

File a Plan:[2:09-bk-03594-RTBP ILX RESORTS, INC.](#)

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Case Flag: JointAdmin

U.S. Bankruptcy Court**District of Arizona**

Notice of Electronic Filing

The following transaction was received from JOHN J. HEBERT entered on 10/2/2009 at 11:16 AM AZ and filed on 10/2/2009

Case Name: ILX RESORTS, INC.**Case Number:** [2:09-bk-03594-RTBP](#)**Document Number:** [309](#)**Docket Text:**

First Amended Chapter 11 Plan - *Debtors' First Amended Joint Plan of Reorganization* filed by JOHN J. HEBERT of POLSINELLI SHUGHART, P.C. on behalf of ILX RESORTS, INC. (related document(s)[242] Chapter 11 Plan). (HEBERT, JOHN)

The following document(s) are associated with this transaction:

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5695b430a3a306cd4e0cbecc88dd87404a9ae7937e09c9576b3e230350418]]

2:09-bk-03594-RTBP Notice will be electronically mailed to:

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7 Attorneys for the Debtors

8
9 **IN THE UNITED STATES BANKRUPTCY COURT**
10 **FOR THE DISTRICT OF ARIZONA**

11 In re:
12 ILX RESORTS INCORPORATED, *et al.*
13 Debtors.
14 Address: 160 Portal Lane
Sedona, AZ 86336

15 This filing applies to:

- 16 ALL DEBTORS
17 SPECIFIED DEBTORS
18
19

Chapter 11 Proceedings

Case No. 2:09-bk-03594-RTB
Case No. 2:09-bk-03595-RTB
Case No. 2:09-bk-03596-RTB
Case No. 2:09-bk-03598-RTB
Case No. 2:09-bk-03599-RTB
Case No. 2:09-bk-03600-RTB
Case No. 2:09-bk-03601-RTB
Case No. 2:09-bk-03603-RTB
Case No. 2:09-bk-03604-RTB
Case No. 2:09-bk-03605-RTB
Case No. 2:09-bk-03606-RTB
Case No. 2:09-bk-03608-RTB
Case No. 2:09-bk-03609-RTB
Case No. 2:09-bk-03610-RTB
Case No. 2:09-bk-03612-RTB
Case No. 2:09-bk-03617-RTB

Joint Administration under
Case No. 2:09-bk-03594-RTB

22 **DEBTORS' FIRST AMENDED JOINT
PLAN OF REORGANIZATION**

23
24 ILX Resorts Incorporated ("ILX"), ILE Sedona Incorporated, ILX Tourist Station
25 Incorporated, ILX-Bruno LLC, Los Abrigados Partners Limited Partnership, Genesis Investment
26 Group Inc., Puerto Penasco Vacations Destinations, S. de R.L. de CV., Premiere Development
27 Incorporated, Sea of Cortez Premiere Vacation Club, S. de R.L. de C.V., Rocky Point Genesis
28 Incorporated, VCA Tucson Incorporated, VCA South Bend Incorporated, VCASB Partners General

1 Partnership, First Piggy LLC, Harbor Southwest Development Inc., and ILX Bell Rock Incorporated
2 (collectively the “Debtors”), as debtors-in-possession in the above-entitled jointly administered
3 Chapter 11 cases, by and through their attorneys, Polsinelli Shughart P.C., submit the following Joint
4 Plan of Reorganization (the “Plan”), pursuant to §1121(a) of the Bankruptcy Code.

5 **I. DEFINITIONS**

6 For purposes of this Plan, except as expressly provided or unless the context otherwise
7 requires, all capitalized terms not otherwise defined have the meanings ascribed to them in Section I
8 of the Plan. Any term used in the Plan that is not defined in the Plan but is defined in the Bankruptcy
9 Code or the Bankruptcy Rules retains the meaning ascribed to such term in the Bankruptcy Code or
10 the Bankruptcy Rules. Whenever the context requires, such terms include the plural as well as the
11 singular, the masculine gender includes the feminine gender, and the feminine gender includes the
12 masculine gender.

13 As used in this Plan, the following terms have the meanings specified below:

14 **Administrative Claim:** Every cost or expense of administration in the pending cases,
15 including, but not limited to, any actual and necessary expenses of preserving or disposing of the
16 assets of any one or more of the estates, any actual and necessary expenses incurred in operating any
17 one or more of the Debtors’ businesses post-petition and all Claims approved under §507(a)(1) of the
18 Bankruptcy Code, including professional fees and costs approved by the Court.

19 **Allowed Claim:** Allowed Claim shall mean a Claim:

20 (a) with respect to which a proof of claim has been filed with the Court within the
21 applicable period of limitation fixed by Rule 3003 of the Bankruptcy Rules or by any Order of the
22 Court setting a Bar Date, and to which no objection to the allowance of the Claim has been filed by
23 any one or more of the Debtors against whom a Claim was filed or any other party or as to which any
24 such objection has been determined by an order or judgment of the Court which is no longer subject to
25 appeal and to which no appeal is pending, or

26 (b) is scheduled in the list of creditors prepared and filed with the Court pursuant to
27 Rule 1007(b), of the Bankruptcy Rules, and not listed as disputed, or contingent or unliquidated as to
28 the amount.

1 An Allowed Claim shall not include unmatured or post-petition interest, penalties, fees
2 or costs, unless specifically stated in the Plan. A Claim shall be allowed only for the amount of
3 money or money's worth actually paid to any one or more of the Debtors, plus any interest allowed by
4 the Court or agreed upon by the debtor. Notwithstanding §502(a) of the Code and Bankruptcy Rules
5 3001 and 3003, for the purposes of the Plan, a Claim shall not be an Allowed Claim unless it satisfies
6 the definition of Allowed Claim under this Plan.

7 **Allowed Interest:** An Allowed Interest shall mean an Interest in any one or more of the
8 Debtors held by a person or entity, as of the Effective Date, and as to which Interest no objection has
9 been made within the time allowed for the making of objections, or as to which such Interest is
10 allowed by a final order, or an Interest as to which a timely and proper proof of interest has been filed,
11 and as to which proof of interest no objection has been made within the time allowed for making
12 objections.

13 **Allowed Priority Claim:** The Allowed Claim of a Claimant that is entitled to priority in
14 payment under 11 U.S.C. §507(a)(2) through (a)(8).

15 **Allowed Secured Claim:** An Allowed Claim to the extent that such Allowed Claim is secured
16 by a lien which is unavoidable, on property in which the estate has an interest, to the extent of the
17 value of the Creditor's interest in the estate's interest in such property as determined in light of the
18 purpose of the valuation and of the proposed disposition and use of such property. For purposes of
19 treatment under this Plan, an Allowed Secured Claim shall not include an Interdebtor Claim.

20 **Allowed Unsecured Claim:** An Allowed Claim to the extent that such Allowed Claim is not
21 secured by a lien on property in which the estate has an interest, including any Deficiency Claim.

22 **Bankruptcy Code:** 11 U.S.C. §101 *et seq.*

23 **Bankruptcy Court:** The United States Bankruptcy Court for the District of Arizona or any
24 other court that may have jurisdiction over this case or any proceeding arising under, in, or relating to
25 this case.

1 **Bankruptcy Rules:** Collectively, the Federal Rules of Bankruptcy Procedure and the local
2 rules of the Bankruptcy Court, as applicable to the Chapter 11 cases, as now in effect or hereafter
3 amended.

4 **Bar Date(s):** September 15, 2009, as established by Order of the Court entered August 3,
5 2009.

6 **Cash Flow Projections:** Those projections represented in the Cash Flow Statement included
7 in Exhibit "C" to the Disclosure Statement.

8 **Chapter 11:** Chapter 11 of the United States Bankruptcy Code, 11 U.S.C. §1101, *et seq.*

9 **Claim:** (a) a right to payment, whether or not such right is reduced to judgment, liquidated,
10 unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured or
11 unsecured, which right arose or accrued prior to the date of Confirmation, or; (b) a right to an
12 equitable remedy for breach of performance if such breach gives rise to a right to payment, whether or
13 not such right to an equitable remedy is reduced to judgment, fixed, contingent, matured, unmatured,
14 disputed, undisputed, secured, or unsecured, where such right arose or accrued prior to Confirmation,
15 or; (c) a claim arising under 11 U.S.C. §502(g).

16 **Claimant or Creditor:** Any person or entity that asserts a Claim.

17 **Class:** Any category of holders of Claims or Equity Interests classified by this Plan as
18 belonging to a single particular class pursuant to 11 U.S.C. §1123 (a) (1).

19 **Confirmation:** The signing by the Bankruptcy Court of the Confirmation Order.

20 **Confirmation Date:** The date upon which the Confirmation Order is entered upon the docket.

