

# PURCHASE AGREEMENT

This PURCHASE AGREEMENT (the "Agreement") is made this \_\_\_\_ day of \_\_\_\_\_ by and between **Travelers Acceptance Corporation**, a British Columbia Corporation located at 500-4180 Lougheed Highway, Burnaby, B.C. V5C 6A7 ("Travelers") and Chateau World Vacations Inc. a \_\_\_\_\_ Corporation, located at 10455 - 172nd Street, Edmonton, Alberta, T5S 1K9, CANADA ("Client") for the purchase of Client's contractual receivables from various parties arising out of past, present and future services performed or to be performed by Client for such parties (the "Contracts").

- Option to Purchase: Required Form.** Client offers to sell the Contracts to Travelers in accordance with the terms of this Agreement. Travelers shall have the right, but not the obligation, to purchase any and/or all of the Contracts offered by Client. All Contracts shall satisfy the requirements set forth herein and be on forms that are acceptable to Travelers in its sole discretion. Travelers shall give notice to Client of its intention to purchase any Contract within ten (10) business days of receipt from Client of a copy of the Contract and all other information required by Travelers relating to the Contract from Client.
- Purchase of Contracts.** Client shall provide Travelers with a credit statement on the obligor under each Contract offered to Travelers and any other information relating to the Contract that Travelers may require. If Travelers decides to purchase the Contract, Client agrees that all its right, title and interest in and to the Contract(s) shall be transferred and assigned to Travelers in accordance with the terms of this Agreement. Such assignment shall in no event constitute a delegation of duties to Travelers and Travelers shall have no responsibility or obligation whatsoever to perform any obligation of Client under the Contract(s). Client agrees to assist Travelers in giving notice to the obligor of the assignment, and to ensure that all payments on the Contracts are remitted to Travelers. In the event that Client receives any money from an obligor under a Contract subsequent to its sale or assignment to Travelers, Client shall immediately remit such monies to Travelers without offset or reduction.
- Purchase Price.** The Purchase Price for each Contract shall be calculated in the manner set forth on Schedule "A" attached hereto and incorporated herein. If Travelers decides to purchase a Contract, Travelers shall pay Client the purchase price of each Contract purchased, less the reserve indicated on Schedule "A" within ten (10) business days after receipt of all fully-executed, original documents required by Travelers to effectuate the transfer of the Contract to Travelers and after the determination to purchase has been made per Section 1.
- Reserve Fund.** Travelers shall withhold a percent as outlined on Schedule "A" of Purchase Price for each Contract, to be held as a reserve for defaulted contracts purchased pursuant to this Agreement (collectively, the "Reserve Fund"). The Reserve Fund shall be accounted for by Travelers, shall accumulate without interest, and shall partially secure the performance of Client's obligations hereunder, and shall be subject to right of offset by Travelers with respect thereto. After the first year and every six (6) months during the term of this agreement, Travelers shall review for remittance to Client any excess of (a) The amount retained as Reserve Amounts on the Contracts (collectively, the "Reserve Fund"), less the constant percentage in Schedule "A" of the remaining principal balance of the Portfolio required to be kept in the Reserve Fund at all times and (b) less the percentage (%) amount of all delinquent accounts. The Client grants to Travelers a security interest in the Reserve Fund. All reserves from all Clients are listed on Travelers audited financial statements as a liability.
- Client Representations and Warranties.** (a) Client represents and warrants that all collateral offered to Travelers is owned by Client free and clear of any and all interests held by third parties, including but not limited to, assignments, security interests, encumbrances, claims, liens and levies. (b) Client further represents and warrants that (i) each and every Contract offered hereunder is not subject to any claim relating to the quality of services provided or the performance by the Client of its obligations under the Contract and is a valid, bona fide agreement which is not subject to any dispute or offset of any kind by the obligor there under; (ii) Client will render all services in accordance with the terms and conditions of

each Contract funded hereunder; (iii) each and every Contract is lawful and not in violation of any federal or provincial law or regulation now or hereafter in effect, and (iv) there is no pending or threatened litigation against Client which would materially affect Client's ability to perform each and every one of its obligations under this agreement or under any Contracts and, (v) the information shown in the contracts and supporting documents is accurate and is as originally stated by the obligor. (c) All representations and warranties are covenants made at the time of offer and funding of a Contract and shall survive the closing of any funding. Client will defend, indemnify and hold harmless Travelers and its affiliates, representatives and successors, from any loss, damage or expense, including attorneys' fees, resulting from any breach of any representations or warranties made herein. (d) The client warrants that it will defend, indemnify and hold harmless Travelers and its affiliates, representative and successors from any loss or damage or expenses including lawyers fees and expenses, resulting from vicarious liability in connection with this agreement, or contract(s) purchased from Client or serviced by Travelers on behalf of the Client.

