

WaterCar, Inc

Deposit Agreement

Buyer is making a deposit with WaterCar, Inc for the purchase of a WaterCar according to the following terms and conditions ("Deposit Agreement"). This is a binding agreement between both parties.

This Deposit Agreement outlines the deposit terms for a production vehicle. It is anticipated that production will commence in late 2009. Delivery positions will be determined on a first deposit first delivery basis. This Deposit Agreement is subject to the following terms:

Python

Price: Estimating \$200,000.00

Deposit: \$5,000.00

Refundable: Yes less \$500.00 processing fee

Transferable: Yes

Gator

Price: Estimating \$29,500.00

Deposit: \$2,500.00

Refundable: Yes less \$250.00

Transferable: Yes

Now, therefore, in consideration of the mutual covenants set forth herein and other good and valuable consideration, Seller and Buyer agree as follows:

Section 1 DEPOSIT

Buyer agrees to pay the deposit amount set forth above (Deposit") for the delivery from WaterCar of one _____ with standard equipment. The Deposit shall be refundable as provided herein.

Section 2 POSITION LIST and DELIVERY

Section 2.1- Upon receipt of a signed Deposit Agreement and Deposit, WaterCar will assign buyer a delivery position ("Position Number") on the position list. Delivery positions are offered on a first come, first delivered basis and are subject to prior commitment and availability as determined by WaterCar at its sole discretion. Production vehicles designated for use by WaterCar for marketing campaigns, demonstrators, testing, or any other activities by WaterCar regarding vehicles not intended for resale are not considered within the Position List.

Section 2.2- WaterCar anticipates deliveries will begin in 2010. Actual production and delivery dates may vary.

Section 3 PURCHASE AGREEMENT

No later than 3 months prior to delivery, WaterCar will inform Buyer in writing of the expected initiation of the production of the vehicle ("Production Notice") and include a Purchase Agreement governing the purchase of the vehicle. Unless this Deposit Agreement has been

cancelled, Buyer shall, within 14 days of the date of the Production Notice, select any optional equipment or services for the vehicle and return to WaterCar a signed Purchase Agreement.

Section 4 PRICE and PAYMENT SCHEDULE

Section 4.1-The Estimated Price herein is the expected sales price for standard equipment at the time of this Deposit Agreement. The final price will be shown in the Purchase Agreement. Buyer shall make a non-refundable payment of 50% of the Purchase Price upon executing the Purchase Agreement. WaterCar must receive Purchase Agreement within 30 days of receiving the Production Notice. The balance of the payments shall be due no later than the actual Delivery Date.

Section 4.2-At Delivery Date, all deposits shall be applied to the Purchase Price provided Buyer completes the purchase.

Section 4.2- Deposits shall be held in an escrow account. WaterCar is responsible for the costs of the escrow and is entitled to any interest earned on the deposited funds. Buyer agrees to provide any information requested by the escrow agent including, without limitation, information to confirm the escrow agents compliance with state and local laws against terrorism and money laundering activities. The escrow agent is only authorized to accept instructions from WaterCar. If a Buyer cancels the Deposit in accordance with the Deposit Agreement, WaterCar will direct the release and return of the Deposit (less cancellation charges) to the Buyer.

Section 4.3- The Purchase Price is exclusive of any sales or use tax, value-added tax, duties, registration fees or any charges that may be levied by government authorities in connection with the purchase, sale, transfer, use, registration, export, or import. Taxes required by law to be collected at the point of sale will be collected by WaterCar.

Section 5 TERMINATION

Section 5.1- Buyer may be refunded their deposit, less processing fee, at anytime prior to executing the purchase agreement.

Section 5.2-WaterCar may terminate this Deposit Agreement for cause, upon written notice to Buyer, if any of the following conditions exist:

- a. Buyer fails to enter into a Purchase Agreement within 30 days of the Production Notice or
- b. Buyer fails to make any payments in a timely manner or otherwise fails to comply with this Deposit Agreement

Section 6 LIMITATION of LIABILITY

NOTWITHSTANDING ANYTHING TO THE CONTRARY, THE MAXIMUM LIABILITY WATERCAR SHALL HAVE TO BUYER FOR ANY BREACH OF THIS DEPOSIT AGREEMENT SHALL BE A FULL REFUND OF THE DEPOSIT MADE BY BUYER. IN NO EVENT SHALL WATERCAR BE LIABLE FOR ANY CONSEQUENTIAL, INDIRECT, PUNATIVE, INCIDENTAL OR SPECIAL DAMAGES ARISING OUT OF OR RELATING TO THIS DEPOSIT AGREEMENT.

Section 7 GOVERNING LAW AND VENUE

This Deposit Agreement shall be governed by the laws of the State of California. Any and all disputes between the Parties shall held in an appropriate federal or state court located in Orange County in the State of California.

Section 8 TRANSFERABILITY

This Deposit Agreement is assignable or transferable by Buyer upon execution by Buyer and transferee of a transfer form provided by WaterCar.

Section 9 WARRANTIES

BUYER AGREES THAT, EXCEPT AS EXPRESSLY SET FORTH IN THE PURCHASE AGREEMENT, WATERCAR MAKES NO WARRANTIES, EXPRESS OR IMPLIED, AND SPECIFICALLY EXCLUDES AND DISCLAIMS THE IMPLIED WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A SPECIFIC PURPOSE OR USE. ALL OTHER OBLIGATIONS OR LIABILITIES OF WATERCAR, WHETHER UNDER A THEORY OF NEGLIGENCE OR STRICT LIABILITY, CONTRACT, TORT, OR OTHERWISE, ARISING OUT OF OR RELATING TO THE SALE, USE, OR OPERATION THE VEHICLE, OR OTHERWISE, ARE EXCLUDED BY WATERCAR AND HEREBY EXPRESSLY WAIVED BY BUYER.

Section 10 DELIVERIES

ALL DELIVERIES WILL FOB FOUNTAIN VALLEY, CALIFORNIA, U.S.A. 92708