21 **Confirmation Hearing:** The hearing held by the Bankruptcy Court regarding Confirmation of
22 the Plan, as it may be continued from time to time.

23 **Confirmation Order:** The Order signed by the Bankruptcy Court pursuant to 11 U.S.C. §1129
24 confirming this Plan.

25 **Contingent Claim:** Any Claim for which a proof of claim has been filed with the Bankruptcy
26 Court: (a) which was not filed in a sum certain, or which has not accrued and is dependent on a future
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1 event that has not occurred and may never occur, and (b) which is listed in the Debtors' schedules as
2 contingent, and (c) which has not been allowed on or before the Confirmation Date.

3 **Court:** The United States Bankruptcy Court for the District of Arizona, which has jurisdiction
4 in this case.

5 **Debt Instrument:** A debenture, promissory note or other transferable instrument evidencing a
6 payment obligation.

7 **Debtors:** ILX Resorts Incorporated ("ILX"), ILE Sedona Incorporated, ILX Tourist Station
8 Incorporated, ILX-Bruno LLC, Los Abrigados Partners Limited Partnership, Genesis Investment
9 Group Inc., Puerto Penasco Vacations Destinations, S. de R.L. de C.V., Premiere Development
10 Incorporated, Sea of Cortez Premiere Vacation Club, S. de R.L. de C.V., Rocky Point Genesis
11 Incorporated, VCA Tucson Incorporated, VCA South Bend Incorporated, VCASB Partners General
12 Partnership, First Piggy LLC, Harbor Southwest Development Inc., and ILX Bell Rock Incorporated.

13 **Deficiency Claim:** An allowed unsecured claim for an amount by which an Allowed Claim
14 exceeds the value of any collateral securing such claim.

15 **Disbursing Agent:** ILX Resorts Incorporated as a Reorganized Debtor shall be the Disbursing
16 Agent and shall make distributions to holders of Allowed Claims under the Plan.

17 **Disclosure Statement:** The Debtors' Joint Disclosure Statement and any amendments,
18 exhibits, and supplements thereto.

19 **Disputed Claim:** A Claim that any Debtor listed as unliquidated, or disputed or contingent in
20 Debtors' Schedules or to which an objection has been filed which has not been resolved by a final
21 order of the Bankruptcy Court.

22 **Distribution Record Date:** The date established by the Debtors in the Plan, or the date fixed
23 by an Order of the Court establishing the date or dates for distributions to Claimants under the
24 Confirmed Plan.

25 **Effective Date:** The first business day after the thirtieth day after the entry of the
26 Confirmation Order. In the event the Confirmation Order has been stayed by a court of competent
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1 jurisdiction, the Debtors may elect to delay the Effective Date pending a resolution of the order
2 staying the Confirmation Order.

3 **Equity Interest:** The interest of any holder of an equity security of any one or more of the
4 Debtors, whether or not represented by any issued and outstanding shares of common or preferred
5 stock, or other instrument evidencing a present ownership interest in any one or more of the Debtors,
6 whether or not transferable, or any option, warrant, or right, contractual or otherwise, to acquire any
7 such interest.

8 **Equity Interests Stock:** Any shares of ILX Resorts Common Stock or Preferred Stock to be
9 issued to or retained by holders of ILX Resorts Common Stock or Preferred Stock as set forth in the
10 Plan.

11 **Exit Facility:** A credit facility in an amount sufficient to pay such cash amounts as are
12 required to be paid under the Plan by and among the Debtors and certain third party lenders.

13 **General Unsecured Debentures:** Debentures issued by the Debtors as payment for Allowed
14 Unsecured Claims.

15 **General Unsecured Debenture Distribution:** The aggregate debentures to be issued under
16 this Plan and allocated pro rata to all Allowed Unsecured Claims.

17 **HOA(s):** Homeowner associations which manage or otherwise relate to any timeshare resorts
18 in which any of the Debtors own or has sold any timeshare interests.

19 **Homeowners:** Any Person who has acquired a timeshare interest from any of the Debtors, or
20 affiliates of any Debtor, or owns a timeshare interest in an HOA managed by any of the Debtors.

21 **Interdebtor Claim:** Any Claim held by a Debtor against another Debtor.

22 **ILX Resorts:** A Debtor, ILX Resorts Incorporated.

23 **ILX Resorts Affiliates:** The direct and indirect non-debtor Subsidiaries of ILX Resorts, and,
24 in addition, the HOAs.

25 **ILX Resorts Affiliates Claims:** Any Claims held by any of the ILX Resorts Affiliates against
26 any of the Debtors in respect of an intercompany loan, advance or transfer.

27 **IRS:** The Internal Revenue Service.
28

1 **Interest Holder:** Any person or persons owning an Equity Interest in any one or more of the
2 Debtors as of the Effective Date.

3 **Joint Debtors:** All of the Debtors in this jointly administered case.

4 **Joint Plan:** The Plan of Reorganization, filed jointly by all of the Debtors in this jointly
5 administered case. The Joint Plan including any exhibits and schedules attached thereto, and including
6 any and all amendments is the Plan for each Debtor.

7 **New ILX Resorts Common Stock:** The Equity Interests Stock and such other common stock
8 of the Reorganized Debtor, ILX Resorts Incorporated, as is authorized under the Plan.

9 **New Obligations:** Those debts of any one or more of the Debtors which existed pre-
10 Confirmation, but which are modified by the confirmed Plan resulting in the creation of a new
11 obligation. The obligations for which the Reorganized Debtors have liability under the terms of the
12 Confirmed Plan. Said New Obligations shall not be considered in default unless and until any one or
13 more of the Reorganized Debtors defaults on said obligations after the Effective Date.

14 **Oversecured:** The term describing the Allowed Claim of a Secured Creditor when the value
15 of the collateral securing said Allowed Claim exceeds the amount of the debt serving as the basis for
16 said Allowed Claim.

17 **Person:** Any individual, corporation, partnership, limited liability company, joint venture,
18 association, joint stock company, estate, trust, unincorporated association or organization,
19 governmental agency, or associated political subdivision.

20 **Petition(s):** The original petitions under Chapter 11 filed by these jointly administered
21 Debtors.

22 **Petition Date:** The date on which the Debtors' Petitions were filed, March 2, 2009.

23 **Plan Rate:** The rate of interest referred to in the Plan, which is five percent (5%) per annum.

24 **Pro Rata Share:** The ratio of an Allowed Claim or Allowed Interest in a particular Class to
25 the aggregate amount of all Allowed Claims or Allowed Interests in that Class.

26 **Reorganized Debtors:** Each of the "Debtors" identified as "Debtors" in this Joint Plan (or any
27 exhibit or other schedule filed prior to the Effective Date) on and after the Effective Date.

1 **Subsidiary:** Any corporation, association or other business entity of which at least the
2 majority of the securities or other ownership interest(s) is owned or controlled by ILX Resorts and/or
3 one or more subsidiaries of ILX Resorts, including any HOAs.

4 **Tax Claim Rate:** The rate of interest, to be determined by the Bankruptcy Court at the
5 Confirmation Hearing, that, when applied to the amount of an Allowed Priority Claim to be paid in
6 installments will result in such installments being of an aggregate value, as of the Effective Date,
7 equal to the Allowed amount of such Claim, consistent with the requirements of 11 U.S.C.
8 § 1129(a)(9).

9 **Undersecured:** The term describing the Allowed Claim of a secured Creditor when the value
10 of the collateral securing said Allowed Claim is less than the debt which serves as the basis of said
11 Allowed Claim.

12 **Unsecured Claim:** An Allowed Claim against any Debtor which is not an Allowed Secured
13 Claim or Allowed Priority Claim.

14 **II. CLASSIFICATION OF CLAIMS AND INTERESTS.**

15 **A. Priority Claims – Class 1:**

16 **Class 1-A** consists of Allowed Priority Claims under 11 U.S.C. §507(a)(2)
17 (Administrative Claims).

18 **Class 1-B** consists of Allowed Priority Claims under 11 U.S.C. § 507(a)(4) (Wage
19 Claims).

20 **Class 1-C** consists of Allowed Priority Claims under 11 U.S.C. § 507(a)(8) (Priority
21 Tax Claims).

22 **B. Allowed Secured Claims – Class 2:**

23 **Class 2-A** consists of the Allowed Secured Claims of Textron Financial Corporation.

24 **Class 2-B** consists of the Allowed Secured Claims of Irwin Union Bank FSB.

25 **Classes 2-C and 2-C-1** consist of the Allowed Secured Claims of Resort Funding,
26 LLC.

27 **Class 2-D** consists of the Allowed Secured Claim of US Bank, National Association.