6. **Occurrence of Default by an Obligor.** Notwithstanding any language to the contrary in a Contract, any of the following events shall constitute a default of an obligor under a Contract purchased hereunder: (i) an obligor cancels a Contract under the provisions of the Contract, (ii) an obligor becomes incapacitated, disabled, dies or files bankruptcy, (iii) an obligor becomes delinquent for any sum due by three or more payments and/or becomes delinquent for any sum due by three or more months, whichever occurs first, (iv) a Contract is deemed legally void or voidable, (v) cancellation under applicable provincial or federal legislation of the Contract in full or partial.
7. **Remedies of Default by an Obligor.** Upon the occurrence of a default by an obligor under Section 8 above, Travelers shall have the following remedies which may be exercised in any order: (i) the right to require the Client to repurchase of the Contract for the Repurchase Price as described in Schedule "A", or (ii) by replacement from the Client, with a new contract(s) acceptable to Travelers, (iii) by an offset of funds otherwise due from Travelers and/or its subsidiaries or affiliates to Client. Any refunds due on the contract shall be the sole responsibility of the Client.
8. **Disputed Contracts.** In addition to the provisions of Section 7 above, in the event that any obligor under any Contract purchased by Travelers asserts any claim or defence to its enforcement, Client shall use its best efforts to resolve, to the obligors satisfaction, any problem to which the claim or defence relates. Client expressly agrees that on demand from Travelers, Client will repurchase any Contract as to which the obligor has not withdrawn this claim or defence within ten (10) days from the date Client receives written notice of same; or Travelers may offset any funds otherwise due from Travelers to Client. A repurchased Contract may be resubmitted to Travelers if the obligor withdraws the defence or claim to Travelers satisfaction. Contracts shall be repurchased for the amount as calculated on Schedule "A".
9. **Occurrence of Default by a Client.** The occurrence of any of the following events shall constitute a default by the Client hereunder: (i) Client defaults under a Contract, (ii) Client breaches any representations, warranties and/or covenants made herein, (iii) Client fails to pay any sum when due hereunder, of (iv) Client files for voluntary or involuntary protection under the bankruptcy statutes or is otherwise insolvent. (v) Client collects money due to Travelers on purchased contracts and does not forward money within ten (10) days (vi) Client becomes insolvent, is placed in receivership or becomes bankrupt.
10. **Remedies of Default by a Client.** Upon the occurrence of a default by a Client, Travelers shall have the following remedies, any or all of which may be exercised by Travelers without notice, in its sole discretion, in any order and without prejudging its right to any other remedy: (i) by an offset of funds otherwise due from Travelers and/or subsidiaries or affiliates to Client, (ii) by the direct payment of cash from the Client to Travelers, (iii) to exercise any and all other remedies, legal and equitable, available to Travelers under this Agreement and/or applicable laws, or (iv) to immediately terminate this agreement, (v) by an offset to any money otherwise due from Travelers to Client, (vi) by realizing on any other security if given by the client, its subsidiaries and/or affiliates or guarantors to Travelers.

