



Two Embarcadero Center, Suite 1700
San Francisco, CA 94109

Federation of Exchange Accommodators

FIDELITY BOND / ERRORS & OMISSIONS

INSURANCE PROGRAM

Discounted Rates Tailored Coverage Financial Protection Marketing Advantage

FIDELITY BOND

WHAT'S COVERED

Losses you sustain resulting from dishonest acts of your employees, or losses your clients sustain resulting from dishonest acts of your employees, partners or owners.

WHAT IT COSTS *(Following rates are indications only, actual premiums may vary depending on risk factors)*

| Coverage Limit | Deductible | Number of Employees with Access to Money or Financial Records | | | | |
|----------------|------------|---|----------|----------|----------|----------|
| | | 5 or Less | 6 – 10 | 11 – 15 | 16 – 20 | 21 - 25 |
| \$250,000 | \$2,500 | \$1,282 | \$1,646 | \$2,010 | \$2,373 | \$2,736 |
| \$500,000 | \$5,000 | \$2,304 | \$2,821 | \$3,338 | \$3,856 | \$4,371 |
| \$1,000,000 | \$10,000 | \$4,106 | \$4,765 | \$5,424 | \$6,083 | \$6,743 |
| \$2,500,000 | \$15,000 | \$6,428 | \$6,602 | \$8,184 | \$9,063 | \$9,939 |
| \$5,000,000 | \$25,000 | \$9,261 | \$10,431 | \$11,602 | \$12,773 | \$13,943 |
| \$7,500,000 | \$50,000 | \$12,383 | \$13,917 | \$15,450 | \$16,983 | \$18,516 |
| \$10,000,000 | \$100,000 | \$16,718 | \$18,785 | \$20,851 | \$22,917 | \$24,982 |

ERRORS & OMISSIONS INSURANCE

WHAT'S COVERED

Claims against you alleging negligent acts, errors or omissions in the provision of professional services involving or related to 1031 exchange transactions. Insurance covers defense expenses, settlements, judgments and arbitration awards.

WHAT IT COSTS *(Following rates are indications only, actual premiums may vary depending on risk factors)*

| Coverage Limit | Minimum Deductible | Gross Annual Revenue Derived From 1031 Activities | | | | |
|----------------|---------------------------|---|-----------------------|-----------------------|-------------------------|---------------------------|
| | | < \$250,000 | \$250,000 - \$500,000 | \$500,000 - \$750,000 | \$750,000 - \$1,000,000 | >\$1,000,000 |
| \$250,000 | \$10,000 | \$3,314 | \$3,967 | \$4,511 | \$5,056 | <i>Rated Individually</i> |
| \$500,000 | \$10,000 | \$3,898 | \$4,666 | \$5,308 | \$5,948 | |
| \$1,000,000 | \$10,000 | \$5,848 | \$7,000 | \$7,961 | \$8,921 | |
| \$2,000,000 | \$10,000 | \$7,897 | \$9,453 | \$10,751 | \$12,048 | |
| >\$2,000,000 | <i>Rated Individually</i> | | | | | |

THE INSURERS

Liberty Mutual Insurance Company: A.M. Best Ratings of A (Excellent) XV (\$2 Billion or more in capital)
 Lloyd's of London: A.M. Best Rating of A- (Excellent) XV (\$2 Billion or more in capital)

HOW TO APPLY

Simply complete the application(s) and return, along with a sample exchange agreement to: Lockton Insurance Brokers, LLC, Attn: Claudia Porras, Two Embarcadero Center, Suite 1700, San Francisco, CA 94111
 Fax: (415) 992-4037, Phone: (415) 568-4037

FIDELITY BOND APPLICATION

Applicant _____

Address _____

Phone _____ Fax _____ Email _____

Coverage limit _____ Deductible _____

No. of employees _____ No. of locations _____ No. of Employees who handle, have custody or maintain records of money, securities or other property _____

Date Established _____ (If in business less than 3 years, please attach resumes of key personnel)

Does your organization engage in business activities other than that of an Exchange Intermediary? ___ Yes ___ No (If yes, please specify _____)

1. Has there been any Fidelity losses in the past three years? ___ Yes ___ No (If yes, please attach detailed information)
2. Is a CPA firm involved in the applicant’s financial reporting? ___ Yes ___ No
If yes, how often? Quarterly _____ Semi-Annually _____ Annually _____
What is the scope of the report? Compilation _____ Review _____ Complete Audit _____
3. Are proceeds from 1031 transactions held in bank accounts segregated from those of your operating funds? ___ Yes ___ No
4. Is written authorization from your client required by the bank in order to effect release of proceeds from the relinquished property and secure the purchase of the replacement property? ___ Yes ___ No
5. Is countersignature required for the release of funds, if not by client, by two principal officers or partners? ___ Yes ___ No
6. Is a written agreement maintained between you and each client stipulating the manner in which proceeds from relinquished property will be held and subsequently released for use in acquiring replacement property? ___ Yes ___ No (If yes, please provide a sample copy of your exchange agreement)
7. Does the bank retain a copy of this agreement with the client’s signature for each transaction? ___ Yes ___ No
8. Are bank accounts reconciled monthly by someone not authorized to deposit, withdraw or transfer funds? ___ Yes ___ No
9. Is monthly reconciliation of bank accounts involving exchange transaction proceeds performed within two weeks of receipt of the bank statement? ___ Yes ___ No
10. Does someone other than the owner review all discrepancies that may arise in the reconciliation process? ___ Yes ___ No. (If yes, please provide the position of that individual: _____)
11. Are background checks done on all employees prior to employment? ___ Yes ___ No