1 **Class 2-E** consists of the Allowed Secured Claim of M&I Marshall & Ilsley Bank.
2 **Class 2-F** consists of the Allowed Secured Claim of The Steele Foundation, Inc.
3 **Class 2-G** consists of the Allowed Secured Claim of Arizona Bank & Trust Co.
4 **Class 2-H** consists of the Allowed Secured Claim of Brentwood Credit Corporation.
5 **Class 2-I** consists of the Allowed Secured Claim of Netbank Business Finance.
6 **Class 2-J** consists of the Allowed Secured Claim of GMAC Financial Services.
7 **Class 2-K** consists of the Allowed Secured Claim of Maricopa County.
8 **Class 2-L** consists of the Allowed Secured Claim of Yavapai County.
9 **Class 2-M** consists of the allowed secured Claim of Coconino County.
10 **Class 2-N** consists of the Allowed Secured Claim of Navajo County.
11 **Class 2-O** consists of the Allowed Secured Claim of Gila County.
12 **Class 2-P** consists of the Allowed Secured Claim of Mohave County.
13 **Class 2-Q** consists of the Allowed Secured Claim of Pima County.
14 **Class 2-R** consists of the Allowed Secured Claim of St. Joseph County, Indiana.
15 **Class 2-S** consists of the Allowed Secured Claim of Larimer County, Colorado.

16 **C. Allowed Unsecured Claims: - Class 3**

17 **Class 3-A** consists of the Allowed Unsecured Claims of Trade Creditors

18 **Class 3-B** consists of the Allowed Unsecured Claims Arising from Rejected
19 Executory Contracts and Unexpired Leases.

20 **Class 3-C** consists of Allowed Unsecured Claims which are Disputed, Contingent or
21 Unliquidated.

22 **Class 3-D** consists of the Allowed Unsecured Claims of Outstanding Check Payees.

23 **Class 3-E** Consists of the Allowed General Unsecured Claims.

24 **D. Allowed Equity Interests – Class 4:**

25 **Class 4** consists of the Allowed Equity Interests in the Debtors, including ILX
26 Resorts Incorporated and ILX-Bruno LLC.

1 **III. IMPAIRMENT OF CLASSES**

2 **Classes 1-A, 1-B, 1-C**, are unimpaired under the Plan. All other Classes are impaired, as
3 that term is defined in 11 U.S.C. § 1124.

4 **III. TREATMENT OF CLASSES**

5 **A. Class 1 - Priority Claims**

6 **1. Administrative Claims: 1-A**

7 This Class consists of Allowed Priority Claims under 11 U.S.C. §507(a)(1) –
8 Administrative Claims. Unless they agree to an alternative form of treatment, the Allowed Claims
9 of Class 1-A shall be paid in full, in cash, by the latest of (i) the Effective Date or as soon thereafter
10 as is practicable, (ii) such date as may be fixed by the Bankruptcy Court or as soon thereafter as is
11 practicable, and (iii) such date as the holder of such Claim and the Debtors have agreed to or shall
12 agree to. Any Class 1-A Claim not allowed as of the Effective Date shall be paid as soon thereafter
13 as it is allowed by the Court according to the terms of this Class. This Class is not impaired.

14 **2. Wage Claims: 1-B**

15 This Class consists of Allowed Priority Claims under 11 U.S.C. §507(a)(3) –
16 wage claims. As provided in 11 U.S.C. §1129(a)(9)(B), unless they agree to an alternative form of
17 treatment, the Allowed Priority Claims of Class 1-B shall be paid in full, in cash, by the latest of (i)
18 the Effective Date or as soon thereafter as is practicable, (ii) such date as may be fixed by the
19 Bankruptcy Court or as soon thereafter as is practicable, and (iii) such date as the holder of such
20 Claim and the Debtors have agreed to or shall agree to. Any Class 1-B Claim not allowed as of the
21 Effective Date shall be paid as soon thereafter as they are allowed by the Court according to the terms
22 of this Class. This Class is not impaired.

23 **3. Tax Claims: 1-C**

24 This Class consists of Allowed Priority Claims under 11 U.S.C. §507(a)(8) –
25 tax Claims which are not otherwise treated as Secured Claims herein. As provided in 11 U.S.C.
26 §1129(a)(9)(C), unless they agree to an alternative form of treatment, the Allowed Priority Claims of
27 Class 1-C shall be paid in full, in cash, on or before the Effective Date, or, at the Debtors' option, such
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1 Allowed Claims shall be paid, on account of such Allowed Claim, deferred cash payments, over a
2 period not exceeding five years after the date of the Order for relief, of a value, as of the Effective
3 Date of the Plan, equal to the allowed amount of such Claim. Any Class 1-C Claims not allowed as of
4 the Effective Date shall be paid as soon thereafter as they are allowed by the Court according to the
5 terms of this Class. This Class is not impaired.

6 **B. Class 2 – Allowed Secured Claims**

7 **Class 2-A Allowed Secured Claims of Textron Financial Corporation**

8 Class 2-A consists of the Allowed Secured Claims of Textron Financial Corporation
9 (“TFC”). The Allowed Secured Claims of TFC are set forth below:

10 (1) Secured Construction and Mortgage Loan (“Mortgage Loan”) with a principal
11 balance listed in the Schedules in the approximate amount of \$11,065,687. The Claim is alleged to be
12 fully secured by a valid and perfected first lien on multiple parcels of real estate and personal
13 property, and the Allowed Secured Claim shall be paid in full, as modified by this Plan. The Allowed
14 Secured Claim shall be determined by the Bankruptcy Court or by agreement of the parties. The
15 Allowed Secured Claim shall accrue interest at the rate of 8½ % per annum. The maturity of the loan
16 will be extended and the maturity date will be December 31, 2012 when the Allowed Secured Claim
17 will be paid in full. The Debtors will make monthly payments of principal and interest based on a 20
18 year amortization of the Allowed Secured Claim at a 4% interest rate per annum. The difference
19 between the accrual interest rate and the interest rate paid will be deferred and added to principal
20 annually. In addition to the monthly principal and interest payments the Debtors will make the
21 following monthly principal payments:

22 Months 13-24: \$250 per annual Vacation Ownership Interest sold during the
23 respective month.

24 Months 25-36: \$750 per annual Vacation Ownership Interest sold during the
25 respective month.

1 TFC will retain a lien on its collateral to the same extent, validity and priority
2 that existed pre-petition. All defaults existing pre-petition and through Confirmation shall be deemed
3 cured and shall not constitute a default under this Plan.

4 (2) USFS Land Mortgage Loan with a principal balance listed in the Schedules in
5 the approximate amount of \$4,577,706. The Claim is alleged to be fully secured by a valid and
6 perfected first lien on a parcel of real estate in Sedona, Arizona and personal property, and the
7 Allowed Claim shall be paid in full as modified by this Plan. The Allowed Secured Claim shall be
8 determined by the Bankruptcy Court or the agreement of the parties. The Debtors will make monthly
9 interest only payments on the Allowed Secured Claim at the Plan Rate, unless the Bankruptcy Court
10 determines that another rate is more appropriate, in which case the Debtors shall make interest-only
11 payments at the rate determined by the Bankruptcy Court. The maturity of the loan will be extended
12 and the maturity date will be December 31, 2013 when the Allowed Secured Claim will be paid in
13 full. TFC will retain a lien on its collateral to the same extent, validity and priority that existed pre-
14 petition. All defaults existing pre-petition and through Confirmation shall be cured and shall not
15 constitute a default under this Plan.

16 In the alternative, the Debtors may elect to transfer and convey to Textron the
17 real property and any personal property securing this loan in full satisfaction thereof.

18 (3) TFC Hypothecation Line of Credit (“Receivables Loan”) with a principal
19 balance listed in the Schedules in the approximate amount of \$12,038,414. The Claim is alleged to be
20 fully secured and the Allowed Claim shall be paid in full as modified by this Plan. The Allowed
21 Secured Claim shall be determined by the Bankruptcy Court or agreement of the parties. The Allowed
22 Secured Claim shall accrue interest at the rate of 8½ % per annum and the maturity of the loan will be
23 extended and the maturity date will be December 31, 2012, when all accrued interest and outstanding
24 principal on the Allowed Secured Claim will be paid in full. The Debtors will make monthly
25 payments of principal and interest based on a 20 year amortization of the Allowed Secured Claim at a
26 4% interest rate per annum. The difference between the accrual interest rate and the interest rate paid
27 will be deferred and added to principal annually. TFC shall retain a security interest in the consumer
28

1 notes which were in existence on the Petition Date, and which were the collateral of TFC, however all
2 collections from these notes shall be paid to the Debtor. For consumer notes generated on or after the
3 Petition Date through the date the Receivables Loan is paid in full, TFC shall be granted a security
4 interest in the notes, but all collections from said notes shall be paid to Debtor.

