

EXHIBIT C

Stephen J. Clobeck
c/o Diamond Resorts Corporation
10600 West Charleston Boulevard
Las Vegas, Nevada 89135

January 6, 2010

Via Email

Textron Financial Corporation
45 Glastonbury Blvd.
Glastonbury, CT 06033
Attn: Kyle C. Shonak, Special Assets Officer

Re: Offer to Purchase Assets of ILX Resorts, Inc. pursuant to § 1123 of the Bankruptcy Code

Dear Kyle:

As we have discussed, please allow this letter to serve as an offer by a single purpose entity to be formed and ultimately controlled by me (the "Purchaser") to purchase certain assets of ILX Resorts Incorporated ("ILX"), ILE Sedona Incorporated, ILX Tourist Station Incorporated, ILX Bruno LLC, Los Abrigados Partners Limited Partnership, Genesis Investment Group Inc., Puerto Penasco Vacations Destinations, S de R.L. de CV., Premiere Development Incorporated, Sea of Cortez Premiere Vacation Club, S. de R.L. CV, Rocky Point Genesis Incorporated, VCA Tuscan Incorporated, VCA South Bend Incorporated, VCASB Partners General Partnership, First Piggy LLC, Harbor Southwest Development Inc., and ILX Bell Rock Incorporated (collectively the "Debtors"), which had all filed chapter 11 bankruptcy petitions in March 2009, as well as certain assets of certain non-debtor, wholly-owned affiliates under the control of the Debtors (together with the Debtors, "Sellers").

The Purchaser offers to acquire a substantial portion of the assets of the Debtors and therefore has performed due diligence on the assets and liabilities of the Debtors including:

1. Review of the statements and schedules and monthly operating reports filed by the Debtors;
2. Made inquiries of the Debtors management and advisors;
3. Examination of information presented by the Debtors including but not limited to management contracts, financial statements and supporting schedules, HOA financial statements, and credit agreements and portfolio statistics.

This offer shall serve as a stalking horse offer for a sale pursuant to section 1123 of the Bankruptcy Code and the basis for the negotiation of a definitive agreement for the purchase of the majority of the assets of the Sellers subject to the approval of the bankruptcy court. The significant terms of the proposed transaction are summarized as follows:

1. Structure

The transaction is to be structured as an acquisition of assets pursuant to section 1123 of the Bankruptcy Code free and clear of all liens, claims, and encumbrances, except for the Assumed Textron Loans (as defined below) and any liens associated therewith. Accordingly, all excluded assets and all liabilities not specifically assumed as part of this transaction shall remain with the bankruptcy estate. The Purchaser is to be identified as the 'stalking horse bidder' in the purchase agreement with the protections provided below.

2. Acquired Assets

- a. **Mortgage Loans Receivable.** The Purchaser shall acquire all of the outstanding mortgage loans receivable, including in-transit loans, of the Sellers, excluding any receivables owned by or pledged as collateral to Resort Funding, LLC.
- b. **Inventory.** The Purchaser shall acquire 100% of the Sellers' unsold inventory, including inventory in default and in process of foreclosure, as of the closing date.
- c. **Buildings, Furniture and Equipment.** The Purchaser shall acquire all of the buildings, furniture and equipment of the Sellers including, but not limited to: (i) all sales and marketing centers; (ii) all real estate owned excepted as otherwise identified herein; (iii) all resort and corporate machinery and office equipment, including automobiles; (iv) any other assets. Assets that are excluded from the transaction include: (i) real estate located at 41 Mormon Hill Road; (ii) any equipment leased on long-term operating leases, except as agreed to by the Purchaser; [(iii) certain real property of the Sellers comprising of 5 acres in Bullhead City, Arizona that is zone multi-family; (iv) certain real property of the Sellers comprising of 2.1 acres of land in Puerto Peñasco (Rocky Point) Mexico; and (v) certain real property of the Sellers that is subject to any mortgages in favor of Resort Funding, LLC.
- d. **Management Contracts.** The Debtors shall assume and assign to the Purchaser all management contracts for operating the resorts including: (i) Kohl's Ranch Owners' Association; (ii) The Inn at Los Abrigados Owners' Association; (iii) Premier Vacation Club; (iv) ILX Bell Rock Incorporated; (v) Golden Eagle Resort, Inc.; (vi) Varsity Clubs of America – South Bend Chapter; (vii) Varsity Clubs of America - Tucson Chapter; and (viii) any other management contracts or similar contracts to provide management services for a fee.
- e. **Los Abrigados Land.** The Purchaser shall buy the 14.174 acre parcel know as US Forest Service Parcel A located in the SE ¼ section 7, T.17N., R.6E., G. & S.R.M., Coconino County, Arizona. This parcel is adjacent to the Los Abrigados property in Sedona,

