specialty Insurance Company, a part of the QBE Insurance Group Limited (QBE).

6. Who is QBE Insurance?

QBE Insurance Group is one of the largest insurers and reinsurers worldwide. Its history dates back more than 120 years. Since then, QBE has expanded to operations in 41 countries with more than 8,000 staff worldwide and a market capitalization in excess of \$20 billion. QBE Specialty Insurance Company is rated "A+" by Standard & Poors and "A" by A.M. Best.

7. What is the Benefit to the Buyer?

Deposit bonds replace the requirement to outlay a cash deposit, allowing buyers to keep their money working for them right up until closing. Then, at closing, they pay the property's full purchase price.

8. What is the Benefit to the Seller and Developer/ Construction Financier?

An approved deposit bond assures sellers and developers that buyers have been pre-qualified as having the financial capability to complete the transaction. If the buyer does not close the property transaction, QBE pays the seller the full amount of the deposit bond.

9. Who can apply for a Deposit Bond?

Eligible applicants must be US, Australian or New Zealand citizens. Applicants can be individuals or couples. The applicant may be an existing property owner who wishes to purchase another property or investors who wish to expand their property portfolio.

10. How do I qualify for a Deposit Bond?

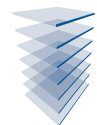
To qualify for a Deposit Bond you complete a Deposit Alternative application form and supply the supporting information required as noted in the application form.

Deposit Alternative will then underwrite and assess the application and determine whether you have the financial capacity to be able to close on the new property purchase. If you meet the criteria, we will issue you a Deposit Bond.

11. Why do Property Buyers like Deposit Bonds?

For many of today's property buyer's, the cash required for the deposit is often tied up in their current home or other investments. This can mean either expensive bridging finance or borrowing from a finance company/bank at high interest rates. Regardless of where the finance is obtained, interest charges, establishment fees and other up-front costs connected with the loan can be expensive and time-consuming to arrange.

For buyers that do have the cash available for the deposit, they would prefer to tie up a small portion of this, rather than the full deposit amount. This allows their deposit money to continue working for them, right up until closing when they pay the full purchase price.



DEPOSIT ALTERNATIVE

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Q&A

12. Is a Deposit Bond cheaper than other Deposit Financing Options?

Yes. For example, a 12-month Deposit Bond representing a \$60,000 deposit would cost a once only fee of approximately \$2,700, (plus applicable taxes and fees).

On the other hand, short-term finance for \$60,000 could cost: An application fee (say 1.0% of the amount to be borrowed) = \$600, plus Interest payable (assuming interest rate of 6.5%) = \$3,900. The total cost of bridging finance in this example is \$4,500.

In this simple example a Deposit bond is considerably less expensive than other financing methods, plus far more convenient to organize.

13. Will the seller accept my Deposit Bond?

The Deposit Bond is a legal document and it is at the sole discretion of the seller to accept a Deposit Bond. Given that, seller knows that a buyer with a Deposit Bond has been underwritten to ensure that the buyer has the financial capability to close on the property purchase, many sellers (and their financiers) will accept a Deposit Alternative Deposit Bond as an acceptable way of buying a property.

14. Does the Purchase and Sale Agreement need amending for the acceptance of a Deposit Bond?

It may, if not already included. If there is no reference to Deposit Bonds in the Purchase and Sale agreement, it is recommended to ask the seller to include the acceptance of Deposit Bonds in the Purchase and Sale agreement. This reference should be put in the deposit/earnest deposit section or can be a separate addendum to the contract. Deposit Alternative can provide the buyer or the seller with the wording for this, if required.

15. What is the Indemnity Agreement that is included in the Application Form?

Deposit Alternative's Deposit Bonds are issued on the understanding that the buyer will pay the seller the Deposit Bond amount on the closing date of the contract (as the buyer will pay the full purchase price of the property). The Indemnity Agreement is a legally binding right the buyer gives to QBE Insurance to pursue recovery against the buyer for any part of the Deposit Bond amount that must be paid to the seller by QBE if the buyer is under default under the Purchase and Sale agreement.

16. What happens if I default under the Purchase and Sale Agreement?

If the buyer defaults under the Purchase and Sale agreement, the seller is entitled to retain the Deposit Bond amount. The seller can claim this amount from QBE Insurance. This amount will be paid to the seller nominated in the agreement after QBE Insurance is provided with the request for payment and notice of termination of the Purchase and Sale agreement. QBE Insurance will then seek recovery from the buyer via the Indemnity Agreement, which is signed by the buyer as part of the application form.

17. As a seller, how do I make a claim when my buyer has defaulted on closing?

If a purchaser does not complete their purchase, the seller can make a claim directly to Deposit Alternative, by providing the following documents:

- A letter from the seller/seller's attorney to Deposit Alternative demanding payment of the deposit bond and stating the reason why. This letter must state that the purchaser has not completed their purchase obligation under the purchase agreement/contract and that the seller has not been paid the deposit by the purchaser;
- A copy of the notice from the seller to the purchaser, where the seller has cancelled/terminated the purchase agreement/contract due to the purchaser not meeting their obligation, entitling the Vendor to retain the deposit; and
- The original Deposit Bond.

18. Can I obtain a refund after the Deposit Bond has been issued?

It depends on the circumstances. If the buyer returns the unused, original Deposit Bond Certificate to us within 30 days of issue, an administration fee will be deducted and the balance will be refunded. If the development the buyer has bought in does not "break ground", the premium will be refunded on a pro-rata basis based on the time that the seller has held the Deposit Bond. An administration fee will also be deducted.

19. When does the Deposit Bond expire?

The Deposit Bond expires when one of the following occurs:

- The expiration date as noted on the Deposit Bond passes
- The Purchase and Sale agreement is completed (closed), terminated or rescinded
- When a claim is paid by QBE Insurance