5 In the event that the Debtors secure a replacement lender to acquire and/or loan
6 against some or all of consumer notes generated after the Petition Date, then TFC shall not be granted
7 a security interest in the consumer notes provided as security or sale to the replacement lender,
8 provided: 1) TFC retains a security interest in notes which are current (not to exceed 60 days past due)
9 totaling 110% of the outstanding principal and interest on the Receivables Loan and 2) the principal
10 and accrued interest of the Mortgage Loan divided by the number of unsold annual Vacation
11 Ownership Interests is not greater than \$2000.

12 The maturity date of the Receivables Loan will be December 31, 2012. TFC
13 will retain its lien on its collateral to the same extent, validity and priority that existed pre-petition.
14 All defaults existing pre-petition and through Confirmation shall be deemed cured and shall not
15 constitute a default under this Plan.

16 This Class is impaired under the Plan.

17 **Class 2-B Allowed Secured Claims of Irwin Union Bank, FSB**

18 Class 2-B consists of two (2) Allowed Secured Claims secured by Real Property and
19 Personal Property of one or more of the Debtors. The Allowed Secured Claims of Irwin Union Bank,
20 FSB (“Irwin Union”) consist of the following:

21 (1) Secured Real Estate and Personal Property Loan alleged to be encumbering a
22 timeshare hotel in Mishawaka, Indiana, with a principal balance listed in the Schedules in the
23 approximate amount of \$3,254,275. The Claim is alleged to be fully secured by a valid and perfected
24 first lien on real estate and personal property and the Allowed Secured Claim shall be paid in full, as
25 modified by this Plan. The Allowed Secured Claim shall be determined by the Bankruptcy Court or
26 agreement of the parties. The Debtors will make monthly interest only payments on the Allowed
27 Secured Claim at the Plan Rate, unless the Bankruptcy Court determines that another rate is more
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1 appropriate, in which case the Debtors shall make interest-only payments at the rate determined by the
2 Bankruptcy Court. In addition, the Debtors shall make the following principal payments:

3 December 31, 2010: \$ 50,000

4 December 31, 2011: \$100,000

5 December 31, 2012: \$500,000

6 December 31, 2013: \$500,000

7 The maturity of the loan will be accelerated to December 31, 2014 when the Allowed Secured Claim
8 will be paid in full. All defaults existing pre-petition and through Confirmation shall be deemed cured
9 and shall not constitute a default under this Plan.

10 (2) Secured Real Estate Loan alleged to be encumbering a residence in Sedona,
11 Arizona, with a principal balance listed in the Schedules in the approximate amount of \$767,268. The
12 claim is alleged to be fully secured by a valid and perfected first lien on real estate and the Allowed
13 Secured Claim shall be paid in full, as modified by this Plan. The Allowed Secured Claim shall be
14 determined by the Bankruptcy Court or agreement of the parties. The Debtors will make monthly
15 interest only payments on the Allowed Secured Claim at the Plan Rate, unless the Bankruptcy Court
16 determines that another rate is more appropriate, in which case the Debtors shall make interest-only
17 payments at the rate determined by the Bankruptcy Court. The maturity of the loan will remain June
18 26, 2016 when the Allowed Secured Claim will be paid in full, with the expectation that it will be
19 prepaid in 2014. Irwin Union will retain a lien on its collateral to the same extent, validity and
20 priority that existed pre-petition. All defaults existing pre-petition and through Confirmation shall be
21 deemed cured and shall not constitute a default under this Plan.

22 In the alternative, the Debtors may elect to transfer and convey to Irwin Union
23 the real property and any personal property securing this Sedona loan in full satisfaction of its allowed
24 claim secured by the collateral.

25 This Class is impaired under the Plan.

26 **Classes 2-C and 2-C-1, Allowed Secured Claims of Resort Funding, LLC**

27 Classes 2-C and 2-C-1 consist of the Allowed Secured Claims of Resort Funding LLC
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1 (“Resort Funding”). Class 2-C is a loan of approximately \$2.0 million secured by a first lien on real
2 property located in Sedona, Arizona. The Claim is alleged to be fully secured by a valid and perfected
3 first lien on real estate. The Allowed Secured Claim shall be determined by the Bankruptcy Court or
4 agreement of the parties. The Debtors will make monthly interest-only payments on the Allowed
5 Secured Claim at the Plan Rate, unless the Bankruptcy Court determines that another rate is more
6 appropriate, in which case the Debtors shall make interest-only payments at the rate determined by the
7 Bankruptcy Court. The maturity of the loan will be extended and the maturity date will be December
8 31, 2014 at which time the loan will be paid in full. Resort will retain its lien on its real property
9 collateral to the same extent, validity and priority that existed pre-petition. In the alternative, the
10 Debtors may elect to transfer and convey to Resort Funding the real property securing this loan in full
11 satisfaction thereof.

12 With regard to Class 2-C-1 claims, the timeshare contracts, Resort Funding holds a “reserve”
13 for defaults in the timeshare contracts which the Debtor sold to Resort Funding. This reserve is an ever-
14 changing journal entry, the calculation of which is based on customer defaults of timeshare receivables
15 the Debtor sold to Resort Funding in accordance with that certain “Contract of Timeshare Receivables
16 With Recourse.” This “reserve” serves as further collateral securing the recourse nature of the sale of
17 timeshare contracts to Resort funding. Such reserves will be in full satisfaction of any defaults on the
18 timeshare receivables sold. Resort shall continue to collect payments from the timeshare contracts
19 until its claim is paid in full.

20 All defaults existing pre-petition and through Confirmation shall be deemed cured and shall not
21 constitute a default under this Plan.

22 This Class is impaired under the Plan.

23 **Class 2-D Allowed Secured Claim of US Bank, National Association**

24 Class 2-D consists of an Allowed Secured Claim secured by real property and personal
25 property of one or more of the Debtors. The Allowed Secured Claim of US Bank (“USB”) arises from
26 a Secured Real Estate and Personal Property Loan with a principal balance listed in the Schedules in
27 the approximate amount of \$639,723. The Claim is alleged to be fully secured by a valid and
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1 perfected first lien on real estate and personal property and the Allowed Secured Claim of this class
2 shall be paid in full, as modified by this Plan. The Allowed Secured Claim shall be determined by the
3 Bankruptcy Court or agreement of the parties. As USB is oversecured, it is also entitled to recover its
4 attorneys' fees and costs incurred, subject to a determination by the Court that such fees and costs are
5 reasonable. The Debtors will make monthly payments of \$7,076.07 on the Allowed Secured Claim
6 including interest at the contract rate of 8.625%, unless the Bankruptcy Court determines that another
7 rate is more appropriate, in which case the Debtors shall make the interest payments at the rate
8 determined by the Bankruptcy Court. The maturity of the loan will be extended and the maturity date
9 will be December 31, 2014 at which time the Allowed Secured Claim will be paid in full. USB shall
10 retain a lien on its collateral to the same extent, validity and priority that existed pre-petition. All
11 defaults existing pre-petition and through Confirmation shall be deemed cured and shall not constitute
12 a default under this Plan.

13 This Class is impaired under the Plan.

14 **Class 2-E Allowed Secured Claim of M&I Marshall & Ilsley Bank**

15 Class 2-E consists of the Allowed Secured Claim secured by personal property of one
16 or more of the Debtors. The Claim of M&I Marshall & Ilsley Bank ("M&I") is listed in the Schedules
17 in the approximate amount of \$290,000. The Claim is alleged to be secured by a valid and perfected
18 lien on certain timeshare notes receivable and the Allowed Secured Claim of this Class shall be paid
19 in full, as modified by this Plan. The Allowed Secured Claim shall be determined by the Bankruptcy
20 Court or agreement of the parties. The Debtors will make monthly interest only payments on the
21 Allowed Secured Claim at the Plan Rate, unless the Bankruptcy Court determines that another rate is
22 more appropriate, in which case the Debtors shall make interest-only payments at the rate determined
23 by the Bankruptcy Court. In addition, the Debtors will make principal payments of \$50,000 each,
24 payable on December 31, 2010, 2011, 2012, and 2013. The maturity of the loan will be extended and
25 the maturity date will be December 31, 2014 at which time any outstanding interest and principal on
26 the Allowed Secured Claim will be paid in full. The pre-petition collateral of M&I, to the extent it
27 has been used up by the Debtors and no longer exists, shall be replaced with a first in priority lien on
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1 certain real property located in Sedona, Arizona, more specifically described in Exhibit “D” to the
2 Disclosure Statement. M&I shall retain a lien on its collateral to the same extent, validity and priority
3 that existed pre-petition, except as modified by this Plan. All defaults existing pre-petition and
4 through Confirmation shall be deemed cured and shall not constitute a default under this Plan.