THE APPLICANT REPRESENTS THAT THE ABOVE INFORMATION FURNISHED IN THIS APPLICATION IS COMPLETE, TRUE, AND CORRECT. ANY MISREPRESENTATION, OMISSION, CONCEALMENT, OR ANY INCORRECT STATEMENT OF A MATERIAL FACT, IN THIS APPLICATION, OR OTHERWISE, SHALL BE GROUNDS FOR RESCISSION OF ANY POLICY ISSUED BASED UPON SUCH INFORMATION.

DATE: _____ AUTHORIZED SIGNATURE: _____

FLORIDA, KENTUCKY, MINNESOTA, MICHIGAN, NEW JERSEY, NEW YORK, & PENNSYLVANIA FRAUD WARNING: Any person who knowingly and with intent to defraud an insurance company or another person files an application for insurance containing any materially false information or conceals for the purpose of misleading information concerning any fact material thereto, commits a fraudulent insurance act, which is a crime and subjects the person to (NY, substantial) criminal and civil penalties.

COLORADO FRAUD WARNING: It is unlawful to knowingly provide false, incomplete, or misleading facts or information to an Insurance Company for the purpose of defrauding or attempting to defraud the company. Penalties may include imprisonment, fines, denial of insurance and civil damages. Any insurance company or agent of an insurance company who knowingly provides false, incomplete, or misleading facts or information to a policy holder or claimant for the purpose of defrauding or attempting to defraud the policy holder or claimant with regard to a settlement or award payable from insurance proceeds shall be reported to the Colorado Division of Insurance within the Department of Regulatory Agencies.

OHIO FRAUD WARNING: Any person who with intent to defraud or knowing that he is facilitating a fraud against an insurer, submits an application or files a claim containing a false or deceptive statement is guilty of insurance fraud.

ERRORS & OMISSIONS INSURANCE APPLICATION

Applicant _____
Address _____
Phone _____ Fax _____ Email _____
Coverage limit _____ Deductible _____
No. of locations _____ If located in other states, list states _____

1. Estimated number and revenue percentage of all exchanges by category:

| | | |
|-----------------|-------|-------|
| Simultaneous | _____ | _____ |
| Delayed | _____ | _____ |
| Reverse | _____ | _____ |
| Construction | _____ | _____ |
| Other (explain) | _____ | _____ |

2. What other professional services do you or your affiliates provide other than 1031 exchanges? _____

3. List your gross annual revenue derived from 1031 activities:
Current Projected _____ Past Year _____ Prior Year _____

4. Date Established _____ Year present management assumed control _____

5. Are proceeds from 1031 transactions held in bank accounts segregated from those of your operating funds? ___Yes ___No

6. Do you currently carry professional liability (E&O) insurance? ___Yes ___No
If yes, please provide the following information:
Effective Date _____ Limit _____ Deductible _____ Premium _____
Retroactive / Prior Acts Date _____

7. Has any past or present member of the firm been the subject of any regulatory action as a result of their professional activities? ___Yes ___No (If yes, please explain _____)

8. Have any professional liability (E&O) claims been made against the applicant or any of its predecessors in business, or any past or present owners, directors, officers, partners or employees in the past five (5) years? ___Yes ___No
If yes, please attach a narrative summary of each claim.

9. After inquiry of all owners, directors, officers, partners and key employees proposed for this insurance, is the applicant aware of any circumstance, errors, omission or offense which might reasonably be expected to result in a claim being made against the present owners, directors, officers, partners or employees? ___Yes ___No
If yes, please attach a narrative summary of each incident.

It is understood and agreed that with respect to Questions 7, 8 and 9 above, if such knowledge or information exists, any claim or action therefrom is excluded from the proposed insurance coverage.

THE APPLICANT HEREBY ACKNOWLEDGES AWARENESS THAT THE LIMIT OF LIABILITY SHALL BE REDUCED, AND MAY BE EXHAUSTED, BY THE COSTS OF LEGAL DEFENSE AND, IN SUCH EVENT, THE INSURER SHALL NOT BE LIABLE FOR THE COSTS OF LEGAL DEFENSE OR FOR THE AMOUNT OF ANY JUDGMENT OR SETTLEMENT TO THE EXTENT THAT SUCH EXCEEDS THE LIMIT OF LIABILITY. THE APPLICANT HEREBY FURTHER ACKNOWLEDGES AWARENESS THAT LEGAL DEFENSE COSTS THAT ARE INCURRED SHALL BE APPLIED AGAINST THE DEDUCTIBLE AMOUNT.

I HEREBY DECLARE that, after inquiry, the above statements and particulars are true and I have not suppressed or misstated any material fact and that I agree that this application along with all attachments shall become part of the policy

DATE: _____ AUTHORIZED SIGNATURE: _____

PRINT NAME: _____ TITLE: _____