Arizona. Notwithstanding the forgoing, the Purchaser reserves the right not to purchase the foregoing property with a proportionate reduction in purchase price.

- f. **Other Assets.** Except as otherwise identified, the Purchaser shall buy ALL other assets including, but not limited to: (i) retail inventory; (ii) food and beverage inventory; (iii) resort inventories of accommodation replacement and refurbishment items and other supplies (to the extent they are the Sellers' assets); (iv) office supplies; (v) Pre-paid marketing certificates; (vi) Gipsy Software system; (vii) assignment of the liquor license; (viii) receivables owing from Homeowner Associations pursuant to the management contracts. Excluded assets shall include: (i) Cash (including the Merchant Deposit Account); (ii) Accounts receivable (except that Mortgages Receivable shall be acquired); (iii) Excess and obsolete inventory as determined by the Purchaser at its sole discretion; (iv) Any assets that may not be acquired by law (i.e., open liquor, etc.); (v) Employee advances; and (vi) Utility and other deposits.
- g. We understand that certain non-debtor entities own assets that are integral to the total operations of ILX including but not limited to a portion of the inventory and other assets. The transaction contemplated by this offer, including the Purchase Price, is for all of the relevant assets of ILX. The allocation of the Purchase Price between Debtor and non-debtor entities is yet to be determined.

3. Purchase Price

The purchase price for the above listed assets for both Debtor and non-debtor entities shall be \$34,500,000 ("Purchase Price"). The allocation of the purchase between Debtor and non-debtor entities as well as to specific creditor classes is to be discussed and agreed. Purchaser understands that a portion of the Purchase Price may be identified to be contributed to a liquidating trust for the benefit of unsecured claims and equity interests under a plan of reorganization that will be proposed by Textron.

4. Deposit.

The Purchase shall make an earnest money deposit of \$100,000, which shall be fully refundable in the event Purchaser does not close the transaction described by this offer; provided, however, in the event the failure of the transaction to close results from Purchaser's willful misconduct, the deposit shall be forfeited.

5. Financing

The proposed purchase will be financed by the Purchaser as follows:

- a. **Cash Portion:** Cash in an amount to be determined ("Cash").

b. Assumption of Debt

- i. The Purchaser will assume the existing loans of Textron Financial Corporation to the Debtors at the balance outstanding as of the closing date of the transaction, not to exceed \$29,000,000 (the "Assumed Textron Loans"). The terms and conditions of the Assumed Textron Loans will be negotiated and restructured between the parties. This transaction for the acquisition of substantially all of the assets of ILX is wholly dependent upon reaching a satisfactory agreement with Textron for the modification and assumption of the Assumed Textron Loans.
- ii. The Assumed Textron Loans shall be secured by all of the assets acquired as part of this proposed acquisition of ILX including but not limited to mortgage loans receivable, inventory, property and equipment, and management contracts of ILX.

c. New Financing

- i. Textron will provide a term loan to the Purchaser at an amount determined as the Purchase Price, less the Assumed Textron Loans and the Cash ("Textron New Loan").
- ii. The Textron New Loan will be secured by all of the assets acquired as part of this proposed acquisition of ILX, including but not limited to mortgage loans receivable, inventory, property and equipment, and management contracts of ILX. No assets of DRC or any of its subsidiaries or affiliates, other than the Purchaser, will be pledged as collateral for the Textron New Loan.
- iii. This transaction is not contingent upon Textron providing financing for mortgage loans receivables that may be generated by the Purchaser subsequent to the closing date.