5 This Class is impaired under the Plan.

6 **Class 2-F Allowed Secured Claim of The Steele Foundation, Inc.**

7 Class 2-F consists of the Allowed Secured Claim secured by personal property of one
8 or more of the Debtors. The Claim of The Steele Foundation, Inc. (“Steele Foundation”) is listed in
9 the Schedules in the approximate amount of \$214,350. The Claim is alleged to be secured by a junior
10 lien on certain timeshare notes receivable holdbacks and, also, by a lien on certain common stock of
11 ILX Resorts. The Allowed Secured Claim of this Class shall be paid in full, as modified by this Plan.
12 The Allowed Secured Claim shall be determined by the Bankruptcy Court or agreement of the parties.
13 The Debtors will make monthly interest only payments on the Allowed Secured Claim at the Plan
14 Rate, unless the Bankruptcy Court determines that another rate is more appropriate, in which case the
15 Debtors shall make interest-only payments at the rate determined by the Bankruptcy Court. The
16 maturity of the loan will be extended and the maturity date will be December 31, 2014 at which time
17 the Allowed Secured Claim will be paid in full. Steele will retain its lien on its collateral to the same
18 extent, validity and priority that existed pre-petition. All defaults existing pre-petition and through
19 Confirmation shall be deemed cured and shall not constitute a default under this Plan.

20 This Class is impaired under the Plan.

21 **Class 2-G Allowed Secured Claim of Arizona Bank & Trust Co.**

22 Class 2-G consists of the Allowed Secured Claim of Arizona Bank & Trust Co.
23 (“AZB”). The claim is listed in the Schedules in the approximate amount of \$88,491. This claim is
24 alleged to be secured by a valid and perfected lien on certain real property and personal property
25 located adjacent to Kohl’s Ranch, Gila County, Arizona. The Allowed Secured Claim of this Class
26 shall be paid in full, as modified by this Plan. The Allowed Secured Claim shall be determined by the
27 Bankruptcy Court or agreement of the parties. The Debtors will make monthly interest only payments
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1 on the Allowed Secured Claim at the Plan Rate, unless the Bankruptcy Court determines that another
2 rate is more appropriate, in which case the Debtors shall make interest-only payments at the rate
3 determined by the Bankruptcy Court. The maturity of the loan will be extended and the maturity date
4 will be December 31, 2014 at which time the Allowed Secured Claim will be paid in full. AZB will
5 retain a lien on its collateral to the same extent, validity and priority that existed pre-petition. All
6 defaults existing pre-petition and through Confirmation shall be deemed cured and shall not constitute
7 a default under this Plan.

8 In the alternative, the Debtors may elect to transfer and convey to AZB the real
9 property and any personal property securing this loan in full satisfaction thereof.

10 This Class is impaired under the Plan.

11 **Class 2-H Allowed Secured Claim of Brentwood Credit Corporation.**

12 Class 2-H consists of the Allowed Secured Claim of Brentwood Credit Corporation
13 (“Brentwood”). This claim is alleged to be secured by a valid and perfected lien on furniture and
14 equipment. The Allowed Secured Claim of this Class shall be determined by the Bankruptcy Court.
15 Brentwood will retain a lien on its collateral to the same extent, validity and priority that existed pre-
16 petition. The amount of the Claim as of July 31, 2009 is the approximate amount of \$111,184.
17 Brentwood has filed a timely proof of claim. Brentwood Credit Corporation shall receive payments in
18 the amount to which it was entitled pursuant to its pre-petition agreement with the Debtors, but thirty
19 (30) days in arrears of the schedule set forth therein.

20 This Class is impaired under the Plan.

21 **Class 2-I Allowed Secured Claim of Netbank Business Finance.**

22 Class 2-I consists of the Allowed Secured Claim of Netbank Business Finance
23 (“Netbank”). This claim is alleged to be secured by a valid and perfected lien on furniture and
24 equipment. The Allowed Secured Claim of this class shall be determined by the Bankruptcy Court.
25 Netbank will retain a lien on its collateral to the same extent, validity and priority that existed pre-
26 petition. The amount of the Claim as of July 31, 2009 is the approximate amount of \$45,168.
27 Netbank has filed a timely proof of claim. Netbank shall receive payments in the amount to which it
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1 was entitled pursuant to its pre-petition agreement with the Debtors, but thirty (30) days in arrears of
2 the schedule set forth therein.

3 This Class is impaired under the Plan.

4 **Class 2-J Allowed Secured Claim of GMAC Financial Services.**

5 Class 2-J consists of the Allowed Secured Claim of GMAC Financial Services
6 (“GMAC”). This Claim is alleged to be secured by a valid and perfected lien on a 2007 Chevrolet
7 van. The Allowed Secured Claim shall be determined by the Bankruptcy Court. GMAC will retain a
8 lien on its collateral to the same extent, validity and priority that existed pre-petition. The amount of
9 the Claim as of July 31, 2009 is the approximate amount of \$18,090. GMAC has filed a timely proof
10 of claim. GMAC shall receive payments in the amount to which it was entitled pursuant to its pre-
11 petition agreement with the Debtors, but thirty (30) days in arrears of the schedule set forth therein.

12 This Class is impaired under the Plan.

13 **Class 2-K Allowed Secured Claims of Maricopa County.**

14 Class 2-K consists of the Allowed Secured Claim of the County of Maricopa, Arizona
15 (“Maricopa County”), that is secured by a Senior Secured Claim in certain of the Debtors’ and ILX
16 Resorts Affiliates’ real property located within Maricopa County. Commencing on the Effective
17 Date, this claim will be paid in equal quarterly payments of principal and interest over a term of 1
18 year. Interest will be charged at the statutory rate plus 2%. The County will retain its existing secured
19 interest in the Real Property until this claim has been satisfied in full.

20 This Class is impaired under the Plan.

21 **Class 2-L Allowed Secured Claims of Yavapai County.**

22 Class 2-L consists of the Allowed Secured Claim of the County of Yavapai, Arizona
23 (“Yavapai County”), that is secured by a Senior Secured Claim in certain of the Debtors’ and ILX
24 Resorts Affiliates’ real property located within Yavapai County. Commencing on the Effective Date,
25 this Claim will be paid in equal quarterly payments of principal and interest over a term of 1 year.
26 Interest will be charged at the statutory rate plus 2%. The County will retain its existing secured
27 interest in the Real Property until this Claim has been satisfied in full.

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This Class is impaired under the Plan.

Class 2-M Allowed Secured Claims of Coconino County.

Class 2-M consists of the Allowed Secured Claim of the County of Coconino, Arizona (“Coconino County”), that is secured by a Senior Secured Claim in certain of the Debtors’ and ILX Resorts Affiliates’ real property located within Coconino County. Commencing on the Effective Date, this claim will be paid in equal quarterly payments of principal and interest over a term of 1 year. Interest will be charged at the statutory rate plus 2%. The County will retain its existing secured interest in the Real Property until this claim has been satisfied in full.

This Class is impaired under the Plan.

Class 2-N Allowed Secured Claims of Navajo County.

Class 2-N consists of the Allowed Secured Claim of the County of Navajo, Arizona (“Navajo County”), that is secured by a Senior Secured Claim in certain of the Debtors’ and ILX Resorts Affiliates’ real property located within Navajo County. Commencing on the Effective Date, this claim will be paid in equal quarterly payments of principal and interest over a term of 1 year. Interest will be charged at the statutory rate plus 2%. The County will retain its existing secured interest in the Real Property until this claim has been satisfied in full.

This Class is impaired under the Plan.

Class 2-O Allowed Secured Claims of Gila County.

Class 2-O consists of the Allowed Secured Claim of the County of Gila, Arizona (“Gila County”), that is secured by a Senior Secured Claim in certain of the Debtors’ and ILX Resorts Affiliates’ real property located within Gila County. Commencing on the Effective Date, this claim will be paid in equal quarterly payments of principal and interest over a term of 1 year. Interest will be charged at the statutory rate plus 2%. The County will retain its existing secured interest in the Real Property until this claim has been satisfied in full.

This Class is impaired under the Plan.

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Class 2-P Allowed Secured Claims of Mohave County.

Class consists of the Allowed Secured Claim of the County of Mohave, Arizona (“Mohave County”), that is secured by a Senior Secured Claim in certain of the Debtors’ real property located within Mohave County. Commencing on the Effective Date, this claim will be paid in equal quarterly payments of principal and interest over a term of 1 year. Interest will be charged at the statutory rate plus 2%. The County will retain its existing secured interest in the Real Property until this claim has been satisfied in full.