11. **Other Obligations of Client.** During the term of this Agreement, the Client agrees: (i) to provide Travelers within (90) days of its fiscal year end, "Financial Statements" signed by a qualified firm of accountants and Company officers. A late reporting fee of \$100 per month may be charged when considered appropriate. Failure to provide the preceding documents may at Travelers sole discretion constitute a default by a Client under section 9 and Travelers may exercise its right to remedies under this agreement section 10.
12. **Goods and Services Tax or Harmonized Sales Tax ("ST")** Client acknowledges and agrees that Travelers is providing a financial service to Client and as such is not obligated to make any remittances or payments of any nature to the applicable government agencies for any ST payable on the Contracts. Client will collect the ST from the obligor and remit same to the applicable government department or agency. Client agrees to pay any and all ST payable pursuant to any Contract assigned or transferred hereunder. Client hereby expressly indemnifies Travelers for Client's failure to comply with this paragraph.
13. **Termination.** Either party may terminate this Agreement at any time upon thirty (30) days written notice to the other at the last known address of record. Such termination shall not affect any Contract purchased under sections 2, 5 or 7 of this Agreement or any obligation, previously made hereunder.
14. **Assignment.** Client acknowledges and agrees that Travelers may sell, transfer, encumber or assign this Agreement and/or any Contract purchased by Travelers hereunder without Client's consent. This Agreement is binding on Client's successors and assigns. Client may not assign this Agreement or any of its rights or obligations hereunder without the prior written consent of Travelers. Any such assignment in violation of this provision shall be null and void.
15. **Limited Power of Attorney.** If Travelers receives a cheque, bank draft, money order or other negotiable instrument payable to Client with respect to a Purchased Contract; Client hereby nominates, constitutes and appoints Travelers as its true and lawful attorney in fact, with full right title and authority to endorse and negotiate such instrument in the Client's name, place and stead, and shall otherwise co-operate with respect to such endorsement and negotiation.
16. **Entire Agreement.** This Agreement constitutes the entire Agreement between the parties with respect to the subject matter herein. All prior to contemporaneous agreements, understanding, representation, warranties and statements, oral or written relating to the subject matter hereof are superseded. No modification or amendment to this Agreement shall be binding unless in writing and executed by both parties.
17. **Other Terms and Conditions.** This Agreement shall be construed according to British Columbia law, without regard to principles of conflicts of laws. In the event any action is brought for enforcement or interpretation of this Agreement, the prevailing party shall be entitled to attorneys' fees and costs incurred in said action. Nothing in this Agreement shall be construed so as to constitute or deem the relationship between the parties as a partnership or joint venture. This Agreement shall become effective when executed and accepted by Travelers Acceptance Corporation #500-4180 Lougheed Hwy, Burnaby BC V5C 6A7.

In Witness whereof the parties have executed this Agreement as of the date first above written

**CHATEAU WORLD VACATION INC.**

**TRAVELERS ACCEPTANCE CORPORATION**

\_\_\_\_\_  
Authorized Signature

\_\_\_\_\_  
Mike McKay, Vice President

\_\_\_\_\_  
Authorized Signature

\_\_\_\_\_  
Karl Sigerist Jr., Chief Operating Officer

**Schedule "A"**  
**Purchase Price Agreement**

1. **Purchase Price.** The Purchase Price of the Contracts shall be the principal balance, less a discount of Five Percent (5%) for "A" and "B" clients owed by the person(s) named therein for Contracts payable in sixty (60) months or less.
2. **Reserve Amount.** All Contracts purchased shall be with a Reserve. Purchased Contracts shall be graded as a Plan A, B, C or D by Travelers at its sole discretion. Plan A and Plan B Contracts shall be purchased with a Reserve equal to Ten Percent (10%) of the principal balance and Plan "C" and "D", if purchased, shall have a Reserve equal to Ten (10%). The Purchase Price, less the Reserve amount, shall be paid within ten (10) business days after receipt of all fully-executed, original documents required by Travelers to effectuate the transfer of the Contract to Travelers. The Reserve Amount shall be payable subject to Section 3 of the Agreement subject to the right of offset as set forth in the Agreement.
3. **Plan C Contracts.** Travelers shall be entitled to a monthly fee, until the Contract is Purchased or closed, (the "service Fee") equal to \$15 per month of the monthly payment collected on the Contract for each Plan C Contract and a one-time \$5.00 set up fee for each Plan C Contract. After eight (8) consecutive monthly payments by the obligor under the Contract, Travelers may, at its sole discretion, Purchase the remaining principal balance at the Purchase Price less the Reserve for Plan C. The Purchase Price shall be paid as described in Section 1 of this Schedule "A".
4. **Plan D Contracts.** Travelers shall be entitled to a monthly fee, until the Contract is Purchased or closed, (the "service Fee") equal to \$15 per month of the monthly payment collected on the Contract for each Plan D Contract and a one-time \$5.00 set up fee for each Plan D Contract. After twelve (12) consecutive monthly payments by the obligor under the Contract, Travelers may, at its sole discretion, Purchase the remaining principal balance at the Purchase Price less the Reserve for Plan D. The Purchase Price shall be paid as described in Section 1 of this Schedule "A".
5. **Repurchase Price.** The Repurchase Price shall include the total outstanding principal balance and any other monies due under the Contract that are due and payable. A \$50.00 Repurchase Fee will be assessed in addition to the Repurchase Price.
6. **Interest Rate.** The above Purchase Price is applicable to contracts written with at least a fourteen and one-half percent (14.50%) annual percentage interest rate. Contracts at rate lower than 14.50% may be purchased at a discount, with the percentage discount equal to the difference between the contract rate and the present value at 14.50% rate required.
7. **Notice.** The foregoing Purchase Price and Interest Rate are based upon current interest rates and economics and are subject to change over time. Travelers reserve the right to adjust the Purchase Price and Interest Rate upon written notice to the Client.