6. Other Conditions

Other conditions of the purchase include:

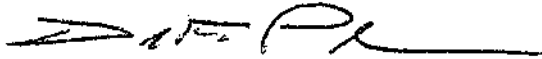
- a. All room reservations within the system (both owners and transient rental guests) shall be provided to the Purchaser in an acceptable format to the Purchaser on the closing date or as soon as practicable thereafter.

- b. ILX shall assume and assign to the Purchaser any executory contracts relating to the assets acquired or liabilities assumed or that relate to the overall business operations of ILX as identified by the Purchaser at its sole discretion.
- c. The Purchaser shall be identified as the stalking horse bidder in the asset purchase agreement and entitled to receive an expense reimbursement up to 1% of the Purchase Price in the event that it is not the successful bidder for the purchase of the assets. The bid procedures shall be acceptable to the Purchaser and require, among other things, a minimum bid increment of \$200,000, earnest money deposit, submission of financial information, and proof of financing and ability to close.
- d. Seller shall be responsible for all closing costs and all tax obligations, including but not limited to transfer taxes, sales taxes, and income taxes, which may be imposed from the sale. Further, the property shall be sold free and clear of all liens as approved by the bankruptcy court, including any outstanding and pro-rated real and personal property or other taxes which may attach to the real or personal property.
- e. Purchaser and DRC shall interview and have the opportunity to hire any of the current employees of ILX. To the extent that current employees of ILX are not engaged by the Purchaser or DRC, any termination costs shall remain with the bankruptcy estate. The Purchaser anticipates that continuity of management will be a significant contributing factor to the long-term success of this acquisition. Accordingly, the Purchaser expects that it will attempt to enter into employment agreements with Nancy Stone, Vice-Chairman and President and Margaret Eardley CFO, in an amount and duration to be determined.
- f. As part of recurring operations, the members and owners routinely pay an annual fee for operating costs as well as capital requirements (refurbishment reserves). This offer is based on each individual homeowner's association having sufficient operating cash on hand to operate the properties through December 31, 2009, including the payment of any obligations incurred but not paid through that date. Likewise, refurbishment reserves should be in an amount equal to recent reserve studies performed for the future replacement and refurbishment of existing timeshare properties. The sufficiency of 2009 operating funds and Refurbishment funds are yet to be determined. To the extent that deficiencies in operating and reserve funds may be noted prior to the completion of this transaction, the purchase price of the assets may be reduced.
- g. ILX and Purchaser agree that neither party shall disparage or otherwise make negative or unsolicited remarks, whether true or untrue, to any party including financing entities, trade vendors, employees, shareholders, journalist, or any other party, including Diamond Resorts Corporation.

7. This offer is conditioned upon: (i) the Purchaser obtaining financing based on the terms and conditions that are acceptable to the Purchaser in its sole discretion; (ii) approval by the Bankruptcy Court and entry of a final order approving the transactions contemplated by this offer, including the assumption and assignment to the Purchaser of the Sellers' inventory and the management contracts; (iii) the Purchaser completes due diligence in its sole discretion; (iv) execution of definitive documentation of the transactions contemplated by this offer, which shall be completed on or before January 31, 2010; and (v) the closing of the transactions contemplated by this offer on or before February 26, 2010.

We appreciate the opportunity to submit this offer and look forward to continuing our dialog.

Sincerely,

A handwritten signature in black ink, appearing to read "D.F. Palmer", with a long horizontal line extending to the right.

David F. Palmer
As agent for Stephen J. Cloobek