This Class is impaired under the Plan.

Class 2-Q Allowed Secured Claims of Pima County.

Class 2-Q consists of the Allowed Secured Claim of the County of Pima, Arizona (“Pima County”), that is secured by a Senior Secured Claim in certain of the Debtors’ and ILX Resorts Affiliates’ real property located within Pima County. Commencing on the Effective Date, this Claim will be paid in equal quarterly payments of principal and interest over a term of 1 year. Interest will be charged at the statutory rate plus 2%. The County will retain its existing secured interest in the Real Property until this claim has been satisfied in full.

This Class is impaired under the Plan.

Class 2-R Allowed Secured Claims of St. Joseph County, Indiana.

Class 2-R consists of the Allowed Secured Claim of St. Joseph County, Indiana (“St. Joseph County”), that is secured by a Senior Secured Claim in certain of the Debtors’ and ILX Resorts Affiliates’ real property located within St. Joseph County. Commencing on the Effective Date, this Claim will be paid in equal quarterly payments of principal and interest over a term of 1 year. Interest will be charged at the statutory rate plus 2%. The County will retain its existing secured interest in the Real Property until this claim has been satisfied in full.

This Class is impaired under the Plan.

Class 2-S Allowed Secured Claims of Larimer County, Colorado.

Class 2-S consists of the Allowed Secured Claim of the County of Larimer, Colorado (“Larimer County”), that is secured by a Senior Secured Claim in certain of the Debtors’ and ILX

1 Resorts Affiliates' real property located within Larimer County. Commencing on the Effective Date,
2 this claim will be paid in equal quarterly payments of principal and interest over a term of 1 year.
3 Interest will be charged at the statutory rate plus 2%. The County will retain its existing secured
4 interest in the Real Property until this claim has been satisfied in full.

5 This Class is impaired under the Plan.

6 **D. Class 3 – Allowed Unsecured Claims**

7 **Class 3-A Allowed Unsecured Claims of Trade Creditors**

8 Class 3-A consists of those allowed unsecured claims held by creditors who provide
9 supplies and services critical to the ongoing operation of the Debtors and their facilities. Creditors
10 holding such claims include, but are not limited to, trade creditors. Creditors holding Class 3-A
11 claims will receive General Unsecured Debentures in the full amount of such claims. The General
12 Unsecured Debentures will accrue interest at the Plan Rate, with interest added to principal annually.
13 The General Unsecured Debentures will have a maturity date of December 31, 2016, with
14 expectation of early payoff on December 31, 2014. In lieu of the treatment provided herein,
15 creditors holding claims in Class 3-A may elect to receive, in full satisfaction of each such Claim,
16 cash in the lesser amount of \$100 or ten percent (10%) of the value of such Claim.

17 **Class 3-B Allowed Unsecured Claims Arising from Rejected Executory**
18 **Contracts and Unexpired Leases**

19 Class 3-B consists of those allowed unsecured claims arising from the Debtors'
20 rejection of certain executory contracts and unexpired leases. Creditors holding Class 3-B claims
21 will receive General Unsecured Debentures in the full amount of such claims. The General
22 Unsecured Debentures will accrue interest at the Plan Rate, with interest added to principal annually.
23 The General Unsecured Debentures will have a maturity date of December 31, 2016, with
24 expectation of early payoff on December 31, 2014. In lieu of the treatment provided herein,
25 creditors holding claims in Class 3-B may elect to receive, in full satisfaction of each such Claim,
26 cash in the lesser amount of \$100 or ten percent (10%) of the value of such Claim.

1 **Class 3-C Allowed Unsecured, Disputed, Contingent, or Unliquidated Claims**

2 Class 3-C consists of those allowed unsecured claims designated as disputed,
3 contingent, or unliquidated in the Debtors' schedules. Upon consent of the Debtors, or a
4 determination by this Court, as to the validity and amount of any such Claim, creditors holding Class
5 3-C claims will receive General Unsecured Debentures in the full amount of such Claims. The
6 General Unsecured Debentures will accrue interest at the Plan Rate, with interest added to principal
7 annually. The General Unsecured Debentures will have a maturity date of December 31, 2016, with
8 expectation of early payoff on December 31, 2014. In lieu of the treatment provided herein,
9 creditors holding Claims in Class 3-C may elect to receive, in full satisfaction of each such Claim,
10 cash in the lesser amount of \$100 or ten percent (10%) of the value of such Claim.

11 **Class 3-D Allowed Claims of Outstanding Check Payees**

12 Class 3-D consists of claims held by recipients of un-cashed checks issued by the
13 Debtors' after January 1, 2008, or that have timely filed a proof of claim. The Claims of all other
14 outstanding check payees will be disallowed, and their holders will not be entitled to any distribution
15 from the Debtors' estates based thereon. Creditors holding Class 3-D Claims will receive General
16 Unsecured Debentures in the full amount of such Claims. The General Unsecured Debentures will
17 accrue interest at the Plan Rate, with interest added to principal annually. The General Unsecured
18 Debentures will have a maturity date of December 31, 2016, with expectation of early payoff on
19 December 31, 2014. In lieu of the treatment provided herein, creditors holding claims in Class 3-D
20 may elect to receive, in full satisfaction of each such Claim, cash in the lesser amount of \$100 or ten
21 percent (10%) of the value of such Claim.

22 **Class 3-E Allowed General Unsecured Claims**

23 Class 3-E consists of those Allowed Unsecured Claims not included in Classes 3-A
24 through 3-D. Creditors holding Class 3-E Claims will receive General Unsecured Debentures in the
25 full amount of such Claims. The General Unsecured Debentures will accrue interest at the Plan
26 Rate, with interest added to principal annually. The General Unsecured Debentures will have a
27 maturity date of December 31, 2016, with expectation of early payoff on December 31, 2014. In
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1 lieu of the treatment provided herein, creditors holding Claims in Class 3-E may elect to receive, in
2 full satisfaction of each such Claim, cash in the lesser amount of \$100 or ten percent (10%) of the
3 value of such Claim.

4 **E. Class 4 – Allowed Equity Interests**

5 Class 4 consists of the Allowed Equity Interests in the Debtors, including ILX
6 Resorts Incorporated and ILX-Bruno LLC. The Allowed Equity Interest holders shall retain their
7 interest in such Debtors, subject to the terms of the Confirmed Plan. To the extent all senior
8 Allowed Claims have first been paid in full, the balance of any assets or proceeds shall thereafter be
9 available on a pro-rata basis to any Allowed Equity Interests. No dividends or other distributions
10 shall be accrued or paid prior to 2017. In no event will the Debtors' equity holders receive a
11 dividend or distribution prior to the payment, in full, of all unsecured creditors.

12 **V. MEANS FOR EXECUTING THE PLAN**

13 **A. Funding**

14 The funding of the Plan will be provided principally from four sources:

- 15 1. Continued operations of the Debtors post Confirmation.
- 16 2. Funding from the sales of consumer notes receivable.
- 17 3. Funding from an Exit Facility.
- 18 4. Liquidation of certain of Debtors' assets; principally, real estate assets.

19 Significantly, Debtors expect that, through the sale of certain note portfolios at the
20 end of years 3 and 5, enough cash will be generated to fund all payments required by the Plan.

21 Additionally, efforts will be made to continue to reduce expenses while preserving
22 the expected levels of service established over the course of more than two decades of successful
23 business operations.

24 Non-productive assets will be disposed of systematically as market conditions
25 improve and dictate, thereby reducing debt burdens and operational costs. Among assets considered
26 for disposition are raw land in Sedona, Arizona; Bullhead City, Arizona and Puerto Penasco,
27 Mexico.

1 The Chapter 11 case has enabled the Debtors to further implement meaningful cost
2 savings measures, including: (i) company-wide pay reductions and freezes; (ii) the rejection of
3 certain costly leases, (iii) personnel reductions at many levels, and (iv) revised marketing and sales
4 strategies giving rise to efficiencies. Debtors will continue to employ fiscally responsible practices
5 suitable to scaled-down business models while preserving opportunities for future growth.

6 Attached as Exhibit “C” to the Debtors’ Disclosure Statement is the Debtors’
7 projection of revenues and expenses relating to the Debtors’ continued operation post Confirmation.
8 Additionally, attached to the Disclosure Statement as Exhibit “E” is a schedule which provides
9 detailed information regarding the expenses associated with the confirmation of the Debtors’ Plan,
10 and the sources of cash from which such expenses will be paid. The Debtors have been conservative
11 in their projections, and as such, barring any unusual economic event, Debtors are reasonably
12 confident of their ability to achieve the projected cash flow.

13 **B. Post Confirmation Structure of the Debtors and Affiliates:**

14 Debtors’ reorganization shall include changing its present corporate structure in an
15 effort to eliminate unproductive and unneeded entities, thereby creating a more efficient enterprise.
16 It is anticipated that ILX Resorts Incorporated, ILE Sedona Incorporated, Los Abrigados Partners
17 Limited Partnership, ILX-Bruno LLC, Puerto Penasco Vacation Destinations, S. de R.L. de C.V.,
18 Sea of Cortez Premiere Vacation Club, S. de R.L. de C.V., Rocky Point Genesis Incorporated,
19 Premiere Development Incorporated, VCA South Bend Incorporated, VCASB Partners General
20 Partnership, VCA Tucson Incorporated, ILX Bell Rock Incorporated and Harbor Southwest
21 Development Inc. are Debtors which will remain in existence post Confirmation. ILX Tourist
22 Station Incorporated, Genesis Investment Group Inc. and First Piggy LLC will be terminated either
23 on the Effective Date, or a soon thereafter as is practicable.

24 Non-filing companies (non-debtors) which will terminate post Confirmation are All
25 Star Resorts, Inc., First Piggy Rewards Incorporated, FPB Holdings Incorporated, Laveen
26 Properties, Inc., Timeshare Resale Brokers, Inc., Varsity Clubs of America Incorporated, VCA
27 Management Incorporated, and VCA Nevada Incorporated. It is anticipated that Golden Eagle
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1 Resort, Inc., Golden Eagle Realty Incorporated and Kohl's Ranch Water Company will remain in
2 existence post Confirmation (principally because state law or regulations require and/or support their
3 existence).

4 **C. Operation of the Debtors**

5 Debtors will operate in a manner consistent with its operations during the pendency
6 of the Chapter 11. The management of ILX Resorts is led by a 7 member team. The team has
7 combined experience in excess of 100 years with ILX Resorts as well as additional experience prior
8 to joining the Company. The principal officers of the Debtors are, and shall remain, as follows:

<u>Name</u>	<u>Position</u>
Joseph P. Martori	Chairman of the Board and Chief Executive Officer
Nancy J. Stone	Vice Chairman, President and Chief Operating Officer
Joseph P. Martori, II	Vice Chairman, Chief Sales and Marketing Officer
Edward S. Zielinski	Executive Vice President
Margaret M. Eardley	Executive Vice President, Chief Financial Officer and Secretary
Thomas F. Dunlap	Executive Vice President
Ty D. Krehbiel	Executive Vice President

14 The Reorganized Debtors, estimated to employ approximately 550 people, will sell
15 vacation ownership interests from two sales locations, Sedona and Tucson. At each location, the
16 Reorganized Debtors will sell to new customers as well as existing ILX vacation owners. The
17 Reorganized Debtors will market to customers through a variety of channels, including in-house
18 guests, off premise contact, telemarketing, and internet marketing. The primary vacation ownership
19 product will be Premiere Vacation Club.

20 The Reorganized Debtors will sell vacation ownership interests both for cash
21 (including credit card sales) and on credit (financed transactions). Purchasers who finance the
22 purchase of their interests will pay a minimum of 10% down and will be charged interest (unless
23 they pay 50% or more down and finance for a year or less) on the financed amount. The term of the
24 financing will generally be 84 months (but can be shorter or longer—not to exceed 120 months).¹
25 The Reorganized Debtors expect to retain consumer notes and earn the stated interest rate on notes

27 ¹ The Cash Flow Projections attached to the Disclosure Statement assume 84 months and 14.9% interest for sales
28 financed for more than one year.

1 and either sell portfolios of notes periodically to finance operations or borrow against the consumer
2 notes and earn a positive interest spread on the financed sales by borrowing against the consumer
3 notes at a lower rate. The Cash Flow Projections do not assume borrowing against consumer notes.²

4 The Reorganized Debtors will operate the following resorts for which the
5 Reorganized Debtors will collect revenue in the form of HOA dues, reserve funds, and other fees
6 from homeowners for the repair and replacement of capital items: Los Abrigados Resort & Spa
7 (including Winners' Circle and the adjacent Celebrity House); The Inn at Los Abrigados; Premiere
8 Vacation Club at Bell Rock; Kohl's Ranch Lodge (and Kohl's Ranch Water Company); Varsity
9 Club of America Tucson; Varsity Club of America South Bend; Premiere Vacation Club at
10 Roundhouse Resort; Sea of Cortez Premiere Vacation Club; and Golden Eagle Resort. As part of the
11 operation of these facilities, the Reorganized Debtors will earn revenue from the rental of rooms to
12 the extent of unsold and unused inventory. Food and beverage operations, spa operations, gift shop
13 and other ancillary services and products will be available in various locations.

14 The Reorganized Debtors will serve as the management company for Premiere
15 Vacation Club, Sedona Vacation Club, the Inn at Los Abrigados, Kohl's Ranch Vacation Club,
16 Varsity Clubs in South Bend and Tucson, and the Golden Eagle Resort Condominium Association.
17 By providing this service to its customers, the Reorganized Debtors also generate revenues through
18 management fees. The hotels which are managed by the Reorganized Debtors require them to
19 employ operating personnel and provide accounting, legal and risk management services. The
20 Reorganized Debtors collect and disburse dues for operations and reserves for managed properties
21 and to the HOAs of properties which are managed by others. The Reorganized Debtors pay a portion
22 of the operating expenses attributable to the unsold weeks owned by the Reorganized Debtors.

23 The Reorganized Debtors will maintain a corporate office to efficiently provide
24 contract processing, consumer finance, accounting, payroll, risk management, purchasing, legal, tax
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28 ² The Cash Flow Projections assume the sales of note portfolios at the end of each of years 3 and 5.

1 and IT support. In addition, the Reorganized Debtors will provide a central owners services
2 department and a central reservations department.

3 The Reorganized Debtors presently have sufficient unsold inventory of Vacation
4 Ownership Interests to support sales for the cash flow projection period. Should sales of inventory
5 occur at a faster pace, the additional sales would be supported through development of land in
6 Rocky Point and/or Sedona currently held for this purpose and/or opportunistic acquisition of
7 additional inventory from the market.

8 At such time as the real estate market improves, the Reorganized Debtors will
9 consider marketing for sale the Rocky Point Land, the Sedona Land and the Bullhead City Land.³

10 Any sales of assets of the Debtors which occur in the ordinary course post-
11 Confirmation shall not require approval of the Bankruptcy Court. The post Confirmation sale, other
12 than in the ordinary course of business, of any asset subject to the lien of a creditor shall require
13 either the written consent of such creditor, or an Order from this Court under Section 363 of the
14 Bankruptcy Code. The Debtors may determine in the discretion of ILX Resorts to sell assets, to
15 abandon assets to the secured creditor or to allow the secured creditor to foreclose on an asset so
16 long as such action does not conflict with specific provisions of the Confirmed Plan.

17 **C. Retained Causes of Action**

18 The Debtors' are not currently aware of any potential causes of action against insiders
19 or professionals retained by the Debtors. Although the Debtors believe they may have an avoidance
20 action against Textron with respect to one or more of its liens, because the Debtors believe they are
21 currently solvent, such an avoidance action is not appropriate at this time.

22 The Debtors do, however, specifically retain all causes of action. Any retained
23 causes of action include, but are not limited to, all avoidance actions, fraudulent conveyance actions,
24 preference actions, and other claims and causes of action of every kind and nature whatsoever,
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26
27 ³ If the Sedona Land and Rocky Point Land is sold, it will not be available as a source of additional inventory.
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1 arising before the Effective Date which have not been resolved or disposed of prior to the Effective
2 Date, whether or not such claims or causes of action are specifically identified in the Disclosure
3 Statement.

4 Any recovery obtained from retained causes of action shall become an additional
5 asset of the Debtors as the Court may determine is entitled to such recovery, and shall be available
6 for distribution in accordance with the terms of this Plan.

7 **D. Disbursing Agent**

8 ILX Resorts shall act as the Disbursing Agent under the Plan.

9 **E. Documentation of Plan Implementation**

10 In the event any entity which possesses an Allowed Secured Claim or any other lien
11 in any of the Debtors' property for which the Plan requires the execution of any documents to
12 incorporate the terms of the Plan, fails to provide a release of its lien or execute the necessary
13 documents to satisfy the requirements of the Plan, the affected Debtor may record a copy of this Plan
14 or the Confirmation Order with the appropriate governmental agency and such recordation shall
15 constitute the lien release and creation of any necessary new liens to satisfy the terms of the Plan. If
16 any such Debtor deems advisable, it may obtain a further Order from the Court that may be recorded
17 in order to implement the terms of the Plan.

18 **VII. EFFECT OF CONFIRMATION**

19 Except as otherwise provided in the Plan or the Confirmation Order, Confirmation acts as a
20 discharge, effective as of Confirmation, of any and all debts of the Debtors, that arose any time
21 before the entry of the Confirmation Order including, but not limited to, all principal and all interest
22 accrued thereon, pursuant to §1141(d)(1) of the Bankruptcy Code. The discharge shall be effective
23 as to each Claim, regardless of whether a proof of claim thereon was filed, whether the Claim is an
24 Allowed Claim, or whether the holder thereof votes to accept the Plan.

25 In addition, any pre-Confirmation obligations of a Debtor dealt with in this Plan shall be
26 considered New Obligations of the Debtor, and these New Obligations shall not be considered in
27 default unless and until the Reorganized Debtors default on the New Obligations pursuant to the
28

1 terms of the Plan. The New Obligations provided for in the Plan shall be in the place of, and
2 completely substitute for, any pre-Confirmation obligations of the Debtors and, once the Plan is
3 confirmed, the only obligations of the Debtors shall be such New Obligations as provided for under
4 the Plan.

5 **VIII. OBJECTIONS TO AND ESTIMATIONS OF CLAIMS**

6 **A. Claims Objections and Date for Filing Objections**

7 As soon as practicable, but in no event later than 120 days after the Effective Date,
8 objections to Claims shall be filed with the Bankruptcy Court and served upon the Debtors and the
9 holders of each of the Claims to which objections are made pursuant to the Bankruptcy Code and the
10 Bankruptcy Rules. Objections filed after such date will be barred.

11 **B. Settlement of Claims**

12 Settlement of any objection to a Claim not exceeding \$10,000 shall be permitted on
13 the eleventh (11th) day after notice of the settlement has been provided to the Debtors, the Creditors,
14 the settling party, and other persons specifically requesting such notice, and if on such date there is
15 no written objection filed, such settlement shall be deemed approved. In the event of a written
16 objection to the settlement, the settlement must be approved by the Court on notice to the objecting
17 party.

18 **C. Estimation of Claims**

19 For purposes of making distributions provided for under the Plan, all Claims objected
20 to shall be estimated by the Disbursing Agent at an amount equal to (i) the amount, if any,
21 determined by the Court pursuant to §502(c) of the Bankruptcy Code as an estimate for distribution
22 purposes; (ii) an amount agreed to between the Debtors and the Claimant; or, (iii) that amount set
23 forth as an estimate in the Plan or Disclosure Statement. Notwithstanding anything herein to the
24 contrary, no distributions shall be made on account of any Claim until such Claim is an Allowed
25 Claim.

1 **D. Unclaimed Funds and Interest**

2 Distribution to Claimants shall be mailed by the Disbursing Agent to the Claimants at
3 the address appearing on the master mailing matrix unless the Claimant provides the Reorganized
4 Debtors with an alternative address. For a period of one year from the date that a distribution was to
5 be made by the Disbursing Agent but has gone uncollected by the Claimant, the Disbursing Agent
6 shall retain any distributions otherwise distributable hereunder which remain unclaimed or as to
7 which the Disbursing Agent has not received documents required pursuant to the Plan. Thereafter,
8 the unclaimed funds shall re-vest in the Reorganized Debtors.

9 **IX. NONALLOWANCE OF PENALTIES AND FINES**

10 No distribution shall be made under this Plan on account of, and no other Allowed Claim,
11 whether secured, unsecured, administrative, or priority, shall include any fine, penalty, exemplary or
12 punitive damages relating to or arising from any default or breach by the Debtors, and any Claim on
13 account thereof shall be deemed disallowed, whether or not an objection was filed to it.

14 **X. CLOSING OF CASE**

15 Until this case is officially closed, the Reorganized Debtors will be responsible for filing pre-
16 and post-Confirmation reports required by the United States Trustee and paying the quarterly post-
17 Confirmation fees of the United States Trustee, in cash, pursuant to 28 U.S.C. §1930, as amended.
18 Pursuant to 11 U.S.C. §1129(a)(12), all fees payable under section 1930 of title 28, as determined by
19 the Court at the hearing on confirmation of the Plan, will be paid, in cash, on the Effective Date.

20 **XI. MODIFICATION OF THE PLAN**

21 In addition to their modification rights under §1127 of the Bankruptcy Code, the Debtors
22 may amend or modify this Plan at any time prior to Confirmation without leave of the Court. The
23 Debtors may propose amendments and/or modifications of this Plan at any time subsequent to
24 Confirmation with leave of the Court and upon notice to Creditors. After Confirmation of the Plan,
25 the Debtors may, with approval of the Court, as long as it does not materially or adversely affect the
26 interests of Creditors, remedy any defect or omission or reconcile any inconsistencies of the Plan, or
27 in the Confirmation Order, if any may be necessary to carry out the purposes and intent of this Plan.

1 **XII. JURISDICTION OF THE COURT**

2 The Court will retain jurisdiction until this Plan has been fully consummated for including,
3 but not limited to, the following purposes:

4 A. The classification of the Claims of any Creditors and the re-examination of any
5 Claims which have been allowed for the purposes of voting, and for the determination of such
6 objections as may be filed to the Creditor's Claims. The failure by a Debtor to object to or examine
7 any Claim for the purpose of voting shall not be deemed to be a waiver of such Debtor's rights to
8 object to or to re-examine the Claim in whole or in part.

9 B. To determine any Claims which are disputed by a Debtor, whether such objections
10 are filed before or after Confirmation, to estimate any Unliquidated or Contingent Claims pursuant
11 to 11 U.S.C. § 502(c)(1) upon request of the Debtors or any holder of a Contingent or Unliquidated
12 Claim, and to make determination on any objection to such Claim.

13 C. To determine all questions and disputes regarding title to the assets of the estate, and
14 determination of all causes of action, controversies, disputes or conflicts, whether or not subject to
15 action pending as of the date of Confirmation, between a Debtor and any other party, including but
16 not limited to, any rights of a Debtor to recover assets pursuant to the provisions of the Bankruptcy
17 Code.

18 D. The correction of any defect, the curing of any omission or any reconciliation of any
19 inconsistencies in this Plan, or the Confirmation Order, as may be necessary to carry out the
20 purposes and intent of this Plan.

21 E. The modification of this Plan after Confirmation, pursuant to the Bankruptcy Rules
22 and the Bankruptcy Code.

23 F. To enforce and interpret the terms and conditions of this Plan.

24 G. The entry of an order, including injunctions, necessary to enforce the title, rights and
25 powers of a Debtor, and to impose such limitations, restrictions, terms and conditions of such title,
26 right and power that this Court may deem necessary.

27 H. The entry of an order concluding and terminating this case.
28

1 **XIII. RETENTION AND ENFORCEMENT OF CLAIMS**

2 Pursuant to §1123(b)(3) of the Bankruptcy Code, as set forth herein, the Reorganized
3 Debtors shall retain and may enforce any and all Claims of any Debtor, except those Claims
4 specifically waived herein.

5 **XIV. EXECUTORY CONTRACTS AND UNEXPIRED LEASES**

6 The Debtor rejects all executory contracts and unexpired leases except for those set forth in
7 Exhibit “F” to the Disclosure Statement. The contracts and leases set forth in Exhibit “F” to the
8 Disclosure Statement are assumed subject to the Debtors’ Plan being confirmed. If there are amounts
9 which are required to be “cured” as a result of the assumption, the Debtors will reach agreement with
10 such claimant as to the amount to be cured, and the method for “cure.” If the parties do not reach
11 agreement, then the matter will be submitted to the Court for determination. The amount of any
12 required cure payments will be agreed upon by the relevant parties, or submitted to the Court for
13 determination, prior to the hearing set on confirmation of the Debtors’ Plan. Claims for any executory
14 contracts or unexpired leases rejected, pursuant to Court Order, shall be filed no later than September
15 15, 2009. Any such Claims not timely filed and served shall be disallowed.

16 **XV. RE-VESTING**

17 Except as provided for in the Plan or in the Confirmation Order, on the Effective Date the
18 Reorganized Debtors shall be vested with all the property of the estate free and clear of all claims,
19 liens, charges, and other interests of Creditors, arising prior to the Effective Date. Upon the
20 Effective Date, the Reorganized Debtors shall operate their business free of any restrictions.

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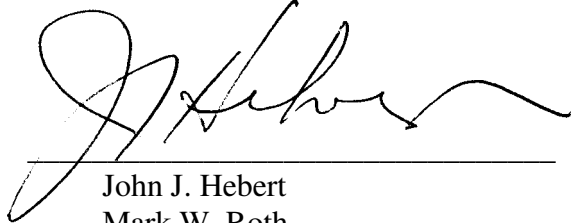
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DATED: October 2, 2009.

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By

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